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National Grid Gold Limited

Directors' Report

and Financial Statements

For the year ended 31 March 2011

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National Grid Gold Limited

Directors' Report

For the year ended 31 March 2011

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2011

Principal activities

The Company's principal activity during the year was acting as an investment holding company. The Company obtains and provides finance to fellow National Grid plc subsidiary companies via inter company balances.

Business review

On 17 March 2011, 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 inter company loans to its parent company, completed a restructure of the Company's share capital and paid a dividend.

Furthermore, the Directors approved a capital reduction under s641(1)(a) of the Companies Act 2006. The distributable reserves arising as result of this capital reduction were subsequently paid by way of dividend. The remaining loan recoverable from its parent was made non interest bearing removing any source of income for the company.

Results, as detailed below, largely depend on a taxation 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 Operating and Financial Review included in National Grid plc's Annual Report and Accounts 2010/11, which does not form part of this report.

Future developments

As a result of this 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 loss for the financial year was £6,688,000 (2010 £8,418,000).

During the year the Company did not pay any preference dividends (2010 £30,000). Interim ordinary dividends totalling £1,540,020,000 (2010 £nil) were paid during the year. The Directors do not recommend the payment of a final ordinary dividend (2010 £nil).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2011 were £8,308,000 (2010 £1,555,016,000) comprising current assets of £8,308,000 (2010 £1,671,683,000) less current liabilities of nil (2010 £116,667,000).

National Grid Gold Limited

Directors' Report (continued)

For the year ended 31 March 2011

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 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 financed its operations through a combination of retained profits, new share issues and inter company balances 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 inter company loans.

Interest rate cash flow risk

The Company had interest bearing and non interest bearing inter company assets. To the extent that the Company entered into inter company loan agreements, the Company's exposure to cash flow interest rate risk arose on such interest bearing loans and imputed interest on non interest bearing loans on which interest was based upon sterling LIBOR. During the year, the Company has consolidated its interest bearing assets into one non interest bearing asset 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

AJ Agg
MAD Flawn
G Holroyd
AM Lewis
MJ Sellars
CJ Waters

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.

Disclosure of information to auditors

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.

National Grid Gold Limited

Directors' Report (continued)

For the year ended 31 March 2011

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). 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 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.

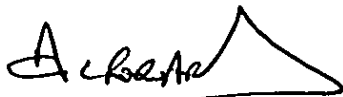
Going concern

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 has ceased its activities and will be dormant for the foreseeable future, it is reliant on its holding company, National Grid Holdings Limited, to meet any future liabilities. The Directors have no reason to doubt this continued support.

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.

On behalf of the Board



DC Forward
Company Secretary
19 August 2011

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 3894139

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 2011 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 2011 and of its loss 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.



Phil Harrold (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
19 August 2011

National Grid Gold Limited

Profit and loss account

For the years ended 31 March

	Notes	2011 £'000 (discontinued)	2010 £'000
Operating charges		(4)	(5)
Operating loss	2	<u>(4)</u>	<u>(5)</u>
Interest receivable and similar income	4	11	10
Profit on ordinary activities before taxation		<u>7</u>	<u>5</u>
Tax on profit on ordinary activities	5	(6,695)	(8,423)
Loss for the financial year transferred from reserves	9	<u>(6,688)</u>	<u>(8,418)</u>

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

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

National Grid Gold Limited

Balance sheet

As at 31 March

	Notes	2011 £'000	2010 £'000
Current assets			
Amounts owed by fellow subsidiary undertakings		8,308	1,671,498
Cash at bank		-	185
		<u>8,308</u>	<u>1,671,683</u>
Creditors: amounts falling due within one year	7	-	(116,667)
Net current assets		<u>8,308</u>	<u>1,555,016</u>
Net assets		<u>8,308</u>	<u>1,555,016</u>
Capital and reserves			
Called up share capital	8	-	21
Share premium account	9	-	1,504,583
Profit and loss account	9	8,308	50,412
Total shareholders' funds	10	<u>8,308</u>	<u>1,555,016</u>

The financial statements on pages 5 to 11 were approved by the Board of Directors on 19 August 2011 and signed on its behalf by



MAD Flawn
Director

National Grid Gold Limited

Notes to the financial statements

For the year ended 31 March 2011

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 2006. These financial statements have been prepared using the historical cost convention and in accordance with the consistently applied accounting policies set out below. There have been no changes to accounting policies during the year.

These financial statements are presented in pounds sterling, which 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, 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 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, 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.

(d) 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.

National Grid Gold Limited

Notes to the financial statements (continued)

For the year ended 31 March 2011

2 Operating loss

	2011 £'000	2010 £'000
Operating loss is stated after charging:		
Audit fees	-	4

Audit fees for the year of £4,000 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 was one Director (2010: six) 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 (2010: none)

4 Interest receivable and similar income

	2011 £'000	2010 £'000
Interest receivable from a fellow subsidiary undertaking	9	10
Other interest receivable	2	-
	<u>11</u>	<u>10</u>

5 Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax	<u>6,695</u>	<u>8,423</u>

National Grid Gold Limited

Notes to the financial statements (continued)

For the year ended 31 March 2011

5 Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	7	5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	2	2
Effect of		
Expenses not deductible for tax purposes	1	-
Taxation on transfer pricing adjustments	6,692	8,421
Total current tax charge for the year	6,695	8,423

Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the 2011 UK Budget Report and have been enacted in the Finance Act 2011. These changes included a reduction in the corporation tax rate to 26% from 1 April 2011 which had been substantively enacted at the balance sheet date.

Other changes announced included an additional reduction in the UK corporation tax rate to 25% from April 2012, with further 1% reductions in the each of the succeeding two years, resulting in a UK corporation tax rate of 23% from April 2014. Although the reduction in the UK corporation tax rate to 25% from April 2012 has now been enacted, none of these changes had been substantively enacted as at the balance sheet date and have therefore not been reflected in these financial statements.

6 Dividends

	2011 £'000	2010 £'000
Equity - ordinary dividends		
First interim paid £2,400.81 per £0.01 share	50,417	-
Second interim paid £70,933.49 per £0.01 share	1,489,603	-
Preference Dividends		
First Interim £1 per £1 share	-	10
Second Interim £1 per £1 share	-	10
Third Interim £1 per £1 share	-	10
	1,540,020	30

7 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to a fellow subsidiary undertaking	-	116,661
Accruals	-	6
	-	116,667

National Grid Gold Limited

Notes to the financial statements (continued)

For the year ended 31 March 2011

8 Called up share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
21,000 (2010 10,000) ordinary shares of £0 01 (2010 £1) each	-	10
Nil (2010 1,000) A ordinary shares of £0 01(2010 £1) each	-	1
Nil (2010 10,000) preference shares of £1 each	-	10
	<u>-</u>	<u>21</u>

On 17 March 2011, following shareholder's approval, the Directors agreed to restructure the Company's share capital as follows

(1) The A ordinary shares of €1 each were redenominated as A ordinary shares of £0 8675 each, and

(2) The preference shares of £1 each were converted into ordinary shares of £1 each on a one for one basis

Following this restructure, on the same day the share capital was reduced under s 641(1)(a) of the Companies Act 2006. The nominal value of the issued A ordinary and ordinary shares was reduced to £0 01 per share and the share premium account was reduced to £nil. The resulting credit of £1,504,604,000 was transferred to the distributable reserves of the Company. In addition the A shares were converted into ordinary shares of £0 01 each on a one for one basis.

A ordinary shares

Prior to the restructure, these A ordinary shares each had economic rights equivalent to that of 50 36 ordinary shares including the rights to dividends and return of capital on winding up.

Preference shares

Prior to the restructure, the holders of the preference shares were entitled, in priority to the payment of any dividend on any other class of share, to be paid each year a non-cumulative dividend of £1 per share. The preferential dividend would normally be paid only if determined by the Directors within the twelve months following the end of the dividend period. No dividends would be paid to ordinary shareholders until preferential dividends had been paid.

During the year ended 31 March 2010, in addition to the dividend for the current year unpaid dividends relating to the previous two years were also paid. These dividends were approved by the holders of both classes of ordinary share.

On winding up, the holders of preference shares ranked above ordinary shareholders. They were entitled to receive the sum equal to the amount of share capital and share premium paid up on subscription. The holders of preference shares were permitted to attend and speak at General meetings, but 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 2011

9 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2010	1,504,583	50,412
Loss for the financial year	-	(6,688)
Dividends paid (see note 6)	-	(1,540,020)
Capital reduction	(1,504,583)	1,504,604
At 31 March 2011	-	8,308

10 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Loss for the financial year	(6,688)	(8,418)
Dividends paid (see note 6)	(1,540,020)	(30)
Net decrease in shareholders' funds	(1,546,708)	(8,448)
Opening shareholders' funds	1,555,016	1,563,464
Closing shareholders' funds	8,308	1,555,016

11 Related party transactions and ultimate parent company

The Company is exempt under the terms of FRS 8 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. All 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.