NATIONAL GRID PLC
Form 6-K
May 15, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 6-K
REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
Date: 15 May 2008
NATIONAL GRID plc
(Registrant s Name)
1-3 Strand
London
WC2N 5EH
(Registrant s Address)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3- 2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

NATIONAL GRID plc

By: /s/ David C. Forward
David C Forward
Assistant Secretary

Date: 15 May 2008

ANNEX 1 SUMMARY

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a 16 or 15d 16 of

The Securities Exchange Act of 1934

Announcement sent to the London Stock Exchange on 15 May 2008

National Grid plc
1-3 Strand, London, WC2N 5EH,
United Kingdom

Announcement:

National Grid plc Results for the year ended 31 March 2008

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15 May 2008

National Grid plc
Results for the year ended 31 March 2008

HIGHLIGHTS

Very strong performance

Earnings per share up 25%[1]

15% increase in full year dividend

Delivering on strategy

Acquisition of KeySpan and disposals of Wireless, Basslink, and Ravenswood

£1,605m returned to shareholders via repurchase programme since 1 April 2007

Capital investment of £3.1bn, up 30%, strong investment pipeline for organic growth

Outlook for 2008/09 positive, trading in line with our expectations.

FINANCIAL RESULTS FOR CONTINUING OPERATIONS

(£m, at actual exchange rate)	**Year ended 31 March**		
	2008	**2007**	**% change**
Business performance[1]			
Operating profit	**2,595**	**2,031**	**28**
Pre-tax profit	**1,839**	**1,486**	**24**
Earnings	**1,253**	**1,042**	**20**
Earnings per share	**48.0p**	**38.3p**	**25**
Statutory results			
Operating profit	2,964	2,513	18
Pre-tax profit	2,192	1,751	25
Earnings	1,578	1,308	21
Earnings per share	60.5p	48.1p	26
Dividend per share	**33.0p**	**28.7p**	**15**

Steve Holliday, Chief Executive, said:

National Grid has again delivered an excellent operational and financial performance. We have completed the acquisition of KeySpan and realised substantial additional value for shareholders with the successful sales of our Wireless businesses, Basslink, and the agreed sale of Ravenswood.

Looking ahead, 2008/09 is about execution building on our regulatory experience, disciplined delivery of our investment plans, continued implementation of our global operating model and I am confident that we will deliver significant further improvements that will benefit both customers and shareholders. We are well positioned to deliver another year of good performance in 2008/09, and this is reflected by our progressive dividend policy.

[1] *Business performance results are the primary financial performance measure used by National Grid, being the results for continuing operations before exceptional items, remeasurements and stranded cost recoveries. Remeasurements comprise gains or losses recorded in the income statement arising from changes in the fair value of commodity contracts and of derivative financial instruments to the extent that hedge accounting is not achieved or is not fully effective. Stranded cost recoveries are costs associated with historic generation investment and related contractual commitments that were not recovered through the sale of those investments these recoveries end in 2011. Further details are provided in Note 3 on page 24. A reconciliation of Business performance to Statutory results is provided in the consolidated income statement on page 17.*

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CHIEF EXECUTIVE S REVIEW

National Grid has continued to deliver its strategy on all fronts. We have again delivered a very strong financial performance, growing operating profit particularly in our Transmission and Gas Distribution businesses growing earnings per share and delivering a step increase in the full-year dividend.

On 24 August, we completed the acquisition of KeySpan, significantly growing our footprint in North America and positioning National Grid as the second largest energy delivery company in the US (by customer numbers).

During the year we announced a series of planned disposals, generating total proceeds of around £4.6bn, and realising significant value:

- In April, we announced that we had sold our UK Wireless business for £2.5bn.
- In August, we completed the sale of our US Wireless business for £0.2bn, and the sale of Basslink, our interconnector in Australia, for £0.5bn.
- In March, we agreed the sale of our Ravenswood generating station in New York City to TransCanada for $2.9bn (around £1.4bn) cash, ahead of market expectations, and well within the three year period allowed by the New York Public Service Commission (NYPSC). The sale is subject to regulatory approvals from the Federal Energy Regulatory Commission, the NYPSC, and clearance under US anti-trust and foreign investment laws subject to these approvals, we expect to complete the sale by summer 2008.

We are making good progress with the implementation of our global operating model, and 6 months into this transformation have already delivered improvements in customer service and reliability. We also maintain our continual focus on improving our safety and environmental performance. Over time, we expect that this approach to running our business will create significant shareholder value. At the end of March, we had reduced our regulated controllable cost base by around 1% in real terms, which includes KeySpan synergy savings at a run rate of $38m. This is ahead of our target to achieve a $100m savings run rate by March 2009.

Investment

Our organic investment pipeline remains strong. In the UK electricity and gas markets, investment is being driven by changes in sources of gas supply, the development of the UK Government s energy policy and the need for asset replacement. In the US electricity and gas markets, investment is being driven by customer additions, reliability, and the emerging need for asset replacement.

Our baseline plans to invest a total of around £16bn in our priority markets over the six years to March 2012 are on track, and we project that over the same period our total UK regulatory asset base and our total US rate base will have grown by over 35% and over 25%[2] respectively.

In 2007/08, we invested £3.1bn growing our UK and US rate bases by 11% and 6% respectively. Investment under our plans now totals £5.4bn since April 2006, leaving a balance of around £10.5bn of planned baseline investment over the next four years. This investment is expected to be financed from internal cashflow and borrowings.

Regulation

National Grid operates under 20 main regulatory controls and we believe that this regulatory portfolio leads to greater stability in our operating profit.

In the UK, we have implemented new regulatory agreements in both our Transmission and Gas Distribution businesses. In April 2007, we implemented our new five year UK Transmission Owner Price Controls in the UK these agreements resulted in baseline real revenue increases of 7% in electricity transmission and 17% in gas transmission. We also implemented our one year UK Gas

[2] *Representing growth in our US rate base excluding stranded assets of $1.4bn at 31 October 2007, and $1.7bn at 31 October 2006.*

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Distribution Price Control, which resulted in an 11% increase in allowed revenue. In December, we accepted Ofgem s final proposals for the UK Gas Distribution Price Controls for the five years from 1 April 2008. In March, Ofgem announced a review into the regulatory approach for energy networks in the UK. Industry and consumers now face very different challenges, particularly around issues such as security of supply, climate change, and investment. We look forward to working closely with Ofgem through this review process to help deliver a stable and reliable regulatory framework that meets these challenges and encourages the necessary investment.

In the US, we are in discussion with state regulators on gas rate plan filings in New Hampshire and Rhode Island, and we expect to file a new gas rate plan in upstate New York shortly. These networks are not currently earning their allowed returns and we expect these filings to result in improved returns during 2009/10.

On 22 October, as agreed with the NYPSC, we filed a $1.47bn five year capital investment plan for electricity transmission and distribution in upstate New York. These investments are largely targeted at enhancing customer service by improving the reliability of our electricity system. In December, we filed with the NYPSC to recover a portion of this investment under our existing rate plan and a decision from the NYPSC is expected shortly. We expect to make further filings for partial recovery of investment in each of the next three years, recovering the balance as part of our next rate plan from 1 January 2012 at the latest. In February, we filed with the Federal Energy Regulatory Commission (FERC) to revise the wholesale Transmission Service Charge in our upstate New York business. We anticipate a decision from the FERC around the end of the year.

Financing

We are committed to financing our business in a manner consistent with maintaining an efficient balance sheet and optimising our cost of capital, and we aim to manage the long-term trend for interest cover within a range of around 3.0 3.5 times.

During 2007/08 we raised the equivalent of around £1.6bn[3] of long term debt. We experienced a widening in credit spreads through the course of the year; however, underlying rates fell resulting in our debt finance costs remaining broadly similar to historic levels. Over recent weeks the level of issuance activity in the investment grade corporate credit market has increased markedly. We are continuing our normal Treasury operations to support our investment programme in 2008/09, and since 1 April 2008, we have raised £1.1bn of long term debt.

Climate change

Climate change continues to be a key item on the political and regulatory agenda. We believe that minimising our impact on the environment, while delivering safe, secure and economic supplies of energy to customers, should be at the heart of our operational decision making.

In April 2008, we raised our emissions reduction target to 80% by 2050, having already achieved a 38% reduction from our baseline. We also announced our plans to adopt new carbon budgets across our operations, integrating them into our day-to-day management of our electricity and gas networks, to help achieve this target. Adopting internal carbon budgets will ensure that National Grid is well prepared for future legislation by properly accounting for the potential cost of emissions under a carbon tax or mandatory cap and trade scheme.

Our current regulatory arrangements in the UK and US already have a variety of features that support enhanced environmental performance. These include, for example, incentive schemes targeted at reducing emissions associated with electricity and gas assets, gas distribution mains replacement programmes, and replacement of certain gas transmission compressor units in the UK with more efficient electric drive compressors. In the longer term, we expect ongoing emissions reductions and the use of more energy efficient plant and equipment to drive down the life-cycle costs of our assets.

[3] *National Grid issues debt in a variety of currencies, which are subsequently swapped into £ sterling or $US.*

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DIVIDEND AND SHARE REPURCHASE

In January, we announced our updated dividend policy, which reflects the Board s confidence in National Grid s growth prospects. Our new policy to grow dividends per ordinary share (expressed in sterling) has two components:

- a one-off increase of 15% in 2007/08; and
- a targeted increase of 8% in each of the four financial years through to 31 March 2012.

In line with this policy, the Board has recommended a final dividend of 21.3p per ordinary share ($2.0497 per American Depository share (ADS)), bringing the full-year dividend to 33.0p per ordinary share ($3.2650 per ADS). The final dividend is to be paid on 20 August 2008 to shareholders on the register as at 6 June 2008.

Under our US rate plans, cash flows from stranded assets in our Electricity Distribution business are scheduled to end in 2011 and do not form part of our core on-going business. We are returning these cashflows to shareholders via an on-market share repurchase programme and therefore exclude them from our dividend policy. In May 2007, we extended this share repurchase programme to return £1.8bn of proceeds from the sale of our Wireless businesses.

Since 1 April 2007 we have repurchased 213.9m shares at a value of £1,605m (as at 31 March 2008 200.1m shares had been repurchased, at a value of £1,507.4m). This completes the return of the US stranded asset post-tax cash flows for 2007/08. We are on track to complete the return of £1.8bn following the sale of our Wireless businesses within the next six months and this, together with the balance of stranded asset post-tax cash flows for 2008/09, is expected to result in a share repurchase programme of around £600m during 2008/09.

OUTLOOK

Current trading remains in line with our expectations and our outlook for the year is positive.

During 2008/09, we expect continued good operating performance in our Transmission and Gas Distribution businesses. Gas Distribution will reflect a full year of KeySpan ownership, although given the seasonality of its revenues, we expect our US gas distribution profitability to remain heavily skewed to the second half. We expect the financial performance of our Electricity Distribution and Generation business to be similar to 2007/08, due to a full year contribution from our transmission and distribution services and generation operations on Long Island, reduced deferral account recoveries, increased reliability enhancement spending, and increased depreciation.

Net interest charges are expected to be significantly higher in 2008/09 due to the full year ownership of KeySpan, whilst our effective tax rate should benefit from the reduction in the UK corporation tax rate.

Overall we are well positioned to deliver another year of solid performance, supporting our progressive dividend policy.

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BASIS OF PRESENTATION

Unless otherwise stated, all financial commentaries are given on a business performance basis, at actual exchange rates. Business performance represents the results for continuing operations before exceptional items, mark-to-market remeasurements of commodity contracts and financial instruments that are held for economic hedging purposes but did not achieve hedge accounting, and US stranded cost recoveries. Commentary provided in respect of results after exceptional items, mark-to-market remeasurements and US stranded cost recoveries is described as statutory .

REVIEW OF RESULTS AND FINANCIAL POSITION

Operating profit was £2,595m, up 28% on the prior year (up 29% on a constant currency basis[4]). This was primarily driven by strong results in our Transmission and Gas Distribution businesses.

Net finance costs were £760m, 39% higher than the prior year, mainly as a result of the completion of the KeySpan acquisition, which increased average net debt levels and reduced interest income as cash held on deposit was utilised in the transaction. Profit before tax was up 24% to £1,839m. The tax charge on profit was £583m, £141m higher than the prior year, resulting in an effective tax rate for the year of 31.7% (up from 29.7% in 2006/07).

Earnings were up 20% on the prior year at £1,253m. Earnings per share increased 25% from 38.3p last year to 48.0p, reflecting our strong operating performance and the benefit of our share repurchase programme.

Exceptional items and remeasurements for continuing operations increased earnings by £96m after tax. These comprised a £170m deferred tax credit arising from a reduction in the UK corporation tax rate, restructuring costs of £84m after tax, a commodity remeasurement gain of £133m after tax, an environmental provisions of £72m after tax, and other items which had a net negative impact of £51m after tax. Stranded cost recoveries, after tax, added £229m to earnings. After these items and minority interests, statutory earnings for continuing operations attributable to shareholders were £1,578m. Statutory basic earnings per share from continuing operations increased 26% to 60.5p, up from 48.1p in the prior year. Profit from discontinued operations was £1,618m after exceptional items and remeasurements, leading to statutory basic earnings per share of 122.5p.

Operating cash flows from continuing operations, before exceptional items, remeasurements, stranded cost recoveries, and taxation, were £175m higher than the prior year at £3,265m.

Organic investment in our continuing businesses increased by 30% to £3.1bn, primarily due to increased capital expenditure on new electricity and gas transmission infrastructure in the UK.

Our net debt rose to £17.6bn at 31 March 2008 compared with £11.8bn at 31 March 2007, mainly reflecting the acquisition of KeySpan, the increased level of capital investment and the return of £1,507m through our share repurchase programme. During the year we also received proceeds of £3.1bn from the sale of our Wireless and Basslink businesses.

Our average return on equity[5,6] was 11.8% over a three year period, compared with 12.0% previously. In 2007/08 the return was 12.2%, down on the prior year, mainly reflecting the sale of our Wireless businesses and movements in UK inflation. Interest cover[6] at 31 March 2008 was 3.2x, down as planned from 3.8x at 31 March 2007, mainly reflecting increased interest costs following the completion of the KeySpan acquisition.

[4] *Constant currency basis refers to the reporting of the actual results against the prior period results which, in respect of any US$ currency denominated activity, have been translated using the average US$ exchange rate for the year ended 31 March 2008, which was $2.01 to £1.00. The average rate for the year ended 31 March 2007 was $1.91 to £1.00.*

[5] *The three year average return on equity reflects a reclassification between segments in prior years relating to the pension scheme deficit in electricity transmission in the UK. This reclassification reduced the reported return on equity from 14.1% to 13.5% in 2006/07, from 10.1% to 9.7% in 2005/06, and reduced the three year average to 2006/07 from 12.4% to 12.0%.*

[6] *A description of these metrics can be found on page 15.*

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REVIEW OF TRANSMISSION OPERATIONS

Summary results (£m)	**Year ended 31 March 2008**	**2007**	**% change**
Revenue and other operating income	3,255	3,086	5
Operating costs	(1,694)	(1,639)	(3)
Depreciation and amortisation	(412)	(393)	(5)
Operating profit actual exchange rate	**1,149**	**1,054**	**9**
Operating profit constant currency	**1,149**	**1,049**	**10**

Operating profit by geographical segment (£m, at constant currency)	**Year ended 31 March 2008**	**2007**	**% change**
UK	1,021	946	8
US	128	103	24
Operating profit	**1,149**	**1,049**	**10**

Capital investment (£m, at actual exchange rate)	**Year ended 31 March 2008**	**2007**	**% change**
UK	1,600	1,235	30
US	111	108	3
Capital investment	**1,711**	**1,343**	**27**

Rate base*	**2007/08**	**2006/07**	**% change**
UK regulatory asset value (£m)	10,737	9,313	15
US rate base ($m)**	885	810	9

Returns*	**2007/08**	**2006/07**
UK operational return (real)		
Electricity transmission	4.6%	4.9%
Gas transmission	7.2%	7.3%
US regulatory return on equity (nominal)**		
New England Power***	11.9%	12.8%

** Rate base and returns are for the 12 months ended 31 March for both the UK and US.*

*** In New York, our electricity and gas, transmission and distribution activities (including our stranded cost recoveries) make a combined regulatory filing each calendar year. The combined New York rate base and returns are reported in our Electricity Distribution and Generation business line.*
**** Based on New England Power common equity excluding goodwill.*

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Transmission delivered a very strong performance this year. Operating profit increased to £1,149m, up 9%. This was primarily driven by a step up in UK regulated revenue following the five year Transmission Owner Price Controls which came into effect on 1 April 2007; this was supported by a strong performance under our incentive schemes and resulted in a £176m increase in operating profit. US regulated revenue increased by £27m, mainly as a result of increases in our New England rate base. As expected, demand for French interconnector and LNG storage capacity returned closer to historical normal levels, resulting in a £62m decrease in revenues from those businesses. Depreciation charges were higher than in the prior year by £19m as a result of increasing capital investment. Other items decreased operating profit by a net £22m compared to the prior year. Movement in exchange rates had a £5m year-on-year negative impact on operating profit.

Capital investment in Transmission increased by 27% on the prior period to £1,711m. Around 30% of this investment was in our South Wales gas transmission pipeline project. At 316km in length, the pipeline connects the two LNG terminals under construction at Milford Haven to the UK national gas transmission system; we completed commissioning of the second stage in January, providing around 570GWh/day of capacity. The balance of investment was principally driven by new load related infrastructure and asset replacement on our electricity transmission systems. These investments resulted in increases in our Transmission UK regulatory asset value and US rate base by 15%, and 9% respectively, as compared to the prior year.

Logging-up mechanisms are a new and positive feature of the UK Transmission Owner Price Controls which came into effect on 1 April 2007. These mechanisms allow the recovery of specific uncertain operating costs and capital investments that may exceed baseline regulatory allowances. In 2007/08, we logged-up a total of £95m, of which £7m related to operating expense, and £88m related to capital investment.

We measure the financial performance of our UK regulated business using an operational return metric. In our electricity transmission business we achieved a 4.6% operational return, performing broadly in-line with regulatory assumptions. In our gas transmission business we achieved a 7.2% operational return, significantly outperforming regulatory assumptions, mainly as a result of good incentive scheme performance.

In the US we measure our financial performance against the allowed regulatory return on equity, the basis used by our regulators in the US for setting rates. In New England Power we achieved a 11.9% regulatory return on equity, down from 12.8% in the prior year, mainly reflecting the absence of a one-off benefit in 2006/07. Our New York electricity and gas, transmission and distribution businesses operate under a single rate plan; this rate base and return are reported in our Electricity Distribution and Generation business line.

Looking ahead to 2008/09, we expect that an above inflation increase in UK regulated revenue will continue to be a major driver of performance. However, this benefit will be partially offset by higher workload and inflation related costs, lower revenues from our French interconnector and LNG storage businesses, and continued higher depreciation charges. Following the completion of our Milford Haven gas transmission pipeline in South Wales, capital investment in Transmission in the year ahead is expected to return closer to 2006/07 levels, and will continue to drive growth in our rate base and future earnings.

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REVIEW OF GAS DISTRIBUTION OPERATIONS

Summary results (£m)	**Year ended 31 March 2008**	**2007**	**% change**
Revenue and other operating income	4,236	1,822	132
Operating costs	(2,977)	(1,148)	(159)
Depreciation and amortisation	(272)	(194)	(40)
Operating profit actual exchange rate	**987**	**480**	**106**
Operating profit constant currency	**987**	**477**	**107**

Operating profit by geographical segment (£m, at constant currency)	**Year ended 31 March 2008**	**2007**	**% change**
UK	595	409	45
US	392	68	
Operating profit	**987**	**477**	**107**

Capital investment (£m, at actual exchange rate)	**Year ended 31 March 2008**	**2007**	**% change**
UK capex	161	157	3
UK repex	353	333	6
US	188	36	
Capital investment	**702**	**526**	**33**

Rate base*

	2007/08	**2006/07**	**% change**
UK regulatory asset value (£m)	6,498	6,200	5
US rate base ($m)	6,934		

Returns*, **

	2007/08	**2006/07**
UK operational return (real)		
Gas distribution	5.1%	5.0%

** Rate base and returns are for the 12 months ended 31 March for the UK and 31 December for the US. The closing UK regulatory asset value for 2006/07 was re-based as part of the five-year UK gas distribution price controls which came into effect on 1 April 2008. In New York, our electricity and gas, transmission and distribution activities* *(including our stranded cost recoveries) make a combined regulatory filing each calendar year. The combined New York rate base and returns are reported in our Electricity Distribution and Generation business line.*

*** National Grid acquired KeySpan on 24 August 2007. At this time, National Grid has not made any regulatory filings for a full rate year under its ownership and therefore regulatory returns for the former KeySpan gas businesses have not been reported this year.*

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Operating profit from Gas Distribution more than doubled this year to £987m. Following the acquisition on 24 August, we have a seven month contribution from the former KeySpan gas businesses during the winter heating period, which increased operating profit by £349m. Revenue in our US gas business is linked to delivery volumes which results in a very strong seasonal bias with substantially higher revenue recovery in the second half of the year. This year we had the first full year of operations in our Rhode Island gas business (following its acquisition in August 2006), which, with significantly lower revenue recovery in the first half compared to the second half, resulted in a £13m negative impact on operating profit compared to the prior year. Net formula income in the UK was up £165m mainly driven by a step up in UK regulated revenue following the one year Gas Distribution Price Controls which came into effect on 1 April. The beneficial effect of timing on recovery of income more than offset other items, mainly relating to pass-through costs, and together these items resulted in a net increase in operating profit of £9m. The year-on-year movement in exchange rates reduced operating profit by £3m.

During the period, together with our gas distribution alliance partnerships, we have replaced over 1,835km of gas mains in the UK, resulting in total replacement expenditure (repex) of £353m. In the US, in addition to investment in replacing ageing network infrastructure, we have added around 30,000 new gas customers since August and are on track to achieve our target margin growth of around $60m annually. Overall, our investment in network infrastructure projects in the UK and US resulted in total capital expenditure (including repex) of £702m.

We measure the financial performance of our UK regulated business using an operational return metric. We achieved a 5.1% operational return, performing broadly in-line with regulatory assumptions.

In the US, we are in discussion with state regulators on gas rate plan filings in New Hampshire and Rhode Island, and we expect to file a new gas rate plan in upstate New York shortly. Features of these filings include (among other items): pension and employee benefit reconciliation; cast iron and bare steel replacement programmes; rate design changes; proposals for decoupling of revenue from delivery volumes; and full reconciliation of commodity related bad debts. These networks are not currently earning their allowed returns and we expect these filings with the relevant state regulators to result in improved returns during 2009/10.

In 2008/09, we expect operating profit to be mainly driven by an above inflation increase in UK regulated revenue following the five year regulatory price control which came into effect on 1 April 2008. In the US, an increase in revenue from our downstate New York gas businesses, following the new merger rate plans which came into effect on 1 January 2008, is expected to offset the negative impact of a full first-half contribution from the former KeySpan gas businesses during the seasonally weaker summer period. Across Gas Distribution, continued roll-out of our global operating model is expected to make a positive contribution to operating profit, by driving real reductions in controllable costs. Capital investment in Gas Distribution is expected to increase significantly in both the UK and US and will continue to drive growth in our rate bases and future earnings.

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REVIEW OF ELECTRICITY DISTRIBUTION AND GENERATION OPERATIONS

Summary results (£m)	**Year ended 31 March 2008**	**2007**	**% change**
Revenue and other operating income*	3,126	3,004	4
Operating costs	(2,650)	(2,513)	(5)
Depreciation and amortisation	(146)	(127)	(15)
Operating profit actual exchange rate	**330**	**364**	**(9)**
Operating profit constant currency	**330**	**346**	**(5)**

Operating profit by principal activities (£m, at constant currency)	**Year ended 31 March 2008**	**2007**	**% change**
Electricity distribution	305	346	(12)
Long Island transmission and distribution services	9		
Long Island generation	16		
Operating profit	**330**	**346**	**(5)**

Capital investment (£m, at actual exchange rate)	**Year ended 31 March 2008**	**2007**	**% change**
Electricity distribution	244	218	12
Long Island generation	13		
Capital investment	**257**	**218**	**18**

Rate base**

	2007/08	**2006/07**	**% change**
US rate base ($m)***	7,389	7,335	1

Returns**,****

	2007/08	**2006/07**
US regulatory return on equity (nominal)		
Upstate New York ***	8.4%	9.6%
Massachusetts Electric	9.5%	10.5%

** Excludes revenue from stranded cost recoveries.*
*** Rate base and returns are for the 12 months ended 31 October for upstate New York and 31 December for all other rate plans.*

**** In New York, our electricity and gas, transmission and distribution activities (including our stranded cost recoveries) make a combined regulatory filing each calendar year. The combined New York rate base and returns are reported here for the rate years ended 31 October. The New York rate base includes stranded assets of $1.4bn at 31 October 2007, and $1.7bn at 31 October 2006. The 8.4% return for 2007/08 excludes certain one-off items relating to voluntary early retirement costs and write-offs in our New York deferral account balance these items would reduce the reported return by 2%.*

***** US returns are reported for our largest electricity rate plans. Details of returns and rate base for all rate plans can be found at www.nationalgrid.com.*

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During the year, electricity distribution revenues (excluding pass-through commodity costs) increased, adding £15m to operating profit, and a year-on-year reduction in storm costs led to a further increase of £33m. Despite these benefits, operating profit from Electricity Distribution and Generation decreased by 9% during the year to £330m. Timing of rate adjustments for pass-through items led to a year-on-year negative impact of £27m, mainly due to over recovery of commodity costs in 2006/07. Higher operational expenditure in our reliability enhancement programme and an increase in bad debts, further impacted operating profit by £30m. A seven month contribution of £25m from the former KeySpan generation and transmission and distribution services activities on Long Island was more than offset by other items, principally one-off in nature, and together these items resulted in a net £7m decrease in operating profit. Movement in exchange rates had a £18m year-on-year negative impact on operating profit.

Capital expenditure was up 18% on the prior year at £257m. On 22 October, as agreed with the NYPSC, we filed a detailed five year capital investment plan for electricity transmission and distribution in upstate New York. This plan calls for a minimum investment of $1.47bn and the potential to invest up to around $2.4bn. These investments are largely targeted at enhancing customer service by improving the reliability of our electricity system.

We measure our US financial performance against the allowed regulatory return on equity, the basis used by our regulators in the US for setting rates. In New York, the combined regulatory RoE includes electricity transmission and distribution, gas distribution, and US stranded cost recoveries for the rate year ending 31 October 2007 this was 8.4%, down from the prior year, principally reflecting the increase in bad debts and higher spending in our reliability enhancement programme. This excludes one-off items relating to voluntary early retirement costs and write-offs in our New York deferral account balance these items would reduce the reported return by 2%. In Massachusetts, the RoE for the calendar year ending 31 December 2007 was 9.5%, lower than the prior year, principally as a result of an increase in bad debt costs.

In accordance with our New York rate plan, we make biannual filings to recover amounts recorded in the deferral account and over calendar years 2006 and 2007 we recovered $300m. Following this reduction in the deferral account balance we have filed to recover $128m in each of calendar years 2008 and 2009. In 2008/09, we expect this, together with continued increases in operating expenditure under our reliability enhancement plan and increased depreciation charges, to be offset by a positive year-on-year variance arising from a full year contribution from our transmission and distribution services and generation operations on Long Island. Our overall financial performance in this business is therefore expected to be similar to 2007/08.

Capital investment in Electricity Distribution and Generation is expected to continue to increase in 2008/09, principally driven by our reliability enhancement programme. In December, we filed with the NYPSC for revenue recovery in respect of electricity transmission and distribution investment that we expect to make in our upstate New York business during 2008. As filed, 50% of the revenue requirements on this investment will be recovered as part of our deferral account reset in 2010 and 2011; a decision from the NYPSC is expected shortly. We expect to make further filings for partial recovery of investment in each of the next three years, recovering the balance as part of our next rate plan from 1 January 2012. This results in a downward pressure on regulatory returns in the short term; however, in the medium term we expect this investment will drive growth in our rate base and our future earnings.

National Grid
2007/08 Full Year Results

REVIEW OF NON-REGULATED AND OTHER ACTIVITIES

Summary results (£m)	**Year ended 31 March 2008**	**2007**	**% change**
Revenue and other operating income	709	638	11
Operating costs	(416)	(348)	(20)
Depreciation and amortisation	(164)	(157)	(4)
Operating profit	**129**	**133**	**(3)**

Operating profit by principal activities (£m, at actual exchange rate)	**Year ended 31 March 2008**	**2007**	**% change**
Metering	104	103	1
Grain LNG	12	9	33
Property	93	86	8
Sub-total operating profit	**209**	**198**	**6**
Corporate and other activities	(80)	(65)	(23)
Operating profit	**129**	**133**	**(3)**

Capital investment (£m, at actual exchange rate)	**Year ended 31 March 2008**	**2007**	**% change**
Metering			