

3784528

**National Grid (US) Investments 2 Limited**

**Directors' Report**

**and Financial Statements**

**For the year ended 31 March 2013**



# **National Grid (US) Investments 2 Limited**

## **Directors' Report**

### **For the year ended 31 March 2013**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2013

#### **Principal activities**

The Company holds an investment in another National Grid plc subsidiary company and obtains and provides finance to fellow subsidiary companies via intercompany balances

#### **Business review**

During the year there have been no significant changes in the Company's investment or intercompany balances

Results, as detailed below, largely depend on interest receivable offset by related tax

#### **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 Strategic Review included in National Grid plc's Annual Report and Accounts 2012/13, 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 with no anticipated significant balance sheet movements

#### **Results and dividends**

The Company's profit for the financial year was £5,170,000 (2012 £5,596,000)

The Directors do not recommend the payment of a dividend (2012 £nil)

#### **Financial position**

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2013 were £2,344,333,000 (2012 £2,339,163,000) comprising a fixed asset investment of £1,762,086,000 (2012 £1,762,086,000) and net current assets of £582,247,000 (2012 £577,077,000)

#### **Financial risk management**

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and interest rate risks. These risks are monitored through a National Grid Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for National Grid plc and its subsidiaries.

Treasury also seeks to limit third party counterparty 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 counterparty against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

## **National Grid (US) Investments 2 Limited**

### **Directors' Report (continued)**

#### **For the year ended 31 March 2013**

#### **Financial risk management (continued)**

##### **Liquidity risk**

The Company finances its operations through a combination of retained profits, new share issues and intercompany loans to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities

##### **Credit risk**

No material exposure is considered to exist in respect of intercompany loans

##### **Interest rate cash flow risk**

The Company has interest bearing intercompany assets. To the extent that the Company enters into intercompany loan agreements, the Company's exposure to interest rate cash flow risk arises on such loans on which interest is charged based upon sterling LIBOR

#### **Directors**

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

|             |                              |
|-------------|------------------------------|
| A J Agg     | (Resigned 31 May 2013)       |
| F L Beaney  | (Appointed 22 March 2013)    |
| D C Bonar   |                              |
| M A D Flawn | (Resigned 22 March 2013)     |
| E D Fraser  | (Appointed 23 May 2013)      |
| A M Lewis   |                              |
| D A Preston | (Appointed 22 March 2013)    |
| M J Sellars | (Resigned 17 September 2012) |
| C J Waters  |                              |

#### **Directors' indemnity**

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third party indemnities against financial exposure that Directors may incur in the course of their professional duties. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance for each Director

#### **Going concern**

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

#### **Disclosure of information to auditors**

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

## **National Grid (US) Investments 2 Limited**

### **Directors' Report (continued)**

**For the year ended 31 March 2013**

#### **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 prepared 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and signed on its behalf by



**D C Forward**  
Secretary  
5 July 2013

**Registered office:**  
1-3 Strand  
London  
WC2N 5EH

**Registered in England and Wales**  
**Company registration number: 3784528**

## **Independent auditors' report to the members of**

### **National Grid (US) Investments 2 Limited**

We have audited the financial statements of National Grid (US) Investments 2 Limited for the year ended 31 March 2013 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 2013 and of its profit 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*

**Simon Evans (Senior Statutory Auditor)**

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Birmingham

5 July 2013

## **National Grid (US) Investments 2 Limited**

### **Profit and loss account**

**For the years ended 31 March**

|  | Notes | 2013<br>£'000 | 2012<br>£'000 |
|--|-------|---------------|---------------|
| Interest receivable from ultimate parent company     |       | 6,802         | 7,562         |
| <b>Profit on ordinary activities before taxation</b> | 2     | <u>6,802</u>  | <u>7,562</u>  |
| Tax on profit on ordinary activities                 | 4     | (1,632)       | (1,966)       |
| <b>Profit for the financial year</b>                 | 8     | <u>5,170</u>  | <u>5,596</u>  |

The results reported above relate to continuing activities

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

# National Grid (US) Investments 2 Limited

## Balance sheet

As at 31 March

|   | Notes | 2013<br>£'000    | 2012<br>£'000    |
|---|-------|------------------|------------------|
| <b>Fixed asset investment</b>                         | 5     | <u>1,762,086</u> | <u>1,762,086</u> |
| <b>Current assets</b>                                 |       |                  |                  |
| Debtors amounts falling due within one year           | 6     | 587,301          | 580,499          |
| Cash at bank and in hand                              |       | -                | 1                |
|   |       | <u>587,301</u>   | <u>580,500</u>   |
| <b>Creditors: amounts falling due within one year</b> |       |                  |                  |
| Amounts owed to a fellow subsidiary undertaking       |       | (5,054)          | (3,423)          |
| <b>Net current assets</b>                             |       | <u>582,247</u>   | <u>577,077</u>   |
| <b>Total assets less current liabilities</b>          |       | <u>2,344,333</u> | <u>2,339,163</u> |
| <b>Net assets</b>                                     |       | <u>2,344,333</u> | <u>2,339,163</u> |
| <b>Capital and reserves</b>                           |       |                  |                  |
| Called up share capital                               | 7     | 2,326,863        | 2,326,863        |
| Profit and loss account                               | 8     | 17,470           | 12,300           |
| <b>Total shareholders' funds</b>                      | 9     | <u>2,344,333</u> | <u>2,339,163</u> |

The financial statements on pages 5 to 9 were approved by the Board of Directors on 5 July 2013 and signed on its behalf by



**E D Fraser**  
Director

# **National Grid (US) Investments 2 Limited**

## **Notes to the financial statements**

**For the year ended 31 March 2013**

### **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. They have been prepared on an historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates.

In accordance with Section 400 of the Companies Act 2006, the Company is exempt from preparing consolidated financial statements, as it is included within the consolidated financial statements of National Grid plc.

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.

#### **(b) Fixed asset investments**

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

#### **(c) Taxation**

Current tax 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.

#### **(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.

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.



## National Grid (US) Investments 2 Limited

### Notes to the financial statements (continued)

For the year ended 31 March 2013

#### 2 Profit on ordinary activities before taxation

Audit fees of £3,000 (2012 £3,000) have been borne by a fellow subsidiary undertaking and not recharged

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

#### 3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were 5 Directors (2012 4) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc

There were no employees of the Company during the year (2012 none)

#### 4 Tax on profit on ordinary activities

|                     | 2013<br>£'000 | 2012<br>£'000 |
|---------------------|---------------|---------------|
| <b>Current tax:</b> |               |               |
| UK corporation tax  | 1,632         | 1,966         |

The tax for the year is equivalent to the standard rate of corporation tax in the UK of 24% (2012 26%)

##### Factors affecting current and future tax charges

A reduction in the UK corporation tax rate to 23% from 1 April 2013 was enacted in Finance Act 2012

A reduction in the corporation tax rate to 21% from April 2014 was announced in the Autumn Statement and a further reduction to 20% from April 2015 was announced in the 2013 UK Budget Report. Although these reductions in the UK corporation tax rate have now been substantively enacted, these rate changes had not been substantively enacted as at the balance sheet date and have therefore not been reflected in these financial statements

#### 5 Fixed asset investment

|                                   | Shares in<br>an associate<br>£'000 |
|-----------------------------------|------------------------------------|
| <b>Cost and net book value:</b>   |                                    |
| At 1 April 2012 and 31 March 2013 | 1,762,086                          |

The fixed asset investment at 31 March 2013 represents 37% of the ordinary share capital of National Grid (Ireland) 1 Limited which is an investment holding company incorporated in the Republic of Ireland

The Directors believe that the carrying value of the investment is supported by the fair value of the underlying net assets

**National Grid (US) Investments 2 Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 March 2013**

**6 Debtors: amounts falling due within one year**

|   | 2013<br>£'000  | 2012<br>£'000  |
|---|----------------|----------------|
| Amounts owed by a fellow subsidiary undertaking | 99             | 99             |
| Amounts owed by ultimate parent company         | 587,202        | 580,400        |
|   | <u>587,301</u> | <u>580,499</u> |

**7 Called up share capital**

|   | 2013<br>£'000    | 2012<br>£'000    |
|---|------------------|------------------|
| <b>Allotted, called up and fully paid</b> |                  |                  |
| 2,326,863,256 ordinary shares of £1 each  | <u>2,326,863</u> | <u>2,326,863</u> |

**8 Reserves**

|                               | Profit<br>and loss<br>account<br>£'000 |
|-------------------------------|--|
| At 1 April 2012               | 12,300                                 |
| Profit for the financial year | 5,170                                  |
| <b>At 31 March 2013</b>       | <u><b>17,470</b></u>                   |

**9 Reconciliation of movement in total shareholders' funds**

|                                     | 2013<br>£'000           | 2012<br>£'000           |
|-------------------------------------|-------------------------|-------------------------|
| Profit for the financial year       | 5,170                   | 5,596                   |
| Net increase in shareholders' funds | 5,170                   | 5,596                   |
| Opening shareholders' funds         | 2,339,163               | 2,333,567               |
| <b>Closing shareholders' funds</b>  | <u><b>2,344,333</b></u> | <u><b>2,339,163</b></u> |

**10 Related party transactions and ultimate parent company**

The Company is exempt under 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 other companies.

The ultimate parent and controlling company is National Grid plc and the immediate parent company is NG Luxembourg 4 Sarl. The largest and smallest group which includes the Company and for which consolidated financial statements are prepared is headed by National Grid plc. National Grid plc is registered in England and Wales and NG Luxembourg 4 Sarl is incorporated in Luxembourg.

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