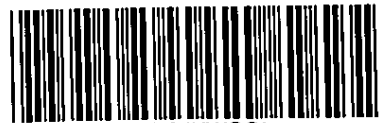


NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2007

REGISTRATION NUMBER: 2531489

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NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

PRINCIPAL ACTIVITIES

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

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 & FUTURE DEVELOPMENTS

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

The company will continue to operate as an investment company for the foreseeable future

NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

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 2006/07, which does not form part of this report.

RESULTS AND DIVIDEND

The Company's loss for the year after taxation was £18,930,000 (2006 £Nil). A dividend was paid of £100,000,000 (2006 £Nil). The retained loss for the year has been transferred to reserves.

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2007 were £39,634,000 (2006 £58,564,000) comprising fixed assets of £58,564,000 (2006 £58,564,000), current assets of £64,857,000 (2006 £163,787,000) less current liabilities of £83,787,000 (2006 £163,787,000).

DIRECTORS

The following served as Directors throughout the year:

P C Kirby
B J McKendry

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.

DIRECTORS' INSURANCE

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group'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 Group business.

NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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.

NATIONAL GRID PROPERTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

AUDIT INFORMATION

So far as the Directors in office at the date of signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each such 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

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

Registered Office:

1-3 The Strand

London

WC2N 5EH


B J McKENDRY
Director

04 January 2008

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 2007 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 Directors' responsibilities statement in the Directors' Report.

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 2007 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
London

7 January 2008

NATIONAL GRID PROPERTY LIMITED

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 MARCH 2007

| Continuing operations | Notes | Year Ended 31 March 2007 | Year Ended 31 March 2006 |
|--|-------|-----------------------------|--------------------------------|
| | | £000 | £000 |
| Turnover | | - | - |
| Administrative expenses | | - | - |
| Total Operating Profit | | <hr/> - | <hr/> - |
| Profit on disposal of investments | | <hr/> - | <hr/> - |
| Profit on ordinary activities before interest and taxation | | - | - |
| Income from shares in subsidiary undertakings | | 80,000 | - |
| Profit on ordinary activities before taxation | 3 | <hr/> 80,000 | <hr/> - |
| Tax on profit on ordinary activities | 4 | 1,070 | - |
| Profit for the financial year | | <hr/> 81,070 | <hr/> - |
| Equity Dividends paid £3 23 per £1 share (2006 Nil) | | (100,000) | - |
| Retained loss for the financial year | 9 | <hr/> (18,930) <hr/> | <hr/> - <hr/> |

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

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

The accompanying notes on pages 8 to 12 form part of these accounts

NATIONAL GRID PROPERTY LIMITED

BALANCE SHEET AS AT 31 MARCH 2007

| | Notes | 31 March 2007 | 31 March 2006 |
|---|-------|-----------------|----------------|
| | | £000 | £000 |
| FIXED ASSETS | | | |
| Investments | 5 | 58,564 | 58,564 |
| | | 58,564 | 58,564 |
| CURRENT ASSETS | | | |
| Debtors (amounts falling due within one year) | 6 | 64,857 | 163,787 |
| TOTAL CURRENT ASSETS | | 64,857 | 163,787 |
| Creditors (amounts falling due within one year) | 7 | (83,787) | (163,787) |
| NET CURRENT LIABILITIES | | (18,930) | - |
| NET ASSETS | | 39,634 | 58,564 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 31,000 | 31,000 |
| Profit and loss account | 9 | 8,634 | 27,564 |
| TOTAL SHAREHOLDERS' FUNDS | 10 | 39,634 | 58,564 |

The accounts on pages 6 to 12 were approved by the Board of Directors on
04 JANUARY 2008 and signed on its behalf by

B J McKendry


 Director

NATIONAL GRID PROPERTY LIMITED

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

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

(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

During the year there was one Director (2006: None) who exercised share options in the ordinary shares of the ultimate parent company, National Grid plc

NATIONAL GRID PROPERTY LIMITED

NOTES TO THE ACCOUNTS

(4) TAXATION

| | Year Ended 31 March 2007 £000 | Year Ended 31 March 2006 £000 |
|--|--|--|
| <u>Current Tax</u> | | |
| UK Corporation Tax on profits for the year | 2,038 | - |
| Adjustments in respect of prior periods | (3,108) | - |
| TOTAL CURRENT TAX | <u>(1,070)</u> | <u>-</u> |
| TOTAL TAX CREDIT | <u>(1,070)</u> | <u>-</u> |

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

| | Year Ended 31 March 2007 £000 | Year Ended 31 March 2006 £000 |
|--|--|--|
| Profit on ordinary activities before tax | <u>80,000</u> | <u>-</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%) | 24,000 | - |
| Effect of | | |
| Non-taxable income | (24,000) | - |
| Taxation on imputed interest | 2,038 | - |
| Adjustments in respect of prior periods | (3,108) | - |
| Total current tax credit for the period | <u>(1,070)</u> | <u>-</u> |

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been/are expected to be enacted in the 2007 and 2008 Finance Acts The changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The changes enacted in the Finance Act 2007 include a reduction in the corporation tax rate from 30% to 28% with effect from 1st April 2008

NATIONAL GRID PROPERTY LIMITED

NOTES TO THE ACCOUNTS

(5) INVESTMENTS

| | 31 March 2007 | 31 March 2006 |
|--|--------------------------|--------------------------|
| <u>Shares in subsidiary undertakings</u> | £000 | £000 |
| Cost at beginning of year | 58,564 | 58,564 |
| Additions | - | - |
| Cost at end of year | <u>58,564</u> | <u>58,564</u> |

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 2007 | 31 March 2006 |
|--|--------------------------|--------------------------|
| <u>Amounts falling due within one year</u> | £000 | £000 |
| Amounts owed by group undertakings | <u>64,857</u> | <u>163,787</u> |

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

(7) CREDITORS

| | 31 March 2007 | 31 March 2006 |
|--|--------------------------|--------------------------|
| <u>Amounts falling due within one year</u> | £000 | £000 |
| Amounts owed to subsidiary undertakings | <u>83,787</u> | <u>163,787</u> |

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

NATIONAL GRID PROPERTY LIMITED

NOTES TO THE ACCOUNTS

(8) SHARE CAPITAL

| | 31 March 2007 | 31 March 2006 |
|--|------------------|------------------|
| | £000 | £000 |
| <u>Authorised</u> | | |
| 50,000,000 ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |
| <u>Issued, allotted and fully paid</u> | | |
| 31,000,200 ordinary shares of £1 each | <u>31,000</u> | <u>31,000</u> |

(9) PROFIT AND LOSS ACCOUNT

| | 31 March 2007 £000 |
|------------------------------|--------------------------|
| At the beginning of the year | 27,564 |
| Retained loss for the year | (18,930) |
| At 31 March 2007 | <u>8,634</u> |

(10) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31 March 2007 £000 |
|--------------------------------------|--------------------------|
| At the beginning of the year | 58,564 |
| Retained profit for the year | 81,070 |
| Dividends paid | (100,000) |
| Shareholders' funds at 31 March 2007 | <u>39,634</u> |

(11) COMMITMENTS AND CONTINGENCIES

The Company had no contractual commitments or contingencies as at 31 March 2007
(31 March 2006 Nil)

NATIONAL GRID PROPERTY LIMITED

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