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National Grid Property (High Wycombe) Limited

Directors' Report

and Financial Statements

For the year ended 31 March 2012



National Grid Property (High Wycombe) Limited

Directors' Report

For the year ended 31 March 2012

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2012

Principal activities

The Company's principal activities are the acquisition, development, management and disposal of land and property and the principal activity during the year was seeking opportunities for disposal or development

Business review

The Company owns land in High Wycombe acquired from other group companies. The Directors intend to retain the land and seek an opportunity for its development or disposal. Results for the year, as detailed below, depend on the charge for environmental decontamination costs and administrative expenses offset by a credit in taxation.

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 2011/12, which does not form part of this report.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the foreseeable future, though the level of any future charge for environmental decontamination is not expected to be as high, with no anticipated significant balance sheet movements.

Results and dividends

The Company's loss for the financial year was £26,000 (2011 £1,000).

The Directors do not recommend the payment of a dividend (2011 £nil).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' deficit at 31 March 2012 was £278,000 (2011 £252,000) comprising fixed assets of £1,680,000 (2011 £1,641,000), less net current liabilities of £1,929,000 (2011 £1,893,000) less provisions for liabilities and charges of £29,000 (2011 £nil).

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 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.

Treasury also seeks to limit third party counter-party risk which arises from the investment of surplus funds and the use of derivative financial instruments. Treasury monitors the exposure that National Grid has with any one counter party against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

National Grid Property (High Wycombe) Limited

Directors' Report (continued)

For the year ended 31 March 2012

Financial risk management (continued)

Liquidity risk

The Company finances its operations through inter company loans to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. No material exposure is considered to exist in respect of inter company loans

Directors

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

N K Dark
P D Edwards
C M Shoesmith

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, and
- 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

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 Property (High Wycombe) Limited

Directors' Report (continued)

For the year ended 31 March 2012

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 is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is expected to continue to be in a position to obtain finance via inter company loans to continue to operate for the foreseeable future. In addition, as indicated in note 12 to the financial statements, a fellow subsidiary undertaking, National Grid Holdings One plc, has confirmed its intention to support the Company. 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.

Differences between market and balance sheet value of land and buildings

In the opinion of the Directors, the difference between the market value and balance sheet value of land and buildings is not significant.

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.

Approved by the Board and signed on its behalf by



D C Forward
Secretary
6 July 2012

Registered office
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number 6112614

**Independent auditors' report to the members of
National Grid Property (High Wycombe) Limited**

We have audited the financial statements of National Grid Property (High Wycombe) Limited for the year ended 31 March 2012 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 2012 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.



Simon Evans (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 July 2012

National Grid Property (High Wycombe) Limited

Profit and loss account

For the years ended 31 March

	Notes	2012 £'000	2011 £'000
Administrative expenses		(5)	(6)
Exceptional item	3	(29)	-
Operating loss	2	(34)	(6)
Tax on loss on ordinary activities	5	8	5
Loss for the financial year transferred from reserves	11	(26)	(1)

The results reported above relate to continuing activities

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

National Grid Property (High Wycombe) Limited

Balance sheet

As at 31 March

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	6	<u>1,680</u>	<u>1,641</u>
Current assets			
Debtors amounts falling due within one year	7	29	21
Debtors amounts falling due after more than one year	7	<u>7</u>	<u>-</u>
		36	21
Creditors: amounts falling due within one year	8	(1,965)	(1,914)
Net current liabilities		<u>(1,929)</u>	<u>(1,893)</u>
Total assets less current liabilities		<u>(249)</u>	<u>(252)</u>
Provisions for liabilities and charges	9	(29)	-
Net liabilities		<u>(278)</u>	<u>(252)</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	<u>(278)</u>	<u>(252)</u>
Total shareholders' deficit	12	<u>(278)</u>	<u>(252)</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 6 July 2012 and signed on its behalf by



N K Dark
Director

National Grid Property (High Wycombe) Limited

Notes to the financial statements

For the year ended 31 March 2012

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 (FRS) 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 is a wholly owned subsidiary within a group headed by National Grid plc and is included in the consolidated financial statements of that company which are publicly available. Consequently the Company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

Further, in accordance with exemptions under FRS 29 'Financial Instruments: Disclosures', the Company has not presented the financial instruments disclosures required by the standard, as disclosures that comply with the standard are included in the consolidated financial statements of National Grid plc.

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

(b) Tangible assets and depreciation

Tangible fixed assets are included in the balance sheet at their cost less accumulated depreciation. Additions represent the purchase or construction of new assets, and extensions to, or significant increases in the capacity of, tangible fixed assets.

Freehold land is not depreciated. Impairment reviews are carried out if there is some indication that an impairment may have occurred, or, where otherwise required, to ensure that fixed assets are not carried above their estimated recoverable amounts. Impairments are recognised in the profit and loss account and, where material, are disclosed as exceptional.

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

1 Accounting policies (continued)

(c) Taxation

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

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

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

(d) 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 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

(e) Environmental costs

Environmental costs, based on future estimated expenditures expected to be incurred, are provided for in full

Liabilities for environmental remediation resulting from past operations or events are recognised to the extent to which required under UK decontamination requirements and to the extent to which the amount can reasonably be estimated. Measurement of liabilities is based on current legal requirements and existing technology. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology. No provision is made for non-statutory decontamination costs

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

2 Operating loss

	2012 £'000	2011 £'000
Operating loss is stated after charging:		
Audit fees	-	5

Audit fees of £5,507 for the year have been borne by the immediate parent company 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 Exceptional item

The exceptional item represents a charge in relation to the environmental provision (see note 9) of £29,000 (2011 £nil)

4 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 three Directors (2011 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 (2011 none)

5 Tax on loss on ordinary activities

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	(1)	(2)
Adjustments in respect of prior periods	-	(3)
Total current tax	(1)	(5)
Deferred tax:		
Origination and reversal of timing differences on exceptional items	(8)	-
Impact of change in tax rate	1	-
Total deferred tax	(7)	-
Tax credit on loss on ordinary activities	(8)	(5)

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

5 Tax on loss on ordinary activities (continued)

The tax credit for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 26% (2011 28%) The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(34)	(6)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	(9)	(2)
Effect of		
Movement in other short term timing differences	8	-
Adjustments in respect of prior periods	-	(3)
Total current tax credit for the year	(1)	(5)

Factors affecting current and future tax charges

A reduction in the UK corporation tax rate to 24% from 1 April 2012 was announced in the 2012 UK Budget Report This has been substantively enacted and deferred tax balances have been calculated at this rate

Other changes such as the proposed reduction in the UK corporation tax rate to 23% from April 2013, with a further 1% reduction in the following year will result in a UK corporation tax rate of 22% from April 2014 These changes have not been substantively enacted as at the balance sheet date and have therefore not been reflected in these financial statements

6 Tangible assets

	Land
	£'000
Cost:	
At 1 April 2011	1,641
Additions	39
At 31 March 2012	1,680
Net book value:	
At 31 March 2012	1,680
At 31 March 2011	1,641

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

7 Debtors

	2012	2011
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	24	21
Value added tax recoverable	5	-
	<u>29</u>	<u>21</u>
Amounts falling due after more than one year:		
Deferred tax	7	-
	<u>7</u>	<u>-</u>

Deferred tax

	2012	2011
	£'000	£'000
Other short term timing differences	7	-
	<u>7</u>	<u>-</u>
	2012	2011
	£'000	£'000
Deferred tax asset at 1 April	-	-
Credited to profit and loss account	7	-
Deferred tax asset at 31 March	<u>7</u>	<u>-</u>

8 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Amounts owed to fellow subsidiary undertakings	1,956	1,913
Accruals and deferred income	9	1
	<u>1,965</u>	<u>1,914</u>

9 Provisions for liabilities and charges

	Environmental
	£'000
At 1 April 2011	-
Charged to the profit and loss account	29
At 31 March 2012	<u>29</u>

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

9 Provisions for liabilities and charges (continued)

The provision is determined by periodic assessments including intrusive investigations undertaken by environmental specialists employed by the Company and are based on current environmental legislative requirements

The quantification of the provision is inherently uncertain in that neither expected amounts for decontamination costs nor the timing of expenditure can be predicted with complete accuracy. In particular, the costs actually incurred will depend upon discovering the exact level of contamination during clean up operations, the specific clean up techniques that might be used and the proportion of the decontamination costs for which the Company is liable. In addition, the actual costs eventually incurred may be affected by any new environmental legislative requirements in place, or the technology that may be available, at the time of clean up.

The impact of the changes in these uncertainties in the current year have been charged to exceptional items though future charges are expected to be charged to operating costs unless they are in relation to changes in regulation.

10 Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

11 Reserves

	Profit and loss account £'000
At 1 April 2011	(252)
Loss for the financial year	(26)
At 31 March 2012	<u>(278)</u>

12 Reconciliation of movement in total shareholders' deficit

	2012 £'000	2011 £'000
Loss for the financial year	(26)	(1)
Net increase in shareholders' deficit	(26)	(1)
Opening shareholders' deficit	(252)	(251)
Closing shareholders' deficit	<u>(278)</u>	<u>(252)</u>

National Grid Property (High Wycombe) Limited

Notes to the financial statements (continued)

For the year ended 31 March 2012

13 Related party transactions and ultimate parent company

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' 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 Birch Sites 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.

An intermediate holding company, National Grid Holdings One plc, has confirmed its intention to ensure that the Company will be in a position to meet its liabilities for a period of not less than one year from the date of these financial statements.

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