

NATIONAL GRID BRAZIL FINANCE
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



REGISTERED NUMBER: 4023797

NATIONAL GRID BRAZIL FINANCE
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2005

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2005.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company is an investment company.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £4,713,000 (2004: £5,484,000).

The Directors do not recommend payment of a dividend (2004: £Nil).

FUTURE DEVELOPMENTS

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

DIRECTORS

The Directors of the Company during the year and subsequently were:

AB Chapman	(Resigned 1 February 2005)
MC Cooper	
SF Noonan	
RF Pettifer	
MA Smyth-Osbourne	(Appointed 1 February 2005)

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 BRAZIL FINANCE
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

DIRECTORS' INTERESTS IN SHARES

The Directors had no direct or indirect interests at 31 March 2005 in the shares of the Company or Group, other than the following interests in the ordinary shares of National Grid plc, the ultimate parent company:

Interests in ordinary shares in National Grid plc

Employee Sharesave options

	1 April 2004 or later on appointment	Granted	Exercised	31 March 2005
MC Cooper	5,362	-	-	5,362
SF Noonan	5,005	3,451	4,005	4,451
RF Pettifer	3,891	-	-	3,891
MA Smyth-Osbourne	2,910	-	-	2,910

Executive Share options

	1 April 2004 or later on appointment	Granted	Exercised	31 March 2005
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119
MA Smyth-Osbourne	8,842	-	-	8,842

Performance Share Plan Awards

	1 April 2004 or later on appointment	Granted	Exercised	31 March 2005
MC Cooper	29,611	39,917	-	69,528
SF Noonan	11,844	11,862	-	23,706
RF Pettifer	6,525	6,425	-	12,950
MA Smyth-Osbourne	14,637	-	-	14,637

Beneficial interests in shares*

	1 April 2004 or later on appointment	31 March 2005
MC Cooper	49,252	51,647
SF Noonan	1,965	2,289
RF Pettifer	14,822	14,275
MA Smyth-Osbourne	11,991	11,991

NATIONAL GRID BRAZIL FINANCE
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

DIRECTORS' INTERESTS IN SHARES (continued)

*Note: Includes shares acquired under the Share Matching Plan. Subject to retention of the shares acquired in accordance with the rules of the plan, matching awards totalling 3,560 National Grid plc ordinary shares were exercisable by MC Cooper (31 March 2004: Nil shares) in addition to the above.

DIRECTORS' RESPONSIBILITIES

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 of the Company for the financial year.

The Directors are responsible 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. They also have general responsibility for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed. The Directors also confirm that the going concern basis is appropriate.


AUDITORS

The Company has previously taken advantage of the provisions of Section 379A of the Companies Act 1985 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.

FOR THE BOARD

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH


DC Forward
Secretary
15 December 2005

NATIONAL GRID BRAZIL FINANCE
INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF NATIONAL GRID BRAZIL FINANCE

We have audited the financial statements which comprise the Profit and Loss account, the Balance Sheet and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 December 2005

NATIONAL GRID BRAZIL FINANCE

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Operating charges	3	(11)	-
Operating loss		(11)	-
Interest receivable from Group undertakings		6,744	5,484
Profit on ordinary activities before taxation		6,733	5,484
Taxation	4	(2,020)	-
Profit on ordinary activities after taxation transferred to reserves	7	4,713	5,484

The results reported above relate to continuing activities.

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

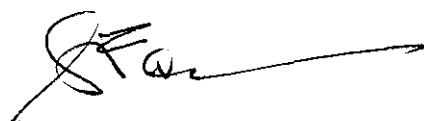
NATIONAL GRID BRAZIL FINANCE

BALANCE SHEET

AT 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Amounts owed by Group undertakings		144,383	137,640
Creditors: amounts falling due within one year	5	(4,232)	(2,202)
Net assets employed		<u>140,151</u>	<u>135,438</u>
Capital & reserves			
Called up share capital	6	-	-
Share premium account	7	121,695	121,695
Profit and loss account	7	18,456	13,743
Equity shareholders' funds	8	<u>140,151</u>	<u>135,438</u>

The financial statements on pages 5 to 9 were approved by the Board of Directors on 15 December 2005 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID BRAZIL FINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and the accounting policies set out below and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards.

b) Basis of preparation

As permitted by Financial Reporting Standard 1 (Revised 1996), no cash flow statement has been presented as the cash flows of the Company have been included in the consolidated cash flow statement of National Grid plc.

2 Directors and employees

The emoluments of the Directors are paid by a Group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements.

There were no employees of the Company during the year (2004: Nil).

3 Operating charges

	2005 £'000	2004 £'000
Operating charges include:		
Audit fees	5	-
Non-audit fees	<u>2</u>	<u>-</u>

For the year ended 31 March 2004, audit fees were borne by a fellow Group undertaking.

4 Taxation

	2005 £'000	2004 £'000
Amount payable for group relief	<u>2,020</u>	<u>-</u>

Tax losses of £6,733,000 were surrendered by a fellow subsidiary for which the Company will make a payment of £2,020,000. The UK statutory rate of corporation tax is 30% and the effective rate of tax for the year was 30%.

For the year ended 31 March 2004, the corporation tax charge had been reduced to £nil because tax losses of £5,484,000 had been surrendered by a fellow subsidiary for which no payment was made by the Company. The UK statutory rate of corporation tax for that year was 30%, however as a result of surrender of group relief for which no payment was required the effective rate of tax was 0%.

NATIONAL GRID BRAZIL FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2005

5 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to Group undertakings	4,226	2,202
Accruals	6	-
	<u>4,232</u>	<u>2,202</u>

6 Share capital

	2005 £	2004 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Issued, allotted, called up and fully paid		
	2005 £	2004 £
315 ordinary shares of £1 each	<u>315</u>	<u>315</u>

7 Reserves

	Share Premium Account £'000	Profit and Loss account £'000
At 1 April 2004	121,695	13,743
Profit for the year	-	4,713
At 31 March 2005	<u>121,695</u>	<u>18,456</u>

NATIONAL GRID BRAZIL FINANCE
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

8 Reconciliation of movement in equity shareholders' funds

	2005	2004
	£'000	£'000
Profit on ordinary activities after taxation	4,713	5,484
Issue of ordinary shares	-	56,133
Net increase in equity shareholders' funds	4,713	61,617
Opening equity shareholders' funds	135,438	73,821
Closing equity shareholders' funds	140,151	135,438

9 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid plc group of companies ("the Group") 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 (formerly National Grid Transco plc) and the immediate parent company is National Grid Holdings BV. 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 Limited respectively. National Grid Holdings BV is incorporated in The Netherlands and the remaining companies are registered in England and Wales.

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