

BRITISH TRANSCO INTERNATIONAL
FINANCE B.V.

Rotterdam, The Netherlands

Annual Report
for the year ended 31 March 2014

ADDRESS:
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File number: 24.262.646

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 2014.

Summary of activities

The principal activity of the Company is to act as a finance company for National Grid Gas 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. The company has no employees and no investments other than in loans.

Results for the year

The profit for the year is EUR 453,295 (p.y. EUR 413,220). This result is mainly the result of a spread on the proceeds of bearer bonds which have been lent to a group company. Per 31 March 2014 the Company's current ratio is 9.96 (p.y. 4.52).

There have been no unusual events during the reporting year.

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 considered to be limited. All incoming loans and bonds issued are guaranteed by the shareholder. The Company maintains a capital of EUR 2,453,295 (p.y. EUR 5,219,334), 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 is required to be set at a minimum of EUR 2,000,000. The objective of the Company is not to bear any more financial risks. See also note 3 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 was looking into opportunities of an early repayment of the remaining zero-coupon bond, it is not contemplated that there will be an early repayment in the near future.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Post-balance sheet events

No post-balance sheet events affecting the financial statements, herewith presented or which require separate disclosure, have occurred to date.

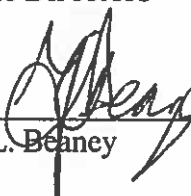
Activities in the field of research and development

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 Gas Plc, is acting as Audit Committee for the Company.

The Directors



F.L. Beaney



M.A.D. Flawn



TMF Netherlands B.V.

Rotterdam, 28 July 2014

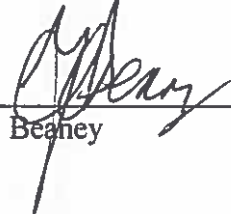
BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Conformity statement

As required by section 5:25c subsection 2(c) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the members of the Board of Directors hereby confirm that to the best of their knowledge:

- The British Transco International Finance B.V. financial statements for the year ended 31 March 2014 give a true and fair view of the assets, liabilities, financial position and income of British Transco International Finance B.V.;
- The British Transco International Finance B.V. directors' report for the year ended 31 March 2014 gives a true and fair view of the position of British Transco International Finance B.V. at the end of the reporting year and of the development and performance of the business during the reporting year, together with a description of the principal risks British Transco International Finance B.V. is subject to.

The Directors



F.L. Beaney



M.A.D. Flawn



TMF Netherlands B.V.

Rotterdam, 28 July 2014

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Balance Sheet for the year ended 31 March 2014
(Before appropriation of results and expressed in EUR)

| | Notes | 31 March 2014 | 31 March 2013 |
|--|-------|--------------------|--------------------|
| FINANCIAL FIXED ASSETS | | | |
| Revolving loan to group company | 4 | 1,313,041 | 0 |
| Loans to group companies | 5 | 573,937,600 | 567,986,528 |
| | | <u>575,250,641</u> | <u>567,986,528</u> |
| CURRENT ASSETS | | | |
| Interest receivable from group companies | | 1,407 | 0 |
| Accounts receivable from group companies | 6 | 713,703 | 5,895,425 |
| | | 715,110 | 5,895,425 |
| Cash at banks | 7 | 552,353 | 806,449 |
| | | <u>1,267,463</u> | <u>6,701,874</u> |
| CURRENT LIABILITIES | | | |
| Amounts payable to group companies | 9 | 0 | 1,363,050 |
| Corporation tax payable | | 73,431 | 63,706 |
| Accrued expenses | | 53,778 | 55,784 |
| | | <u>127,209</u> | <u>1,482,540</u> |
| NET CURRENT ASSETS | | | |
| | | <u>1,140,254</u> | <u>5,219,334</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u>576,390,895</u> | <u>573,205,862</u> |
| Less: LONG-TERM DEBT | | | |
| Bearer bonds | 8 | 573,937,600 | 567,986,528 |
| | | <u>573,937,600</u> | <u>567,986,528</u> |
| | | <u>2,453,295</u> | <u>5,219,334</u> |
| CAPITAL AND RESERVES | | | |
| Issued share capital | 10 | 228,765 | 228,765 |
| Retained earnings | | 1,771,235 | 4,577,349 |
| Profit for the year | | 453,295 | 413,220 |
| | | <u>2,453,295</u> | <u>5,219,334</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Profit and Loss Account for the year ended 31 March 2014

(Expressed in EUR)

| | Notes | <u>Year ended 31 March 2014</u> | <u>Year ended 31 March 2013</u> |
|--|-------|---|---|
| FINANCIAL INCOME AND EXPENSES | | | |
| Interest income on loans to group companies | 11 | 45,941,734 | 45,405,216 |
| Interest expense on zero coupon bearer bonds | 12 | (45,226,624) | (44,735,797) |
| Bank interest | | 432 | 653 |
| Exchange differences | | (961) | 17,200 |
| | | <u>714,581</u> | <u>687,272</u> |
| EXPENSES | | | |
| General and administrative expenses | 13 | (102,866) | (99,744) |
| Other expenses | | 0 | (27,639) |
| | | <u>(102,866)</u> | <u>(127,383)</u> |
| RESULT BEFORE TAXATION | | <u>611,715</u> | <u>559,889</u> |
| CORPORATION TAX | 14 | <u>(158,420)</u> | <u>(146,669)</u> |
| NET PROFIT FOR THE YEAR | | <u>453,295</u> | <u>413,220</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Cash flow statement for the year ended 31 March 2014

(expressed in EUR)

| | Notes | Year ended 31 March 2014 | Year ended 31 March 2013 |
|---|-------|--------------------------------|--------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Result for the year before taxation | | 611,715 | 559,889 |
| Income tax expenses recognised in profit and loss | 14 | (158,420) | (146,669) |
| | | <u>453,295</u> | <u>413,220</u> |
| Movements in working capital | | | |
| Decrease/(Increase) in accounts receivable from group companies | 6 | (713,703) | (669,419) |
| Decrease in amounts payable to group companies | 9 | 0 | (16,594) |
| Increase in interest receivable | | (1,407) | 0 |
| Increase taxes payable | | 9,725 | 54,659 |
| (Decrease)/Increase accrued expenses | | (2,006) | 13,283 |
| Cash generated by/(used in) operations | | <u>(254,096)</u> | <u>(204,851)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net cash generated by/(used in) financing activities | | <u>0</u> | <u>0</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net cash generated by/(used in) investing activities | | <u>0</u> | <u>0</u> |
| NET INCREASE/(DECREASE) IN CASH | | <u>(254,096)</u> | <u>(204,851)</u> |
| Cash at banks beginning of the year | | 806,449 | 1,011,300 |
| Cash at banks end of the year | 7 | <u>552,353</u> | <u>806,449</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014 **(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 statutory seat is Rotterdam. The address is Westblaak 89, 3012 KG Rotterdam. The principal activity of the Company is to act as a finance company for National Grid Gas Plc., its sole shareholder and ultimate parent company, 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 Dutch 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 the U.S. Dollar. The presentation currency of these financial statements is the Euro.

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 Dutch 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) Assets and liabilities

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

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

2. Summary of principal accounting policies (cont'd)

(d) Loans to group companies and revolving loan

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, using the effective interest rate method. Transaction costs are included in the initial valuation. Impairment losses are deducted from amortised cost and expensed in the income statement.

(e) Long term debt

Borrowings, which are all held to maturity, 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.

(f) Cash and cash equivalents

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

Cash and cash equivalents are stated at nominal value.

(g) Accounts receivable /current liabilities/accruals

Accounts receivable /current liabilities/accruals are recognised initially at fair value and subsequently measured at amortised cost.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

2. Summary of principal accounting policies (cont'd)

(h) Impairment of financial assets

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.

(i) 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.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date.

(j) Financial instruments

All financial instruments are carried at (amortised) cost.

(k) Prior-year comparison

The presentation in the profit and loss account has been changed to model L. This has also been applied to the comparative figures. This change in presentation did not have an impact on the result or equity of the Company.

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

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

2. Summary of principal accounting policies (cont'd)

(l) Corporation tax

Taxation is provided for in accordance with a specific Advance Pricing Agreement applicable to the Company. Reference is made to Note 14. 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.

(m) Exchange differences

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

(n) Financial income and expenses

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

(o) 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.

(p) 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.

Dividends paid are recognised as cash used in financing activities.

Adjustments in loans receivable are included in the investing activities

(q) Related parties

All entities within the National Grid Plc group are considered to be related parties. Other related parties are the directors of the Company.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

3. Financial risk management

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 is required to 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.

Interest and cash flow risks

Interest rate risks are limited as the only incoming loan is a zero-coupon bond.

Foreign currency risk

The foreign currency risks are limited as all major outstanding amounts have equal counter positions 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. All loans obtained from third parties are guaranteed by the Parent, which significantly reduces the credit risk. The Company retains a minimum equity at risk of EUR 2,000,000.

Liquidity risk

Liquidity risk is the risk that the Company 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. The Company retains a minimum equity at risk of EUR 2,000,000.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

4. Revolving loan to group company

On 4 February 2014 the Company entered into an uncommitted EUR 6,000,000 revolving loan agreement with its shareholder. Interest shall be accrued at a rate per annum equal to LIBOR plus 20bps. No fixed repayment date has been agreed upon. The shareholder shall repay the outstanding advance with accrued interest upon demand by the Company. The balance per balance sheet amounts to EUR 1,313,041.

| | Amount in EUR |
|-----------------------------|---------------|
| Balance as at 1 April 2013 | 0 |
| Addition to loan | 1,313,041 |
| Balance as at 31 March 2014 | 1,313,041 |

The issue of this loan was a non-cash transaction and as such, is not presented in the cash flow statement. The transaction was financed as follows:

| | Note | Amount in EUR |
|--|------|---------------|
| Accounts receivable from group companies as at 31 March 2013 | 6 | 5,895,425 |
| Amounts payable to group companies as at 31 March 2013 | 9 | (1,363,050) |
| Dividend distribution made during the reporting year | 10 | (3,219,334) |
| Revolving loan to group company | | 1,313,041 |

5. Loans to group companies

Previous years the Company entered into loan agreements with its parent company, National Grid Gas Plc., which are denominated in USD. As at the balance sheet date the following loan was outstanding:

| Currency | Issue date | Maturity date | Interest rate | Amount USD | 2013/2014 | 2012/2013 |
|---------------------------------------|------------|---------------|---------------|-------------|--------------------|--------------------|
| | | | | | Amount EUR | Amount EUR |
| USD | 04-May-94 | 04-Nov-21 | 8.37863% | 790,418,636 | 573,937,600 | 567,986,528 |
| Total loans to group companies | | | | | 573,937,600 | 567,986,528 |

The fair value of the zero coupon loan to a group company carrying amount of EUR 573,937,600 amounted to EUR 812,399,313 at 31 March 2014 (31 March 2013 EUR 857,160,981). 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. The market yield curve with respect to the USD currency is obtained from external sources for interest and foreign exchange rates.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

5. Loans to group companies (continued)

The following movements occurred:

| | Loans to group companies | | | Total |
|------------------------------|--------------------------|----------------------|--------------------|--------------------|
| | <1 year | between 1-5 years | > 5 years | |
| Book value 1 April 2012 | 0 | 0 | 503,083,731 | 503,083,731 |
| Interest accrued zero coupon | 0 | 0 | 44,735,797 | 44,735,797 |
| Exchange result | 0 | 0 | 20,167,000 | 20,167,000 |
| Book value 31 March 2013 | <u>0</u> | <u>0</u> | <u>567,986,528</u> | <u>567,986,528</u> |
| | | | | |
| | Loans to group companies | | | Total |
| | <1 year | between 1-5 years | > 5 years | |
| Book value 1 April 2013 | 0 | 0 | 567,986,528 | 567,986,528 |
| Interest accrued zero coupon | 0 | 0 | 45,226,624 | 45,226,624 |
| Exchange result | 0 | 0 | (39,275,552) | (39,275,552) |
| Book value 31 March 2014 | <u>0</u> | <u>0</u> | <u>573,937,600</u> | <u>573,937,600</u> |

6. Accounts receivable from group companies

This amount is due from National Grid Gas Plc. and bears no interest. All receivables fall due in less than one year. All amounts receivable are due upon demand and have therefore been classified as current.

| | <u>2013/2014</u> | <u>2012/2013</u> |
|--|------------------|------------------|
| Accounts receivable from group companies | 713,703 | 5,895,425 |
| Balance at the end of the year | <u>713,703</u> | <u>5,895,425</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

7. Cash at banks

Cash at banks consists of current account balances in a total amount of EUR 552,353 (p.y. EUR 806,449), which are available on demand. There are no restrictions on the current accounts.

| | 2013/2014 | 2012/2013 |
|--------------------------|-----------|-----------|
| Cash and cash equivalent | 552,353 | 806,449 |
| | 552,353 | 806,449 |

8. Bearer bonds

The Company had issued listed bearer bonds (listed at the London Stock Exchange). The funds were used to issue various loans to group companies. As at the balance sheet date the following bond was outstanding:

| Currency | Issue date | Maturity date | Interest rate | Amount USD | 2013/2014 | 2012/2013 |
|---------------------------|------------|---------------|---------------|-------------|-------------|-------------|
| | | | | | Amount EUR | Amount EUR |
| USD | 05-Nov-91 | 04-Nov-21 | 8.37863% | 790,418,636 | 573,937,600 | 567,986,521 |
| Total bearer bonds | | | | | 573,937,600 | 567,986,521 |

On 5 November 1991 the Company issued zero coupon bearer bonds of in total USD 1,474,000,000 (based on nominal value), due on 4 November 2021. A discounted value of USD 127,850,000, based upon a discount factor of 8.37863% 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 the loan is stated above.

The fair value of the bonds with a carrying amount of EUR 573,937,600 amounted to EUR EUR 812,399,313 at 31 March 2014 (31 March 2013 EUR 857,160,981). 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. The market yield curve with respect to the USD currency is obtained from external sources for interest and foreign exchange rates.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended at 31 March 2014

8. Bearer bonds (cont'd)

The following movements occurred:

| | Bonds | | | Total |
|------------------------------|----------|----------------------|--------------------|--------------------|
| | <1 year | between 1-5 years | > 5 year | |
| Book value 1 April 2012 | 0 | 0 | 503,083,731 | 503,083,731 |
| Interest accrued zero coupon | 0 | 0 | 44,735,797 | 44,735,797 |
| Exchange result | 0 | 0 | 20,167,000 | 20,167,000 |
| Book value 31 March 2013 | <u>0</u> | <u>0</u> | <u>567,986,528</u> | <u>567,986,528</u> |

| | Bonds | | | Total |
|------------------------------|----------|----------------------|--------------------|--------------------|
| | <1 year | between 1-5 years | > 5 year | |
| Book value 1 April 2013 | 0 | 0 | 567,986,528 | 567,986,528 |
| Interest accrued zero coupon | 0 | 0 | 45,226,624 | 45,226,624 |
| Exchange result | 0 | 0 | (39,275,552) | (39,275,552) |
| Book value 31 March 2014 | <u>0</u> | <u>0</u> | <u>573,937,600</u> | <u>573,937,600</u> |

9. Amounts payable to group companies

This amount refers to an amount payable to National Grid Gas Plc. and bears no interest. All amounts payable are due upon demand and have therefore been classified as current.

| | <u>2013/2014</u> | <u>2012/2013</u> |
|------------------------------------|------------------|------------------|
| Amounts payable to group companies | <u>0</u> | <u>1,363,050</u> |
| Balance at the end of the year | <u>0</u> | <u>1,363,050</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

10. Capital and reserves

The authorised share capital of the Company consists of 2,500 ordinary shares of EUR 453.00 each amounting to EUR 1,132,500. As at 31 March 2014 505 shares were issued and fully paid up. The movements in capital and reserves can be summarised as follows:

| | Issued share Capital | Retained Earnings | Profit and Loss for the year | Total |
|-----------------------------|-------------------------|----------------------|---------------------------------|------------------|
| Balance as at 1 April 2013 | 228,765 | 4,577,349 | 413,220 | 5,219,334 |
| Dividend | 0 | (3,219,334) | 0 | (3,219,334) |
| Appropriation of result | 0 | 413,220 | (413,220) | 0 |
| Result current year | 0 | 0 | 453,295 | 453,295 |
| Balance as at 31 March 2014 | <u>228,765</u> | <u>1,771,235</u> | <u>453,295</u> | <u>2,453,295</u> |

11. Interest income on loans to group companies

| | 2013/2014 | 2012/2013 |
|---------------------------|-------------------|-------------------|
| Interest zero coupon bond | 45,226,624 | 44,735,797 |
| Interest revolving loan | 1,407 | 0 |
| Spread for the year | 713,703 | 669,419 |
| | <u>45,941,734</u> | <u>45,405,216</u> |

The spread on the interest zero bond is calculated based on 12.5 basis point remuneration as under the previous applicable Advance Pricing Agreement.

The interest on the revolving loan amounts to 1 year Libor +20bp.

12. Interest expenses on zero coupon bearer bonds

The total interest expense is equal to the total interest income minus the spread of EUR 713,703.

| | 2013/2014 | 2012/2013 |
|----------------------------------|-------------------|-------------------|
| Appreciation of zero coupon bond | 45,226,624 | 44,735,797 |
| | <u>45,226,624</u> | <u>44,735,797</u> |

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

13. General and administrative expenses

| | <u>2013/2014</u> | <u>2012/2013</u> |
|------------------------|------------------|------------------|
| Accounting fees | 57,801 | 57,696 |
| Audit fees | 33,604 | 35,195 |
| Tax advisors fees | 9,760 | 4,618 |
| Other general expenses | 1,699 | 2,235 |
| | <u>102,864</u> | <u>99,744</u> |

14. Corporation tax

The taxable profit of the Company is computed on the basis of an Advance Pricing Agreement with the tax authorities. This requires a minimum taxable income in respect of taking up and granting loans as well as covering any exchange and interest rate risks by way of swap agreements or other hedging procedures. The past Advanced Pricing Agreement expired. The Company has decided not to apply for a new APA, but to proceed according to the assumptions as under the old Advanced Pricing Agreement.

| | <u>2013/2014</u> | <u>2012/2013</u> |
|-------------------------------|------------------|------------------|
| Result before income tax | 611,717 | 559,889 |
| Expected income tax expenses | 158,420 | 146,669 |
| effective tax rate | 25.9% | 26.2% |
| applicable tax rate < 200,000 | 20% | 20% |
| applicable tax rate > 200,000 | 25% | 25% |

The effective tax rate is higher than the applicable tax rate due to imputed interest income for tax purposes.

15. Directors' remuneration

The Directors received an amount of EUR 0 in respect of their services during the year (year 2012/2013: EUR 27,639)

16. Staff number and employment costs

The Company has no employees, other than its Directors, and hence incurred no wages, salaries and related social security premiums during the year other than mentioned in note 15.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2014

17. Related parties

Except for the loans and interest receivables, as outlined in note 4,5 and 8 above, from the shareholder, the interest income from the shareholder, as outlined in note 11 above and the intercompany balances as mentioned in notes 6 and 9, the Company has no other significant transactions with related parties.

18. Independent 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.

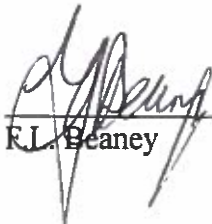
| | <u>2013/2014</u> | <u>2012/2013</u> |
|-------------------------------|------------------|------------------|
| Audit of financial statements | 33,604 | 35,195 |
| Other audit procedures | 0 | 0 |
| Tax services | 0 | 0 |
| Other non-audit services | 0 | 0 |
| | <u>33,604</u> | <u>35,195</u> |

19. Commitments and contingencies not included in the balance sheet

There are no commitments and contingencies per 31 March 2014. No pledges are applicable. The bonds and all other liabilities of the Company are guaranteed by National Grid Gas Plc. On 4 February 2014 the Company entered into an uncommitted EUR 6,000,000 revolving loan agreement with its shareholder.

The Company retains a minimum equity at risk of EUR 2,000,000.

The Directors


F.L. Beaney


M.A.D. Flawn


TMF Netherlands B.V.

Rotterdam, 28 July 2014

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. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfill its financial obligations in the foreseeable future.

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.

Independent auditor's report

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

Independent auditor's report

To the general meeting of British Transco International Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2013/2014 of British Transco International Finance B.V., Rotterdam, which comprise the balance sheet as at 31 March 2014, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Directors' responsibility

The directors are responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 the 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.

Ref.: e0331848

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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 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 28 July 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: E.M.W.H. van der Vleuten MSc