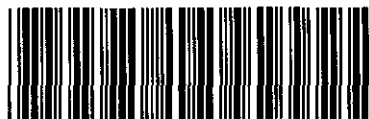


NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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COMPANIES HOUSE

REGISTERED NUMBER: 3894139

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2006

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The Company is an investment company.

PRINCIPAL RISKS AND UNCERTAINTIES

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 and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc group companies (the 'Group').

Group 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.

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 on UK Libor. The Company does not participate in interest rate hedging.

CREDIT RISK

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

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

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. For information on the development, performance and position of the Group as a whole, and of the key performance indicators used by the Group, refer to the Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2005/06, which does not form part of this report.

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

RESULTS AND DIVIDENDS

The loss for the year after taxation was £30,381,000 (2005: £53,000 profit).

Preference dividends of £10,000 (2005: £103,114,000) were paid during the year. The Directors do not recommend payment of an ordinary dividend (2005: £Nil).

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Equity shareholders' funds at 31 March 2006 were £1,641,230,000 (2005: £1,671,621,000) comprising current assets of £1,671,662,000 (2005: £1,671,659,000) less current liabilities of £30,432,000 (2005: £38,000).

FUTURE DEVELOPMENTS

The Company will continue to operate as an investment company for the foreseeable future.

DIRECTORS

The Directors of the Company during the year and subsequently were:

MC Cooper
SF Noonan
RF Pettifer
MA Smyth-Osbourne

DIRECTORS' INTERESTS IN SHARES

The Directors had no direct or indirect interests at 31 March 2006 in the shares of the Company or Group, other than the following interests in the ordinary shares of National Grid plc, the ultimate parent company:

Interests in ordinary shares in National Grid plc

Employee Sharesave options

	1 April 2005	Granted	Exercised	31 March 2006
MC Cooper	5,362	3,709	5,362	3,709
SF Noonan	4,451	-	-	4,451
RF Pettifer	3,891	861	2,145	2,607
MA Smyth-Osbourne	2,910	-	-	2,910

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' INTERESTS IN SHARES (continued)

Executive Share options

	1 April 2005	Granted	Exercised	31 March 2006
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119
MA Smyth-Osbourne	8,842	-	-	8,842

Performance Share Plan Awards

	1 April 2005	Granted	Exercised	31 March 2006
MC Cooper	69,528	33,850	-	103,378
SF Noonan	23,706	14,562	-	38,268
RF Pettifer	12,950	7,115	-	20,065
MA Smyth-Osbourne	14,637	5,976	-	20,613

Beneficial interests in shares*, **

	1 April 2005	31 March 2006
MC Cooper	51,647	30,245
SF Noonan	2,289	2,274
RF Pettifer	14,275	11,305
MA Smyth-Osbourne	11,991	10,522

* On 1 August 2005 National Grid ordinary shares were subject to a 43 for 49 capital consolidation in conjunction with alternative elections involving its 65p per share return of capital. Options to ordinary shareholders included a 'B share election', the rights of which are set out in the circular to shareholders dated on 6 June 2005. Following this, B shares are held as follows: MC Cooper - 2,148; SF Noonan - 640; RF Pettifer - 1,879; MA Smyth-Osborne - nil.

** Includes shares acquired under the Share Matching Plan. Subject to retention of the shares acquired in accordance with the rules of the plan, matching awards totalling 7,713 National Grid plc ordinary shares were exercisable by MC Cooper (31 March 2005: 3,560 shares) in addition to the above.

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 GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

DIRECTORS' INDEMNITIES AND INSURANCE

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group'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 Group business.

DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements, suitable accounting policies, consistently applied (other than where new accounting standards are adopted during the year as explained in Note 1 to the financial statements) and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed. The Directors also confirm that the going concern basis is appropriate.

AUDIT INFORMATION

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 such 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.

NATIONAL GRID GOLD LIMITED
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

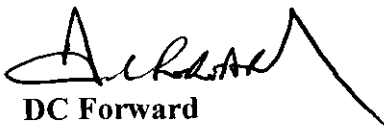
AUDITORS

The Company has previously taken advantage of the provisions of Section 379A of the Companies Act 1985 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.

FOR THE BOARD

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH



DC Forward
Secretary
16 October 2006



NATIONAL GRID GOLD LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NATIONAL GRID GOLD LIMITED

We have audited the financial statements of National Grid Gold Limited for the year ended 31 March 2006 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

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK 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 Report of the Directors is consistent with the financial statements. We also 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 Report of the Directors 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 (UK 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 2006 and of its loss 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 Report of the Directors is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
16 October 2006

NATIONAL GRID GOLD LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 £'000	2005 £'000
Operating charges	4	(7)	(13)
Operating loss		(7)	(13)
Interest receivable and similar income	5	18	88
Profit on ordinary activities before taxation		11	75
Taxation	6	(30,392)	(22)
(Loss)/profit on ordinary activities after taxation		(30,381)	53
Dividends	7	(10)	(103,114)
Loss for the year transferred from reserves	10	(30,391)	(103,061)

The results reported above relate to continuing operations.

The Company has no other recognised gains and losses other than the loss for the year stated above and therefore no separate statement of total recognised gains and losses has been presented.

NATIONAL GRID GOLD LIMITED

BALANCE SHEET

AT 31 MARCH 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Amounts owed by Group undertakings		1,671,662	1,671,659
Creditors: amounts falling due within one year	8	(30,432)	(38)
Net current assets		1,641,230	1,671,621
Net assets employed		<u>1,641,230</u>	<u>1,671,621</u>
Capital & reserves			
Called up share capital	9	21	21
Share premium account	10	1,504,583	1,504,583
Profit and loss account	10	136,626	167,017
Equity shareholders' funds (i)			1,568,418
Non-equity shareholders' funds (i)			103,203
Shareholders' funds	11	<u>1,641,230</u>	<u>1,671,621</u>

(i) Following adoption of FRS 25 on 1 April 2005 shareholders' funds are no longer analysed between equity and non-equity (see note 2).

The financial statements on pages 7 to 14 were approved by the Board of Directors on 16 October 2006 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 1985. The financial statements have been prepared using the historical cost convention and in accordance with the accounting policies set out below.

The 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'.

The Company has adopted FRS 21 'Events after the Balance Sheet Date', FRS 23 'The Effects of Changes in Foreign Exchange rates', FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. The impact of the adoption of these standards is shown in Note 2 to the financial statements.

As permitted by the transition provisions of FRS 25 and FRS 26 comparative information relating to financial instruments is based on amounts previously reported under FRS 13 'Derivatives and other financial instruments: disclosures' and FRS 4 'Capital instruments'.

The Company has taken the exemption from the disclosure requirements set out in FRS 25.

b) 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.

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

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs plus accrued interest less any repayments. Finance charges are recognised in the profit and loss account in the period in which they are incurred using the effective interest method.

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

2 Changes in accounting policies

During the year the Company has adopted FRS 21 'Events after the Balance Sheet Date', FRS 23 'The Effects of Changes in Foreign Exchange rates', FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. The adoption of these standards has resulted in a change to the accounting for the Company's financial instruments. As at 31 March 2005, equity and non-equity shareholders' funds were disclosed separately in accordance with the requirements of FRS 4 'Capital Instruments'. FRS 25 makes no distinction between equity and non-equity shareholders' funds.

As permitted by the transition provisions of FRS 25 and FRS 26, prior year adjustments have not been made to the balance sheet at 31 March 2005 or to the profit and loss account for the year then ended.

The adoption of these standards had no impact on net assets at 1 April 2005 or on the loss for the year ended 31 March 2006.

3 Directors and employees

The emoluments of the Directors are paid by a Group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements.

There were no employees of the Company during the year (2005: Nil).

4 Operating charges

	2006 £'000	2005 £'000
Operating charges include:		
Audit fees	4	5
Non-audit fees	<u>3</u>	<u>6</u>

5 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable from Group undertakings	18	47
Other interest receivable	-	41
	<u>18</u>	<u>88</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

6 Taxation

	2006 £'000	2005 £'000
Amount payable for group relief	25,073	22
Adjustments to tax charge in respect of a previous period	5,319	-
	<u>30,392</u>	<u>22</u>

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

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	<u>11</u>	<u>75</u>
Profit on ordinary activities before taxation multiplied by standard rate in the UK of 30%	3	22
Effect of:		
Adjustments to tax charge in respect of a previous period	5,319	-
Permanent differences	25,070	-
	<u>30,392</u>	<u>22</u>

7 Dividends

	2006 £'000	2005 £'000
Preference dividends paid		
First preference dividend (£7,941.098623 per share)	-	79,411
Second preference dividend (£2,370.29958 per share)	-	23,703
Annual dividend (£1 per share)	10	-
	<u>10</u>	<u>103,114</u>

8 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank overdraft	-	3
Amounts owed to a Group undertaking	30,425	27
Accruals	7	8
	<u>30,432</u>	<u>38</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

9 Share capital

	2006 £000	2005 £000
Authorised		
10,000 Ordinary shares of £1 each	10	10
1,000 A ordinary shares of Euro 1 each	1	1
150,000,000 preference shares of £1 each	150	150
	<u>161</u>	<u>161</u>
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10	10
1,000 'A' ordinary shares of £1 each	1	1
10,000 preference shares of £1 each	10	10
	<u>21</u>	<u>21</u>

'A' shares

The "A" ordinary shares of Euro 1 each have economic rights equivalent to that of 50.36 ordinary shares.

Preference shares

On 19 November 2004 the Company issued 10,000 preference shares of £1 each at a price of £10,320.27 per share for a total consideration of £103,202,700.

The holders of the preference shares were entitled to a first dividend, not later than 30 November 2004, of £7,941.098623 per share and a second dividend, not later than 31 December 2004, of £2,370.29958 per share.

Following the second preference dividend payment date, the holders of the preference shares are entitled to be paid each year a non-cumulative dividend of £1 per share. The preferential dividend will be paid only if determined by the Directors within the twelve months following the end of the dividend period. No dividends shall be paid to ordinary shareholders until preferential dividends have been paid.

On winding up the holders of preference shares rank above ordinary shareholders. They are entitled to receive the sum equal to the amount of share capital and share premium paid up on subscription together with a sum equal to all arrears or accruals of the preference dividends irrespective of whether or not such dividend has been declared.

The holders of the preference shares may attend and speak at General Meetings, but may only vote on matters affecting the rights of the preference shareholders.

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

10 Reserves

	Share Premium Account £'000	Profit and loss Account £'000
At 1 April 2005	1,504,583	167,017
Loss for the year	-	(30,391)
At 31 March 2006	<u>1,504,583</u>	<u>136,626</u>

11 Reconciliation of movement in shareholders' funds

	2006 £'000	2005 £'000
(Loss)/profit on ordinary activities after taxation	(30,381)	53
Dividends and appropriations	(10)	(103,114)
	<u>(30,391)</u>	<u>(103,061)</u>
Proceeds on issue of preference share capital	-	103,203
Net (decrease)/increase in shareholders' funds	<u>(30,391)</u>	<u>142</u>
Opening shareholders' funds	1,671,621	1,671,479
Closing shareholders' funds	<u>1,641,230</u>	<u>1,671,621</u>

Shareholders' funds allocated to non-equity (i)

	2005 £'000
Non-equity share capital	10
Share premium account	<u>103,193</u>
	<u>103,203</u>

(i) Following adoption of FRS 25 on 1 April 2005 shareholders' funds are no longer analysed between equity and non-equity (see note 2).

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2006

11 Reconciliation of movement in shareholders' funds (continued)

	2005 £'000
Shareholders' funds allocated to equity (i)	
Difference between total shareholders' funds and amount allocated to non-equity interest	1,568,418
Made up as follows:	
Equity shares	11
Share premium account	1,401,390
Profit and loss account	167,017
	<u>1,568,418</u>

(i) Following adoption of FRS 25 on 1 April 2005 shareholders' funds are no longer analysed between equity and non-equity (see note 2).

12 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid plc group of companies ("the Group") 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 Holdings Limited. 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 Holdings One plc respectively. Both of these companies are registered in England and Wales.

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