NATIONAL GRID PROPERTY LIMITED

(FORMERLY SECONDSITE PROPERTY PORTFOLIO LIMITED)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2006

REGISTRATION NUMBER: 2531489

NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a holding company.

The Company passed a Special Resolution on 10 October 2005 changing the Company name to National Grid Property Ltd.

PRINCIPAL RISKS AND UNCERTAINTIES

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 foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc group companies (the 'Group').
Group 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.

INTEREST RATE RISK

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

CREDIT RISK

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

FOREIGN EXCHANGE RISK

The Company has no foreign exchange rate risk as all activities are based in the UK.

BUSINESS REVIEW

The Company owns 100% of the equity share capital of National Grid Property Holdings Limited, National Grid Land Developments Limited and National Grid Land Investments Limited.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

BUSINESS REVIEW (continued)

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. For information on the development, performance and position of the Group as a whole, and of the key performance indicators used by the Group, refer to the Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2005/06, which does not form part of this report.

RESULTS AND DIVIDEND

The Company's profit for the year after taxation was Nil (2005: £356,951,750). No dividend was proposed (2005: £329,387,849). The retained profit for the year of Nil (2005: £27,563,901) has been transferred to reserves.

DIRECTORS

The following served as Directors throughout the year:

P C Kirby
B J McKendry

DIRECTORS' INTERESTS

No Director had an interest in any contract to which the Company was a party. No Director had any beneficial interest in the shares of the Company or any other company within the National Grid Group except for their beneficial interests in the shares of the ultimate parent Company, National Grid plc (formerly National Grid Transco plc). In August 2005 National Grid plc carried out a Return of Cash, which consisted of the issue of "B" shares and an ordinary share consolidation – 43 new ordinary shares of 11 $^{17}/43$ pence for every 49 existing ordinary shares of 10 pence each – (the "Share Consolidation"), however interests in share options and the Performance Share Plan were not subject to the Share Consolidation. The interests held in shares in the ultimate parent company, National Grid plc, were as follows:

Beneficial Holdings	Ordinary Shares in National Grid plc as at 1 April 2005	Ordinary Shares in National Grid plc as at 31 March 2006
P C Kirby*	22,679	20,150
B J McKendry*	37,937	33,942

* As a result of the Share Consolidation the following directors held "B" shares as at 31 March 2006:
P C Kirby 7,685 "B" shares
B J McKendry 25,481 "B" shares

Holdings of interests in ordinary shares include shares acquired pursuant to the Lattice All Employee Share Ownership Plan and the National Grid Share Incentive Plan, details of which are included in the annual report and accounts of National Grid plc.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' INTERESTS (Continued)

Share Options	Options as at 1 April 2005	Options exercised during the year	Options lapsed during the year	Options granted during the year	Options as at 31 March 2006
P C Kirby	16,726	-	-	-	16,726
B J McKendry	14,487	-	-	-	14,487

All options were given under the ultimate parent company's Savings Related Share Option Schemes and Executive Share Option Schemes, details of which are given in that company's annual report and accounts.

Performance Share Plan Interests	Beneficial Holding as at 1 April 2005	Awarded in year	Beneficial Holding as at 31 March 2006	Release date
P C Kirby	46,181	22,963	69,144	June 2007 to June 2009
B J McKendry	16,889	8,980	25,869	June 2007 to June 2009

All interests held in accordance with the terms of the National Grid Performance Share Plan, details of which are given in the annual report and accounts of National Grid plc.

DIRECTORS' INSURANCE

The ultimate parent company has purchased insurance to cover the directors against liabilities in relation to the Company.

PAYMENT OF SUPPLIERS

It is the Company's policy to agree the terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations.

FIXED ASSETS

Changes in fixed assets during the year are shown in note 5 to the accounts.

NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 11 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for preparing the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business. Therefore, the accounts have been prepared on the going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors of the Company and to remain in office until the next annual general meeting of the Company at which accounts are laid.

By order of the Board:

.... 28 November 2006

B J McKENDRY
Director

Registered Office:
1-3 The Strand
London
WC2N 5EH

Company No: 2531489

NATIONAL GRID PROPERTY LIMITED

Independent Auditors' report to the members of National Grid Property Limited

We have audited the financial statements of National Grid Property Limited for the year ended 31 March 2006, 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 2006 and of its result 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 28 November 2006

NATIONAL GRID PROPERTY LIMITED

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 MARCH 2006

Continuing operations	Notes	Year Ended 31 March 2006	Year Ended 31 March 2005
		£000	£000
Turnover		-	-
Administrative expenses		-	-
Total Operating Profit		-	-
Profit on disposal of investments	5	-	27,564
Profit on ordinary activities before interest and taxation		-	27,564
Income from shares in subsidiary undertakings		-	329,388
Profit on ordinary activities before taxation	3	-	356,952
Tax on profit on ordinary activities	4	-	-
Profit for the financial year		-	356,952
Equity Dividends paid: Nil (2005: £10.63 per £1 share)		-	(329,388)
Retained profit for the financial year	9	-	27,564

The Company has no recognised gains or losses other than the profit for the financial year disclosed in the profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The accompanying notes on pages 8 to 11 form part of these accounts.

NATIONAL GRID PROPERTY LIMITED

BALANCE SHEET AS AT 31 MARCH 2006

	Notes	31 March 2006	31 March 2005
		£000	£000
FIXED ASSETS			
Investments	5	58,564	58,564
		58,564	**58,564**
CURRENT ASSETS			
Debtors (amounts falling due within one year)	6	163,787	163,787
TOTAL CURRENT ASSETS		163,787	163,787
Creditors (amounts falling due within one year)	7	(163,787)	(163,787)
NET CURRENT ASSETS		-	-
NET ASSETS		**58,564**	**58,564**
CAPITAL AND RESERVES			
Called up share capital	8	31,000	31,000
Profit and loss account	9	27,564	27,564
TOTAL SHAREHOLDERS' FUNDS	10	**58,564**	**58,564**

The accounts on pages 6 to 11 were approved by the Board of Directors on **28 NOVEMBER 2006**, and signed on its behalf by:

B J McKendry......................................
Director

NOTES TO THE ACCOUNTS

(1) PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting and financial reporting standards.

Investments

Investments in subsidiary undertakings are stated at historic cost after any provision for diminution in value.

(2) GROUP ACCOUNTS

As the Company is a wholly owned subsidiary of National Grid plc, the subsidiaries of the Company (see note 5) have not been consolidated with these accounts.

(3) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee is borne by the parent company.

The Company has no employees. All of the Directors are employed by other companies within the Group, with all emoluments paid to the Directors being borne by their respective employer for their qualifying services.

(4) TAXATION

The tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:	**Year Ended 31 March 2006**	**Year Ended 31 March 2005**
	£000	£000
Corporation tax at UK statutory rates 30% (2005: 30%) on historical cost profit	-	107,086
Effect on tax charge of:		
Dividends received from UK subsidiaries	-	(98,817)
Profit on sale of investments	-	(8,269)
TOTAL TAXATION	-	-

NOTES TO THE ACCOUNTS

(5) INVESTMENTS

Shares in subsidiary undertakings	31 March 2006 £000	31 March 2005 £000
Cost at beginning of year	58,564	31,000
Additions	-	27,564
Cost at end of year	58,564	58,564

The Company owns 100% of the issued ordinary share capital of National Grid Property Holdings Limited, National Grid Land Investments Limited and National Grid Land Developments Limited. National Grid Land Investments Limited owns 100% of the issued ordinary share capital of Mainstream Forty-Seven Limited, 79% of Port Greenwich Limited and 99.99% of Assethall Limited. All undertakings are registered in England and Wales. The principal activities of these undertakings are ownership and management of part of the National Grid Group's UK property portfolio.

(6) DEBTORS

	31 March 2006	31 March 2005
Amounts falling due within one year	£000	£000
Amounts owed by group undertakings	163,787	163,787

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

(7) CREDITORS

	31 March 2006	31 March 2005
Amounts falling due within one year	£000	£000
Amounts owed to subsidiary undertakings	163,787	163,787

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand

NOTES TO THE ACCOUNTS

(8) SHARE CAPITAL

	31 March 2006	31 March 2005
	£000	£000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
Issued, allotted and fully paid:		
31,000,200 ordinary shares of £1 each	31,000	31,000

(9) PROFIT AND LOSS ACCOUNT

	31 March 2006
	£000
At the beginning of the year	27,564
Profit retained for the year	-
At 31 March 2006	27,564

(10) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 2006
	£000
At the beginning of the year	58,564
Profit for the year	-
Dividends paid	-
Shareholders' funds at 31 March 2006	58,564

(11) COMMITMENTS AND CONTINGENCIES

The Company had no contractual commitments or contingencies as at 31 March 2006 (31 March 2005: Nil).

NOTES TO THE ACCOUNTS

(12) ULTIMATE PARENT COMPANY AND RELATED PARTIES

The immediate parent company is National Grid Commercial Holdings Limited.

The ultimate holding company is National Grid plc, which is registered in England and Wales. Copies of the consolidated accounts of National Grid plc may be obtained from 1-3 The Strand, London, WC2N 5EH.

The parent company of the largest group for which consolidated accounts are prepared in which National Grid Property Limited is included is National Grid plc, and the parent company of the smallest group for which consolidated accounts are prepared in which National Grid Property Limited is included is Lattice Group plc.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The Company is also exempt under the terms of Financial Reporting Standard No. 8 ("Related Party Transactions") from disclosing related party transactions with entities that are part of the National Grid Group.