

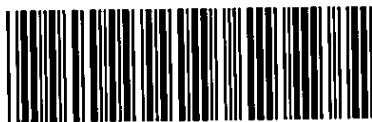
NATIONAL GRID (US) INVESTMENTS

DIRECTORS' REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

WEDNESDAY



LVBIMG1C

LD9

23/12/2009

36

COMPANIES HOUSE

ENGLAND AND WALES REGISTERED NUMBER: 3784527

NATIONAL GRID (US) INVESTMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2009

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

The Company is an investment holding company and an unlimited company.

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

The Company obtains and provides finance to fellow National Grid plc subsidiary companies via inter company balances. Results, as detailed below, largely depend on investment income received offset by interest costs incurred. The Directors believe the current level of activity will continue in the foreseeable future.

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2008/9 which does not form part of this report.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £25,779,000 (2008: £28,425,000)

The Directors do not recommend the payment of a dividend (2008: £nil).

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2009 were £757,057,000 (2008: £731,278,000) comprising current assets of £769,599,000 (2008: £744,956,000) less current liabilities of £12,542,000 (2008: £13,678,000).

FINANCIAL RISK MANAGEMENT

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit, interest rate and foreign exchange risks. These risks are monitored through a National Grid Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc and its subsidiaries.

NATIONAL GRID (US) INVESTMENTS

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL RISK MANAGEMENT (continued)

Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

LIQUIDITY RISK

The Company finances its operations through a combination of retained profits, new share issues and inter company loans.

CREDIT RISK

No material exposure is considered to exist in respect of inter company loans.

INTEREST RATE RISK

To the extent that the Company enters into inter company loan agreements, the Company's exposure to interest rate risk arises on such loans on which interest is based upon sterling LIBOR. The Company does not participate in interest rate hedging.

FOREIGN EXCHANGE RISK

To the extent that the Company enters into inter company loan agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

DIRECTORS

The Directors of the Company during the year and up to the date of signing of the financial statements were:

AJ Agg	(Appointed 10 July 2009)
MAD Flawn	
G Holroyd	(Appointed full Director 10 July 2009, previously alternate to AM Lewis)
AM Lewis	
SF Noonan	(Resigned 10 July 2009)
RF Pettifer	(Resigned 30 September 2008)
MJ Sellars	(Appointed 10 July 2009)
CJ Waters	(Appointed 30 September 2008)

TRANSACTIONS WITH DIRECTORS

None of the Directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the year.

NATIONAL GRID (US) INVESTMENTS

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' INDEMNITIES AND INSURANCE

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of National Grid's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance. The insurance indemnifies individual Directors' and Officers' personal legal liability and cost for claims arising out of actions taken in connection with the business of National Grid plc and its subsidiaries.

AUDIT INFORMATION

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

NATIONAL GRID (US) INVESTMENTS

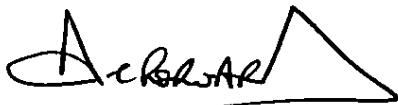
DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2009

AUDITORS

The Company has previously taken advantage of the provisions of Section 487 of the Companies Act 2006 that enable a private company to dispense with the requirement to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will be deemed to remain in office until further notice.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'DC Forward', with a large, stylized flourish extending from the end of the signature.

DC Forward
Company Secretary
23 September 2009

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NATIONAL GRID (US) INVESTMENTS

We have audited the financial statements of National Grid (US) Investments for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

23 September 2009

NATIONAL GRID (US) INVESTMENTS
PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED 31 MARCH

	Notes	2009 £'000	2008 £'000
Operating charges	3	(6)	(9)
Operating loss		<u>(6)</u>	<u>(9)</u>
Interest receivable and similar income	4	40,043	40,638
Interest payable and similar charges	5	(57)	(91)
Profit on ordinary activities before taxation		<u>39,980</u>	<u>40,538</u>
Taxation	6	(14,201)	(12,113)
Profit for the year transferred to reserves	9	<u>25,779</u>	<u>28,425</u>

The results reported above relate to continuing activities.

There are no material differences between the profit on ordinary activities before and after taxation for the years stated above and their historical cost equivalents.

The Company has no recognised gain and losses other than the profit for the years stated above and therefore no separate statement of total recognised gains and losses has been presented.

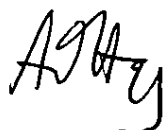
NATIONAL GRID (US) INVESTMENTS

BALANCE SHEET

AT 31 MARCH

	Notes	2009 £'000	2008 £'000
Current assets			
Amounts owed by fellow subsidiary undertakings		769,595	744,953
Cash at bank		4	3
		<u>769,599</u>	<u>744,956</u>
Creditors: amounts falling due within one year	7	<u>(12,542)</u>	<u>(13,678)</u>
Net current assets		<u>757,057</u>	<u>731,278</u>
Net assets employed		<u>757,057</u>	<u>731,278</u>
Capital and reserves			
Called up share capital	8	225	225
Share premium account	9	20,597	20,597
Profit and loss account	9	736,235	710,456
Total shareholders' funds	10	<u>757,057</u>	<u>731,278</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 23 September 2009 and signed on its behalf by:



AJ Agg
Director

NATIONAL GRID (US) INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies

(a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 1985. These financial statements have been prepared using the historical cost convention and in accordance with the accounting policies set out below. There have been no changes to accounting policies during the year.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'. Further, in accordance with exemptions under FRS 29 'Financial Instruments: Disclosures', the Company has not presented the financial instruments disclosures required by the standard, as disclosures that comply with the standard are included in the consolidated financial statements of National Grid plc.

(b) Taxation

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

(c) Financial instruments

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs.

Loans receivable are carried at amortised cost using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired is recognised on an effective interest basis in the profit and loss account.

Borrowings, which include interest-bearing loans and overdrafts, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest rate method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

NATIONAL GRID (US) INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies (continued)

(d) Foreign currencies

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign exchange currencies are retranslated at closing exchange rates. Gains and losses arising on retranslation of monetary assets and liabilities are included in the profit and loss account.

2 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were no Directors (2008: three) who exercised share options in the ordinary shares of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2008: none).

3 Operating charges

	2009 £'000	2008 £'000
Operating charges include:		
Audit fees	<u>5</u>	<u>5</u>

Disclosure of non-audit fees is not required as these have been disclosed in the consolidated financial statements of National Grid plc.

4 Interest receivable and similar income

	2009 £'000	2008 £'000
Interest receivable from fellow subsidiary undertakings	38,391	40,638
Foreign exchange gains on revaluation of foreign currency denominated loans from a fellow subsidiary undertaking	<u>1,652</u>	<u>-</u>
	<u>40,043</u>	<u>40,638</u>

NATIONAL GRID (US) INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2009

5 Interest payable and similar charges

	2009 £'000	2008 £'000
Preference dividend payable to a fellow subsidiary undertaking	57	57
Foreign exchange losses on revaluation of foreign currency denominated loans from a fellow subsidiary undertaking	-	34
	<u>57</u>	<u>91</u>

6 Taxation

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax	11,210	12,162
Adjustments in respect of prior periods	2,991	(49)
Total current tax	<u>14,201</u>	<u>12,113</u>

The tax assessed for the year is higher (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>39,980</u>	<u>40,538</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	11,195	12,162
Effect of:		
Expenses not deductible for tax purposes	16	-
Taxation on transfer pricing adjustments	(1)	-
Adjustments in respect of prior periods	2,991	(49)
Total current tax charge for the year	<u>14,201</u>	<u>12,113</u>

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the April 2009 Budget Statement which have been enacted in the Finance Act 2009.

The changes announced to the UK corporation tax system include temporary changes to the capital allowance regime and the introduction of a system for taxing foreign profits which is expected to bring in a dividend exemption and a worldwide debt cap.

The dividend exemption is likely to be available for both UK and foreign distributions, falling within an exempt classification, received on or after 1 July 2009. This is not expected to have a material effect on the future tax charge.

NATIONAL GRID (US) INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

6 Taxation (continued)

Factors that may affect future tax charges (continued)

A worldwide debt cap is likely to restrict the amount of finance expense available for UK tax purposes, based on the consolidated finance expense, and is expected to apply for accounting periods ending 31 March 2011 onwards. We are in the process of evaluating the impact the worldwide debt cap will have on the future tax charge.

These changes have not been substantively enacted as at the balance sheet date and therefore have not been included in these financial statements.

7 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	12,533	13,669
Accruals	9	9
	<u>12,542</u>	<u>13,678</u>

8 Called up share capital

	2009	2008
	£'000	£'000
Authorised		
226,000 ordinary shares of £1 each	226	226
1,000,000 preference shares of £1 each	1,000	1,000
	<u>1,226</u>	<u>1,226</u>
Allotted, called up and fully paid		
225,300 ordinary shares of £1 each	<u>225</u>	<u>225</u>

The Company is an unlimited company.

Preference shares

On 21 July 2004 the Company issued 1,000,000 preference shares of £1 each at a premium of £146 per share for a total consideration of £147,000,000. On adoption of FRS 25 on 1 April 2005 the preference shares were reclassified from equity and reported within amounts owed to fellow subsidiary undertakings; a special dividend of £146,000,000 in respect of those shares, paid in the year ended 31 March 2005, was reclassified as unwinding of the debt premium as a reserve transfer; and distributions in respect of those preference shares have been reported in interest payable to fellow subsidiary undertakings.

The holders of the preference shares are entitled to be paid a cumulative dividend at the rate of 6 month sterling LIBOR per annum on the nominal value of the shares. This dividend shall accrue on a daily basis and shall be payable on 31 March and 30 September each year.

NATIONAL GRID (US) INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

8 Called up share capital (continued)

Preference shares (continued)

On winding up, the holders of preference shares rank above ordinary shareholders. They are entitled to receive the sum equal to the amount of share capital and share premium paid up on subscription together with a sum equal to all arrears or accruals of the preference dividends irrespective of whether or not such dividend has been declared. The holders of the preference shares may attend and speak at General Meetings, but may only vote on matters affecting the rights of the preference shareholders.

9 Reserves

	Share Premium Account £'000	Profit and loss Account £'000
At 1 April 2008	20,597	710,456
Profit for the year	-	25,779
At 31 March 2009	<u>20,597</u>	<u>736,235</u>

10 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the year after taxation	25,779	28,425
Net increase in shareholders' funds	25,779	28,425
Opening shareholders' funds	731,278	702,853
Closing shareholders' funds	<u>757,057</u>	<u>731,278</u>

11 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with companies where not all of the voting rights are held within the National Grid plc group of companies.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Holdings Limited. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Holdings One plc respectively. All of these companies are registered in England and Wales.

Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH.