

NATIONAL GRID HOLDINGS ONE plc

INTERIM ACCOUNTS - FOR THE PERIOD FROM 1 APRIL 2007 TO 31 AUGUST 2007

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COMPANIES HOUSE

Registered in England and Wales No 2367004

NATIONAL GRID HOLDINGS ONE plc

Accounting policies

a) Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and are properly prepared in accordance with Section 226 of the Companies Act 1985 except for those matters which are not material for determining whether a distribution is legal under Section 270 of that Act

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.

c) Taxation

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is recognised in respect of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in the future has been entered into by the subsidiary or associate.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

d) Dividends receivable

Dividends receivable are recognised in the accounts when declared.

NATIONAL GRID HOLDINGS ONE plc

Profit and loss account

for the period from 1 April 2007 to 31 August 2007

| | Notes | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|--|-----------|---|---|
| Income from shares in subsidiary undertakings | 1 | - | 670 |
| Profit on sale of fixed asset investments | 2 | 1,208 | - |
| Interest receivable and similar income | 3 | 77 | 97 |
| Interest payable and similar charges | 4 | (307) | (635) |
| Profit on ordinary activities before taxation | | 978 | 132 |
| Taxation | 5 | - | 210 |
| Profit on ordinary activities after taxation | | 978 | 342 |
| Dividends | 6 | - | (220) |
| Profit for the period transferred to reserves | 12 | 978 | 122 |

NATIONAL GRID HOLDINGS ONE plc

Balance sheet
at 31 August 2007

| | Notes | 31 August 2007 £m | 31 March 2007 £m |
|---|-------|-------------------------|------------------------|
| Fixed asset investments | 7 | 17,358 | 17,355 |
| Current assets | | | |
| Debtors (amounts falling due within one year) | 8 | 5,177 | 3,466 |
| Derivative financial instruments | | 3 | 2 |
| Cash at bank | | 12 | 7 |
| | | 5,192 | 3,475 |
| Creditors (amounts falling due within one year) | 9 | (18,150) | (17,407) |
| Net current liabilities | | (12,958) | (13,932) |
| Total assets less current liabilities | | 4,400 | 3,423 |
| Creditors (amounts falling due after more than one year) | | | |
| Derivative financial instruments | | (4) | (4) |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 10 | (1) | (1) |
| Net assets employed | | 4,395 | 3,418 |
| Capital and reserves | | | |
| Called up share capital | 11 | 176 | 176 |
| Share premium account | 12 | 335 | 335 |
| Cash flow hedge reserve | 12 | 5 | 6 |
| Revaluation reserve | 12 | 624 | 624 |
| Other reserves | 12 | 3 | 3 |
| Profit and loss account | 12 | 3,252 | 2,274 |
| Total shareholders' funds | | 4,395 | 3,418 |

The accounts on pages 1 to 7 inclusive were approved by the Board of Directors on 27 September 2007 and were signed on its behalf by

RF Pettifer

RF Pettifer
Director

NATIONAL GRID HOLDINGS ONE plc**Notes to the accounts****1. Income from shares in subsidiary undertakings**

| | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|---|---|---|
| Ordinary dividends receivable from National Grid Holdings Limited | - | 120 |
| Ordinary dividends receivable from Lattice Group plc | - | 550 |
| | - | 670 |

2. Profit on sale of fixed asset investments

On 3 April 2007, the Company sold its investment in the ordinary shares of National Grid Telecoms Investment Limited for net consideration of £1,208m

3. Interest receivable and similar income

| | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|---|---|---|
| Interest receivable from fellow subsidiary undertakings | 74 | 20 |
| Foreign exchange gains on revaluation of foreign currency denominated loans to fellow subsidiary undertakings | 1 | 68 |
| Net gain on derivatives not designated as hedges or ineligible for hedge accounting | 1 | 6 |
| Bank interest receivable | 1 | 3 |
| | 77 | 97 |

4 Interest payable and similar charges

| | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|--|---|---|
| Interest payable to fellow subsidiary undertakings | 304 | 552 |
| Foreign exchange losses on revaluation of foreign currency denominated loans from fellow subsidiary undertakings | 2 | 79 |
| Net loss on derivatives not designated as hedges or ineligible for hedge accounting | 1 | 3 |
| Bank interest payable | - | 1 |
| | 307 | 635 |

NATIONAL GRID HOLDINGS ONE plc

Notes to the accounts

5. Taxation

| | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|---|---|---|
| Current tax. | | |
| UK corporation tax at 30% (31 March 2007 30%) | (69) | (161) |
| Adjustments in respect of prior periods | 69 | (47) |
| Total current tax | - | (208) |
| Deferred tax: | | |
| Adjustment in respect of prior periods | - | (2) |
| Total deferred tax | - | (2) |
| Tax on profit on ordinary activities | - | (210) |

6. Dividends

| | Period from 1 April 2007 to 31 August 2007 £m | Year ended 31 March 2007 £m |
|---|---|---|
| Ordinary dividends | | |
| Interim dividend in respect of the year ended 31 March 2007 | - | 220 |
| | - | 220 |

7. Fixed asset investments

| | Investment in subsidiary undertakings £m |
|-------------------------------------|---|
| Cost. | |
| At 31 March 2007 | 18,860 |
| Additions | 3 |
| Disposals | - |
| At 31 August 2007 | 18,863 |
| Provision* | |
| At 31 March 2007 and 31 August 2007 | 1,505 |
| Net Book Value: | |
| At 31 August 2007 | 17,358 |
| At 31 March 2007 | 17,355 |

NATIONAL GRID HOLDINGS ONE plc

Notes to the accounts

7. Fixed asset investments (continued)

The principal subsidiary undertakings held directly by the Company are listed below. These undertakings are wholly-owned and are incorporated in Great Britain

| | Principal activity |
|--|--------------------|
| Lattice Group plc | Holding company |
| National Grid Holdings Limited | Holding company |
| National Grid Eighteen Limited | Investment company |
| National Grid (Ireland) 1 Limited | Investment company |
| National Grid Jersey Investments Limited | Investment company |

8. Debtors (amounts falling due within one year)

| | 31 August 2007 £m | 31 March 2007 £m |
|--|-------------------------|------------------------|
| Amounts owed from fellow subsidiary undertakings | 4,945 | 3,143 |
| Corporation tax recoverable | 232 | 323 |
| | 5,177 | 3,466 |

9. Creditors (amounts falling due within one year)

| | 31 August 2007 £m | 31 March 2007 £m |
|--|-------------------------|------------------------|
| Amounts owed to fellow subsidiary undertakings | 18,145 | 17,403 |
| Other creditors | 5 | 4 |
| | 18,150 | 17,407 |

10. Provisions for liabilities and charges

| | Deferred taxation £m |
|------------------------------------|----------------------------|
| At 1 April 2007 and 31 August 2007 | (1) |

11. Share capital

| | Authorised Millions | £m | Allotted, called up and fully paid Millions | £m |
|--|------------------------|------------|---|------------|
| Ordinary shares of 11 13/17 pence each | | | | |
| At 1 April 2007 and 31 August 2007 | 2,125 | 250 | 1,498 | 176 |

NATIONAL GRID HOLDINGS ONE plc

Notes to the accounts

12. Reserves

| | Share premium account £m | Cash flow hedge reserve £m | Revaluation reserve £m | Other reserves £m | Profit and loss account £m |
|---|-----------------------------------|-------------------------------------|------------------------------|-------------------------|-------------------------------------|
| At 1 April 2007 | 335 | 6 | 624 | 3 | 2,274 |
| Net loss transferred from equity in respect of cash flow hedges (net of tax) | - | (1) | - | - | - |
| Retained profit for the period | - | - | - | - | 978 |
| At 31 August 2007 | 335 | 5 | 624 | 3 | 3,252 |

Of the Company's profit and loss account reserve of £3,252m at 31 August 2007 (31 March 2007 £2,274m), £655m (31 March 2007 £655m) relating to gains on intra-group transactions was not distributable to shareholders

13. Holding company

The Company's ultimate parent and controlling company is National Grid plc, which is registered in England and Wales

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