

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

**Annual Report and Financial Statements**

**For the year ended 31 March 2015**

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

## **Strategic Report**

**For the year ended 31 March 2015**

The Directors present their Strategic Report on the Company for the year ended 31 March 2015.

### **Review of the business**

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

### **Executive summary**

The Company continues to trade at similar levels to the prior year as reflected in the profit and loss account.

On 10 March 2015, the Directors agreed to transfer the Company's shareholding in National Grid (Ireland) 1 Limited to a fellow subsidiary undertaking, National Grid Holdings Limited, at book value resulting in no profit or loss on sale. This was part of a wider group restructuring project where a number of companies were identified as no longer required by the National Grid group. The consideration received was left outstanding as an interest bearing intercompany loan receivable.

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

### **Results**

The Company's profit for the financial year was £4,476,000 (2014: £4,147,000).

### **Financial position**

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2015 were £2,352,956,000 (2014: £2,348,480,000) comprising a fixed asset investment of £nil (2014: £1,762,086,000) and net current assets of £2,352,956,000 (2014: £586,394,000).

### **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 Report included in National Grid plc's Annual Report and Accounts 2014/15, 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.

Approved by the Board and signed on its behalf by:



**H M Rayner**  
Secretary  
11 September 2015

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

## **Directors' Report**

### **For the year ended 31 March 2015**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2015.

#### **Future developments**

Details of future developments have been included within the Strategic Report on page 1.

#### **Dividends**

The Directors do not recommend the payment of a dividend (2014: £nil).

#### **Financial risk management**

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, 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.

#### **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:

F L Beaney  
D C Bonar  
E D Fraser  
D A Preston  
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.

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

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

**For the year ended 31 March 2015**

### **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.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

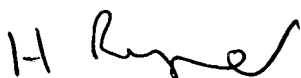
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company 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 these 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:



**H M Rayner**  
Secretary  
11 September 2015

### **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**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, National Grid (US) Investments 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 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.

#### **What we have audited**

National Grid (US) Investments 2 Limited's financial statements comprise:

- the Balance sheet as at 31 March 2015;
- the Profit and loss account for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Independent auditors' report to the members of  
National Grid (US) Investments 2 Limited (continued)**

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 3, 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) ("ISAs (UK & 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.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Stephen Snook (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Birmingham  
11 September 2015

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

## **Profit and loss account**

**For the years ended 31 March**

	Notes	2015 £'000	2014 £'000
Interest receivable and similar income	4	5,666	5,386
<b>Profit on ordinary activities before taxation</b>	2	<u>5,666</u>	<u>5,386</u>
Tax on profit on ordinary activities	5	(1,190)	(1,239)
<b>Profit for the financial year</b>	9	<u>4,476</u>	<u>4,147</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	2015 £'000	2014 £'000
<b>Fixed asset investment</b>	6	-	1,762,086
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	2,360,439	592,687
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to a fellow subsidiary undertaking		(7,483)	(6,293)
<b>Net current assets</b>		<u>2,352,956</u>	<u>586,394</u>
<b>Total assets less current liabilities</b>		<u>2,352,956</u>	<u>2,348,480</u>
<b>Net assets</b>		<u>2,352,956</u>	<u>2,348,480</u>
<b>Capital and reserves</b>			
Called up share capital	8	2,326,863	2,326,863
Profit and loss account	9	26,093	21,617
<b>Total shareholders' funds</b>	10	<u>2,352,956</u>	<u>2,348,480</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 11 September 2015 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 2015

### 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. The 2014 comparative financial information has also been prepared on this basis.

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 for the current and prior years 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 2015

### 2 Profit on ordinary activities before taxation

Audit fees of £3,000 (2014: £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 4 Directors (2014: 3) 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 (2014: none).

### 4 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from a fellow subsidiary undertaking	37	-
Interest receivable from ultimate parent company	5,629	5,386
	<u>5,666</u>	<u>5,386</u>

### 5 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
<b>Current tax:</b>		
UK corporation tax	<u>1,190</u>	<u>1,239</u>

The tax for the year is equivalent to the standard rate of corporation tax in the UK of 21% (2014: 23%).

#### Factors affecting current and future tax charges

A reduction in the corporation tax rate to 19% from April 2017 and a further reduction to 18% from April 2020 was announced in the 2015 Summer Budget. These reductions in tax rates have not been substantively enacted and have therefore not been reflected in these financial statements.

**National Grid (US) Investments 2 Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2015**

**6 Fixed asset investment**

	Shares in an associate £'000
<b>Cost and net book value:</b>	
At 1 April 2014	1,762,086
Disposals	(1,762,086)
At 31 March 2015	<u>-</u>

On 10 March 2015, the Directors agreed to transfer the Company's 37% interest in the ordinary share capital of National Grid (Ireland) 1 Limited to a fellow subsidiary undertaking, National Grid Holdings Limited at book value resulting in no profit or loss on sale. This was part of a wider group restructuring project where a number of companies were identified as no longer required by the National Grid group. The consideration received was left outstanding as an interest bearing intercompany loan receivable.

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

	2015 £'000	2014 £'000
Amounts owed by a fellow subsidiary undertaking	1,762,222	99
Amounts owed by ultimate parent company	598,217	592,588
	<u>2,360,439</u>	<u>592,687</u>

**8 Called up share capital**

	2015 £'000	2014 £'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>

**9 Reserves**

	Profit and loss account £'000
At 1 April 2014	21,617
Profit for the financial year	4,476
At 31 March 2015	<u>26,093</u>

## National Grid (US) Investments 2 Limited

### Notes to the financial statements (continued)

For the year ended 31 March 2015

#### 10 Reconciliation of movement in total shareholders' funds

	2015 £'000	2014 £'000
Profit for the financial year	4,476	4,147
Net increase in shareholders' funds	4,476	4,147
Opening shareholders' funds	2,348,480	2,344,333
Closing shareholders' funds	2,352,956	2,348,480

#### 11 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.