

Definitions and glossary of terms

Our aim is to use plain English in this Annual Report and Accounts. However, where necessary, we do use a number of technical terms and/or abbreviations and we summarise the principal ones below, together with an explanation of their meanings. The descriptions below are not formal legal definitions.

A

accelerated tax depreciation

Depreciation or amortisation charges that are allowed as deductions for tax purposes. This often differs from the amount of depreciation or amortisation recorded for accounting purposes, resulting in the recognition of deferred tax.

American Depositary Shares (ADSs)

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

Annual General Meeting (AGM)

Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.

B

B shares

Non-cumulative preference shares of 10 pence nominal value each that were issued in 2005 in connection with a £2 billion return of capital to shareholders. The last remaining B shares were converted into ordinary shares in September 2007.

BETTA

The British Electricity Trading and Transmission Arrangements, being the regulations that govern our role as operator of the electricity networks in Great Britain, together with those of other market participants.

Board

The Board of Directors of the Company (for more information see pages 16 and 17).

brownfield

The term generally used to describe previously developed land, which may or may not be contaminated.

C

consolidated financial statements

Financial statements that include the results and financial position of the Company and its subsidiaries together as if they are a single entity.

called up share capital

Shares (common stock) that have been issued and have been fully paid for.

carrying value

The amount at which an asset or a liability is recorded in the balance sheet.

Combined Code

The Combined Code on Corporate Governance, being guidance on how companies should be governed applicable to UK listed companies, including National Grid.

the Company, National Grid, we, our or us

We use terms 'the Company', 'National Grid', 'we', 'our' or 'us' to refer to either National Grid plc itself or to National Grid plc and its subsidiaries collectively, depending on context.

contingent liability

A possible obligation or potential liability arising from past events for which no provision has been recorded, but for which disclosure in the financial statements is made.

D

deferred tax

For most assets and liabilities, this is the difference between the carrying value for accounting purposes in the balance sheet and the amount of tax that will be deductible (or payable) for that asset or liability in future tax returns.

Dth

A decatherm, being an amount of energy equal to 1 million British thermal units (BTUs), equivalent to approximately 293 kWh.

derivative

A financial instrument or other contract where the value is linked to an underlying index, such as exchange rates, interest rates or commodity prices. In most cases, contracts for the sale or purchase of commodities that are used to supply customers or for our own needs are excluded from this definition.

E

employee engagement index

A key performance indicator, based on the percentage of favourable responses to certain indicator questions repeated in each employee engagement survey, which provides a measure of how employees think, feel and act in relation to National Grid. Research shows that a highly engaged workforce leads to increased productivity and staff retention, therefore we use employee engagement as a measure of organisational health in relation to business performance.

equity

In financial statements, the amount of net assets attributable to shareholders.

F

FERC

The US Federal Energy Regulatory Commission.

finance lease

A lease where the asset is treated as if it was owned for the period of the lease and the obligation to pay future rentals is treated as if they were borrowings. Also known as a capital lease.

financial year

For National Grid this is an accounting year ending on 31 March. Also known as a fiscal year.

FRS

A UK Financial Reporting Standard as issued by the UK Accounting Standards Board. These apply to the Company's individual financial statements on pages 187 to 193, which are prepared in accordance with UK GAAP.

FSA

The UK Financial Services Authority, the financial markets regulator, which includes regulation of companies with listed securities in the UK, including National Grid and certain of its subsidiaries.

G

Great Britain

England, Wales and Scotland.

GW

Gigawatt, being an amount of power equal to 1 billion watts (10⁹ watts).

GWh

Gigawatt hours, being an amount of energy equal to delivering 1 billion watts of power for one hour (equivalent to 3.6 million joules).

H

HSE

Health & Safety Executive, the main safety regulator in the UK.

I

IAS or IFRS

An International Accounting Standard or International Financial Reporting Standard, as issued by the International Accounting Standards Board. IFRS is also used as the term to describe international generally accepted accounting principles as a whole.

individual financial statements

Financial statements of a company on its own, not including its subsidiaries or joint ventures.

IFRIC

The International Financial Reporting Interpretations Committee, which provides guidance on how to apply accounting standards.

J

joint venture

A company or other entity which is controlled jointly with other parties.

K

KeySpan

KeySpan Corporation and its subsidiaries, acquired by National Grid on 24 August 2007.

kV

Kilovolt, being an amount of electric force equal to 1,000 volts.

kW

Kilowatts, being an amount of power equal to 1,000 watts.

kWh

Kilowatt hours, being an amount of energy equal to delivering 1,000 watts of power for a period of one hour.

L

lifetime allowance

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

LNG

Liquefied natural gas, being natural gas that has been condensed into a liquid form, typically at temperatures at or below -163°C (-260°F).

lost time injury (LTI)

An incident arising out of National Grid's operations which leads to an injury where the employee or contractor normally has time off the following day or shift following the incident. It relates to one specific (acute) identifiable incident which arises as a result of National Grid's premises, plant or activities, which was reported to the supervisor at the time and was subject to appropriate investigation.

lost time injury frequency

The number of LTIs per 100,000 hours in a 12 month period.

M

m³

A cubic metre.

mcm

Million standard cubic metres, equivalent to approximately 35.3 million standard cubic feet.

MW

Megawatts, being an amount of power equal to 1 million watts.

MWh

Megawatt hours, being an amount of energy equal to delivering 1 million watts of power for a period of one hour.

N

New England

The term refers to a region within the northeastern US that includes the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. National Grid's New England operations are primarily in the states of Massachusetts, New Hampshire and Rhode Island.

northeastern US

The northeastern region of the US, comprising the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

Definitions and glossary of terms continued

O

Ofgem

The UK Office of Gas and Electricity Markets, part of the UK Gas and Electricity Markets Authority (GEMA), which regulates the energy markets in the UK.

ordinary shares

Voting shares entitling the holder to part ownership of a company. Also known as common stock. National Grid's ordinary shares have a nominal value of 11¹⁷/₄₃ pence.

P

PAS 55

PAS (Publicly Available Specification) 55 is a universal benchmark published by the British Standards Institution (BSI) for the optimal management of physical assets.

Personal Lifetime Allowance

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

purchase accounting

The accounting process of aligning the accounting policies of an acquired business with those of National Grid and of adjusting the carrying value of assets and liabilities acquired from their previous accounting book value to their fair values at the date control was acquired by National Grid.

R

regulated controllable operating costs

Total operating costs under IFRS less depreciation and certain regulatory costs where, under our regulatory agreements, mechanisms are in place to recover such costs in current or future periods.

regulatory asset value (RAV)

The value ascribed by Ofgem to the capital employed in the relevant licensed business. It is an estimate of the initial market value of the regulated asset base at privatisation, plus subsequent allowed additions at historical cost, less the deduction of annual regulatory depreciation. Deductions are also made to reflect the value realised from the disposal of certain assets that formed part of the regulatory asset base. It is also indexed to the retail price index to allow for the effects of inflation.

S

scm

Standard cubic metre, a quantity of gas which at 15°C and atmospheric pressure (1.013 bar) occupies the volume of 1m³.

SEC

The US Securities and Exchange Commission, the financial regulator for companies with registered securities in the US, including National Grid and certain of its subsidiaries.

share premium

The difference between the amounts shares are issued for and the nominal value of those shares.

subsidiary

A company or other entity that is controlled by National Grid.

T

therm

An amount of energy equal to 10,000 British Thermal Units (BTUs), equivalent to approximately 29.3 kWh, primarily used to measure natural gas.

treasury shares

Shares that have been repurchased but not cancelled.

tonne

A unit of mass equal to 1,000 kilograms, equivalent to approximately 2,205 pounds.

tonnes CO₂ equivalent

A measure of greenhouse gas emissions in terms of the equivalent amount of carbon dioxide.

TWh

Terawatt hours, being an amount of energy equal to delivering 1 billion watts of power for 1,000 hours.

U

UK

The United Kingdom, comprising England, Wales, Scotland and Northern Ireland.

UK GAAP

Generally accepted accounting principles in the UK. These differ from IFRS and from US GAAP.

Uniform Network Code

The legal and contractual framework for the supply and transport of gas in the UK, comprising a common set of rules for all industry participants which ensure competition can be facilitated on level terms.

US

The United States of America.

US GAAP

Generally accepted accounting principles in the US. These differ from IFRS and from UK GAAP.

V

vanilla return

Metric used by Ofgem to define the allowed rate of return within the price control reviews for our UK regulated businesses. Our calculation uses IFRS business performance operating profit adjusted for various items to reflect the replacement of certain IFRS based accounting treatments with a regulatory based treatment, primarily these items are depreciation, capital costs, pensions and taxation. The adjusted IFRS operating profit is divided by the regulatory asset value inflated to mid year to generate a percentage rate of return.

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 2009. 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, 2007, 2008 and 2009 has been prepared under IFRS issued by the IASB and as adopted by the European Union.

	31 March 2009 £m	31 March 2008* £m	31 March 2007 £m	31 March 2006 £m	31 March 2005 £m
Summary income statement					
Revenue	15,624	11,423	8,695	8,868	7,174
Operating profit					
Before exceptional items, remeasurements and stranded cost recoveries	2,915	2,595	2,031	1,968	1,936
Exceptional items, remeasurements and stranded cost recoveries	(292)	369	482	406	177
	2,623	2,964	2,513	2,374	2,113
Profit before taxation					
Before exceptional items, remeasurements and stranded cost recoveries	1,770	1,829	1,486	1,369	1,235
Exceptional items, remeasurements and stranded cost recoveries	(376)	353	265	349	177
	1,394	2,182	1,751	1,718	1,412
Profit for the year attributable to equity shareholders					
Before exceptional items, remeasurements and stranded cost recoveries	1,259	1,275	1,146	1,075	1,376
Exceptional items, remeasurements and stranded cost recoveries	(315)	1,915	248	2,773	48
	944	3,190	1,394	3,848	1,424
Summary statement of net assets					
Non-current assets	37,712	30,830	21,109	22,106	25,596
Current assets	6,755	5,435	5,312	3,818	1,964
Assets of businesses held for sale	–	1,506	1,968	–	–
Total assets	44,467	37,771	28,389	25,924	27,560
Current liabilities	(7,026)	(7,146)	(3,360)	(5,683)	(5,974)
Non-current liabilities	(33,457)	(25,188)	(20,443)	(16,748)	(19,465)
Liabilities of businesses held for sale	–	(63)	(450)	–	–
Total liabilities	(40,483)	(32,397)	(24,253)	(22,431)	(25,439)
Net assets	3,984	5,374	4,136	3,493	2,121
Summary cash flow statement					
Cash generated from operations					
Continuing operations	3,564	3,265	3,090	2,973	2,820
Discontinued operations	(8)	10	181	138	638
	3,556	3,275	3,271	3,111	3,458
Tax paid	(143)	(110)	(313)	(140)	(150)
Net cash inflow from operating activities	3,413	3,165	2,958	2,971	3,308
Net cash flows (used in)/from investing activities	(1,998)	(3,023)	(4,061)	4,052	(2,900)
Net cash flows (used in)/from financing activities	(877)	(1,592)	1,278	(5,842)	(400)
Net increase/(decrease) in cash and cash equivalents	538	(1,450)	175	1,181	8

*Comparatives for the year ended 31 March 2008 have been restated for the finalisation of the fair value exercise on the acquisition of KeySpan Corporation

Shareholder Information

Financial calendar

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

3 June 2009	Ordinary shares go ex-dividend for 2008/09
5 June 2009	Record date for 2008/09 final dividend
22 July 2009	Scrip election date for 2008/09 final dividend*
27 July 2009	2009 Annual General Meeting and interim management statement
19 August 2009	2008/09 final dividend paid to qualifying ordinary shareholders
19 November 2009	2009/10 half-year results
2 December 2009	Ordinary shares go ex-dividend
4 December 2009	Record date for 2009/10 interim dividend
20 January 2010	2009/10 interim dividend paid to qualifying ordinary shareholders
Jan/Feb 2010	Interim management statement
May 2010	2009/10 preliminary results

* Please see below for further information about dividends

Dividends

National Grid normally pays dividends twice each year, in accordance with the timetable above. Many shareholders have elected to have their dividends paid to them direct to their bank or building society account. As well as being convenient for the shareholder, as the dividend will normally reach their account on the day of payment, there will be no delays from paying in cheques, and there is no possibility of losing or damaging cheques. This also saves money and paper as fewer cheques need to be produced and sent out. Tax vouchers are still provided for shareholders' records. Overseas shareholders can also have their dividends paid direct to their bank account in their local currency (IPS). As set out in the IPS terms and conditions, charges are payable for this service.

Subject to shareholder approval at the 2009 Annual General Meeting, National Grid will be offering an optional scrip dividend for the 2008/09 final dividend. The scrip dividend will replace the dividend reinvestment plan (DRIP), which will be suspended indefinitely. A scrip dividend enables shareholders to receive new ordinary shares in National Grid instead of cash dividends. This enables shareholders to build up a shareholding in National Grid without going to the market to buy new shares and no dealing costs or stamp duty are incurred (ADR holders are subject to Stamp Duty Reserve Tax).

Shareholders have previously been able to re-invest dividends in further National Grid shares under the DRIP. Shareholders who previously had a DRIP mandate will have to elect for the scrip or alternatively receive a cash dividend. For further information on the scrip dividend, DRIP and IPS and 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 provide duplicate cheques if necessary (an administrative charge may be payable).

Website and electronic communication

More information about National Grid, including full details of previous dividends and information about proposed dividends, up-to-date announcements and current and historic share prices, is available on the National Grid website at www.nationalgrid.com. Shareholders can manage their holding online at www.nationalgrid.com/shareholders. This allows shareholders to check their shareholding, recent dividend payments and change information such as address and any direct payment details. Shareholder documents are now, following changes in company law and shareholder approval, primarily made available via the Company's website at www.nationalgrid.com/investors unless a shareholder has requested to continue to receive hard copies of such documents. If a shareholder has registered their up-to-date email address an email is sent to that address when such documents are available on the website. If shareholders have not provided an up-to-date email address and have not elected to receive documents in hard copy, a form of notification included within the Performance Summary is sent to their address on the Register notifying them that the documents are available on the website. Shareholders can continue to receive hard copies of shareholder documents by contacting Capita Registrars. If you have not already registered your current email address, you can do so at www.nationalgrid.com/shareholders. Investors who hold their shares via an intermediary should contact the intermediary regarding the receipt of shareholder documents from the Company.

Shareholder networking

National Grid operates a shareholder networking programme, the aim of which is to allow UK resident shareholders to gain a better understanding of the Company. The programme, which is normally run twice a year in June and during early December over two days, includes visits to UK operational sites and presentations by senior managers and employees. Participants also have the opportunity to meet and question Directors. The costs of the programme (including shareholder travel to and from the event) are paid for by National Grid.

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.

Share dealing, individual savings accounts (ISAs) and ShareGift

A share dealing service is available from Capita Registrars, allowing you to buy and sell National Grid shares. Trading by telephone or online enables shareholders to have a more up-to-date indicative share price when dealing than when using the postal dealing service.

For more information please call 0871 664 0445 (8.00am – 4.30pm) or visit www.capitadeal.com. Calls are charged at 10p per minute plus network extras. High street banks may also offer share dealing services. 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.

If you hold only a few shares and feel that it is uneconomical or otherwise 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.

These details are provided for information only and any action you take is at your own risk. National Grid cannot advise you on what action, if any, you should take in respect of your shares. 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.

Capital Gains Tax (CGT)

CGT information relating to National Grid shares can be found on our website or obtained from Capita Registrars. Share prices on specific dates can be found at www.nationalgrid.com.

Shareholdings

The following table includes a brief analysis of shareholder numbers and shareholdings as at 31 March 2009:

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50	218,395	19.0310	6,696,656	0.2594
51-100	341,876	29.7911	23,267,985	0.9012
101-500	488,641	42.5802	97,718,218	3.7846
501-1000	52,955	4.6145	37,343,673	1.4463
1,001-10,000	43,419	3.7835	100,505,395	3.8926
10,001-50,000	1,173	0.1022	22,967,883	0.8895
50,001-100,000	250	0.0218	18,213,246	0.7054
100,001-500,000	454	0.0396	108,346,256	4.1963
500,001-1,000,000	146	0.0127	102,168,112	3.9570
1,000,001+	269	0.0234	2,064,747,427	79.9677
Total	1,147,578	100	2,581,974,851	100

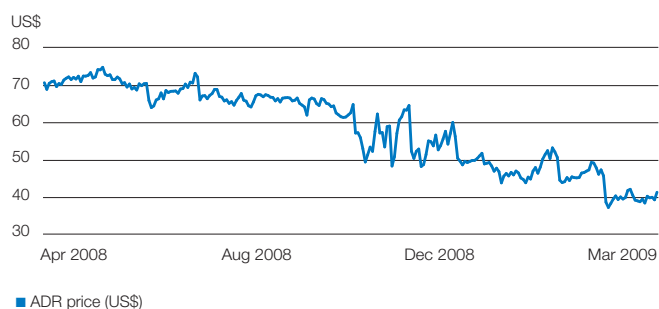
Share price

The following graphs represents the movement of National Grid's share price during 2008/09. A graph showing the total shareholder return over the last five years is available on page 106.

Share price



ADR price



Shareholder Information continued

For queries about ORDINARY SHARES contact:

Capita Registrars



0871 664 0500*
(from outside the UK: +44 20 7098 1198)
(textphone: 18001 0870 242 2379)
*Calls are charged at 10p per minute plus network extras



nationalgrid@capitaregistrars.com
www.nationalgrid.com/shareholders



National Grid Share Register
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

For queries about AMERICAN DEPOSITARY SHARES (ADSs or ADRs) contact:

The Bank of New York Mellon



1-800-466-7215
(from outside the US: +1-212-815-3700)



shrrelations@mellon.com
www.bnymellon.com/shareowner



The Bank of New York Mellon
Shareholders Correspondence
PO Box 358516
Pittsburgh, PA
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Cautionary Statement

This document comprises the Annual Report and Accounts for the year ended 31 March 2009 for National Grid and its subsidiaries. It contains the Directors' Report and Financial Statements, together with the Independent Auditor's Report thereon, as required by the UK Companies Act 1985. The Annual Review of National Grid for the same period is published as a separate document. The Directors' Report on pages 100 and 101 and the Directors' Remuneration Report on pages 102 to 112 have each been drawn up in accordance with the requirements of English law, and liability in respect thereof is also governed by English law. In particular, the liability of the Directors for these reports is solely to National Grid.

This document also contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to our financial condition, our results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking

statements. These forward-looking statements are not guarantees of our future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as delays in obtaining, or adverse conditions contained in, regulatory approvals and contractual consents, unseasonable weather affecting the demand for electricity and gas, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, the impact of changes to accounting standards, technological developments and the ability to access capital markets and other sources of credit in a timely manner or on acceptable terms, especially considering the recent deterioration of market conditions in the global economy and financial markets. Other factors that could cause actual results to differ materially from those described in this document include the ability to integrate the businesses relating to announced acquisitions with our existing business to realise the expected synergies from such integration, the availability of new acquisition opportunities and the timing and

success of future acquisition opportunities, the timing and success or other impact of the sales of our non-core businesses, the failure for any reason to achieve reductions in costs or to achieve operational efficiencies, the failure to retain key management, the behaviour of UK electricity market participants on system balancing, the timing of amendments in prices to shippers in the UK gas market, the performance of our pension schemes and the regulatory treatment of pension costs, and any adverse consequences arising from outages on or otherwise affecting energy networks, including gas pipelines, which we own or operate. For a more detailed description of some of these assumptions, risks and uncertainties, together with any other risk factors, please see our filings with and submissions to the US Securities and Exchange Commission (the 'SEC') (and in particular the Risk factors and Operating and Financial Review sections in our most recent Annual Report on Form 20-F). Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements. The effects of these factors are difficult to predict. New factors emerge from time to time and we cannot assess the potential impact of any such factor on our activities or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The content of any website references herein do not form part of this document.

National Grid plc

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Registered in England and Wales No. 4031152

www.nationalgrid.com

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www.addison.co.uk



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