

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

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

Board

The Board of Directors of the Company (for more information see pages 12 and 13).

BritNed

BritNed Development Limited.

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 were 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.

circuit length

See route length.

Combined Code

The Combined Code on Corporate Governance, soon to be replaced by the UK Corporate Governance Code, 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 liabilities

Possible obligations or potential liabilities arising from past events for which no provision has been recorded, but for which disclosure in the financial statements is made.

D

decoupling

See revenue decoupling.

deferred tax

For most assets and liabilities, deferred tax is the amount of tax that will be payable or receivable in respect of that asset or liability in future tax returns as a result of a difference between the carrying value for accounting purposes in the balance sheet and the value for tax purposes of the same asset or liability.

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.

dollars or \$

Except as otherwise noted all references to dollars or \$ in this Report are to the US currency.

E

employee engagement index

A key performance indicator, based on the percentage of favourable responses to certain indicator questions repeated in each employee 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 179 to 185, which are prepared in accordance with UK GAAP.

G

Grain LNG

National Grid Grain LNG Limited.

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 a period of one hour.

H

HSE

Health and 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.

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

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 rate

The number of lost time injuries per 100,000 hours worked in a 12 month period.

M

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

National Grid Metering

National Grid Metering Limited, National Grid's UK regulated metering business.

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.

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.

OnStream

Utility Metering Services Limited, National Grid's UK unregulated metering business.

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 11⁷/₄₃ 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.

price control

The mechanism by which Ofgem sets restrictions on the amounts of revenue we are allowed to collect from customers in our UK businesses. The allowed revenues are intended to cover efficiently incurred operational expenditure, capital expenditure and financing costs, including a return on equity invested.

Definitions and glossary of terms continued

R

rate base

The base investment on which the utility is authorised to earn a cash return. It includes the original cost of facilities, minus depreciation, an allowance for working capital and other accounts.

rate plan

The term given to the mechanism by which a US utility regulator sets terms and conditions for utility service, including in particular tariffs and rate schedules. The term can mean a multi-year plan that is approved for a specified period, or an order approving tariffs and rate schedules that remain in effect until changed as a result of a future regulatory proceeding. Such proceedings can be commenced through a filing by the utility or on the regulator's own initiative.

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.

revenue decoupling

Revenue decoupling is the term given to the elimination of the dependency of a utility's revenue on the volume of gas or electricity transported. The purpose of decoupling is to eliminate the disincentive a utility otherwise has to encourage energy efficiency programmes.

route length

The route length of an electricity transmission line is the geographical distance from the start tower to the end tower. In most cases in the UK, and in many cases in the US, the transmission line consists of a double circuit for additional reliability. In such cases, the circuit length is twice the route length.

RPI-X@20

A project conducted by Ofgem to review the workings of the current approach to regulating Great Britain's energy networks and develop future policy recommendations, which is expected to have an impact on future price controls.

S

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.

shrinkage

Shrinkage is the difference between the amount of gas entering the system and that which is billed to consumers, due to either transportation consumption or loss. This difference is mainly

made up of gas leakage from distribution mains and certain activities and equipment which vent gas. Shrinkage also occurs when gas is stolen or not charged for in error.

standard cubic metre

A quantity of gas which at 15°C and atmospheric pressure (1.013 bar) occupies the volume of 1m³.

stranded cost recoveries

The recovery of historical generation-related costs in the US, related to generation assets that are no longer owned by us.

subsidiary

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

T

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 carbon dioxide 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 a period of 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 2010. 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 2006, 2007, 2008, 2009 and 2010 has been prepared under IFRS issued by the IASB and as adopted by the European Union.

	31 March 2010 £m	31 March 2009 £m	31 March 2008 £m	31 March 2007 £m	31 March 2006 £m
Summary income statement					
Revenue	13,988	15,624	11,423	8,695	8,868
Operating profit					
Before exceptional items, remeasurements and stranded cost recoveries	3,121	2,915	2,595	2,031	1,968
Exceptional items, remeasurements and stranded cost recoveries	172	(292)	369	482	406
	3,293	2,623	2,964	2,513	2,374
Profit before taxation					
Before exceptional items, remeasurements and stranded cost recoveries	1,974	1,770	1,829	1,486	1,369
Exceptional items, remeasurements and stranded cost recoveries	219	(376)	353	265	349
	2,193	1,394	2,182	1,751	1,718
Profit for the year attributable to equity shareholders					
Before exceptional items, remeasurements and stranded cost recoveries	1,418	1,259	1,275	1,146	1,075
Exceptional items, remeasurements and stranded cost recoveries	(32)	(315)	1,915	248	2,773
	1,386	944	3,190	1,394	3,848
Summary statement of net assets					
Non-current assets	38,488	37,712	30,830	21,109	22,106
Current assets	5,065	6,755	5,435	5,312	3,818
Assets of businesses held for sale	–	–	1,506	1,968	–
Total assets	43,553	44,467	37,771	28,389	25,924
Current liabilities	(6,559)	(7,026)	(7,146)	(3,360)	(5,683)
Non-current liabilities	(32,783)	(33,457)	(25,188)	(20,443)	(16,748)
Liabilities of businesses held for sale	–	–	(63)	(450)	–
Total liabilities	(39,342)	(40,483)	(32,397)	(24,253)	(22,431)
Net assets	4,211	3,984	5,374	4,136	3,493
Summary cash flow statement					
Cash generated from operations					
Continuing operations	4,372	3,564	3,265	3,090	2,973
Discontinued operations	–	(8)	10	181	138
	4,372	3,556	3,275	3,271	3,111
Tax received/(paid)	144	(143)	(110)	(313)	(140)
Net cash inflow from operating activities	4,516	3,413	3,165	2,958	2,971
Net cash flows (used in)/from investing activities	(2,332)	(1,998)	(3,023)	(4,061)	4,052
Net cash flows (used in)/from financing activities	(2,212)	(877)	(1,592)	1,278	(5,842)
Net (decrease)/increase in cash and cash equivalents	(28)	538	(1,450)	175	1,181

Shareholder Information

Financial calendar

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

2 June 2010	Ordinary shares go ex-dividend for 2009/10
4 June 2010	Record date for 2009/10 final dividend
9 June 2010	Scrip reference price announced
21 July 2010	Scrip election date
26 July 2010	2010 Annual General Meeting and interim management statement
18 August 2010	2009/10 final dividend paid to qualifying ordinary shareholders
18 November 2010	2010/11 half year results
1 December 2010	Ordinary shares go ex-dividend
3 December 2010	Record date for 2010/11 interim dividend
19 January 2011	2010/11 interim dividend paid to qualifying ordinary shareholders
January/February 2011	Interim management statement
May 2011	2010/11 preliminary results

Dividends

National Grid normally pays dividends twice each year, in accordance with the timetable above. We encourage shareholders to elect 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 or losing cheques. Alternatively, shareholders can elect to acquire further National Grid ordinary shares without payment of dealing or stamp duty reserve tax through the Scrip Dividend Scheme, details and an application form are available from our Registrar, Capita, or, for the scrip for American Depositary Receipt holders, Bank of New York Mellon, whose contact information are on the back cover. Ordinary shareholders can also elect via the website www.nationalgridshareholders.com.

Website and electronic communication

More information about National Grid, and specifically for shareholders, is available on the National Grid website at www.nationalgrid.com. We encourage shareholders to receive documents electronically via the website and suggest registering an email address via www.nationalgridshareholders.com. Shareholders then receive an email alert when shareholder documents become available on the website and a link directly to them.

Shareholder Networking

The Shareholder Networking programme aims to provide UK resident shareholders with a better understanding of the Company. The programme, which is normally run twice a year over two days, includes visits to UK operational sites and presentations by senior managers and employees. The costs of the programme (including shareholder travel to and from the event) are paid for by National Grid. Participation is by application and selection by ballot from those applying, with priority given to those who have not recently attended.

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

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

Share dealing, individual savings accounts (ISAs) and ShareGift

A share dealing service is available from Capita Registrars. For more information please call 0871 664 0445 (8am – 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.

Rights issue

The securities offered pursuant to the rights issue have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold in the United States unless in a transaction that is registered thereunder or exempt from the registration requirements thereof. No public offer has been or will be made in or into the United States.

Key milestones

Some of the key dates and actions in the history of National Grid are listed below. The full history of the Company goes back much further. For example, the first national gas company in the UK commenced operations in 1812.

1986	British Gas incorporated as a public limited company
1990	Electricity transmission network in England and Wales transferred to National Grid on electricity privatisation
1995	National Grid listed on the London Stock Exchange
1997	British Gas (BG) demerged Centrica
1997	National Grid demerged Energis
2000	Lattice Group demerged from BG and listed separately
2000	New England Electric System and Eastern Utilities Associates acquired
2002	Niagara Mohawk Power Corporation merged with National Grid in US
2002	Merger of National Grid and Lattice Group to form National Grid Transco
2004	Acquisition of UK wireless infrastructure network from Crown Castle International Corp
2005	Sales of four UK regional gas distribution networks and adopted National Grid as our name
2006	Acquisition of Rhode Island gas distribution network
2007	Sales of UK and US wireless infrastructure operations and of the Basslink electricity interconnector in Australia
2007	Acquisition of KeySpan Corporation
2008	Sale of the Ravenswood generation station

Capital Gains Tax (CGT)

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

Shareholdings

The following table includes a brief analysis of shareholder numbers and shareholdings as at 31 March 2010:

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50	212,223	18.8526	6,452,377	0.2465
51-100	335,851	29.8349	22,870,494	0.8739
101-500	475,689	42.2573	95,426,258	3.6461
501-1,000	53,699	4.7703	38,093,786	1.4555
1,001-10,000	45,912	4.0785	107,389,598	4.1032
10,001-50,000	1,265	0.1124	24,633,895	0.9412
50,001-100,000	210	0.0187	15,633,167	0.5973
100,001-500,000	427	0.0379	101,651,819	3.8840
500,001-1,000,000	145	0.0129	103,105,452	3.9395
1,000,001+	276	0.0254	2,101,933,249	80.3126
Total	1,125,697	100	2,617,190,095	100

Share price

The following graphs represent the movement of National Grid's share price during 2009/10 and total shareholder return (TSR) over the last five years assuming dividends have been reinvested. The TSR level shown at 31 March each year is the average of the closing daily TSR levels for the 30 day period up to and including that date.

Share price



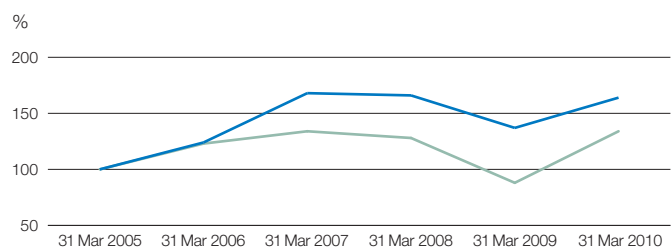
● Ordinary share price (pence)

ADR price



● ADR price (US\$)

National Grid plc TSR v FTSE 100



● National Grid plc ● FTSE 100

Source: Datastream

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Printed on revive 100 uncoated paper. This paper is made from 100% de-inked post consumer waste. It has been certified according to the rules of the Forest Stewardship Council (FSC) and it is produced at a mill that is certified to ISO 14001 environmental management standards. The mill uses pulps that are an elemental chlorine free (ECF) process and the inks used are all vegetable oil based.

For queries about ORDINARY SHARES contact:

Capita Registrars



0871 664 0500*
(from outside 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 (ADS or ADR) 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
15252-8516

Cautionary Statements

This document comprises the Annual Report and Accounts for the year ending 31 March 2010 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 Companies Act 2006. The Directors' Report on pages 96 and 97 and the Directors' Remuneration Report on pages 98 to 108 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', 'targets', '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 changes in laws or regulations and decisions by governmental bodies or regulators; breaches of, or changes in, environmental, climate change and health and safety laws or regulations; network failure or interruption, the inability to carry out critical non-network operations and damage to infrastructure; performance against regulatory targets and standards, including delivery of costs and efficiency savings; customers and counterparties failing to perform their obligations to us; and unseasonable weather affecting energy demands. Other factors that could cause actual results to differ materially from those described in this document include fluctuations in exchange rates, interest rates, commodity price indices and settlement of hedging arrangements; restrictions in our borrowing and debt arrangements; changes to credit ratings of the Company and its subsidiaries; adverse changes and volatility in the global credit markets; our ability to access capital markets and other sources of credit in a timely manner and other sources of credit on acceptable terms; deflation or inflation; the seasonality of our businesses; the future funding requirements of our pension schemes and other post-retirement benefit schemes, and the regulatory treatment of pension costs; the loss of key personnel or

the inability to attract, train or retain qualified personnel; new or revised accounting standards, rules and interpretations, including changes of law and accounting standards that may affect our effective rate of tax; incorrect assumptions or conclusions underpinning business development activity, and any unforeseen significant liabilities or other unanticipated or unintended effects of such activities and the performance of the Company's subsidiaries. In addition the Company's reputation may be harmed if consumers of energy suffer a disruption to their supply.

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). 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. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The contents of any website references herein do not form part of this document.

Please see page 190 for important information regarding the rights issue.

National Grid plc
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Registered in England and Wales No. 4031152

www.nationalgrid.com