

NATIONAL GRID GOLD LIMITED
DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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ENGLAND AND WALES REGISTERED NUMBER: 3894139

NATIONAL GRID GOLD LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2007

PRINCIPAL ACTIVITY

The principal activity of the company is an investment company

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

The Company obtains and provides finance to fellow National Grid plc subsidiary companies via inter company balances. Results, as detailed below, largely depend on investment income received offset by operating costs incurred and a taxation expense. The Directors believe the current level of activity will continue in the foreseeable future.

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 Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2006/07, which does not form part of this report.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £19,801,000 (2006 £30,381,000)

No preference dividends (2006 £10,000) were paid during the year.

The Directors do not recommend the payment of an ordinary dividend (2006 £Nil)

FINANCIAL POSITION

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2007 were £1,621,429,000 (2006 £1,641,230,000) comprising current assets of £1,671,681,000 (2006 £1,671,662,000) less current liabilities of £50,252,000 (2006 £30,432,000).

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, interest rate and credit 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.

NATIONAL GRID GOLD LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

FINANCIAL RISK MANAGEMENT (continued)

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 upon sterling 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

DIRECTORS

The Directors of the Company during the year and subsequently were

MC Cooper	(Resigned 1 December 2006)
MAD Flawn	(Appointed 1 December 2006)
AM Lewis	(Appointed 1 December 2006)
SF Noonan	
RF Pettifer	
MA Smyth-Osbourne	(Resigned 31 October 2006)

POST BALANCE SHEET EVENT

Subsequent to the year end, on 14 May 2007 the Company declared a preference dividend of £1 per share totalling £10,000.

DIRECTORS' INDEMNITIES AND INSURANCE

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

NATIONAL GRID GOLD LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2007

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 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, 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.

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.

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, taking into account their periods of office, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



NATIONAL GRID GOLD LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2007

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

11 October 2007

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 2007 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 Directors' responsibilities section of the Directors' Report.

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 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 (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 2007 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 Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 October 2007

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

	Notes	2007 £'000	2006 £'000
Operating charges	4	(8)	(7)
Operating loss		<u>(8)</u>	<u>(7)</u>
Interest receivable from fellow subsidiary undertakings		18	18
Profit on ordinary activities before taxation		<u>10</u>	<u>11</u>
Taxation	5	(19,811)	(30,392)
Loss on ordinary activities after taxation		<u>(19,801)</u>	<u>(30,381)</u>
Dividends	6	-	(10)
Loss for the year transferred from reserves	9	<u><u>(19,801)</u></u>	<u><u>(30,391)</u></u>

The results reported above relate to continuing activities

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

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

NATIONAL GRID GOLD LIMITED

BALANCE SHEET

AT 31 MARCH

	Notes	2007 £'000	2006 £'000
Current assets			
Amounts owed from fellow subsidiary undertakings		1,671,681	1,671,662
Creditors: amounts falling due within one year	7	(50,252)	(30,432)
Net current assets		<u>1,621,429</u>	<u>1,641,230</u>
Net assets employed		<u>1,621,429</u>	<u>1,641,230</u>
Capital and reserves			
Called up share capital	8	21	21
Share premium account	9	1,504,583	1,504,583
Profit and loss account	9	<u>116,825</u>	<u>136,626</u>
Total shareholders' funds	10	<u>1,621,429</u>	<u>1,641,230</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 11 October 2007 and signed on its behalf by



SF Noonan
Director

NATIONAL GRID GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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 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.

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.

(b) 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.

(c) 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 2007

1 Accounting policies (continued)

(d) Dividends

Interim dividends are recognised when they are paid to the Company's shareholders
Final dividends are recognised when they are approved by shareholders

2 Adoption of new accounting standards

New financial reporting standards (FRS) and abstracts adopted in 2006/07

Amendment to FRS 17 'Retirement benefits' replaces the disclosures required by FRS 17 with those of IAS 19, 'Employee benefits', its international equivalent and amends paragraph 16 of FRS 17, so that for quoted securities, the current bid price (rather than the mid-market value) is taken as fair value. Implementation of this standard has not had a material impact on the Company's results or assets and liabilities

Amendment to FRS 23 'The Effects of Changes in Foreign Exchange Rates' clarifies the requirements of FRS 23 regarding an entity's investment in foreign operations and, in particular, the treatment of monetary items entered into as net investment hedges. Implementation of this amendment had no impact on the Company's results or assets and liabilities

FRS 29 'Financial Instruments Disclosures' Implementation of this standard has not had a material impact on the Company's results or assets and liabilities

UITF Abstract 41, 'Scope of FRS 20 (IFRS 2)' addresses the issue of whether FRS 20 'Share-based payment', applies to transactions in which the entity cannot identify specifically some or all of the goods or services received. Implementation of this abstract has not had a material impact on the Company's results or assets and liabilities

UITF Abstract 45 'Liabilities arising from participating in a specific market – Waste electrical and electronic equipment' relates to the European Union's Directive on waste electrical and electronic equipment and deals with the responsibility of producers for the backlog of waste for goods sold to private households. Implementation of this abstract has not had a material impact on the Company's results or assets and liabilities

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 two Directors (2006: Two) who exercised share options in the ordinary shares of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2006: Nil)

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2007

4 Operating charges

	2007 £'000	2006 £'000
Operating charges include		
Audit fees	<u>5</u>	<u>4</u>

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

5 Taxation

	2007 £'000	2006 £'000
Current tax:		
UK corporation tax at 30% (2006 30%)	19,812	25,073
Adjustments in respect of prior periods	<u>(1)</u>	<u>5,319</u>
Total current tax	<u>19,811</u>	<u>30,392</u>

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	<u>10</u>	<u>11</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	3	3
Effect of		
Taxation on imputed interest	19,809	25,070
Adjustments in respect of prior periods	<u>(1)</u>	<u>5,319</u>
Total current tax charge for the period	<u>19,811</u>	<u>30,392</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2007

5 Taxation (continued)

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The changes enacted in Finance Act 2007 include a reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008. We are in the process of evaluating the effect these changes will have on future deferred tax charges.

6 Dividends

	2007 £'000	2006 £'000
Preference dividends (2006 £1 per share)	-	10

Subsequent to the year end, on 14 May 2007 the Company declared a preference dividend of £1 per share totalling £10,000.

7 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to fellow subsidiary undertakings	50,244	30,425
Accruals and deferred income	8	7
	<u>50,252</u>	<u>30,432</u>

8 Share Capital

	2007 Number	2006 Number	2007 £'000	2006 £'000
Authorised				
Ordinary shares of £1 each	10,000	10,000	10	10
'A' ordinary shares of Euro 1 each	1,000	1,000	1	1
Preference shares of £1 each	150,000,000	150,000,000	150,000	150,000
	<u>150,011,000</u>	<u>150,011,000</u>	<u>150,011</u>	<u>150,011</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	10,000	10,000	10	10
'A' ordinary shares of Euro 1 each	1,000	1,000	1	1
Preference shares of £1 each	10,000	10,000	10	10
	<u>21,000</u>	<u>21,000</u>	<u>21</u>	<u>21</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2007

8 Share Capital (continued)

'A' Shares

The "A" ordinary shares of Euro 1 each have economic rights equivalent to that of 50 36 ordinary shares

Preference shares

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

9 Reserves

	Share Premium Account £'000	Profit and Loss Account £'000
At 1 April 2006	1,504,583	136,626
Loss for the year	-	(19,801)
At 31 March 2007	<u>1,504,583</u>	<u>116,825</u>

10 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Loss for the year after taxation	(19,801)	(30,381)
Dividends	-	(10)
Net decrease in shareholders' funds	<u>(19,801)</u>	<u>(30,391)</u>
Opening shareholders' funds	1,641,230	1,671,621
Closing shareholders' funds	<u>1,621,429</u>	<u>1,641,230</u>

NATIONAL GRID GOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2007

11 Related party transactions and ultimate parent company

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

