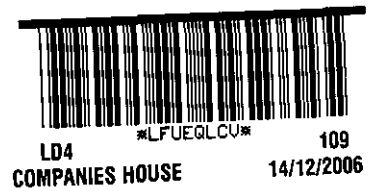


NATIONAL GRID SIX LIMITED
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006



REGISTERED NUMBER: 4056294

NATIONAL GRID SIX LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2006

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is an investment 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 the interest charged is based on UK and US 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

To the extent that the Company enters into inter company loan agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. The Company does not participate in cross-currency hedging.

NATIONAL GRID SIX LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

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 DIVIDENDS

The loss for the year after taxation was £8,532,000 (2005: £159,000 profit).

The Directors do not recommend the payment of a dividend (2005: £Nil).

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Equity shareholders' deficit at 31 March 2006 was £84,900,000 (2005: £21,139,000 funds) comprising current assets of £47,502,000 (2005: £45,255,000) less current liabilities of £132,402,000 (2005: £24,116,000).

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENT

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

A non-adjusting post balance sheet event occurred on 29 June 2006 when the terms of the Company's preference shares were altered. The shares became irredeemable and the right to a fixed cumulative cash dividend was removed. In addition, the liability in respect of unpaid dividends and interest to that date was satisfied by way of the issue of 36,487,680 ordinary shares of £1 each at par to National Grid Five Limited.

DIRECTORS

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

SJ Box
MC Cooper
DH Jones
SF Noonan
RF Pettifer
MA Smyth-Osbourne

NATIONAL GRID SIX LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' INTERESTS IN SHARES

The Directors had no direct or indirect interests at 31 March 2006 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 2005	Granted	Exercised	31 March 2006
MC Cooper	5,362	3,709	5,362	3,709
SF Noonan	4,451	-	-	4,451
RF Pettifer	3,891	861	2,145	2,607
MA Smyth-Osbourne	2,910	-	-	2,910

Executive Share options

	1 April 2005	Granted	Exercised	31 March 2006
SJ Box	384,454	-	253,574	130,880
MC Cooper	17,501	-	-	17,501
DH Jones	489,518	-	411,093	78,425
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 2005	Granted	Exercised	31 March 2006
MC Cooper	69,528	33,850	-	103,378
SF Noonan	23,706	14,562	-	38,268
RF Pettifer	12,950	7,115	-	20,065
MA Smyth-Osbourne	14,637	5,976	-	20,613

Beneficial interests in shares*and **

	1 April 2005	31 March 2006
SJ Box	24,059	6,995
MC Cooper	51,647	30,245
DH Jones	131,270	107,196
SF Noonan	2,289	2,274
RF Pettifer	14,275	11,305
MA Smyth-Osbourne	11,991	10,522

NATIONAL GRID SIX LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' INTERESTS IN SHARES (continued)

* On 1 August 2005 National Grid ordinary shares were subject to a 43 for 49 capital consolidation in conjunction with alternative elections involving its 65p per share return of capital. Options to ordinary shareholders included a 'B share election', the rights of which are set out in the Circular to shareholders dated 6 June 2005. Following this, B shares are held as follows: SJ Box – Nil; MC Cooper – 2,148; DH Jones – 40,422; SF Noonan – 640; RF Pettifer – 1,879; MA Smyth-Osbourne – Nil.

** 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 7,713 National Grid plc ordinary shares were exercisable by MC Cooper (31 March 2005: 3,560 shares) in addition to the above.

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' INDEMNITIES AND 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.

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 (other than where new accounting standards are adopted during the year as explained in Note 1 to the financial statements) 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.

NATIONAL GRID SIX LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

AUDIT INFORMATION

So far as the Directors in office at the date of the 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.

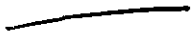
AUDITORS

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



DC Forward
Secretary
25 October 2006



REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH

NATIONAL GRID SIX LIMITED
INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF NATIONAL GRID SIX LIMITED

We have audited the financial statements of National Grid Six 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 also report to you whether in our opinion the information given in the Report of the Directors 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 Report of the Directors 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 loss 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 Report of the Directors is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 October 2006

NATIONAL GRID SIX LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £'000	2005 £'000
Operating (charges)/income	4	(8)	69
Operating (loss)/profit		<u>(8)</u>	<u>69</u>
Interest payable to Group undertakings	5	(8,455)	(400)
Loss on ordinary activities before taxation		<u>(8,463)</u>	<u>(331)</u>
Taxation	6	(69)	490
Loss on ordinary activities after taxation		<u>(8,532)</u>	<u>159</u>
Appropriations in respect of non-equity shareholders	7	-	(5,492)
Loss for the year transferred from reserves	11	<u><u>(8,532)</u></u>	<u><u>(5,333)</u></u>

The results reported above relate to continuing activities.

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

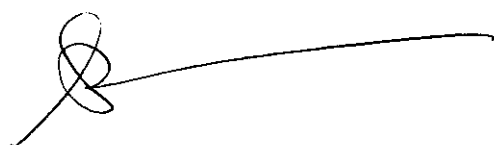
NATIONAL GRID SIX LIMITED

BALANCE SHEET

AT 31 MARCH 2006

	Notes	2006 £'000	2005 £'000
Fixed asset investment	8	-	-
Current assets			
Amounts owed by Group undertakings		47,502	45,255
Creditors: amounts falling due within one year	9	(132,402)	(24,116)
Net current (liabilities)/assets		<u>(84,900)</u>	<u>21,139</u>
Net (liabilities)/assets employed		<u>(84,900)</u>	<u>21,139</u>
Capital and reserves			
Called up share capital	10	-	73,226
Profit and loss account	11	<u>(84,900)</u>	<u>(52,087)</u>
Shareholders' (deficit)/funds	12	<u>(84,900)</u>	<u>21,139</u>

The financial statements on pages 7 to 16 were approved by the Board of Directors on 25 October 2006 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID SIX LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

a) Basis of preparation

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

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In accordance with Section 228 of the Companies Act 1985, the Company is exempt from preparing consolidated financial statements, as it is a wholly owned subsidiary of National Grid Five Limited and is included within the consolidated accounts of National Grid Holdings One plc.

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'.

The Company has adopted FRS 21 'Events after the Balance Sheet Date', FRS 23 'The Effects of Changes in Foreign Exchange rates', FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. The impact of the adoption of these standards is shown in Note 2 to the financial statements.

As permitted by the transition provisions of FRS 25 and FRS 26 comparative information relating to financial instruments is based on amounts previously reported under FRS 13 'Derivatives and other financial instruments: disclosures' and FRS 4 'Capital instruments'.

The Company has taken the exemption from the disclosure requirements set out in FRS 25.

b) Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for impairment. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

NATIONAL GRID SIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies (continued)

c) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are retranslated at the rates ruling at that date. These exchange differences are dealt with in the profit and loss account.

d) Financial instruments

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs.

Loans receivable are carried at amortised cost using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired are recognised in the profit and loss account.

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs plus accrued interest less any repayments. Finance charges are recognised in the profit and loss account in the period in which they are incurred using the effective interest method.

2 Changes in accounting policies

During the year the Company has adopted FRS 21 'Events after the Balance Sheet Date', FRS 23 'The Effects of Changes in Foreign Exchange rates', FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. The adoption of these standards has resulted in a change to the accounting for the Company's financial instruments.

Redeemable preference shares have been reclassified from equity and reported within amounts due to Group undertakings in the balance sheet and dividends in respect of those preference shares have been reported as interest payable to Group undertakings in the profit and loss account whereas previously they were reported in dividends and appropriations. On reclassification, dividends for prior years and interest on late payment of those dividends (net of tax) have been recognised and included as a profit and loss account reserve movement.

NATIONAL GRID SIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

2 Changes in accounting policies (continued)

The adoption of these standards has also resulted in a change in the presentation of foreign exchange gains/losses on the revaluation of foreign currency denominated bank accounts and foreign currency denominated loans from/to group undertakings. These foreign exchange gains/losses are now presented within interest receivable/payable whereas previously they were presented within operating income/charges.

As permitted by the transition provisions of FRS 25 and FRS 26, prior year adjustments have not been made to the balance sheet at 31 March 2005 or to the profit and loss account for the year then ended.

The adoption of these standards reduced net assets at 1 April 2005 by £97,507,000 and reduced profit for the year ended 31 March 2006 by £7,406,000.

3 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 (2005: Nil).

4 Operating (charges)/income

	2006 £'000	2005 £'000
Operating (charges)/income includes:		
Foreign exchange gains	-	82
Audit fees	(4)	(5)
Non-audit fees	(4)	(6)
	<u> </u>	<u> </u>

5 Interest payable to Group undertakings

	2006 £'000	2005 £'000
Interest payable to Group undertakings	8,216	400
Exchange losses on revaluation of foreign currency denominated loans due to a Group undertaking	239	-
	<u>8,455</u>	<u>400</u>

NATIONAL GRID SIX LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

6 Taxation

	2006 £'000	2005 £'000
Amount receivable for group relief	474	99
Adjustments to tax charge in respect of a previous period	(543)	391
	<u>(69)</u>	<u>490</u>

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

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	<u>8,463</u>	<u>331</u>
Loss on ordinary activities before tax multiplied by standard rate in the UK of 30%	2,539	99
Effect of:		
Permanent differences	(2,065)	-
Adjustments to tax charge in respect of a previous period	(543)	391
	<u>(69)</u>	<u>490</u>

7 Appropriations in respect of non-equity shares

	2006 £'000	2005 £'000
Appropriations in respect of non-equity shares	<u>-</u>	<u>5,492</u>

For the year ended 31 March 2005, the Company had insufficient distributable reserves to declare a dividend of £5,492,000 that would otherwise be due on the redeemable preference shares. On the adoption of FRS25 and FRS26 on 1 April 2005 appropriations in respect of non-equity shares are reclassified as interest payable to Group undertakings (see note 2).

NATIONAL GRID SIX LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

8 Fixed asset investment

	Loans to Related Undertaking £'000
Cost:	
At 1 April 2005	40,967
Exchange adjustment	3,581
At 31 March 2006	<u>44,548</u>
Provision:	
At 1 April 2005	40,967
Exchange adjustment	3,581
At 31 March 2005	<u>44,548</u>
Net book value:	
At 1 April 2005 and 31 March 2006	<u>-</u>

The fixed asset investment at 31 March 2006 represents a US dollar denominated loan receivable from Intelig Telecomunicacoes Ltd, an investment undertaking within the National Grid plc group of companies. The Directors consider the loan to be long-term in nature and it is therefore classified as a fixed asset investment. Full provision has been made against all loans due from this investment undertaking, which are no longer considered recoverable.

9 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed to Group undertakings	132,394	24,108
Accruals	8	8
	<u>132,402</u>	<u>24,116</u>

NATIONAL GRID SIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

10 Share capital

	2006 £'000	2005 £'000
Authorised		
100 ordinary shares of £1 each	-	-
1,000,000,000 redeemable preference shares of £1 each	-	1,000,000
	<u>-</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1 ordinary share of £1 each	-	-
73,226,142 redeemable preference shares of £1 each	-	73,226
	<u>-</u>	<u>73,226</u>

The redeemable preference shares are non-equity shares. They carried the right to a preferential dividend of 7.5% per annum on the nominal value and any premium paid. The Company has the option to redeem the shares at par by giving not less than 30 days written notice at any time before 29 June 2006, or without notice on 30 June 2006. The holders of not less than half of the redeemable preference shares were entitled to require, by giving notice, the redemption of all of the redeemable preference shares in the event of the preferential dividend not being paid on the due date.

On winding up, the preference shareholders ranked above ordinary shareholders and were entitled to receive the nominal amount and paid up premium and any dividends accrued but unpaid in respect of their shares. Shareholders were able to attend and speak at General Meetings, but were able to vote only on matters affecting their rights as holders of the redeemable preference shares.

On adoption of FRS25 on 1 April 2005 the Company's redeemable preference shares have been reclassified in the balance sheet as amounts due to a Group undertaking (see note 2)

Subsequent to the year end, on 29 June 2006 the terms of the Company's preference shares were altered. The shares became irredeemable and the right to a fixed cumulative cash dividend was removed. In addition, the liability in respect of unpaid dividends and interest to that date was satisfied by way of the issue of 36,487,680 ordinary shares of £1 each at par to National Grid Five Limited.

NATIONAL GRID SIX LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

11 Profit and loss account

	Profit and loss account £'000
At 1 April 2005	(52,087)
On adoption of FRS 25 and FRS 26 (see note 2)	(24,281)
Loss for the year	(8,532)
At 31 March 2006	(84,900)

12 Reconciliation of movement in shareholders' funds

	2006 £'000	2005 £'000
(Loss)/profit on ordinary activities after taxation	(8,532)	159
Appropriations in respect of non-equity shares	-	(5,492)
	(8,532)	(5,333)
Dividend on redeemable preference shares for the year not yet declared	-	5,492
Net (decrease)/increase in shareholders' funds	(8,532)	159
Opening shareholders' funds	21,139	20,980
Adoption of FRS 25 and FRS26 (see note 2)	(97,507)	-
Opening shareholders' funds at 1 April 2005	(76,368)	20,980
Closing shareholders' funds	(84,900)	21,139

NATIONAL GRID SIX LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

13 Related party transactions, ultimate parent company and financial support

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. Transactions with related parties where not all of the voting rights are held within the National Grid plc group of companies are shown in note 8.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Five Limited. 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 One plc respectively. All of these companies are registered in England and Wales.

An intermediate holding company, National Grid Holdings One plc, has confirmed its intention to ensure that the Company will be in a position to meet its liabilities for a period of not less than one year from the date of these financial statements.

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