

Company Registration Number: 3705992

National Grid Metering Limited

Annual Report and Financial Statements

For the year ended 31 March 2016



National Grid Metering Limited

Strategic Report

For the year ended 31 March 2016

The Directors present their Strategic Report on the Company for the year ended 31 March 2016.

Review of the business

The Company's principal activity during the year ended 31 March 2016 was the provision of meter asset management services to National Grid Gas plc.

Executive summary

This is the first time that the Company has prepared financial statements 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. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 16. The results outlined below are in accordance with FRS 101.

The Company has continued to provide metering services to National Grid Gas plc under a Service Provider Contract. Financial performance, as detailed below, largely depends on the meter work and supporting services provided to National Grid Gas plc as well as standards of services.

The most significant risk factors identified relate to:

- Volume of work provided to National Grid Gas plc driven by their retention of customers;
- Performance measured against standards of service;
- Breaches in environmental or health and safety law or regulations;
- Market developments (e.g. smart metering) and changes in regulations.

Preparations for the delivery of smart meters across Great Britain have continued throughout 2015/16. The monopoly providers of communications and central data processing infrastructure (DCC) have identified that delivery of the new industry-wide systems has been delayed. Communications technology experts are working to extend the range of property types in which smart meters can reliably communicate with a paired consumer display unit and energy suppliers have revised their plans to deploy smart meters. The Department for Energy and Climate Change (DECC) have mandated completion of the roll out by the end of 2020. Following government department changes in July 2016 the responsibilities of DECC have now been transferred to the newly formed Business, Energy and Industrial Strategy department.

The declining meter population held by National Grid Gas plc as a consequence of the smart meter roll out has impacted revenues and profitability adversely.

Results

The Company's profit for the financial year was £4,275,000 (2015: £6,125,000).

Financial position

The financial position of the Company is presented in the statement of financial position. Total shareholders' equity at 31 March 2016 was £107,196,000 (2015: £102,707,000) comprising fixed assets of £16,279,000 (2015: £20,227,000); net current assets of £90,917,000 (2015: £85,833,000) less provisions for liabilities of £Nil (2015: £3,353,000).

National Grid Metering Limited

Strategic Report (continued)

For the year ended 31 March 2016

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group the principal risks and uncertainties of the Company 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 2015/16, which does not form part of this report.

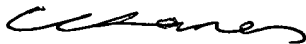
Whilst integrated into the key performance indicators of National Grid, management also specifically use the following key performance indicators in measuring the development and performance of the Company:

- **Standards of Service** - In the year to 31 March 2016, 16 out of 17 standards of service targets were achieved (2015: 16 out of 17). The target measure varied from 90 to 98%. These covered complaints, domestic meter work and industrial and commercial meter works.
- **Efficiency** - Efficiency is monitored via achieving lowest cost per job in the following areas: installation, running and overheads, whilst maintaining the required level of operational and safety performance. Cost efficiency is ensured through robust tendering of meter work services and products in line with National Grid Procurement's Category Management process. Operational efficiency is monitored and driven through proactive contract management, whereby key performance indicators are tracked and supported by both incentive and liability payments.
- **Safety** - The Company continues to measure its safety performance in line with National Grid leading and lagging measures. The safety performance measures look at visual safety leadership, hazards and near misses that have occurred, behaviours, effective safety discussions, process safety, and driver safety. The Company continues to focus on behavioural safety and human factors encouraging staff and contractors alike to recognise hazards, reporting and sharing lessons learnt. The Company continued its focus on driving Mental Health and Wellbeing, and managing work related stress and healthy eating. In 2016/2017 the Company will continue to drive best in class safety performance.

Future developments

The Company will continue to operate metering asset management services for the foreseeable future with no anticipated significant movements in the statement of financial position.

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



C James
Company Secretary
18 November 2016

National Grid Metering Limited

Directors' Report

For the year ended 31 March 2016

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2016.

Future developments

Details of future developments have been included within the Strategic Report on page 2.

Dividends

The Directors do not recommend the payment of a dividend (2015: £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 cash flow 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 and 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 has implemented policies that require appropriate credit checks on potential customers before sales are made. 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:

J Butterworth
N Hooper
S C Humphreys
N Medalova

National Grid Metering Limited

Directors' Report (continued)

For the year ended 31 March 2016

Directors' indemnity

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third-party indemnities against financial exposure that Directors may incur in the course of 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

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.

Post balance sheet events

As at 31 March 2016, the Company was a participating member of the National Grid UK Pension Scheme. As part of an internal reorganisation, in June 2016, National Grid announced its plans to create three separate and independent sections within the Scheme (a process known as 'sectionalisation'). Upon sectionalisation (expected to occur on or around 1 January 2017), the Company's pension liabilities will transfer to a new section of the Scheme.

As a result the Company has already transferred its active members to National Grid UK Limited. This has triggered a section 75 debt payment to the Scheme, which will be settled by the Company or another National Grid Group company. The associated amount is yet to be finalised.

Employees

The Company has established through e-mails, intranets, cascade briefings and in-house magazines, effective methods for communicating with employees on matters of concern to them. Regular consultation with staff and their trade union representatives takes place using both formal and informal mechanisms.

The Company remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Company takes a positive approach to equality and diversity. We promote equality in the application of reward policies, employment and development opportunities, and aim to support employees in balancing work and personal lifestyles.

Employees are encouraged to become shareholders in National Grid plc and the Group operates a Sharesave Scheme and Share Incentive Plan.

Modern Slavery Act 2015

In accordance with the Modern Slavery Act 2015 (section 54 part 6), the Board of National Grid Metering Limited has adopted and approved the Statement on the prevention of slavery and human trafficking of its parent company, National Grid plc. A copy of the Statement is available on the National Grid plc website.

National Grid Metering Limited

Directors' Report (continued)

For the year ended 31 March 2016

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.

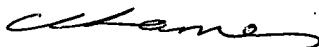
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

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



C James
Company Secretary
18 November 2016

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 3705992

Independent auditors' report to the members of

National Grid Metering Limited

Report on the financial statements

Our opinion

In our opinion, National Grid Metering 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 2016 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

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity 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 United Kingdom Accounting Standards comprising FRS 101 'Reduced Disclosure Framework', and applicable law (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 Metering 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 5, 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.



Richard French (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 November 2016

National Grid Metering Limited

Income statement

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	82,517	90,699
Administrative expenses		(77,786)	(83,546)
Operating profit	3	<u>4,731</u>	<u>7,153</u>
Interest receivable from immediate parent company		761	755
Profit on ordinary activities before taxation		<u>5,492</u>	<u>7,908</u>
Tax on profit on ordinary activities	5	(1,217)	(1,783)
Profit for the financial year		<u><u>4,275</u></u>	<u><u>6,125</u></u>

The results reported above relate to continuing activities.

Statement of comprehensive income

For the year ended 31 March 2016

	2016 £'000	2015 £'000
Profit for the financial year	4,275	6,125
Other comprehensive income/(loss) for the year, net of tax	-	-
Total comprehensive profit for the year	<u><u>4,275</u></u>	<u><u>6,125</u></u>

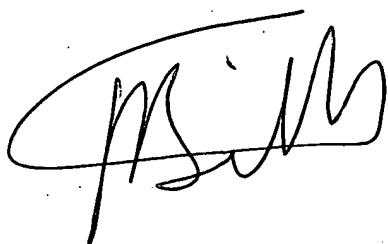
National Grid Metering Limited

Statement of financial position

As at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	7	13,743	18,164
Tangible assets	8	2,536	2,063
		<u>16,279</u>	<u>20,227</u>
Current assets			
Debtors: amounts falling due within one year	9	119,088	130,506
Creditors: amounts falling due within one year	10	(28,171)	(44,673)
Net current assets		<u>90,917</u>	<u>85,833</u>
Total assets less current liabilities		<u>107,196</u>	<u>106,060</u>
Provisions for liabilities	11	-	(3,353)
Net assets		<u>107,196</u>	<u>102,707</u>
Equity			
Share capital	12	1,373	1,373
Profit and loss account		105,823	101,334
Total shareholders' equity		<u>107,196</u>	<u>102,707</u>

The financial statements on pages 8 to 23 were approved by the Board of Directors and authorised for issue on 18 November 2016 and signed on its behalf by:



J Butterworth
Director

National Grid Metering Limited
Company registration number: 3705992

National Grid Metering Limited
Statement of changes in equity
For the year ended 31 March 2016

	Share Capital £'000	Profit and loss account £'000	Total Equity £'000
At 1 April 2014	1,373	95,090	96,463
Profit for the year	-	6,125	6,125
Share-based payment	-	119	119
At 31 March 2015	<u>1,373</u>	<u>101,334</u>	<u>102,707</u>
Profit for the year	-	4,275	4,275
Share-based payment	-	214	214
At 31 March 2016	<u><u>1,373</u></u>	<u><u>105,823</u></u>	<u><u>107,196</u></u>

National Grid Metering Limited
Notes to the financial statements
For the year ended 31 March 2016

1 Summary of significant accounting policies

National Grid Metering Limited is a private company and is incorporated and domiciled in England with its registered office at 1-3 Strand, London, WC2N 5EH.

The principal accounting policies applied in the preparation of these financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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 for the year ended 31 March 2016 are the first prepared in accordance with FRS 101. Accordingly the date of transition is 1 April 2014. The 2015 comparative financial information has also been prepared on this basis.

An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 16.

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 2006. They have been prepared on an historical cost basis and items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in pounds sterling which is also the Company's functional currency.

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).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosure in respect of transactions with National Grid plc and its subsidiaries;
- disclosure in respect of capital management;
- the presentation of a third statement of financial position (being the opening statement of financial position of the Company at the date of application of FRS 101); and
- the effects of new but not yet effective IFRSs.

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'. The Company intends to apply the above exemptions in the financial statements for the year ending 31 March 2017.

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

There were no significant estimates or critical areas of judgements required in pulling together these financial.

National Grid Metering Limited
Notes to the financial statements (continued)

For the year ended 31 March 2016

1 Summary of significant accounting policies (continued)

(b) Intangible assets

Software

Intangible fixed assets which consist of software licenses are carried at amortised historical cost less any provisions for impairment. Software licenses are reviewed each year and where they are redundant an impairment charge is made to the income statement. The software amortisation period is 5 years.

(c) Tangible assets and depreciation

Tangible fixed assets are included in the statement of financial position at historical cost less accumulated depreciation. Subsequent additions represent the purchase of new assets, and extensions to, or significant increases in the capacity of, tangible fixed assets.

Tangible fixed assets are depreciated, principally on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, which are reviewed on a regular basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are, in general, as shown in the table below:

Depreciation periods	Years
Office equipment	5
Short leasehold	10
Plant and machinery	15

(d) Impairment of fixed assets

Impairment reviews are carried out if there is some indication that impairment may have occurred, or where otherwise required to ensure that fixed assets are not carried above their estimated recoverable amounts. Impairments are recognised in the income statement, and, where material, are disclosed as exceptional. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Impairments of fixed assets are calculated as the difference between the carrying value of the net assets of income generating units, including where appropriate, investments, and their recoverable amounts. Recoverable amount is defined as the higher of net realisable value or estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income generating unit.

(e) Tax

The tax charge for the period is recognised in the income statement, the statement of comprehensive income or directly in equity according to the accounting treatment of the related transaction. The tax charge 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 positions where appropriate on the basis of amounts expected to be paid to the tax authorities.

National Grid Metering Limited

Notes to the financial statements (continued)

For the year ended 31 March 2016

1 Summary of significant accounting policies (continued)

(e) Tax (continued)

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 used in the computation of taxable profit.

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, to the extent that 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 assets and liabilities are not recognised.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and jointly controlled entities except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also reflected in other comprehensive income.

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 authorities and the Company intends to settle their current tax assets and liabilities on a net basis.

(f) Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events on the basis of external third party or expert evidence where it is available. In some circumstances no such evidence is available and management use their best estimate of likely costs to be incurred. Onerous contracts are provided for on the basis of contracted future expenditure that exceeds expected future economic benefit. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(g) Restructuring costs

Costs arising from the Company's restructuring programmes primarily relate to redundancy costs. Redundancy costs are charged to the income statement in the year in which the Company becomes irrevocably committed to incurring the costs and the main features of the restructuring plan have been announced to the affected employees.

National Grid Metering Limited
Notes to the financial statements (continued)

For the year ended 31 March 2016

1 Summary of significant accounting policies (continued)

(h) Turnover

Turnover comprises the sales value derived from meter asset management services provided to National Grid Gas plc during the year including an assessment of the value of services provided, but not invoiced, at the year end. Recognition is at the completion of service. It excludes value added tax and other sales taxes. The discharge of asset management services are invoiced monthly.

(i) Pensions

The Company contributes to 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 has certain employees who participate in a group defined benefit pension scheme (The National Grid UK Scheme) with other companies in the National Grid group. There is no contractual arrangement or stated policy for charging to individual group companies the net defined benefit cost of the scheme as a whole. Therefore 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 equal to their contribution payable for the period.

2 Turnover

	2016	2015
	£'000	£'000
External customers	598	961
Immediate parent company	81,919	89,738
	<u>82,517</u>	<u>90,699</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.

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

3 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Amortisation of intangible fixed assets	4,584	2,707
Depreciation of tangible fixed assets	359	31
Payroll costs	12,860	14,831
Other operating costs	59,961	65,955
Services provided by the Company's auditor		
Audit fees	<u>22</u>	<u>22</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

Directors' emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	<u>168</u>	<u>169</u>

Retirement benefits are accruing to 2 (2015: 2) Directors under a defined benefit scheme and 2 (2015: none) Directors under a defined contribution scheme.

During the year there were 3 Directors (2015: 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.

Highest paid Director

	2016 £'000	2015 £'000
Total amount of emoluments and amounts receivable (excluding shares) under long term incentive schemes	119	109
Defined benefit pension scheme - accrued pension at end of year	<u>59</u>	<u>57</u>

During the year the highest paid Director 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

	2016 £'000	2015 £'000
Wages and salaries	9,408	11,132
Social security costs	982	1,063
Other pension costs	2,289	2,510
Share-based payments	181	126
	<u>12,860</u>	<u>14,831</u>

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

4 Directors and employees (continued)

The aggregate amount of Company contributions paid in respect of the defined contribution scheme amounted to £833,000 (2015: £752,000).

The average monthly number of employees (including Directors) involved in administration employed by the Company during the year was 274 (2015: 349).

5 Tax on profit on ordinary activities

	2016	2015
	£'000	£'000
Current tax:		
UK corporation tax	1,113	1,575
Adjustments in respect of prior years	98	59
Total current tax	<u>1,211</u>	<u>1,634</u>
Deferred tax:		
Origination and reversal of timing differences	(8)	130
Impact of change in tax rate	26	(7)
Adjustments in respect of prior years	(12)	26
Total deferred tax	<u>6</u>	<u>149</u>
Tax charge on profit on ordinary activities'	<u>1,217</u>	<u>1,783</u>

The tax for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	<u>5,492</u>	<u>7,908</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	1,098	1,661
Effect of:		
Expenses not deductible for tax purposes	33	37
Adjustments in respect of prior years	86	85
Total tax charge for the year	<u>1,217</u>	<u>1,783</u>

Factors that may affect future tax charges

The Finance Act 2015 (No.2) (the Act) was enacted on 18 November 2015. The Act reduced the main rate of UK corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020 and deferred tax balances have been calculated at 18%.

The Budget in March this year announced a further reduction in the corporate tax rate to 17% from 1 April 2020, from the previously enacted 18%. This was substantively enacted on 6 September 2016. This has not been substantively enacted at the reporting date. As the change to 17% had not been substantively enacted at the reporting date its effects are not included in these financial statements.

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

6 Pensions

The Company contributes to a number of pension schemes for its employees.

Defined benefit scheme

The Company has certain employees who participate in a group defined benefit pension scheme (The National Grid UK Pension Scheme) with other companies in the National Grid group. There is no contractual arrangement or stated policy for charging to individual group companies the net defined benefit cost or the scheme as a whole. Therefore 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 equal to their contribution payable for the period.

The scheme is currently in a funding deficit and the Company has been recharged a share of the group pension deficit payment for the year which amounted to £578,000 (2015: £573,000) which has been recognised as an expense in the income statement.

The defined benefit arrangements are funded with assets held in separate trustee administered funds. The arrangements are managed by a trustee company with a board consisting of company and member appointed directors. The Directors are required to manage the arrangements in accordance with local regulations and the arrangements' governing documents, acting on behalf of its beneficiaries.

The arrangements are subject to independent actuarial funding valuations at least every three years and following consultation and agreement with National Grid, the qualified actuary certifies the employers' contribution, which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable. The last full actuarial valuation was carried out as at 31 March 2013. The next valuation is required to be carried out as at 31 March 2016.

The last full actuarial valuation was carried out by Towers Watson as at 31 March 2013. The market value of the Scheme's assets was £15,569m and the value of the assets represented approximately 90% of the actuarial value of benefits due to members, calculated on the basis of pensionable earnings and service at 31 March 2013 on an ongoing basis and allowing for projected increases in pensionable earnings. There was a funding deficit of £1,763m (£1,410m net of tax) on the valuation date in light of which National Grid agreed a recovery plan with the Trustees. The total contributions to be made to the National Grid UK Pension Scheme for all participating members for 2016/17 is estimated to be £154m.

The 2013 actuarial funding valuation showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual was 36% of pensionable earnings (33% by employers and 3% by employees). In addition, National Grid makes payments to the scheme to cover administration costs and the Pension Protection Fund levy.

With effect from 30 September 2016, National Grid Metering Limited ceased to have active employees in the National Grid UK Pension Scheme.

Defined contribution scheme

Following the closure of the defined benefit schemes to new entrants, the Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016 £'000	2015 £'000
Current year contributions	<u>833</u>	<u>752</u>

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

6 Intangible assets

	Software £'000
Cost:	
At 1 April 2015	25,200
Additions	163
At 31 March 2016	<u>25,363</u>
Accumulated amortisation:	
At 1 April 2015	(7,036)
Amortisation charge for the year	(4,584)
At 31 March 2016	<u>(11,620)</u>
Net book value:	
At 31 March 2016	<u>13,743</u>
At 31 March 2015	<u>18,164</u>

7 Tangible assets

	Short leasehold land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost:				
At 1 April 2015	1,773	112	257	2,142
Additions	830	-	2	832
At 31 March 2016	<u>2,603</u>	<u>112</u>	<u>259</u>	<u>2,974</u>
Accumulated Depreciation:				
At 1 April 2015	(11)	(25)	(43)	(79)
Depreciation charge for the year	(258)	(7)	(94)	(359)
At 31 March 2016	<u>(269)</u>	<u>(32)</u>	<u>(137)</u>	<u>(438)</u>
Net book value:				
At 31 March 2016	<u>2,334</u>	<u>80</u>	<u>122</u>	<u>2,536</u>
At 31 March 2015	<u>1,762</u>	<u>87</u>	<u>214</u>	<u>2,063</u>

8 Debtors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade debtors	107	470
Amounts owed by fellow subsidiary undertakings	635	1,453
Amounts owed by immediate parent company	116,608	125,976
Other tax and social security	1,287	1,335
Deferred tax	310	336
Other debtors	52	664
Accrued income	89	272
	<u>119,088</u>	<u>130,506</u>

National Grid Metering Limited
Notes to the financial statements (continued)

For the year ended 31 March 2016

8 Debtors: amounts falling due within one year (continued)

Deferred tax

	2016 £'000	2015 £'000
Accelerated capital allowances	(305)	(680)
Other short-term timing differences	615	1016
Deferred tax asset	<u>310</u>	<u>336</u>
	2016 £'000	2015 £'000
Deferred tax asset at 1 April	336	539
Charged to income statement	(6)	(149)
Charged to retained earnings	(20)	(54)
Deferred tax asset at 31 March	<u>310</u>	<u>336</u>

9 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank overdraft	79	674
Trade creditors	3,109	3,237
Amounts owed to fellow subsidiary undertakings	1,245	2,260
Amounts owed to immediate parent company	14,901	30,200
Other tax and social security	239	380
Other creditors	2,265	2,162
Accruals	6,333	5,760
	<u>28,171</u>	<u>44,673</u>

10 Provisions for liabilities

	Restructuring £'000
At 1 April 2015	3,353
Utilised	(2,428)
Released to the income statement	(925)
At 31 March 2016	<u>-</u>
Restructuring provision	

The contact centre activities were transferred from Gloucester to the Company's office in Solihull at the end of 2015, resulting in the closure of the Gloucester office and utilisation of the provision.

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

11 Share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
1,373,399 ordinary shares of £1 each	<u>1,373</u>	<u>1,373</u>

12 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.

13 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. There were no related party transactions with other companies.

14 Ultimate parent company

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

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

15 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 statement of financial position at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

National Grid Metering Limited
Notes to the financial statements (continued)

For the year ended 31 March 2016

16 Explanation of transition to FRS 101 (continued)

Reconciliation of equity

	1 April 2014			31 March 2015		
	UK GAAP £'000	Transition effect £'000	FRS 101 £'000	UK GAAP £'000	Transition effect £'000	FRS 101 £'000
Fixed assets						
Intangible assets						
Software (ii)	-	15,100	15,100	-	18,164	18,164
Tangible assets						
Land and buildings	-	-	-	1,762	-	1,762
Plant and machinery	94	-	94	87	-	87
Vehicles and office	-	-	-	214	-	214
Software (ii)	15,100	(15,100)	-	18,164	(18,164)	-
Total fixed assets	15,194	-	15,194	20,227	-	20,227
Current assets						
Debtors: amounts falling due within one year						
Trade debtors	752	-	752	470	-	470
Amounts owed by group	111,949	-	111,949	127,429	-	127,429
Other tax and social security	1,405	-	1,405	1,335	-	1,335
Deferred tax (iii)	388	151	539	238	98	336
Other debtors	744	-	744	664	-	664
Prepayments and accrued income	171	-	171	272	-	272
	115,409	151	115,560	130,408	98	130,506
Creditors: amounts falling due within one year						
Borrowings	(201)	-	(201)	(674)	-	(674)
Trade creditors	(2,347)	-	(2,347)	(3,237)	-	(3,237)
Amounts owed to group (iii)	(22,704)	45	(22,659)	(32,528)	68	(32,460)
Other tax and social security (i)	(353)	(13)	(366)	(353)	(27)	(380)
Other creditors (i)	(788)	(93)	(881)	(1,967)	(195)	(2,162)
Accruals and deferred income	(4,100)	-	(4,100)	(5,760)	-	(5,760)
	(30,493)	(61)	(30,554)	(44,519)	(154)	(44,673)
Net current assets	84,916	90	85,006	85,889	(56)	85,833
Provisions for liabilities						
Restructuring	(3,737)	-	(3,737)	(3,353)	-	(3,353)
Net assets	96,373	90	96,463	102,763	(56)	102,707
Equity						
Share capital	(1,373)	-	(1,373)	(1,373)	-	(1,373)
Profit and loss account (i) and (iii)	(95,000)	(90)	(95,090)	(101,390)	56	(101,334)
Shareholders' funds	(96,373)	(90)	(96,463)	(102,763)	56	(102,707)

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

16 Explanation of transition to FRS 101 (continued)

Notes to the reconciliation of equity

The transition is adjustments for the following items:

(i). Holiday pay accruals

Under FRS 101 holiday pay accruals are permitted which were previously reversed out under UK GAAP.

(ii). Software reclass

Under FRS 101 software is reported within intangible assets which were previously reported within tangible assets under UK GAAP.

(iii). Share option schemes

Under FRS 101 the portion of the share based payment current tax credit is recognised in equity, whereas under UK GAAP this was transferred to the Profit and Loss account.

Under FRS 101, the share based payments movement in deferred tax asset is recognised in equity, whereas under UKGAAP, the deferred tax asset was only recognised to the extent of any amounts going through the Profit and Loss account for timing differences associated with share option exercises.

Reconciliation of profit for the year ended 31 March 2015

	31 March 2015		
	UK GAAP	Transition	FRS 101
	£'000	effect £'000	£'000
Turnover	90,699	-	90,699
Gross profit	90,699	-	90,699
Amortisation (i)	-	(2,707)	(2,707)
Depreciation (i)	(2,738)	2,707	(31)
Wages and salaries (iii)	(11,030)	(102)	(11,132)
Social security cost (iii)	(1,049)	(14)	(1,063)
Other administrative expenses	(68,613)	-	(68,613)
Administrative expenses	(83,430)	(116)	(83,546)
Operating profit	7,269	(116)	7,153
Interest receivable and similar income	755	-	755
Profit on ordinary activities before tax	8,024	(116)	7,908
Tax on profit on ordinary activities (ii)	(1,760)	(23)	(1,783)
Profit for the financial year	6,264	(139)	6,125

National Grid Metering Limited
Notes to the financial statements (continued)
For the year ended 31 March 2016

16 Explanation of transition to FRS 101 (continued)

Notes to the reconciliation of profit

The transition is adjustments for the following items:

(i). Software reclass

Under FRS 101 software is reported within intangible assets which were previously reported within tangible assets under UK GAAP.

(ii). Share option schemes

Under FRS 101 the portion of the share based payment current tax credit is recognised in equity, whereas under UK GAAP this was transferred to the Profit and Loss account.

Under FRS 101, the share based payments movement in deferred tax asset is recognised in equity, whereas under UKGAAP, the deferred tax asset was only recognised to the extent of any amounts going through the Profit and Loss account for timing differences associated with share option exercises.

(iii). Holiday pay accruals

Under FRS 101 holiday pay accruals are permitted which were previously reversed out under UK GAAP.

17 Post balance sheet events

As at 31 March 2016, the Company was a participating member of the National Grid UK Pension Scheme. As part of an internal reorganisation, in June 2016, National Grid announced its plans to create three separate and independent sections within the Scheme (a process known as 'sectionalisation'). Upon sectionalisation (expected to occur on or around 1 January 2017), the Company's pension liabilities will transfer to a new section of the Scheme.

As a result the Company has already transferred its active members to National Grid UK Limited. This has triggered a section 75 debt payment to the Scheme, which will be settled by the Company or another National Grid Group company. The associated amount is yet to be finalised.