

24/4/202

National Grid Overseas Limited

Directors' Report

and Financial Statements

For the year ended 31 March 2013



National Grid Overseas Limited

Directors' Report

For the year ended 31 March 2013

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2013

Principal activities

The Company held an investment in another National Grid plc subsidiary company and obtains and provides finance to fellow subsidiary companies via intercompany balances

Business review

On 20 February 2013, following shareholders' approval, the Directors agreed and implemented a number of steps to restructure intercompany balances as part of a wider group restructuring project. As a result the Company assigned intercompany loans to its immediate parent company, completed a restructure of the Company's share capital and paid a dividend.

Furthermore, the Directors approved a capital reduction under section 641(1)(a) of the Companies Act 2006. The distributable reserves arising as a result of this capital reduction were subsequently paid by way of dividend. The remaining loans recoverable and payable from its parent and a subsidiary undertaking respectively were made non interest bearing removing any source of income or expense for the Company.

Results, as detailed below, largely depend on interest receivable offset by the related tax charge.

Key performance indicators and principal risks and uncertainties

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 and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Review included in National Grid plc's Annual Report and Accounts 2012/13, which does not form part of this report.

Future developments

As a result of the Company restructuring the Directors consider that the Company has ceased its activities and will be dormant for the foreseeable future.

Results and dividends

The Company's profit for the financial year was £8,762,000 (2012 £10,503,000).

During the year the Company has paid interim ordinary dividends totalling £874,567,000 (2012 £nil). The Directors do not recommend the payment of a final ordinary dividend (2012 £nil).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2013 were £100,000 (2012 £865,905,000) comprising a fixed asset investment of £35,424,000 (2012 £35,424,000) and net current liabilities of £35,324,000 (2012 £830,481,000 net current assets).

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and interest rate risks. These risks are monitored through a National Grid Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc and its subsidiaries.

Treasury also seeks to limit third party counterparty risk which arises from the investment of surplus funds and the use of derivative financial instruments. Treasury monitors the exposure that National Grid has with any one counterparty against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

National Grid Overseas Limited

Directors' Report (continued)

For the year ended 31 March 2013

Financial risk management (continued)

Liquidity risk

The Company financed its operations through a combination of retained profits, new share issues and intercompany loans to ensure that the Company had sufficient long-term and short-term funds available for current operations and future activities

Credit risk

No material exposure is considered to exist in respect of intercompany loans

Interest rate cash flow risk

The Company had interest bearing intercompany assets. To the extent that the Company entered into intercompany loan agreements, the Company's exposure to interest rate cash flow risk arose on such loans on which interest was charged based upon sterling LIBOR

During the year, the Company has consolidated its intercompany assets and liabilities into one non interest bearing asset and one non interest bearing liability for which no imputed interest will be calculated

Directors

The Directors of the Company during the year and up to the date of signing of the financial statements were

A J Agg	(Resigned 31 May 2013)
F L Beaney	(Appointed 22 March 2013)
D C Bonar	
M A D Flawn	(Resigned 22 March 2013)
E D Fraser	(Appointed 14 February 2013)
A M Lewis	
D A Preston	(Appointed 22 March 2013)
M J Sellars	(Resigned 17 September 2012)
C J Waters	

Directors' indemnity

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance for each Director

Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out within the Directors' Report. In addition there are details of the Company's financial position and the financial risks that the Directors have highlighted as significant to the business

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is expected to continue to be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

National Grid Overseas Limited

Directors' Report (continued)

For the year ended 31 March 2013

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each 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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

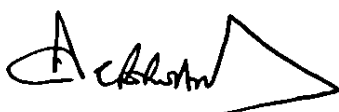
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by



D C Forward
Secretary
12 July 2013

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 2444202

Independent auditors' report to the members of National Grid Overseas Limited

We have audited the financial statements of National Grid Overseas Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities set out in the Directors' Report the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

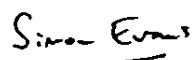
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Simon Evans (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 July 2013

National Grid Overseas Limited

Profit and loss account

For the years ended 31 March

	Notes	2013 £'000	2012 £'000
Interest receivable from immediate parent company		11,529	14,194
Profit on ordinary activities before taxation	2	<u>11,529</u>	<u>14,194</u>
Tax on profit on ordinary activities	4	(2,767)	(3,691)
Profit for the financial year	10	<u>8,762</u>	<u>10,503</u>

The results reported above relate to discontinued activities

The Company has no recognised gains and losses other than the profit for the financial years stated above and therefore no separate statement of total recognised gains and losses has been presented

National Grid Overseas Limited

Balance sheet

As at 31 March

	Notes	2013 £'000	2012 £'000
Fixed asset investment	6	<u>35,424</u>	<u>35,424</u>
Current assets			
Debtors amounts falling due within one year	7	100	1,012,160
Creditors: amounts falling due within one year	8	(35,424)	(181,679)
Net current (liabilities)/assets		<u>(35,324)</u>	<u>830,481</u>
Total assets less current liabilities		<u>100</u>	<u>865,905</u>
Net assets		<u>100</u>	<u>865,905</u>
Capital and reserves			
Called up share capital	9	-	243,721
Share premium account	10	-	280,034
Profit and loss account	10	100	342,150
Total shareholders' funds	11	<u>100</u>	<u>865,905</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 12 July 2013 and signed on its behalf by



E D Fraser
Director

National Grid Overseas Limited
Notes to the financial statements
For the year ended 31 March 2013

1 Accounting policies

(a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards (FRS) and the Companies Act 2006. They have been prepared on an historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

In accordance with Section 400 of the Companies Act 2006, the Company is exempt from preparing consolidated financial statements, as it is included within the consolidated financial statements of National Grid plc.

The Company is a wholly owned subsidiary within a group headed by National Grid plc and is included in the consolidated financial statements of that company which are publicly available. Consequently the Company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

Further, in accordance with exemptions under FRS 29 'Financial Instruments Disclosures', the Company has not presented the financial instruments disclosures required by the standard, as disclosures that comply with the standard are included in the consolidated financial statements of National Grid plc.

(b) Fixed asset investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 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.

(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, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

Loans receivable are carried at amortised cost using the effective interest 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, is recognised using the effective interest method in the profit and loss account.

Borrowings, which include interest-bearing loans and overdrafts, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

National Grid Overseas Limited
Notes to the financial statements (continued)
For the year ended 31 March 2013

1 Accounting policies (continued)

(e) Dividends

Interim dividends are recognised when they become payable to the Company's shareholders
 Final dividends are recognised in the financial year in which they are approved

2 Profit on ordinary activities before taxation

Audit fees of £3,000 (2012 £3,000) have been borne by a fellow subsidiary undertaking and not recharged

Disclosure of non-audit fees is not required as these have been disclosed in the consolidated financial statements of National Grid plc

3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were 5 Directors (2012 4) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2012 none)

4 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax:		
UK corporation tax	<u>2,767</u>	<u>3,691</u>

The tax for the year is equivalent to the standard rate of corporation tax in the UK of 24% (2012 26%)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate to 23% from 1 April 2013 was enacted in Finance Act 2012.

A reduction in the corporation tax rate to 21% from April 2014 was announced in the Autumn Statement and a further reduction to 20% from April 2015 was announced in the 2013 UK Budget Report. Although these reductions in the UK corporation tax rate have now been substantively enacted, these rate changes had not been substantively enacted as at the balance sheet date and have therefore not been reflected in these financial statements.

5 Dividends

	2013	2012
	£'000	£'000
Equity – ordinary		
First interim paid £5.55 per £1 share	350,812	-
Second interim paid £523,755,085.00 per £1 share	523,755	-
	<u>874,567</u>	<u>-</u>

National Grid Overseas Limited

Notes to the financial statements (continued)

For the year ended 31 March 2013

6 Fixed asset investment

	Shares in a subsidiary undertaking £'000
Cost:	
At 1 April 2012 and 31 March 2013	451,976
Provision:	
At 1 April 2012 and 31 March 2013	416,552
Net book value.	
At 1 April 2012 and 31 March 2013	35,424

The fixed asset investment at 31 March 2013 represents 100% of the ordinary share capital of National Grid Overseas Two Limited, a dormant investment holding company registered in England and Wales

The Directors believe that the carrying value of the investment is supported by the fair value of the underlying net assets

7 Debtors: amounts falling due within one year

	2013 £'000	2012 £'000
Amount owed by a fellow subsidiary undertaking	-	89
Amounts owed by immediate parent company	100	1,012,071
	100	1,012,160

8 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to subsidiary undertaking*	35,424	35,424
Amounts owed to fellow subsidiary undertakings*	-	126,162
Amounts owed to immediate parent company	-	20,093
	35,424	181,679

* Amounts owed to subsidiary undertaking has been separately presented in the current year, comparatives have been adjusted accordingly

9 Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
1 (2012 63,231,416) ordinary share of £1 each	-	60,270
Nil (2012 168,368,400) A preference shares of £1 each	-	183,451
	-	243,721

National Grid Overseas Limited

Notes to the financial statements (continued)

For the year ended 31 March 2013

9 Called up share capital (continued)

Ordinary Shares

On 20 February 2013, following shareholders' approval, the Directors agreed to reduce the ordinary share capital under section 641(1)(a) of the Companies Act 2006, thereby cancelling 63,231,415 ordinary shares of £1 each and reducing the share premium account to £nil. The resulting credit of £340,304,000 was transferred to the distributable reserves of the Company.

Included within the prior year's 63,231,416 ordinary shares were 30,000,000 originally designated B ordinary shares. These were converted into ordinary shares in December 2005 on a one for one basis and had a value of £27,039,000.

A Preference shares

On 25 February 2013, as part of the capital reduction, the Directors cancelled the 168,368,400 redeemable preference "A" shares and the resulting credit of £183,451,000 was transferred to the distributable reserves of the Company.

These shares were originally cumulative redeemable preference shares with a total amount payable on redemption of CHF 417,351,590 (Swiss Frank equivalent amount). In December 2005 the rights of the shareholders were altered to remove the preferential dividend and redemption rights. Following the alteration of the rights the A preference shares were reclassified as equity at the sterling value of the shares on 8 December 2005 of £183,451,000.

10 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2012	280,034	342,150
Profit for the financial year	-	8,762
Dividends paid (see note 5)	-	(874,567)
Capital reduction	(280,034)	523,755
At 31 March 2013	-	100

11 Reconciliation of movements in total shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	8,762	10,503
Dividends (see note 5)	(874,567)	-
Net (decrease)/increase in shareholders' funds	(865,805)	10,503
Opening shareholders' funds	865,905	855,402
Closing shareholders' funds	100	865,905

National Grid Overseas Limited

Notes to the financial statements (continued)

For the year ended 31 March 2013

12 Related party transactions and ultimate parent company

The Company is exempt under FRS 8 'Related Party Disclosures' from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid International Limited. The largest and smallest group which includes the Company and for which consolidated financial statements are prepared is headed by National Grid plc. Both of these companies are registered in England and Wales.

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