

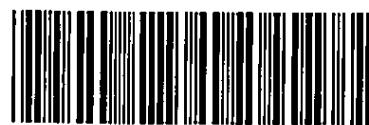
**NATIONAL GRID METERING LIMITED**

**DIRECTORS' REPORT**

**AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

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**ENGLAND AND WALES REGISTERED NUMBER: 3705992**

# **NATIONAL GRID METERING LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2009**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2009.

#### **PRINCIPAL ACTIVITY**

The Company's principal activity during the year ended 31 March 2009 was the provision of meter asset management services to National Grid Gas plc and meter reading services to third parties.

#### **DEVELOPMENT AND PERFORMANCE DURING THE YEAR**

The Company has continued to provide metering services to National Grid Gas plc under a service provider contract. Results, as detailed below, largely depend on the meter work and supporting services provided to National Grid Gas plc as well as standards of services.

The most significant risk factors identified relate to:

- Changes in laws or regulations;
- Breaches in environmental or health and safety law or regulations;
- Business development activities

On 1 July 2008, the data services operation was transferred to Utility Metering Services Limited (trading as Onstream). Data services incorporates commercial Pedestrian Meter Reading and also provides data logger services to gas networks to fulfil their network code obligations.

The Energy Act 2008 granted powers for the Secretary of State for Energy to set a mandate for smart metering. Although no mandate has yet been set, the Government has recently repeated its aspiration to see the delivery of smart metering commence by 2012 and for it to be completed by 2020. The Department for Energy and Climate Change is consulting on how these objectives could be met including reconsidering whether smart metering could be delivered by regulated network operators. The Directors are actively reviewing the options for a new industry model and the role that National Grid Metering Limited may have within such arrangements.

#### **Key Performance Indicators**

- Standards of Service – In the year to 31 March 2009, 17 out of 18 standards of service were achieved (2008: 22 out of 22). The target measure varied from 90 – 98%. These covered complaints, domestic meter work, industrial and commercial meter works and meter reading services.
- Efficiency is monitored via achieving lowest cost per job in the following areas: installation, running and overheads.
- Safety – Safety Performance is measured using a weighted scoring system looking at incidents that have occurred and safety behaviours. Overall this was above target. The Company aims to improve its safety statistics year on year and monitors this very closely every month.

# **NATIONAL GRID METERING LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2009**

#### **DEVELOPMENT AND PERFORMANCE DURING THE YEAR (continued)**

There are also a number of European Directives and Regulations in development covering many issues including harmonisation of access to gas systems and infrastructure development, although we expect the impact of these regulations on our business to be minimal.

#### **RESULTS AND DIVIDENDS**

The profit for the year after taxation was £5,988,000 (2008: £3,228,000).

The Directors do not recommend the payment of a final dividend (2008: £nil).

#### **FINANCIAL POSITION**

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2009 were £52,661,000 (2008: £46,550,000) comprising fixed assets of £2,828,000 (2008: £2,835,000); net current assets of £50,160,000 (2008: £45,211,000) less provisions for liabilities of £327,000 (2008: £1,496,000).

#### **FUTURE DEVELOPMENTS**

The Company will continue to operate metering asset management services for the foreseeable future.

#### **FINANCIAL RISK MANAGEMENT**

The management of the Company and the execution of the Company's strategy are subject to a number of risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit, interest rate and foreign exchange 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 counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

#### **LIQUIDITY RISK**

The Company finances its operations through a combination of retained profits, new share issues and inter company loans.

# **NATIONAL GRID METERING LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2009**

#### **CREDIT RISK**

No material exposure is considered to exist in respect of inter company loans.

#### **INTEREST RATE RISK**

To the extent that the Company enters into inter company loan agreements, the Company's exposure to interest risk arises on such loans on which interest is based upon sterling LIBOR. The Company does not participate in interest rate hedging.

#### **DIRECTORS**

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

AP Foster	(Appointed 30 April 2008)
M Jordan	(Appointed 30 April 2008, Resigned 31 July 2009)
V Bracken	(Appointed 27 October 2008)
LC Ryan	(Resigned 2 June 2008)
EM Astle	(Resigned 30 April 2008)

#### **DIRECTORS' INDEMNITIES AND INSURANCE**

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the National Grid's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance. The insurance indemnifies individual Directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with the business of National Grid plc and its subsidiaries.

#### **TRANSACTIONS WITH DIRECTORS**

None of the Directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985 during the year.

# **NATIONAL GRID METERING LIMITED**

## **DIRECTORS' REPORT (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2009**

#### **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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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.

# **NATIONAL GRID METERING LIMITED**

## **DIRECTORS' REPORT (continued)**

**FOR THE YEAR ENDED 31 MARCH 2009**

### **EMPLOYEES**

The Company has established through e-mails, intranets, cascade briefings and in-house magazines, effective methods for communicating with employees on matters of concern to them. Regular consultation with staff and their trade union representatives takes place using both formal and informal mechanisms.

The Company remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Company takes a positive approach to equality and diversity. We promote equality in the application of reward policies, employment and development opportunities, and aim to support employees in balancing work and personal lifestyles.

Employees are encouraged to become shareholders in National Grid plc and the Group operates a Sharesave Scheme and Share Incentive Plan.

### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

It is the Company's policy to agree the terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations.

Trade creditors at the end of the year represented 22 days (2008: 27 days) of purchases.

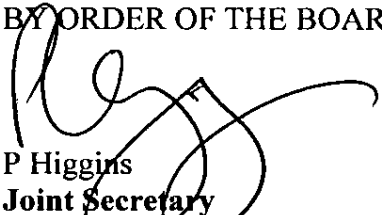
### **AUDIT INFORMATION**

Having made the requisite enquiries, so far as the Directors in office at the date of the signing 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.

### **AUDITORS**

The Company has previously taken advantage of the provisions of Section 487 of the Companies Act 2006 that enable a private company to dispense with the requirement to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will be deemed to remain in office until further notice.

**BY ORDER OF THE BOARD**

  
P Higgins  
Joint Secretary  
23 November 2009

**REGISTERED OFFICE**

1-3 STRAND  
LONDON  
WC2N 5EH

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF NATIONAL GRID METERING LIMITED

We have audited the financial statements of National Grid Metering Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

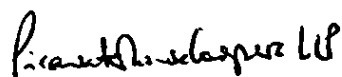
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham  
23 November 2009

**NATIONAL GRID METERING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2009**

	Note	2009 £'000	2008 £'000
<b>Turnover – continuing operations</b>	2	<b>130,984</b>	127,548
<b>– discontinued operations</b>		<b>5,094</b>	19,652
		<u><b>136,078</b></u>	<u>147,200</u>
<b>Operating costs</b>	4	<b>(128,767)</b>	(135,290)
<b>Operating profit – continuing operations</b>		<b>6,241</b>	8,414
<b>– discontinued operations</b>		<b>1,070</b>	3,496
		<u><b>7,311</b></u>	<u>11,910</u>
<b>Profit on disposal of data services</b>	5	<b>1,980</b>	-
<b>Total operating profit</b>		<u><b>9,291</b></u>	<u>11,910</u>
<b>Interest receivable and similar income</b>	6(a)	<b>451</b>	-
<b>Interest payable and similar charges</b>	6(b)	<b>(601)</b>	(3,255)
<b>Profit on ordinary activities before taxation</b>		<u><b>9,141</b></u>	<u>8,655</u>
<b>Tax on profit on ordinary activities</b>	7	<b>(3,153)</b>	(5,427)
<b>Profit for the financial year</b>	16	<u><b>5,988</b></u>	<u>3,228</u>

The results reported above relate to continuing and discontinuing activities.

There are no material differences between the profit on ordinary activities before and after taxation for the financial years stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.



# NATIONAL GRID METERING LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	8	2,828	2,835
<b>Current assets</b>			
Debtors (including £nil (2008: £618,000) due after one year)	9	96,559	117,906
<b>Creditors: amounts falling due within one year</b>	10	(46,399)	(72,695)
<b>Net current assets</b>		<u>50,160</u>	<u>45,211</u>
<b>Total assets less current liabilities</b>		<u>52,988</u>	<u>48,046</u>
<b>Provisions for liabilities</b>	11	(327)	(1,496)
<b>Net assets</b>		<u>52,661</u>	<u>46,550</u>
<b>Capital and reserves</b>			
Called up share capital	13	1,373	1,373
Profit and loss reserve	16	51,288	45,177
<b>Total shareholders' funds</b>	17	<u>52,661</u>	<u>46,550</u>

The financial statements on pages 7 to 20 were approved by the Board of Directors on 23 November 2009 and signed on its behalf by:



V Bracken  
Director

**NATIONAL GRID METERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**1 Accounting policies**

**(a) Basis of preparation**

These financial statements have been prepared on the going concern basis in accordance with applicable United Kingdom accounting and financial reporting standards and the Companies Act 1985. These financial statements have been prepared using the historical cost convention and in accordance with the accounting policies set out below. There have been no changes to accounting policies during the year.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'. 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.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**(b) Tangible fixed assets**

Tangible fixed assets are included in the balance sheet at their cost less accumulated depreciation. Cost includes payroll and finance costs incurred which are directly attributable to the construction of tangible assets.

Other tangible fixed assets are depreciated, principally on a straight line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are as follows:

Office equipment	5 years
Software	5 years

# **NATIONAL GRID METERING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2009**

#### **1 Accounting policies (continued)**

##### **(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 substantially enacted by the balance sheet date.

Deferred tax is provided in full on all 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 substantially 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 not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

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

##### **(d) Provisions for liabilities**

Provision is made for liabilities on the basis of external third party or expert evidence where it is available. In some circumstances no such evidence is available and management use their best estimate of likely costs to be incurred.

##### **(e) Pensions**

The majority of all the Company's employees are members of the National Grid United Kingdom Pension Scheme. The Company's share of the underlying assets and liabilities of the defined benefit section of the scheme cannot be identified separately. Consequently, the Company accounts for the scheme as if it were a defined contribution scheme, recognising a charge equivalent to cash paid or payable to the scheme and to the scheme's sponsoring company, Lattice Group plc, a fellow subsidiary undertaking of the Group.

##### **(f) Share based payment charges**

The Company's ultimate parent company issues equity-settled share-based payments to certain employees of the Company. These equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest, with a corresponding entry to profit and loss account reserves.

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 1 Accounting policies (continued)

##### (g) Turnover

Turnover comprises the value of goods and services provided excluding value added tax and other sales taxes.

#### 2 Turnover

	2009 £'000	2008 £'000
External customers – continuing operations	5,040	9,534
– discontinued operations	374	1,849
Other group companies – continuing operations	125,944	118,014
– discontinued operations	4,720	17,803
Turnover	<u>136,078</u>	<u>147,200</u>

Geographical analysis of turnover is not provided as the Company's operations are all undertaken in the United Kingdom for United Kingdom customers.

#### 3 Directors and employees

Directors' aggregate emoluments were £153,878 (2008: £122,218). The emoluments of two (2008: two) 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 was one Director (2008: none) who exercised share options in the ordinary shares of the ultimate parent company, National Grid plc.

Three (2008: two) of the Company's Directors are members of a defined benefit pension scheme at 31 March 2009. See note 15.

##### Employee costs

	2009 £'000	2008 £'000
Wages and salaries	10,600	12,436
Social security costs	933	1,236
Other pension costs (note 15)	2,641	2,552
Share based payment charge	123	219
	<u>14,297</u>	<u>16,443</u>

The monthly average number of employees during the year was 362 (2008:456). Details of incentives and schemes can be found in note 14.

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 4 Operating costs

	2009 £'000	2008 £'000
Operating costs includes:		
Depreciation on owned assets – continuing operations	407	111
– discontinued operations	-	254
Payroll costs – continuing operations	14,075	15,084
– discontinued operations	222	1,359
Other operating costs – continuing operations	110,261	103,939
– discontinued operations	3,802	14,543
	<u>128,767</u>	<u>135,290</u>

Audit fees for the year related to the statutory audit were £19,160 (2008: £18,200). Auditors' remuneration in respect of non-audit services was £nil (2008: £nil).

#### 5 Profit on disposal of data services

	2009 £'000	2008 £'000
Profit on disposal of data services	<u>1,980</u>	<u>-</u>

On 1 July 2008, the Company sold its data services operations to Utility Metering Services Limited, a fellow subsidiary undertaking, for £1,980,000. The consideration was mainly for on going activities, with the book value of the assets sold being negligible.

#### 6 (a) Interest receivable and similar income

	2009 £'000	2008 £'000
Interest received from fellow subsidiary undertakings	<u>451</u>	<u>-</u>

#### (b) Interest payable and similar charges

	2009 £'000	2008 £'000
Interest paid to fellow subsidiary undertakings	(435)	(3,031)
Bank interest payable	(1)	-
Other interest payable	(165)	(224)
	<u>(601)</u>	<u>(3,255)</u>

Other interest payable relates to interest paid on the notional pension element of the variation of the regular pension costs.

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 7 Tax on profit on ordinary activities

	2009 £'000	2008 £'000
<b>Current tax:</b>		
United Kingdom corporation tax	1,888	4,409
Adjustments in respect of prior periods	565	1,347
Total current tax	<u>2,453</u>	<u>5,756</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	175	(250)
Adjustments in respect of prior periods	525	(79)
Total deferred tax	<u>700</u>	<u>(329)</u>
<b>Tax on profit on ordinary activities</b>	<u>3,153</u>	<u>5,427</u>

The tax assessed for the year is lower (2008: higher) than the standard rate of corporation tax in the United Kingdom of 28% (2008: 30%). The differences are explained below:

	2009 £'000	2008 £'000
<b>Profit on ordinary activities before taxation</b>	<u>9,141</u>	<u>8,655</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 30%)	2,560	2,597
Effect of:		
Expenses not deductible for tax purposes	155	276
Impact of reduction of rate from 30% to 28%	-	18
Non-taxable income	(554)	-
Capital allowances in period in excess of depreciation	(100)	(129)
Movement in other short term timing differences	(173)	379
Adjustments in respect of prior periods	565	1,347
Taxation on transfer pricing adjustments	-	1,268
Total current tax charge for the year	<u>2,453</u>	<u>5,756</u>

#### Factors that may affect future tax charges

A number of changes to the United Kingdom corporation tax system were announced in the April 2009 Budget Statement which are expected to be enacted in the Finance Act 2009.

The changes announced to the United Kingdom corporation tax system include temporary changes to the capital allowance regime and the introduction of a system for taxing foreign profits which is expected to bring in a dividend exemption and a worldwide debt cap.

**NATIONAL GRID METERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

**7 Tax on profit on ordinary activities (continued)**

The dividend exemption is likely to be available for both United Kingdom and foreign distributions, falling within an exempt classification, received on or after 1 July 2009. This is not expected to have a material effect on the future tax charge.

A worldwide debt cap is likely to restrict the amount of finance expense available for United Kingdom tax purposes, based on the consolidated finance expense, and is expected to apply for accounting periods ending 31 March 2011 onwards. We are in the process of evaluating the impact the worldwide debt cap will have on the future tax charge.

These changes have not been substantively enacted as at the balance sheet date and therefore have not been included in these financial statements.

**8 Tangible fixed assets**

	Office equipment £'000	Software £'000	Total £'000
<b>Cost:</b>			
At 1 April 2008	549	4,724	5,273
Additions	10	547	557
Disposals	(123)	(99)	(222)
<b>At 31 March 2009</b>	<b>436</b>	<b>5,172</b>	<b>5,608</b>
<b>Accumulated depreciation:</b>			
At 1 April 2008	(217)	(2,221)	(2,438)
Depreciation	(91)	(316)	(407)
Disposals	-	65	65
<b>At 31 March 2009</b>	<b>(308)</b>	<b>(2,472)</b>	<b>(2,780)</b>
<b>Net book value:</b>			
<b>At 31 March 2009</b>	<b>128</b>	<b>2,700</b>	<b>2,828</b>
At 31 March 2008	332	2,503	2,835

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 9 Debtors

	2009 £'000	2008 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	690	4,228
Other taxes and social security	2,069	2,394
Amounts owed by fellow subsidiary undertakings	93,800	107,818
Prepayments and accrued income	-	2,848
	<u>96,559</u>	<u>117,288</u>
<b>Amounts falling due after more than one year:</b>		
Deferred tax (see note 12)	-	618
	<u>96,559</u>	<u>117,906</u>

Included within the amount £93,800,000 (2008: £107,818,000) is a loan receivable from the immediate parent company of £74,596,000 (2008: £29,952,000). Loans receivable from the parent company bear an interest charge of 3 months LIBOR (when the loan is payable the charge is 3 months LIBOR plus 1%). Other amounts owed by fellow subsidiary undertakings are unsecured, carry no fixed date of repayment and bear no interest. Historically they have been settled on a quarterly basis.

#### 10 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft	1,432	47
Trade creditors	7,093	8,909
Amounts owed to fellow subsidiary undertakings	24,423	49,270
Other creditors	148	213
Accruals and deferred income	13,303	14,256
	<u>46,399</u>	<u>72,695</u>

Bank overdraft is unsecured. Interest is charged at the bank's daily floating rate.

Included within the amount £24,423,000 (2008: £49,270,000) is interest payable to the immediate parent company of £180,193 (2008: £3,031,000). Other amounts owed to fellow subsidiary undertakings are unsecured, carry no fixed date of repayment and bear no interest.



**NATIONAL GRID METERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**11 Provisions for liabilities**

	<b>Deferred tax £'000</b>	<b>Restructuring provision £'000</b>	<b>Total £'000</b>
At 1 April 2008	-	1,496	1,496
Transfer from debtors	(618)	-	(618)
Charge in the year	700	-	700
Utilised in the year	-	(1,251)	(1,251)
<b>At 31 March 2009</b>	<b><u>82</u></b>	<b><u>245</u></b>	<b><u>327</u></b>

The restructuring provision relates to redundancy costs to be paid within the next 12 months.

**12 Deferred tax**

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Analysis of deferred tax balance:</b>		
Accelerated capital allowances	151	(1,003)
Other timing differences	(69)	385
<b>Total provision for deferred tax</b>	<b><u>82</u></b>	<b><u>(618)</u></b>
<b>Movement in deferred tax balance:</b>		
Deferred tax (asset)/liability provided at 1 April 2008	(618)	14
Deferred tax charged/(credited) to profit and loss account	700	(329)
Deferred tax provision utilised	-	(303)
Deferred tax liability/(asset) provided at 31 March 2009	<b><u>82</u></b>	<b><u>(618)</u></b>

The deferred tax liability is recognised in provisions. The 2008 deferred tax asset is recognised in debtors.

**13 Called up share capital**

	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Authorised</b>		
2,000,000 ordinary shares of £1 each	<b><u>2,000</u></b>	<b><u>2,000</u></b>
<b>Allotted and fully paid</b>		
1,373,399 ordinary shares of £1 each	<b><u>1,373</u></b>	<b><u>1,373</u></b>

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2009 (continued)

#### 14 Share-based payment charges

Under United Kingdom GAAP, a charge is made to the profit and loss account based on the fair value of grants in accordance with FRS20 'Share-based Payment'. All share awards are equity settled.

The charge to the profit and loss account for the year ended 31 March 2009 was £123,000 (2008: £219,000). The charge made to the Company represents an allocation of the total charge of the Company's ultimate parent company National Grid plc.

#### Awards under share option plans

The average share prices at the date of options being granted, the average exercise prices of the options granted and the estimated average fair values of the options granted during each of the financial years ended 31 March were as follows:

	2009	2008
Average share price	684.0p	846.0p
Average exercise price	488.0p	655.0p
Average fair value	153.0p	189.6p

These amounts have been calculated in respect of options where the exercise price is less than the market price at the date of grant.

The fair values of the options granted were estimated using the following principal assumptions:

	2009	2008
Dividend yield (%)	5.0	4.5
Volatility (%)	22.4-26.1	15.6-18.9
Risk-free investment rate (%)	2.5	4.2
Average life (years)	4.2	4.1

The fair values of awards under the Sharesave scheme have been calculated using the Black-Scholes European model. This is considered appropriate given the short exercise window of sharesave options. The fair value of awards made in 2008 and 2007 onwards have been calculated by reference to the 2006 Black-Scholes European model calculation.

Volatility has been derived based on the following and is assumed to revert from its current implied level to its long run mean, based on historical volatility under (ii) below:

- (i) implied volatility in traded options over National Grid shares;
- (ii) historical volatility of National Grid shares over a term commensurate with the expected life of each option; and
- (iii) implied volatility of comparator companies where options in their shares are traded.

**NATIONAL GRID METERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009 (continued)**

**14 Share-based payment charges (continued)**

**Awards under other share scheme plans**

The average share prices and fair values at the date share awards were granted during each of the financial years ended 31 March were as follows:

	2009	2008
Average share price	666.0p	741.0p
Average fair value	420.0p	481.5p

The fair values of the options granted were estimated using the following principal assumptions:

	2009	2008
Dividend yield (%)	4.4	4.4
Risk-free investment rate (%)	2.5	4.1

Fair values have been calculated using a Monte Carlo simulation model for awards with total shareholder return performance conditions. The fair value of awards made in 2008 has been calculated by reference to the 2006 Monte Carlo simulation model. Fair values of awards with performance conditions based on earnings per share have been calculated using the share price at date of grant less the present value of dividends foregone during the performance period.

For other share scheme awards, where the primary vesting condition is that employees complete a specified number of years service, the fair value has been calculated as the share price at grant date, adjusted to recognise the extent to which participants do not receive dividends over the vesting period. Volatility for share awards has been calculated on the same basis as used for share options, as described above.

**15 Pension costs**

Substantially all the Company's employees are members of the National Grid United Kingdom Pension Scheme (the 'Scheme'). The Scheme provides final salary defined benefits for employees who joined prior to 31 March 2002 and defined contribution benefits for employees joining from 1 April 2002. The Scheme is funded with assets held in a separate trustee administered fund. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employers' contribution, which, together with the specified contributions payable by the employees and proceeds from the Scheme's assets, are expected to be sufficient to fund the benefits payable under the Scheme.

# NATIONAL GRID METERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 15 Pension costs (continued)

The latest full actuarial valuation was carried out by Watson Wyatt LLP at 31 March 2007. The aggregate market value of the Scheme's assets was £12,923m and the value of the assets represented approximately 97% of the actuarial value of benefits due to members, calculated on the basis of pensionable earnings and service at 31 March 2007 on an ongoing basis and allowing for projected increases in pensionable earnings. There was a funding deficit of £442m (£318m net of tax) on the valuation date in light of which the Group agreed a recovery plan with the trustees.

The actuarial valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual was 32.4% of pensionable earnings (29.4% employers and 3% employees). In addition, the employers pay an allowance for administration expenses which was 3.2% of pensionable earnings for 2008/09, giving a total Group rate of 32.6% of pensionable earnings. These contribution rates will be reviewed at the next valuation on 31 March 2010.

In accordance with the recovery plan agreed with the trustees at the 2007 valuation, the Group paid contributions of £295m (£212m net of tax) in the year to 31 March 2009 and a further payment of £59m (£42m net of tax) in April 2009 along with payments made in the previous year to ensure that the deficit reported at the 2007 valuation is paid in full.

The Company accounts for the Scheme as if it were a defined contribution scheme, as its share of the underlying assets and liabilities of the Scheme's defined benefit section cannot be identified separately. The total charge for the year ended 31 March 2009 was £2,641,000 (2008: £2,552,000).

The fair value of liabilities and assets of the whole scheme are recognised in the consolidated financial statements of National Grid plc (the Company's ultimate parent company) in accordance with International Accounting Standard 19 'Employee Benefits'. The fair value of liabilities and assets of the whole scheme at 31 March 2009 and 2008, calculated in accordance with Financial Reporting Standard 17 'Retirement Benefits', are set out on the next page:

Years ended 31 March	2009 £m	2008 £m
Present value of defined benefit obligations	(10,731)	(11,783)
Fair value of plan assets	11,040	12,660
Surplus in the plan	309	877
Irrecoverable surplus	-	258
Asset recognised in the consolidated financial statements of National Grid plc	309	619

**NATIONAL GRID METERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2009**

**16 Reserves**

	<b>Profit and loss reserve £'000</b>
At 1 April 2008	45,177
Profit for the financial year	5,988
Share based payments awards	123
<b>At 31 March 2009</b>	<b>51,288</b>

**17 Reconciliation of movement in shareholders' funds**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Profit for the financial year	5,988	3,228
Employee option scheme issues	123	219
Net increase in shareholders' funds	6,111	3,447
Opening shareholders' funds	46,550	43,103
<b>Closing shareholders' funds</b>	<b>52,661</b>	<b>46,550</b>

**18 Related party transactions and ultimate parent company**

The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions' not to disclose 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 companies where not all of the voting rights are held within the National Grid plc group of companies.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Gas plc. The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Gas plc respectively. 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, 1-3 Strand, London WC2N 5EH.