

Glossary of Terms

Term used in Annual Report

Accounts
 Acquisition accounting
 Allotted
 Borrowings
 Called up share capital
 Capital allowances
 Trade payables
 Trade receivables
 Finance lease
 Financial year
 Freehold
 Freehold land
 Joint venture
 Merger accounting
 Net asset value
 Operating profit
 Pension scheme
 Profit
 Profit for the year
 Provision for doubtful debts
 Provisions
 Reconciliation of movements in total equity
 Equity reserves
 Share capital
 Share premium account

US equivalent or brief description

Financial statements
 Purchase accounting
 Issued
 Debt
 Common stock issued and fully paid
 Tax depreciation allowances
 Accounts payable
 Accounts receivable
 Capital lease
 Fiscal year
 Ownership with absolute rights in perpetuity
 Land owned
 Equity investment
 Pooling of interests
 Book value
 Net operating income
 Pension plan
 Income (or earnings)
 Net income
 Allowance for bad and doubtful accounts receivable
 Long-term liabilities other than debt and specific accounts payable
 Statement of changes in stockholders' equity
 Stockholders' equity other than common stock
 Ordinary shares, capital stock or common stock issued and fully paid
 Additional paid-in capital relating to proceeds of sale of stock in excess of par value or paid-in surplus (not distributable)

Definitions

References in the Annual Report and Accounts to the 'Company', 'we', 'our' and 'us' refer to National Grid and its subsidiaries.

American Depositary Shares, or ADSs

Securities of National Grid listed on the New York Stock Exchange, each of which represents the right to receive five ordinary shares.

B shares

Non-Cumulative preference shares of 10 pence nominal value each.

BETTA

The British Electricity Trading and Transmission Arrangements.

Board

The Board of Directors of the Company.

Combined Code

The Combined Code on Corporate Governance, as issued by the Financial Reporting Council.

Corporate Centre

Core corporate functions operating from the Company's head office.

FERC

US Federal Energy Regulatory Commission.

FRS

UK Financial Reporting Standard.

GAAP

Generally accepted accounting principles.

GW

Gigawatt, 10^9 watts.

GWh

Gigawatt hours.

HSE

Health and Safety Executive.

IAS

International Accounting Standard.

IFRS

International Financial Reporting Standard.

KeySpan

KeySpan Corporation.

kV

Kilovolt, 10^3 volts.

kW

Kilowatt, 10^3 watts.

kWh

Kilowatt hours.

Lifetime Allowance

The lifetime allowance is an overall ceiling on the amount of tax privileged pension savings that any one individual can draw.

LNG

Liquefied natural gas.

lost time injury

A work-related injury that causes a person to be away from work for at least one normal shift after the shift on which the injury occurs, because the person is unfit to perform his or her duties.

mcm

Million cubic metres.

mcm/d

Million cubic metres per day.

MW

Megawatt, 10^6 watts.

MWh

Megawatt hours.

National Grid Wireless

National Grid Wireless Limited, formerly Crown Castle UK Limited.

Ofgem

The Office of Gas and Electricity Markets.

ordinary shares

Ordinary shares of $11^{17/43}$ pence nominal value each.

Personal Lifetime Allowance

The lifetime allowance applicable to individuals who have registered their pre 6 April 2006 pension benefits for protection.

Rhode Island gas

The Rhode Island gas distribution business acquired from Southern Union Company.

SEC

US Securities and Exchange Commission.

SFAS

US Statement of Financial Accounting Standards.

tonnes CO₂ equivalent

Measure of greenhouse gas emissions in relation to the impact of carbon dioxide.

TW

Terawatt, 10^{12} watts.

TWh

Terawatt hours.

Way Ahead

The restructuring programme implemented in the retained Gas Distribution – UK business commenced in 2004/05 following the announcement of the planned sales of four gas distribution networks.

Summary consolidated financial information

Financial summary (unaudited)

The financial summary set out below has been derived from the audited consolidated financial statements of National Grid for the five financial years ended 31 March 2007. It should be read in conjunction with the consolidated financial statements and related notes, together with the Operating and Financial Review. The information presented below for the years ended 31 March 2005, 2006 and 2007 has been prepared under IFRS as adopted by the European Union. For the year ended 31 March 2005, information is also presented under UK GAAP. For the years ended 31 March 2004 and 2003, information has been presented under UK GAAP, as no IFRS information has been prepared prior to the date of adoption of IFRS (1 April 2004). Comparatives have been adjusted to reclassify amounts relating to discontinued operations.

	IFRS			As previously measured under UK GAAP		
	31 March 2007 £m	31 March 2006 £m	31 March 2005 £m	31 March 2005 £m	31 March 2004 £m	31 March 2003 £m
Summary income statement						
Revenue	8,695	8,868	7,174	8,313	9,019	9,389
Operating profit						
Before exceptional items, remeasurements and goodwill amortisation	2,454	2,457	2,401	2,166	2,210	2,146
Exceptional items and remeasurements	59	(83)	(288)	(241)	(271)	(332)
Goodwill amortisation	n/a	n/a	n/a	(85)	(95)	(98)
	2,513	2,374	2,113	1,840	1,844	1,716
Profit before taxation						
Before exceptional items, remeasurements and goodwill amortisation	1,909	1,858	1,700	1,420	1,388	1,207
Exceptional items and remeasurements	(158)	(140)	(288)	(158)	51	(462)
Goodwill amortisation	n/a	n/a	n/a	(85)	(95)	(98)
	1,751	1,718	1,412	1,177	1,344	647
Profit for the year attributable to equity shareholders						
Before exceptional items, remeasurements and goodwill amortisation	1,400	1,368	1,655	1,100	1,038	824
Exceptional items and remeasurements	(6)	2,480	(231)	(78)	137	(362)
Goodwill amortisation	n/a	n/a	n/a	(85)	(95)	(98)
	1,394	3,848	1,424	937	1,080	364
Summary statement of net assets						
Non-current assets	21,109	22,106	25,596	19,897	18,394	18,954
Current assets	5,312	3,818	1,964	4,814	5,003	5,950
Assets of businesses held for sale	1,968	–	–	–	–	–
Total assets	28,389	25,924	27,560	24,711	23,397	24,904
Current liabilities	(3,360)	(5,683)	(5,974)	(5,679)	(4,147)	(4,729)
Non-current liabilities	(20,443)	(16,748)	(19,465)	(17,172)	(17,613)	(18,653)
Liabilities of businesses held for sale	(450)	–	–	–	–	–
Total liabilities	(24,253)	(22,431)	(25,439)	(22,851)	(21,760)	(23,382)
Net assets	4,136	3,493	2,121	1,860	1,637	1,522
Summary cash flow statement						
Cash generated from operations						
Continuing operations	3,090	2,973	2,820	2,909	2,810	2,826
Discontinued operations	181	138	638	n/a	n/a	n/a
	3,271	3,111	3,458	2,909	2,810	2,826
Tax paid – continuing and discontinued operations	(313)	(140)	(150)	(150)	(18)	(112)
Net cash inflow from operating activities	2,958	2,971	3,308	2,759	2,792	2,714
Net cash flows (used in)/from investing activities	(4,277)	3,922	(2,975)	n/a	n/a	n/a
Dividends received from joint ventures	n/a	n/a	n/a	5	8	11
Net cash outflow for capital expenditure and financial investment	n/a	n/a	n/a	(1,262)	(1,254)	(1,407)
Net cash (outflow)/inflow for acquisitions and disposals	n/a	n/a	n/a	(1,130)	7	163
Net cash (outflow)/inflow for the management of liquid resources	n/a	n/a	n/a	(54)	(48)	(138)
Net cash flows from/(used in) financing activities	1,494	(5,712)	(325)	n/a	n/a	n/a
Net cash outflow for returns on investments and servicing of finance	n/a	n/a	n/a	(758)	(692)	(912)
Equity dividends paid	n/a	n/a	n/a	(628)	(560)	(571)
Net cash inflow/(outflow) from financing activities	n/a	n/a	n/a	1,081	(240)	174
Net increase in cash and cash equivalents (UK GAAP – cash only)	175	1,181	8	13	13	34
Amounts in accordance with US GAAP						
	31 March 2007 £m*	31 March 2006 £m*	31 March 2005 £m*	31 March 2004 £m*	31 March 2003 £m*	
Revenue	8,686	8,891	7,208	7,747	6,730	
Net income	1,146	1,307	1,288	961	738	
Earnings per ADS						
Basic	211.0p	241.0p	238.0p	178.4p	179.1p	
Diluted	209.5p	240.0p	236.5p	177.9p	174.3p	
Total assets	35,126	32,952	37,274	35,347	36,947	
Net assets employed/total shareholders' funds	9,367	9,788	10,629	9,875	9,515	
Equity shareholders' funds	9,330	9,747	10,591	9,821	9,426	

*Unless stated

Shareholder Information

Financial calendar

The following dates have been announced or are indicative of future dates:

6 June 2007	Ordinary shares go ex-dividend
8 June 2007	Ordinary share dividend record date
11 July 2007	DRIP election deadline 2006/07 final dividend
30 July 2007	2007 Annual General Meeting
22 August 2007	2006/07 final dividend paid on ordinary shares
15 November 2007	2007/08 interim results
28 November 2007	Ordinary shares go ex-dividend
30 November 2007	Ordinary share dividend record date
7 December 2007	DRIP election deadline 2007/08 interim dividend
23 January 2008	2007/08 interim dividend paid on ordinary shares
May 2008	2007/08 preliminary results
June 2008	Ordinary shares go ex-dividend
June 2008	Ordinary share dividend record date
July 2008	DRIP election deadline 2007/08 final dividend
July 2008	2008 Annual General Meeting
August 2008	2007/08 final dividend paid on ordinary shares

Electronic communication

As a shareholder you can manage your holding online at www.nationalgrid.com/shareholders. This allows you to check your shareholding, recent dividend payments and information such as address and any direct payment details. If you register you can also change information such as your home address and bank details or apply to join the dividend reinvestment plan (see below).

You also have the option to elect to receive documents from National Grid electronically. This means that, instead of receiving the Annual Report and Accounts, Notice of Annual General Meeting and Proxy Card in the post, you will receive an email detailing where the documents can be found on our website and explaining how you can appoint a proxy online. This helps us to manage the cost of maintaining the share register and will save some of the 241 tonnes of paper used in our Annual Report mailing each year.

For full details of the services available or to opt for electronic documentation please visit www.nationalgrid.com/shareholders.

Website

More information about National Grid, including up-to-date announcements, and current and historical share prices, is available on our website at www.nationalgrid.com.

Dividends

National Grid normally pays dividends twice each year, an interim dividend in January and a final dividend in August. Of the total dividend paid each year one third is normally paid as the interim and two thirds as the final dividend.

Shareholders can choose to have dividend payments paid directly into their nominated bank or building society account. This means that the dividend will be in the account on the day of payment, there will be no delays paying in cheques, and there is no possibility of losing or damaging cheques. Tax vouchers will still be provided for your records.

Over half a million shareholders have elected to have their dividends paid to them directly. As well as being convenient for the shareholder this also saves money and paper, as fewer cheques need to be produced and sent out.

To request direct payment of your dividends please contact Capita Registrars or register electronically at www.nationalgrid.com/shareholders.

If you think you have outstanding dividend payments please contact Capita Registrars who will be able to confirm this and provide duplicate cheques if necessary (an administrative charge may be payable).

Details of previous dividends and information about proposed dividends can be found on our website.

Dividend reinvestment plan (DRIP)

A DRIP is in place allowing shareholders to use their dividend payments to purchase additional National Grid shares. To join the DRIP contact Capita Registrars or register electronically at www.nationalgrid.com/shareholders. Please note that charges, as set out in the relevant terms and conditions, are payable in respect of the DRIP.

Share dealing

A low-cost share dealing service is available from Capita Registrars, allowing you to buy and sell National Grid ordinary shares by telephone and online. Trading by telephone or online allows you to know the price of the shares at the time that you deal.

For more information please call 0870 458 4577 (8am – 4.30pm) or visit www.capitadeal.com.

A postal dealing service is also available. For a postal dealing form please call 0870 162 3116.

High street banks may also offer share dealing services.

These details are provided for information only and any action you take is at your own risk. If you have any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, accountant or other independent financial advisor authorised pursuant to the Financial Services and Markets Act 2000.

Shareholder Networking

National Grid operates a Shareholder Networking programme, the aim of which is to allow shareholders to gain a better understanding of the business. The programme runs over two days and includes visits to operational sites and presentations by senior managers and employees. Participants also have the opportunity to meet and question Directors during the programme, the costs of which (including shareholder travel to and from the event) are covered by National Grid.

The programme normally operates during early December.

If you would like to take part, please write to:

Shareholder Networking Organiser
National Grid House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

Participants will be selected by ballot from those applying, with priority given to those who have not recently attended.

ShareGift

If you hold only a few shares and feel that it is uneconomical or not worthwhile to sell them, you could consider donating your shares to charity. ShareGift is an independent registered charity (no. 1052686) that provides a free service for shareholders wishing to give holdings of shares to benefit charitable causes. For more information please visit www.ShareGift.org or call Capita Registrars.

Individual Savings Accounts (ISAs)

Corporate ISAs for National Grid shares are available from Stocktrade. For more information call Stocktrade on 0131 240 0443 or write to Stocktrade, 81 George Street, Edinburgh EH2 3ES. National Grid cannot advise you on what action, if any, you should take in respect of your shares.

Capital Gains Tax (CGT)

CGT information relating to National Grid shares (including details in respect of British Gas shares) can be found on our website or obtained from Capita Registrars. Share prices on specific dates can be found on our website using the historic share price look-up facility.

Alternative formats

Audio tape, braille and large print versions of the Annual Review are available. If you wish to receive any of these documents please contact Capita Registrars.

Shareholders

The following table includes a brief analysis of shareholder numbers and shareholdings as at 31 March 2007:

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50	232,565	19.07	7,252,130	0.27
51-100	364,600	29.90	24,716,068	0.91
101-500	523,832	42.95	103,793,487	3.84
501-1,000	52,962	4.34	37,159,735	1.38
1,001-10,000	43,294	3.55	100,416,828	3.72
10,001-50,000	1,203	0.10	24,430,715	0.90
50,001-100,000	232	0.02	17,220,012	0.64
100,001-500,000	484	0.04	117,414,426	4.35
500,001-1,000,000	151	0.01	105,716,687	3.91
1,000,001+	288	0.02	2,162,938,784	80.08
Total	1,219,611	100	2,701,058,872	100

Share price

The following graph represents the movement of National Grid's share price during 2006/07:

