

BRITISH TRANSCO INTERNATIONAL
FINANCE B.V.

Rotterdam, The Netherlands

Annual Report
as at 31 March 2010

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BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

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BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Directors' Report

The Board of Directors of British Transco International Finance B.V. ('the Company'), herewith submits its Annual Report for the year ended 31 March 2010.

Summary of activities

The principal activity of the Company is to act as a finance company for National Grid Gas Plc. (formerly known as Transco Plc.), its sole shareholder, incorporated in England. As such, the Company enters into transactions on behalf of its parent company, which in turn guarantees all transactions entered into with third parties. All loan proceeds are placed at the disposal of the parent company. During the year the FRF 1,800,260,000 bond has been repaid.

Results for the year

The profit for the year is EUR 148,589 (p.y. 436,326). The decrease in result is mainly due to the fluctuation in the GBP exchange rate and repayments of loans, resulting in lower interest income.

Risk Management

The company does not have any significant exposure with regard to interest rate or foreign currency risk. The financial risks for the company are limited. All incoming loans and bonds issued are guaranteed by the shareholder. The company maintains a capital of EUR 2 million, being its equity at risk to comply with the Dutch tax practice for group finance companies. The risk the company bears is therefore limited to the amount of capital and reserves, which according to the advanced pricing agreements made with the fiscal authorities should be at a minimum of EUR 2,000,000. The objective of the company is not to bear any more financial risks. See also note 2(p) to the financial statements.

Future outlook

The results in future years will be mainly influenced by the profit margin on the present and future financing activities. The Company's future is currently being reviewed by the Company's management. The Company is looking into opportunities of an early repayment of the remaining zero-coupon bond, after which a decision will be made.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Post-balance sheet events

No post-balance sheet events affecting the financial statements, herewith presented, have occurred to date.

Activities in the field of research and development

The company is not engaged in such activities.

Audit Committee

The Company makes use of the exemption to establish its own Audit Committee, based on Article 3a. of the Royal Decree of 26 July 2008 implementing article 41 of the EU Directive 2006/43/EG. The Audit Committee of the parent company, National Grid Plc, will act as Audit Committee for the Company.

Management's accountability

To our knowledge:

1. the 2009/2010 financial statements give a true and fair view of the assets, liabilities, financial position, cash flows and profit of British Transco International Finance B.V..
2. the directors' report gives a true and fair view of the company's position as per 31 March 2010 and the developments during the year ended 31 March 2010 of British Transco International Finance B.V..
3. the directors' report describes the material risks The Company is facing.

The Directors



M.A.D. Flawn



L.A. Richardson

Rotterdam, 14 July 2010

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Balance Sheet

(Before appropriation of results and expressed in EUR)

	Notes	31 March 2010	31 March 2009
FINANCIAL FIXED ASSETS			
Loans to group companies	3	421,232,288	394,429,821
		<u>421,232,288</u>	<u>394,429,821</u>
CURRENT ASSETS			
Loans to group companies	3	0	197,099,409
Net swap position bearer bonds	7	0	77,348,459
Interest receivable from group companies	4	0	523,333
Interest receivable from swap counter parties	4	0	7,450,013
Corporation tax receivable		70,945	0
Accounts receivable from group companies	5	4,104,369	3,471,393
		<u>4,175,314</u>	<u>285,892,607</u>
Cash at banks	6	1,363,856	1,566,270
		<u>5,539,170</u>	<u>287,458,877</u>
CURRENT LIABILITIES			
Bearer bonds	7	0	274,447,868
Interest payable on bonds	8	0	7,892,287
Amounts payable to group companies	9	1,292,256	1,026,750
Corporation tax payable		0	8,647
Accrued expenses		45,000	30,000
		<u>1,337,256</u>	<u>283,405,552</u>
NET CURRENT ASSETS		<u>4,201,914</u>	<u>4,053,325</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>425,434,202</u>	<u>398,483,146</u>
Less: LONG-TERM DEBT			
Bearer bonds	7	421,232,288	394,429,821
		<u>421,232,288</u>	<u>394,429,821</u>
		4,201,914	4,053,325
CAPITAL AND RESERVES			
Share capital	10	228,765	228,765
Retained earnings		3,824,560	3,388,234
Profit for the year		148,589	436,326
		<u>4,201,914</u>	<u>4,053,325</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Profit and Loss Account

(Expressed in EUR)

	<u>Notes</u>	<u>year ended 31 March 2010</u>	<u>year ended 31 March 2009</u>
OPERATING INCOME AND EXPENSES			
Interest received on loans to group companies	11	35,289,374	43,298,053
Interest paid on bonds	12	(6,173,171)	(16,131,281)
Appreciation of zero coupon bearer bonds	12	(33,193,355)	(31,066,111)
Swap interest net	12	4,710,128	4,609,125
Net interest on loans		<u>632,976</u>	<u>709,786</u>
FINANCIAL INCOME AND EXPENSES			
Bank interest		4,933	48,107
Exchange differences		(112,671)	143,956
		<u>(107,738)</u>	<u>192,063</u>
EXPENSES			
General and administrative expenses	13	(57,588)	(81,760)
Other expenses	14	(276,310)	(266,162)
		<u>(333,898)</u>	<u>(347,922)</u>
RESULT BEFORE TAXATION		<u>191,340</u>	<u>553,927</u>
CORPORATION TAX			
Previous years	15	(4,484)	5,106
Current year		<u>(38,267)</u>	<u>(122,707)</u>
NET PROFIT FOR THE YEAR		<u>148,589</u>	<u>436,326</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Cash flow statement
(expressed in EUR)

	year ended 31 March 2010	year ended 31 March 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Result for the year before taxation	191,340	553,927
Income tax expenses recognised in profit	(42,751)	(117,601)
	<u>148,589</u>	<u>436,326</u>
Movements in working capital		
Decrease in interest receivable from group companies	523,333	1,137,400
Increase interest receivable from swap counter parties	7,450,013	(1,137,400)
Increase in accounts receivable from group companies	(632,976)	(709,786)
Decrease interest payable on bonds	(7,892,287)	0
Increase in amounts payable to group companies	265,506	83,785
Increase/(decrease) taxes payable/receivable	(79,592)	(35,907)
Increase accrued expenses	15,000	0
Cash generated from operations	<u>(202,414)</u>	<u>(225,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment loans and settlement of derivatives	211,463,750	8,810,573
Net cash generated by financing activities	<u>211,463,750</u>	<u>8,810,573</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment bonds and settlement of derivatives	(211,463,750)	(8,810,573)
Net cash generated by investing activities	<u>(211,463,750)</u>	<u>(8,810,573)</u>
NET INCREASE/(DECREASE) IN CASH	(202,414)	(225,582)
Cash at banks beginning of the year	1,566,270	1,791,852
Cash at banks end of the year	<u>1,363,856</u>	<u>1,566,270</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements at 31 March 2010

(All tabular amounts are, unless otherwise stated, expressed in Euros)

1. General

British Transco International Finance B.V. (The Company) was established in Rotterdam on 18 January 1982. The address is Schouwburgplein 30-34, 3012 CL Rotterdam. The principal activity of the Company is to act as a finance company for National Grid Gas Plc. (formerly known as Transco Plc.), its sole shareholder, incorporated in England. As such, the Company enters into transactions on behalf of its parent company, which in turn guarantees all transactions entered into with third parties. All loan proceeds are placed at the disposal of the parent company.

2. Summary of principal accounting policies

(a) General

The financial statements have been prepared in accordance with the statutory provisions of Paragraph 9, book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The functional and reporting currency of the Company is Euros.

The balance sheet, income statement and cash flow statement include references to the notes.

(b) Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying The Company's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

(c) Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

(d) Foreign currencies

Transactions expressed in currencies other than Euros have been translated at the exchange rates ruling at the time of transaction. Balances in foreign currencies at year-end are translated into Euros at the rates ruling at year-end. In order to fully hedge currency and interest rate risks relating to the bond issues and the loans, the company entered into interest rate and currency swaps with various banks. These swaps have the same issue and maturity dates as the related loans and bonds. The swaps are 100% effective in hedging the currency and interest risks resulting from the loans and bond positions. Cash at banks is not hedged and accordingly the year-end rates of exchange are used for foreign currency denominated balances

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Notes to the financial statements at 31 March 2010

Where currency exchange contracts have been entered into in order to fully hedge foreign currency exposures, the contract rate is applied when translating transactions and balances denominated in foreign currencies into Euros. Any exchange differences are taken to the profit and loss account. Credit risks for receivables from group companies are not covered, as on a consolidated basis on the level of the ultimate parent company the risks are limited.

(e) Assets and liabilities

In general, assets and liabilities (except for equity) are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred.

(f) Loans to group companies

The loans to group companies receivables disclosed under financial fixed assets include loans which will be held to their maturity date. These receivables are initially measured at fair value. These loans and debentures are subsequently carried at amortised cost.

If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans. Transaction costs are included in the initial valuation. Impairment losses are deducted from amortised cost and expensed in the income statement.

(g) Long term debt

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(h) Corporation tax

Taxation is provided for in accordance with a specific Advanced Pricing Agreement applicable to the Company. Reference is made to Note 15. Income tax is recognised in the income statement.

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

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Notes to the financial statements at 31 March 2010

(i) Exchange differences

Exchange differences are recognised in the income statement in the period that they arise.

(j) Financial income and expenses

Income and expenses are recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned.

(k) General and administrative expenses and other expenses

General and administrative expenses and other expenses comprise costs chargeable to the year that are not directly attributable to bonds and loans .

(l) Cash flow statement

The cash flow statement is prepared according to the indirect method. Corporate income taxes, interest received and paid are stated under the cash flow from operating activities as a result of the nature of the Company's activities.

(m) Financial instruments

All financial instruments are carried at (amortised) cost.

(n) Related parties

All entities within the National Grid Plc group are considered related parties.

(o) Cash and cash equivalents

Cash and cash equivalents include bank balances and deposits held at call with maturities of less than 12 months. Bank overdraft will be shown within borrowings in current liabilities on the balance sheet.

(p) Disclosure of management of financial risks

The financial risks for the company are limited. All incoming loans and bonds issued are guaranteed by the shareholder. The company should maintain a capital of EUR 2 million, being its equity at risk to comply with the Dutch tax practice for group finance companies. The risk the company bears is therefore limited to the capital and reserves, which according to the advanced pricing agreements made with the fiscal authorities should be at a minimum of EUR 2,000,000. The objective of the company is not to bear any more financial risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The market risks are limited as all incoming loans have equal counter positions which are guaranteed by the shareholder.

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Notes to the financial statements at 31 March 2010

Interest and cash flow risks

Interest rate risks are limited as all incoming loans have been hedged in order to obtain equal counter positions. The company has contracted interest rate swaps. The result is that it receives variable interest and pays fixed interest. The only applicable swap, which is 100% effective, was repaid on 17 August 2009.

Foreign currency risk

The foreign currency risks are limited as all major outstanding amounts are hedged or have equal counter position which are guaranteed by the shareholder. All non-bond related balances still have a currency risk.

Credit risk

Credit risk is the risk of financial loss to The Company if a financial instrument of counterparty fails to meet its contractual obligations, and arises principally from The Company's receivables from the shareholder. Collectability risks are limited because all loans are issued to National Grid Plc. which is the sole shareholder of The Company. All loans obtained from third parties are guaranteed by The Parent, which significantly reduces the credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risks are limited as all interest payments and future repayments of loans are guaranteed by the shareholder. The repayment dates of loans are equal to the long term debt.

Hedging

The company entered into interest rate and currency swaps with various banks. These swaps had the same issue and maturity dates as the related loans and bonds. The swaps were 100% effective in hedging the currency and interest risks resulting from the loans and bond positions. During the year this was only applicable for FRF 1,800,260,000 bonds, which matured on 17 August 2009. At the balance sheet date there were no loans and bonds for which this is applicable.

(q) Impairment of fixed assets

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Fair value less costs to sell is determined based on the active market or the value in use. An impairment loss is directly expensed in the income statement.

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Notes to the financial statements at 31 March 2010

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

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Notes to the financial statements at 31 March 2010

3. Loans to group companies

During the year under review and previous years the Company entered into loan agreements with its parent company, National Grid Gas Plc., which are denominated in either GBP or USD and carry variable interest rates. As at the balance sheet date the following loans were outstanding with the respective interest at that date:

Currency	Issue date	Maturity date	Interest rate	Amount	2009/2010	2008/2009
					Amount EUR	Amount EUR
USD	04-May-94	04-Nov-21	8.37863%	524,355,003	421,232,288	394,429,821
Long-term portion					<u>421,232,288</u>	<u>394,429,821</u>
GBP	17-Aug-98	17-Aug-09	5.13250%	182,366,338	0	197,099,409
Short-term portion					<u>0</u>	<u>197,099,409</u>
Total loans to group companies					<u><u>421,232,288</u></u>	<u><u>591,529,230</u></u>

The interest rate (3 months GBP LIBOR + 0.245%) on the GBP 182,366,338 loan was adjusted every 3 months (last change 17 May 2009, as the loan has been repaid on 17 August 2009). The interest rate on the zero coupon USD loan is a fixed rate.

The fair value of the loans to group companies carrying amount of EUR 421,232,288 amounted to EUR 566,747,710 at 31 March 2010 (31 March 2009 EUR 722,573,000). We calculate the fair value by discounting all future cash flows by the market yield curve, at the balance sheet date, including the credit spread for debt, and, in the case of financial derivatives, taking into account the credit quality of both parties. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates. In the case of derivative instruments that include options, the Black's variation of the Black-Scholes model is used to calculate fair value.

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Notes to the financial statements at 31 March 2010

3. Loans to group companies (Cont'd)

The following movements occurred:

	Loans to group companies			Total
	<1 year	between 1-5 years	> 5 years	
Book value 1 April 2008	8,801,001	197,099,409	338,228,590	544,129,000
Movements between categories	197,099,409	(197,099,409)	0	0
Repayment bond	(8,810,573)	0	0	(8,810,573)
Interest accrued zero coupon	0	0	31,066,111	31,066,111
Exchange result	9,572	0	25,135,120	25,144,692
Book value 31 March 2009	<u>197,099,409</u>	<u>0</u>	<u>394,429,821</u>	<u>591,529,230</u>

	Loans to group companies			Total
	<1 year	between 1-5 years	> 5 years	
Book value 1 April 2009	197,099,409	0	394,429,821	591,529,230
Repayment bond	(211,463,750)	0	0	(211,463,750)
Interest accrued zero coupon	0	0	33,193,355	33,193,355
Exchange result	14,364,341	0	(6,390,888)	7,973,453
Book value 31 March 2010	<u>0</u>	<u>0</u>	<u>421,232,287</u>	<u>421,232,287</u>

4. Interest receivable from group companies/swap counter parties

The outstanding balance referred to short term outstanding loan of GBP 182,366,338 was repaid on 17 August 2009. The former swap was 100% effective in hedging the currency and interest risks resulting from this loan. The majority of the interest receivable is stated at receivable from swap parties, because this interest is paid half yearly while the payments to swap counter parties are payable quarterly.

	2009/2010	2008/2009
Balance at the start of the year	<u>7,892,287</u>	<u>7,892,287</u>
interest accrued	6,173,166	16,131,280
interest paid	<u>(14,065,453)</u>	<u>(16,131,280)</u>
Balance at the end of the year	<u>0</u>	<u>7,892,287</u>

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Notes to the financial statements at 31 March 2010

5. Accounts receivable from group companies

This amount refers is due from National Grid Plc, and bears no interest. The increase during the year refers to the spread on the loans. All receivables fall due in less than one year.

	<u>2009/2010</u>	<u>2008/2009</u>
Balance at the start of the year	3,471,393	2,761,607
Interest spread	632,976	709,786
Balance at the end of the year	<u>4,104,369</u>	<u>3,471,393</u>

6. Cash at banks

Cash at banks consists of current account balances in a total amount of EUR 413,856 (p.y. EUR 289,821), which are available on demand. There are no restrictions on the current accounts. Furthermore the Company has as per 31 March 2010 a deposit in the amount of EUR 950,000 (p.y. EUR 1,276,449) with Lloyds TSB Bank plc.

	<u>31 March 2010</u>	<u>31 March 2009</u>
Cash and cash equivalent	413,856	289,821
Deposits	950,000	1,276,449
	<u>1,363,856</u>	<u>1,566,270</u>

The maturity date of the current deposit is 6 April 2010.

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Notes to the financial statements at 31 March 2010

7. Bearer bonds

The Company has issued listed bearer bonds (listed at the London Stock Exchange and Euronext Paris). All bonds, with the exception of the USD zero coupon bond due 4 November 2021, had been swapped into GBP and into variable interest rates. The funds were used to issue various loans to group companies. As at the balance sheet date the following bonds were outstanding with the respective interest at that date:

Currency	Issue date	Maturity date	Interest rate	Amount currency	2009/2010	2008/2009
					Amount EUR	Amount EUR
USD	05-Nov-91	04-Nov-21	8.55413%	524,355,003	421,232,288	394,429,821
					421,232,288	394,429,821
Net swap position					0	0
Long-term portion					421,232,288	394,429,821
FRF	17-Aug-98	17-Aug-09	5.12500%	1,800,260,000	0	274,447,868
					0	274,447,868
Net swap position					0	(77,348,459)
Short-term portion					0	197,099,409
Total bearer bonds					421,232,288	591,529,230

On 5 November 1991 the Company issued zero coupon bearer bonds of in total USD 1,474,000,000, due on 4 November 2021. A discounted value of USD 127,850,000, based upon a discount factor of 8.55413% per annum, was received at the date of issuance.

The bonds and all other liabilities of the Company are guaranteed by National Grid Gas Plc. The original currency description of loans is stated above. The Euro equivalent at the official rate of exchange was reflected at the date of its introduction.

The cumulative market value of the bonds with a carrying amount of EUR 421,232,288 amounted to EUR 566,747,710 at 31 March 2010 (31 March 2009 EUR 810,873,000). We calculate the fair value by discounting all future cash flows by the market yield curve, at the balance sheet date, including the credit spread for debt, and, in the case of financial derivatives, taking into account the credit quality of both parties. The market yield curve for each currency is obtained from external sources for interest and foreign exchange rates. In the case of derivative instruments that include options, the Black's variation of the Black-Scholes model is used to calculate fair value.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements at 31 March 2010

7. Bearer bonds (cont'd)

The following movements occurred:

	Bonds			Total
	<1 year	between 1-5 years	> 5 year	
Book value 1 April 2008	8,801,001	197,099,409	338,228,590	544,129,000
Movements between categories	197,099,409	(197,099,409)	0	0
Repayment bond	(8,810,573)	0	0	(8,810,573)
Interest accrued zero coupon	0	0	31,066,111	31,066,111
Exchange result	9,572	0	25,135,120	25,144,692
Book value 31 March 2009	<u>197,099,409</u>	<u>0</u>	<u>394,429,821</u>	<u>591,529,230</u>

	Bonds			Total
	<1 year	between 1-5 years	> 5 year	
Book value 1 April 2009	197,099,409	0	394,429,821	591,529,230
Repayment bond	(211,463,750)	0	0	(211,463,750)
Interest accrued zero coupon	0	0	33,193,355	33,193,355
Exchange result	14,364,341	0	(6,390,888)	7,973,453
Book value 31 March 2010	<u>0</u>	<u>0</u>	<u>421,232,287</u>	<u>421,232,287</u>

8. Interest payable on bonds

The outstanding balance referred to a short term outstanding loan of FRF 1,880,260,000 which was repaid on 17 August 2009.

	2009/2010	2008/2009
Balance at the start of the year	<u>7,892,287</u>	<u>7,892,287</u>
interest accrued	6,173,166	16,131,280
interest paid	<u>(14,065,453)</u>	<u>(16,131,280)</u>
Balance at the end of the year	<u>0</u>	<u>7,892,287</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements at 31 March 2010

9. Amounts payable to group companies

This amount refers to an amount payable to National Grid Gas Plc, and bears no interest. The increase during the year refers to the 2009/2010 management fee (see note 14).

	<u>2009/2010</u>	<u>2008/2009</u>
Balance at the start of the year	1,026,750	942,965
Management fee	224,740	216,158
Exchange difference	40,766	(132,373)
Balance at the end of the year	<u>1,292,256</u>	<u>1,026,750</u>

10. Capital and reserves

The authorised share capital of the Company consists of 2,500 shares of EUR 453,- each amounting to EUR 1,132,500. As at 31 March 2010 505 shares were issued and fully paid up. The movements in capital and reserves can be summarised as follows:

	<u>2009/2010</u>	<u>2008/2009</u>
Issued share capital:		
Balance at beginning of the year	228,765	228,765
Movements	0	0
Balance at the end of the year	<u>228,765</u>	<u>228,765</u>
Retained earnings:		
Balance at start of beginning of the year	3,388,234	3,141,077
Appropriation of result previous year	436,326	247,157
Balance at the end of the year	<u>3,824,560</u>	<u>3,388,234</u>
Profit for the year:		
Balance at start of beginning of the year	436,326	247,157
Appropriation to the retained earnings	(436,326)	(247,157)
Result for the year	148,589	436,326
Balance at the end of the year	<u>148,589</u>	<u>436,326</u>
Capital and reserves	<u>4,201,914</u>	<u>4,053,325</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements at 31 March 2010

11. Interest received on loans to group companies

	<u>2009/2010</u>	<u>2008/2009</u>
Interest zero coupon bond	33,193,355	31,066,111
Interest GBP 7 million repaid on 15 July 2008	0	146,965
Interest GBP 182.3 million repaid on 17 August 2009	1,463,043	11,375,191
Spread for the year	632,976	709,786
	<u>35,289,374</u>	<u>43,298,053</u>

The spread is calculated based on 12.5 basis point remuneration in accordance with the Advanced Pricing Agreement.

12. Interest expense

The total interest expense is equal to the total interest income minus the spread of EUR 632,976.

	<u>2009/2010</u>	<u>2008/2009</u>
Interest zero coupon bond	33,193,355	31,066,111
Interest GBP 7 million repaid on 15 July 2008	0	146,965
Interest GBP 182.3 million repaid on 17 August 2009	1,463,043	11,375,191
	<u>34,656,398</u>	<u>42,588,267</u>

13. General and administrative expenses

	<u>2009/2010</u>	<u>2008/2009</u>
Accounting fees	51,677	50,299
Audit fees	45,800	20,230
Tax advisors fees	23,086	9,331
Other general expenses	(62,975)	1,900
	<u>57,588</u>	<u>81,760</u>

14. Other expenses

This consists of the directors emoluments of EUR 51,750 (see note 16) and the annual management fee of GBP 200,000 (EUR 224,740).

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements at 31 March 2010

19. Auditor's remuneration

With reference to Section 2:38a (1) and (2) of the Netherlands Civil Code, the following fees for the year have been charged by PricewaterhouseCoopers Accountants N.V.

	<u>2009/2010</u>	<u>2008/2009</u>
Audit of financial statements	45,800	20,230
Other audit procedures	0	0
Tax services	0	0
Other non-audit services	0	0
	<u>45,800</u>	<u>20,230</u>

20. Commitments and contingencies not included in the balance sheet

There are no commitments and contingencies per 31 March 2010. No pledges are applicable. The bonds and all other liabilities of the Company are guaranteed by National Grid Gas Plc.

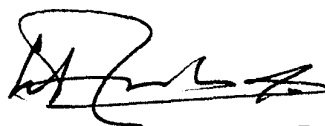
21. Subsequent events

No subsequent events are applicable.

The Directors



M.A.D. Flawn



L.A. Richardson

Rotterdam, 14 July 2010

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Supplementary Information

Retained earnings

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholders in accordance with Article 14 of the Articles of Association of the Company.

Proposed appropriation of results

The management proposes that the result for the past year will be carried forward. This proposal is not yet reflected in the financial statements.

Auditor's report

The auditor's report is set forth on the following page.

To the Annual General Meeting of Shareholders of
British Transco International Finance B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the period 1 April 2009 to 31 March 2010 of British Transco International Finance B.V., Rotterdam, as set out on pages 4 to 20 which comprise the balance sheet as at 31 March 2010, the profit and loss account for the period from 1 April 2009 to 31 March 2010, the cash flow statement and the notes.

Board of Directors' responsibility

The Board of Directors of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of British Transco International Finance B.V. as at 31 March 2010, and of its result for the period from 1 April 2009 to 31 March 2010 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 14 July 2010
PricewaterhouseCoopers Accountants N.V.

Original signed by A.F. Westerman RA