

**NATIONAL GRID GOLD LIMITED**  
**DIRECTORS' REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2009**

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**ENGLAND AND WALES REGISTERED NUMBER: 3894139**

# **NATIONAL GRID GOLD 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 is an investment holding 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 the tax charge on imputed interest income on inter company loans and investment income received offset by operating costs incurred. 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 2008/09, which does not form part of this report.

#### **RESULTS AND DIVIDENDS**

The loss for the year after taxation was £26,322,000 (2008: £31,633,000).

No preference dividends were paid during the year (2008: £10,000). The Directors do not recommend the payment of an ordinary 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 £1,563,464,000 (2008: £1,589,786,000) comprising current assets of £1,671,703,000 (2008: £1,671,692,000) less current liabilities of £108,239,000 (2008: £81,906,000).

#### **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, 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.

# **NATIONAL GRID GOLD LIMITED**

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

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

#### **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.

#### **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 rate risk arises on imputed interest income 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:

AJ Agg	(Appointed 10 July 2009)
MAD Flawn	
G Holroyd	(Appointed full Director 10 July 2009, previously alternate to AM Lewis)
AM Lewis	
SF Noonan	(Resigned 10 July 2009)
RF Pettifer	(Resigned 30 September 2008)
MJ Sellars	(Appointed 10 July 2009)
CJ Waters	(Appointed 30 September 2008)

#### **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 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; 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, 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 2009**

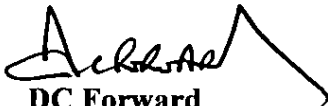

**AUDITORS**

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.

**ON BEHALF OF THE BOARD**

**REGISTERED OFFICE**

1-3 STRAND  
LONDON  
WC2N 5EH

  
**DC Forward**  
Company Secretary  
23 September 2009  


## 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 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 (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 2009 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  
Birmingham  
23 September 2009

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

	Notes	2009 £'000	2008 £'000
Operating charges	3	(6)	(9)
<b>Operating loss</b>		<u>(6)</u>	<u>(9)</u>
Interest receivable from fellow subsidiary undertakings		11	21
<b>Profit on ordinary activities before taxation</b>		<u>5</u>	<u>12</u>
Taxation	4	(26,327)	(31,645)
<b>Loss for the year transferred from reserves</b>	8	<u>(26,322)</u>	<u>(31,633)</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 or losses other than the loss for the years 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

	Notes	2009 £'000	2008 £'000
<b>Current assets</b>			
Amounts owed by fellow subsidiary undertakings		1,671,518	1,671,692
Cash at bank		185	-
		<u>1,671,703</u>	<u>1,671,692</u>
<b>Creditors: amounts falling due within one year</b>	6	(108,239)	(81,906)
<b>Net current assets</b>		<u>1,563,464</u>	<u>1,589,786</u>
<b>Net assets employed</b>		<u>1,563,464</u>	<u>1,589,786</u>
<b>Capital and reserves</b>			
Called up share capital	7	21	21
Share premium account	8	1,504,583	1,504,583
Profit and loss account	8	58,860	85,182
<b>Total shareholders' funds</b>	9	<u>1,563,464</u>	<u>1,589,786</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 23 September 2009 and signed on its behalf by:

  
**AJ Agg**  
 Director



**NATIONAL GRID GOLD 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 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. 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.

**(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 on an effective interest basis 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 rate method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 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 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 no Directors (2008: three) 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 (2008: none).

#### 3 Operating charges

	2009 £'000	2008 £'000
Operating charges include:		
Audit fees	<u>5</u>	<u>5</u>

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

#### 4 Taxation

	2009 £'000	2008 £'000
<b>Current tax:</b>		
UK corporation tax	26,327	31,433
Adjustments in respect of prior years	-	212
<b>Total current tax</b>	<u>26,327</u>	<u>31,645</u>

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 4 Taxation (continued)

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	5	12
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	2	4
Effect of:		
Taxation on transfer pricing adjustments	26,325	31,429
Adjustments in respect of prior years	-	212
<b>Total current tax charge for the year</b>	<b>26,327</b>	<b>31,645</b>

#### Factors that may affect future tax charges

A number of changes to the UK corporation tax system were announced in the April 2009 Budget Statement which have been enacted in the Finance Act 2009.

The changes announced to the UK 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.

The dividend exemption is likely to be available for both UK 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 UK 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.

#### 5 Dividends

	2009 £'000	2008 £'000
Preference dividends (2008: £1 per share)	-	10

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

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

	2009 £'000	2008 £'000
Amounts owed to fellow subsidiary undertakings	108,231	81,897
Accruals	8	9
	<u>108,239</u>	<u>81,906</u>

#### 7 Called up share capital

	2009 £'000	2008 £'000
<b>Authorised</b>		
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	150,000	150,000
	<u>150,011</u>	<u>150,011</u>

#### Allotted, called up and fully paid

10,000 ordinary shares of £1 each	10	10
1,000 'A' ordinary shares of Euro 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 the same economic rights equivalent to that of 50.36 ordinary shares including the rights to dividends and return of capital on winding up.

#### 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.

# NATIONAL GRID GOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 MARCH 2009

#### 8 Reserves

	Share Premium Account £'000	Profit and Loss Account £'000
At 1 April 2008	1,504,583	85,182
Loss for the year	-	(26,322)
<b>At 31 March 2009</b>	<b><u>1,504,583</u></b>	<b><u>58,860</u></b>

#### 9 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Loss for the year after taxation	(26,322)	(31,633)
Dividends paid (see note 5)	-	(10)
Net decrease in shareholders' funds	(26,322)	(31,643)
Opening shareholders' funds	1,589,786	1,621,429
<b>Closing shareholders' funds</b>	<b><u>1,563,464</u></b>	<b><u>1,589,786</u></b>

#### 10 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. 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.