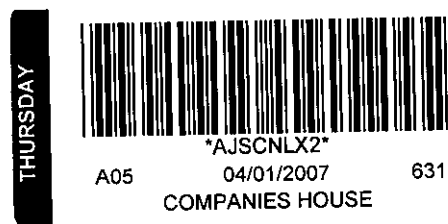


**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**PERIOD ENDED 31 MARCH 2006**

**Company Registered Number: 4045072**



**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**  
**Company No: 4045072**

**REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2006**

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**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**  
**Company No: 4045072**

**REPORT OF THE DIRECTORS**

The Directors submit their report and the financial statements of the Company for the period ended 31 March 2006.

**Principal Activities**

During the period under review, and for the immediate future, the principal activity of the Company was the provision of trustee services to certain subsidiary companies of Lattice Group plc, in accordance with the terms of the Trust Deed dated 31 August 2001 of the Lattice Group Employee Benefit Trust.

**Dividend**

The Directors do not propose to declare a dividend for the period ended 31 March 2006 (2005: nil).

**Directors and their interests**

The Directors of the company who held office during the year and subsequently are given below:

Ms P Fulker  
Mr S F Noonan  
Ms M Singleterry

**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 <sup>17</sup>/<sub>43</sub> pence for every 49 existing ordinary shares of 10 pence each – (the "Share Consolidation"), however interests in share options, the Performance Share Plan and the matching awards under the Share Matching Scheme, were not subject to the Share Consolidation. The interests held in shares in the ultimate parent company, National Grid plc, were as follows:

**Beneficial interest in ordinary shares**

|                    | 1 April 2005 | 31 March 2006 |
|--------------------|--------------|---------------|
| Ms P Fulker*       | 11,554       | 7,772         |
| Mr S F Noonan*     | 2,289        | 2,274         |
| Ms M Singleterry * | 6,378        | 5,839         |

\* As a result of the Share Consolidation the following directors held "B" shares as at 31 March 2006:

Ms P Fulker                      1,882 "B" shares  
Mr S F Noonan                640 "B" shares  
Ms M Singleterry            1,565 "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.

## Share Options

|                  | Options as at<br>1 April 2005 | Options<br>exercised<br>during the<br>year | Options<br>lapsed<br>during the<br>year | Options<br>granted<br>during the<br>year | Options as<br>at 31 March<br>2006 |
|------------------|-------------------------------|--|---|--|-----------------------------------|
| Ms P Fulker      | 19,490                        | -  | -                                       | -  | 19,490                            |
| Mr S F Noonan    | 38,652                        | -  | -                                       | -  | 38,652                            |
| Ms M Singleterry | 2,910                         | -  | -                                       | -  | 2,910                             |

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.

Additionally the following directors held interests in the National Grid Share Matching Scheme as follows:

|             | Allocation date | No of shares<br>purchased | Purchase price | Matching<br>option** |
|-------------|-----------------|---------------------------|----------------|----------------------|
| Ms P Fulker | May 2004        | 1,776*                    | £4.3125        | 3,478                |
|             | June 2005       | 1,665*                    | £5.285         | 3,249                |

\*Adjusted to take account of the Share Consolidation.

\*\*The Matching option is exercisable at £1.00 per option, between 3 and 10 years from the date of grant.

## Performance Share Plan Interests

|               | Beneficial<br>Holding at 1<br>April 2005 | Awarded in year | Beneficial<br>Holding at 31<br>March 2006 | Release date              |
|---------------|--|-----------------|---|---------------------------|
| Ms P Fulker   | 59,266                                   | 34,912          | 94,178                                    | June 2007 to<br>June 2009 |
| Mr S F Noonan | 23,706                                   | 14,562          | 38,268                                    | June 2007 to<br>June 2009 |

## Payment of Creditors Policy

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.

## Directors' Insurance

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

## Statement of directors' responsibilities

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

The Directors consider that in preparing the financial statements on pages 4 to 6 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.

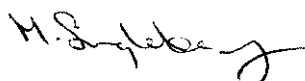
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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 report.

**Ultimate parent company**

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



By order of the Board  
M Singletery  
Company Secretary  
Lattice Group Employee Benefit Trust Limited

**Registered office**  
1-3 Strand  
London WC2N 5EH  
**Company No: 4045072**

**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**  
**Company No: 4045072**

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2006**

The Company has not traded during the period ended 31 March 2006 and has received no income and incurred no expenditure (2005:nil). Consequently, during the period the Company has made neither a profit nor a loss nor were there any recognised gains and losses during the period (2005:nil).

The notes on page 5 form part of these accounts.

**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**  
**Company No: 4045072**

**BALANCE SHEET AS AT 31 MARCH 2006**

|  | <u>Notes</u> | <u>31 March 2006</u> | <u>31 March 2005</u> |
|--|--------------|----------------------|----------------------|
|  |              | £                    | £                    |
| <b>CURRENT ASSETS</b>                        |              |                      |                      |
| Debtors (amount falling due within one year) | 4            | 2                    | 2                    |
| <b>CAPITAL AND RESERVES</b>                  |              |                      |                      |
| Called up share capital                      | 5            | 2                    | 2                    |

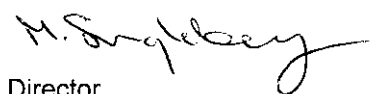
The company was dormant throughout the accounting period ending on the date of this balance sheet and is entitled to exemption from audit of its accounts pursuant to Section S249AA(1) of the Companies Act 1985.

No members have required the Company to obtain an audit of its accounts for the period in question in accordance with section 249B (2).

The directors acknowledge their responsibility for:

- (i) ensuring the Company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the period under review and of its profit and loss for the financial period in accordance with section 226 and which otherwise comply with the requirements of the Companies Act relating to accounts so far as applicable to the Company.

Approved by the Board on 18.12.2006



Director

Dated: 18.12.2006

The notes on page 6 form part of these accounts.

**LATTICE GROUP EMPLOYEE BENEFIT TRUST LIMITED**  
**Company No: 4045072**

**NOTES TO THE ACCOUNTS – 31 MARCH 2006**

1. **OWNERSHIP**

Lattice Group Employee Benefit Trust Limited is an indirect wholly owned subsidiary undertaking of National Grid plc which is registered in England. National Grid plc is the only company to consolidate the accounts of this Company. Copies of the parent company's report and accounts can be obtained from National Grid plc, 1 – 3 Strand London WC2N 5EH.

2. **BASIS OF ACCOUNTING**

The accounts have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards.

3. **DIRECTORS' EMOLUMENTS AND EMPLOYEES**

No director received emoluments in respect of his services to the Company during the period (2005:nil). The Company had no employees during the period (2005:nil).

4. **DEBTORS** (amounts falling due within one year)

|                                    | <u>31 March 2006</u> | <u>31 March 2005</u> |
|------------------------------------|----------------------|----------------------|
|                                    | £                    | £                    |
| Amounts owed by group undertakings | 2                    | 2                    |

5. **SHARE CAPITAL**

|                                  | <u>31 March 2006</u> | <u>31 March 2005</u> |
|----------------------------------|----------------------|----------------------|
|                                  | £      £             | £      £             |
| Authorised:                      |                      |                      |
| Ordinary shares of £1 each       | 1,000                | 1,000                |
| Allotted, issued and fully paid: |                      |                      |
| Ordinary shares of £1 each       | 2                    | 2                    |