

Company Registration Number: 3615517

National Grid UK Pension Services Limited

Annual Report and Financial Statements

For the year ended 31 March 2021



National Grid UK Pension Services Limited

Strategic Report

For the year ended 31 March 2021

The Directors present their Strategic Report on National Grid UK Pension Services Limited ('the Company') for the year ended 31 March 2021.

Review of the business

The Company's principal activity during the year was the provision of pensions administration, payroll, accounting and data services to the National Grid UK Pension Scheme. Services are also provided to the Group Trustee of the National Grid Electricity Group of the Electricity Supply Pension Scheme, Cadent Gas Pension Scheme and to the National Grid Corporate Pensions Team.

Executive summary

In March 2020, in-line with National Grid's COVID-19 Pandemic plans, the Company (UKPO) implemented its Business Continuity Plan (BCP). This resulted for the first time with all staff working from home. Despite the obvious challenges this brought - particularly with it being coincident with National Grid's year-end, the annual pension increase exercise and tax year-end code changes - due to robust plans and prior testing UKPO was able to successfully deliver both Business as Usual and client projects.

The implementation of BCP was enabled by improved digital working, including the use of e-signatures, discontinuance of cheque payments and the use of a digital mail room; it was also supported by the success of the previous year's 'move to online' project. The digital and efficiency changes helped the Company to reduce its costs.

Recognising the health and mental well-being challenges created by COVID-19 and working from home, team leaders implemented regular catch-up/check-in meetings. Given the duration of the lockdown this continues to be a focus, with support provided where possible and NG's resources regularly sign-posted.

Further to a colleague survey the leadership team developed a 'return to work' plan which helps manage the COVID-19 risk and recognises colleague comments. The plan involves hybrid 'end-to-end' teams and allows for flexible working. Given the current uncertainty these plans remain under review and are on hold.

As in previous years a 3 year business plan was agreed with clients but remains under review whilst COVID-19 impacts ways of working and capacity. Key projects delivered during the year were the bulk transfer of Section C of the National Grid UK Pension Scheme to the Cadent Gas Pension Scheme; GMP reconciliation and rectification; system's development to support buy-in reporting and data cleanse work. The focus for 2021/2022 is the transition of the Cadent Gas Pension Scheme to its new Third Party Administrator (August 2021), and, when appropriate, a successful return to work.

Our ISO 27001 Information & Security Management and ISO9001 Quality Management standards were recertified within the financial year with no material findings. In addition, we were assessed against National Grid's business standards for Data Management and Business Continuity Planning and we successfully passed both reviews with no gaps identified.

Subsequent to the year end, during May 2021 following a joint project between National Grid and the Trustees of the National Grid UK Pension Scheme (NGUKPS) it was announced that the Trustees had decided to transfer their pension administration services to a third party. The NGUKPS is the principal client of the Company and it is expected that the transfer of these services will be completed by June 2022. In respect of our other clients, the Trustees of the Cadent Gas Pension Scheme will have transferred their pension administration services to a new provider by August 2021, and the National Grid Electricity Group of the Electricity Supply Pension Scheme has indicated their related pension services will transfer in the coming year.

Results

The Company's profit for the year was £35,000 (2020: £4,000 profit).

National Grid UK Pension Services Limited
Strategic Report (continued)
For the year ended 31 March 2021

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2021 was £736,000 (2020: £688,000) comprising current assets of £1,906,000 (2020: £3,828,000); less current liabilities of £1,170,000 (2020: £3,140,000).

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 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 2020/21, which does not form part of this report.

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to several financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and interest rate cash flow risks. These risks are monitored through a National Grid Treasury ('Treasury') management function which invests surplus funds, mitigates foreign exchange and interest rate 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 intercompany balances to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities.

Credit risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. To this end the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company holds an approved list of counterparties of good credit quality and these counterparties and their credit ratings are routinely monitored. No exposure is considered to exist in respect of intercompany loans as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements.

Interest rate cash flow risk

The Company has both intercompany financial assets and liabilities which exposes it to interest rate cash flow risk. To the extent that the Company enters intercompany loan agreements, the Company's exposure to interest rate cash flow risk arises on such loans on which interest is currently charged based upon sterling LIBOR.

National Grid UK Pension Services Limited
Strategic Report (continued)
For the year ended 31 March 2021

Financial risk management (continued)

Interest rate cash flow risk (continued)

LIBOR is being replaced as an interest rate benchmark by alternative reference rates. This impacts contracts including financial liabilities that pay LIBOR-based cash flows, and derivatives that receive or pay LIBOR-based cash flows. The change in benchmark also affects discount rates which will impact the valuations of certain liabilities. The Directors are managing the risk by planning to replace LIBOR cash flows with alternative reference rates on affected contracts. The migration project is underway, with all affected contracts expected to be amended by 31 December 2021. As at 31 March 2021, no contracts had yet been amended. The Finance Committee of the National Grid plc Board have delegated to the treasury department the authority to determine which benchmarks are the most appropriate. A combination of LIBOR and the successor benchmarks, primarily GBP Sterling Overnight Index Average (SONIA) and USD Secured Overnight Financing Rate (SOFR) will be used in the portfolio during the migration period.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the next financial year with no anticipated significant balance sheet movements. As previously described in the Executive summary the Trustees of the National Grid UK Pension Scheme have announced their decision to transfer their pension administration services to a third party and it is expected that this will be completed by June 2022. The Directors are considering the various options for the Company but anticipate that the Company will cease to trade and the Company will be placed into solvent liquidation as part of the ongoing Group rationalisation project.

Section 172 (1) statement

The Directors of National Grid plc are responsible for the governance of, and oversight over, the Group as a whole and have their respective duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of National Grid plc. As the Company is part of the National Grid Group, the Directors believe that certain matters that they are responsible for under s172 in respect of the Company have been considered to an extent by the Directors of National Grid plc. Please refer to pages 46-51 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors) for more information on how the Group Directors meet their duty.

The Directors consider and approve relevant matters during the year, and believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in s172 in the decisions taken during the year ended 31 March 2021. We have extensive and detailed processes to ensure we understand the interests of our stakeholders and reflect them in the decisions we make. To the extent necessary an explanation of how the Directors have considered the matters set out in s172 is set out below. The categories and examples included are not exhaustive in summarising all of our stakeholder considerations.

Long-term decision making

The Directors take a range of factors and stakeholder considerations into account when making decisions throughout the year. Decisions are made within the context of the long-term factors that may impact the Company and its stakeholders, including the long-term reputation of the Company and its businesses.

The Company exists to deliver pensions administration services to the National Grid pension schemes, and the largest client is the National Grid UK Pension Scheme, which influences Company strategy and decisions throughout the year.

The Company has regular meetings with the Trustees of the National Grid UK Pension Scheme and its representatives to discuss future requirements, and to report on performance and any other matters of interest.

National Grid UK Pension Services Limited
Strategic Report (continued)
For the year ended 31 March 2021

Section 172 (1) statement (continued)

Long-term decision making (continued)

How we make decisions and our attitude towards risk are aligned with the Group's purpose, vision and values. Decisions affecting a subsidiary are required to be taken in line with the National Grid Statement of Delegations of Authority.

Employee engagement

The Company has 41 employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of National Grid plc. As the Company is embedded within the National Grid Group governance structure it is fully aligned with National Grid plc on workforce engagement. Our focus is on ensuring colleagues are regularly briefed and kept informed about what is happening across the Group, whether from senior leadership or through other channels such as the Group's intranet and through email, newsletters, and leadership blogs and briefings.

Due to the Covid-19 pandemic, all employees have worked and continue to work from home. The Company has followed National Grid policy to ensure the wellbeing of employees during this time and has promoted regular team meetings using the technology available.

You can read more about the Group's engagement with employees and how it has taken its workforce into consideration in its discussions and decision making on page 59 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors).

Fostering business relationships with our customers and suppliers

The Directors are committed to fostering good working business relationships with their key stakeholders which include:

- The National Grid UK Pension Scheme, the Company's most significant client. Regular meetings are held with the Trustees and Scheme advisers to discuss performance, share ideas, and to plan future projects
- Heywood Ltd, the Company's largest external supplier, provides pensions administration software, which is critical to our service provision. Regular meetings are held throughout the year to discuss performance, software updates, and future requirements.

As the Company is embedded within the National Grid Group governance structure, the Directors seek to align themselves with National Grid's engagement mechanisms and an explanation of how the Directors of National Grid plc have had regard to the need to foster the Company's business relationships is set out on pages 50-51 of the National Grid plc Annual Report and Accounts.

The community and the environment

At National Grid we are committed to being a responsible business in everything we do. We do this by delivering the electricity and gas that our customers and communities rely on. We will always do this reliably, safely, and in a fair and affordable way for all. You can read more about National Grid's commitments to being a responsible business in its Responsible business charter (available at: www.nationalgrid.com/responsibility).

The Board is mindful of the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being. As a company we have a critical role to play in enabling the energy transition to a low carbon future. Following our commitments to reach net zero for our own emissions by 2050, we continue to invest in projects which are aligned to our strategic ambitions and the expectations of the communities in which we operate.

National Grid UK Pension Services Limited
Strategic Report (continued)
For the year ended 31 March 2021

Section 172 (1) statement (continued)

The community and the environment (continued)

The Directors also recognise that the Group delivers sustainable energy safely, reliably and affordably for the communities we serve. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to the Group and its employees, allowing them to make a positive difference and have an impact where it counts. The Group continues to focus on and advance its work in relation to its environmental sustainability strategy.

In particular throughout 2020, we have continued to prioritise our stakeholders, maintain reliable and safe networks and protect against financial implications due to Covid-19. You can read more about the Group's responsible business on pages 52 - 60 in the National Grid plc Annual Report and Accounts.

Shareholders

The Board considers the long-term impact of corporate actions and decisions on our shareholders. During the year, the Board paid no interim ordinary dividends and the Directors do not recommend the payment of a final dividend.

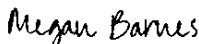
Our ultimate shareholder is National Grid plc and there is ongoing communication and engagement with the National Grid Board. Any matters requiring escalation are escalated by the Board through the Chairman to its ultimate parent.

Maintaining a reputation for high standards of business conduct

The Directors' intention is to ensure that the Company operated in an ethical and responsible way. The National Grid Group's Code of Ethical Business Conduct applies to all subsidiaries within the group and sets out the standards and behaviours expected from all employees to meet the Group's values of Do the Right Thing, Find a Better Way and Make it Happen. Detailed information on the Group-wide business conduct processes and policies are described on page 60 in the National Grid plc Annual Report and Accounts.

The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholders and to our stakeholders are met. For each matter, which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making.

The Strategic Report was approved by the Board of Directors and was signed by order of the Board on its behalf by:

DocuSigned by:

CD578C5FC5B2475

M Barnes
Company Secretary
21 September 2021

National Grid UK Pension Services Limited
Directors' Report
For the year ended 31 March 2021

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2021.

Future developments

Details of future developments have been included within the Strategic Report on page 3.

Financial risk management

Details of financial risk management have been included within the Strategic Report on page 2.

Dividends

During the year, the Company has not paid interim ordinary dividends £nil (2020: £nil) and the Directors do not recommend the payment of a final dividend (2020: £nil).

Directors

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

E H Davies

H Hill

A M Lewis

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 during their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance cover for each Director.

Going concern

As previously described the Directors are considering the various options for the Company but anticipate that the Company will cease to trade following the transfer of services to the new provider and the Company will be placed into solvent liquidation as part of the ongoing Group rationalisation project. As a result these financial statements have been drawn up on a basis other than going concern and all assets and liabilities have been amended to expected realisable amounts and reclassified as current however there have been no material adjustments as a result.

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. This confirmation is given in accordance with the provisions of section 418 of the Companies Act 2006.

National Grid UK Pension Services Limited
Directors' Report
For the year ended 31 March 2021

Auditors

At the 2021 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

Statement of Directors' responsibilities


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

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 a break up basis as the Company is expected to be placed into solvent liquidation following the transfer of its pension administration services to a third party.

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 to 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.

The Directors' Report was approved by the Board of Directors and was signed by order of the Board on its behalf by:

DocuSigned by:

CD578C5FC5B2475

M Barnes
Company Secretary
21 September 2021

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 3615517

Independent auditor's report to the members of National Grid UK Pension Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid UK Pension Services Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
 - the balance sheet;
 - the statement of changes in equity; and
- the related notes 1 to 11, which includes a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1(a) in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of National Grid UK Pension Services Limited (continued)

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, FRS 101 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent auditor's report to the members of National Grid UK Pension Services Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, internal audit reports and reviewing correspondence with relevant regulatory authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**Independent auditor's report to the members of
National Grid UK Pension Services Limited (continued)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

197508CA07604EA

James Isherwood (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
21 September 2021

National Grid UK Pension Services Limited
Profit and loss account
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover		3,735	4,318
Operating costs		(3,735)	(4,330)
Operating loss	3	<u>—</u>	<u>(12)</u>
Interest receivable from a fellow subsidiary undertaking		7	12
Profit before tax		<u>7</u>	<u>—</u>
Tax	5	28	4
Profit for the year		<u>35</u>	<u>4</u>

The results for both years reported above relate to activities that are not expected to be continuing. Refer to note 1(a) in the financial statements.


There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

National Grid UK Pension Services Limited
Balance sheet
As at 31 March 2021

	Notes	2021 £'000	2020 £'000
Current assets			
Debtors (amounts falling due within one year)	6	1,893	3,775
Debtors (amounts falling due after more than one year)	6	13	12
Cash at bank and in hand		—	41
Total current assets		1,906	3,828
 Creditors (amounts falling due within one year)	 7	 (1,170)	 (3,140)
 Net assets		 736	 688
 Equity			
Share capital	8	766	766
Profit and loss account		(30)	(78)
Total shareholders' equity		736	688

The results for both years reported above relate to activities that are not expected to be continuing. Refer to note 1(a) in the financial statements.

The financial statements set out on pages 12 to 22 were approved by the Board of Directors on 21 September 2021 and were signed on its behalf by:

DocuSigned by:

D3B804390C40495

E H Davies
Director

National Grid UK Pension Services Limited
Company registration number: 3615517

National Grid UK Pension Services Limited
Statement of changes in equity
For the year ended 31 March 2021

	Share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2019	766	(92)	674
Profit for the year	—	4	4
Share-based payments	—	8	8
Tax on share-based payments	—	2	2
At 31 March 2020	766	(78)	688
Profit for the year	—	35	35
Share-based payments	—	14	14
Tax on share-based payments	—	(1)	(1)
At 31 March 2021	766	(30)	736

National Grid UK Pension Services Limited
Notes to the financial statements
For the year ended 31 March 2021

1 Summary of significant accounting policies

National Grid UK Pension Services Limited is a private company, limited by shares. The nature of the Company's principal activities is set out in the Strategic Report on page 1. The Company is incorporated and registered in England, with its registered office at 1-3 Strand, London, WC2N 5EH.

(a) Basis of preparation

The financial statements of National Grid UK Pension Services Limited for the year ended 31 March 2021 were approved by the Board of Directors on 21 September 2021. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements 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 2020 comparative financial information has also been prepared on this basis.

These financial statements have been drawn up on a basis other than going concern as the Company is expected to be placed into solvent liquidation following the transfer of its pension administration services to a third party. No adjustments arose as a result of ceasing to apply the going concern basis.

These financial statements are presented in the format as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

As a qualifying entity, the Company has taken the following exemptions in the preparation of these financial statements in accordance with FRS 101:

- a cash flow statement and related notes;
- *disclosures in respect of transactions with National Grid plc and its wholly owned subsidiaries;*
- disclosures in respect of capital management;
- disclosures in respect of IFRS 15 'revenue from contracts with customers';
- *disclosures in respect of fixed asset investments; and*
- the effects of new but not yet effective IFRS standards.

As the consolidated financial statements of National Grid plc which are available from the registered office, include the equivalent disclosures, the Company has taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instruments: Disclosures'.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the Company's financial statements.

There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in these financial statements

These financial statements have been prepared in accordance with the Company's accounting policies approved by the Board of Directors and described below:

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(b) Tax

The tax credit for the period is recognised in the profit and loss account or directly in equity according to the accounting treatment of the related transaction. The tax credit comprises both current and deferred tax.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted by the reporting date.

The calculation of the total tax charge involves a degree of estimation and judgement and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than a business combination) that affects neither the accounting nor the taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle their current tax assets and liabilities on a net basis.

(c) Financial instruments

Under IFRS 9 the Company has reported the following financial assets and liabilities, and the classification for each is dependent upon its contractual cash flows and for financial assets the business model it is held under. All financial instruments are initially recognised on trade date.

Financial assets that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. These instruments include loans to subsidiary undertakings, joint ventures and associates, and other loans to subsidiaries within the National Grid group. For impairment assessment purposes loans to subsidiary and fellow subsidiary undertakings are individually assessed based on comparable external credit ratings and a review of solvency and liquidity arrangements and as such the expected credit loss for the year is £nil.

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Borrowings, which include interest-bearing loans and overdrafts, are initially recorded at fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost. Any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

(d) Equity instruments

An equity instrument is any contract that includes a residual interest in the assets of the Company after deducting all 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.

(e) Turnover

Turnover comprises the value of services provided excluding value added tax. Revenue primarily relates to services provided to the National Grid UK Pension Scheme which is billed monthly with an accrual adjustment to reflect actual costs incurred.

(f) Pensions

National Grid operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company is not a participating employer of the defined benefit schemes operated by the National Grid group. However, the Company has employees who are members of one of these schemes. The net defined benefit cost is recognised in the individual company financial statements of the group company that is legally the sponsoring employer for the scheme. The other group companies in their individual financial statements recognise a cost which represents a recharge from the sponsoring employers.

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Turnover

	2021	2020
	£'000	£'000
An analysis of turnover by category:		
External customers	3,666	4,149
Fellow subsidiaries	69	169
	<u>3,735</u>	<u>4,318</u>

Geographical analysis of turnover is not provided as the Company's operations are all undertaken in the UK for customers based in the UK.

3 Operating loss

	2021	2020
	£'000	£'000
Operating loss is stated after charging:		
Services provided by the Company's auditor		
Audit fees of the Company	<u>9</u>	<u>16</u>

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

4 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year, there were 3 Directors (2020: 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.

Staff costs

	2021	2020
	£'000	£'000
Wages and salaries	1,608	1,652
Social security costs	185	191
Defined contribution scheme pension costs	229	229
Defined benefit scheme pension costs	74	86
Share-based payments	14	8
	<u>2,110</u>	<u>2,166</u>

The average monthly number of employees (including Directors) employed by the Company during the year in administration was 41 (2020: 42).

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

5 Tax

Tax credited to the profit and loss account

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	(23)	(3)
Adjustments in respect of prior years	(3)	1
Total current tax	<u>(26)</u>	<u>(2)</u>
Deferred tax:		
Origination and reversal of timing differences	—	1
Impact of change in tax rate	—	(1)
Adjustment in respect of prior years	(2)	(2)
Total deferred tax	<u>(2)</u>	<u>(2)</u>
Tax credit in the profit and loss account	<u>(28)</u>	<u>(4)</u>

Tax credited to equity

	2021 £'000	2020 £'000
Deferred tax	1	(2)
Total tax debited/(credited) to equity	<u>1</u>	<u>(2)</u>

The tax credit for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax	<u>7</u>	<u>—</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1	—
Effect of:		
Non-taxable income	(25)	(3)
Impact of share based payments	1	1
Impact of change in UK tax rate	—	(1)
Adjustments in respect of prior years	(5)	(1)
Total tax credit in the profit and loss account	<u>(28)</u>	<u>(4)</u>

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

5 Tax (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. Since this had not been substantively enacted at the balance sheet date, deferred tax balances as at 31 March 2021 have been calculated at the current main UK corporation tax rate of 19%. The Directors expect the Company's future deferred tax assets to increase reflecting the impact of the rate change. If the amended tax rate of 25% had been used, the deferred tax asset would have been approximately £4,000 higher.

The Directors will continue to monitor the developments driven by Brexit, the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives including fiscal aid investigations. At this time, the Directors do not expect this to have any material impact on future tax charges. Governments across the world including the UK have introduced various stimulus/reliefs for businesses to cope with the impact of COVID-19 pandemic, from which the Directors do not currently expect there to be a material impact on the Company's future tax charges.

6 Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	—	9
Amounts owed by fellow subsidiary undertakings	1,196	3,359
Other tax and social security	78	53
Other debtors	60	57
Prepayments and accrued income	559	297
	<u>1,893</u>	<u>3,775</u>
Amounts falling due after more than one year:		
Deferred tax	<u>13</u>	<u>12</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Where intercompany loans are interest-bearing interest is charged at rates determined by Treasury. For impairment assessment purposes, such loans to group undertakings are considered low risk as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements and as such the expected credit loss for the year is £nil.

Deferred tax

	2021	2020
	£'000	£'000
Accelerated capital allowances	4	5
Other	9	7
Accelerated capital allowances	<u>13</u>	<u>12</u>

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

6 Debtors (continued)

Deferred tax (continued)

	2021 £'000	2020 £'000
Deferred tax asset at 1 April	12	8
Credited to the profit and loss account	2	2
(Charged)/credited to the statement of changes in equity	<u>(1)</u>	<u>2</u>
Deferred tax asset at 31 March	<u><u>13</u></u>	<u><u>12</u></u>

There are no other significant unrecognised deferred tax assets or liabilities (2020: £nil).

7 Creditors (amounts falling due within one year)

	2021 £'000	2020 £'000
Bank overdraft	585	—
Trade creditors	53	117
Amounts owed to fellow subsidiary undertakings	458	2,893
Other tax and social security	12	9
Other payables	—	4
Accruals and deferred income	62	117
	<u><u>1,170</u></u>	<u><u>3,140</u></u>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

8 Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
765,526 (2020: 765,526) ordinary shares of £1 each	<u><u>766</u></u>	<u><u>766</u></u>

In line with the provisions of the Companies Act 2006, the Company has amended its Articles of Association and ceased to have authorised share capital.

9 Contingent liabilities

Litigation

Through the ordinary course of operations, the Company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the Company's results of operations, cash flows or financial position.

National Grid UK Pension Services Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

10 Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group.

The Company provides administrative services to the National Grid UK Pension Scheme and to the National Grid Electricity Group of the Electricity Supply Pension Scheme, which are deemed to be a related party. Details of the related party transactions and balances are set out as follows:

	2021	2020
	£'000	£'000
Income receivable from National Grid UK Pension Scheme	3,007	4,124
Income receivable from National Grid Electricity Group	48	12
Balance owed by the National Grid UK Pension Scheme at 31 March	10	262

Income receivable in the prior year has been re-categorised to analyse the total value of £4,136,000 between £4,124,000 receivable from National Grid UK Pension Scheme, and £12,000 receivable from National Grid Electricity Group.

11 Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid UK Limited. The largest and smallest group which includes the Company and for which consolidated financial statements are prepared is headed by National Grid plc. Both of these companies are registered in England and Wales at the registered office below.

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