

National Grid Seventeen Limited

Annual Report and Financial Statements

For the year ended 31 March 2014

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National Grid Seventeen Limited

Strategic Report

For the year ended 31 March 2014

The Directors present their Strategic Report on the Company for the year ended 31 March 2014.

Review of the business

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

Executive summary

There have been no significant changes in the Company's investments or intercompany balances.

Results, as detailed below, largely depend on interest costs incurred which is partially offset by interest received. The tax credit on the loss for the year is higher than the standard rate of tax due to the taxation of imputed interest paid on a non interest bearing intercompany liability.

Results

The Company's profit for the financial year was £482,000 (2013: £1,515,000).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' funds at 31 March 2014 were £2,603,776,000 (2013: £2,603,294,000) comprising a fixed asset investment of £3,414,360,000 (2013: £3,414,360,000) less net current liabilities of £810,584,000 (2013: £811,066,000).

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2013/14, which does not form part of this report.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the foreseeable future. As referred to in the post balance sheet events section of the Directors' Report on page 3 the Company has transferred its fixed asset investment to a fellow subsidiary undertaking, the proceeds of which have been left outstanding on intercompany account.

Approved by the Board and signed on its behalf by:



H M Rayner
Secretary
8 December 2014

National Grid Seventeen Limited

Directors' Report

For the year ended 31 March 2014

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2014.

Future developments

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

Dividends

The Directors do not recommend the payment of a dividend (2013: £nil).

Financial risk management

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

Treasury also seeks to limit third party counterparty risk which arises from the investment of surplus funds and the use of derivative financial instruments. Treasury monitors the exposure that National Grid has with any one counterparty against agreed limits and these limits are monitored regularly and updated for changes in credit ratings.

Liquidity risk

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

Credit risk

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

Interest rate cash flow risk

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

Directors

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

A J Agg	(Resigned 31 May 2013)
F L Beaney	
D C Bonar	
E D Fraser	(Appointed 30 May 2013)
A M Lewis	(Resigned 9 September 2013)
D A Preston	
C J Waters	

National Grid Seventeen Limited

Directors' Report (continued)

For the year ended 31 March 2014

Directors' indemnity

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

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition within the Directors' Report there are details of the Company's financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company is expected to continue to be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future.

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 event

Subsequent to the year end, on 4 November 2014 the Company transferred its 100% investment in the ordinary and A share capital in NGG Telecom Holdings Limited to a fellow subsidiary undertaking, National Grid Holdings Limited, at book value resulting in no profit or loss on sale.

Disclosure of information to auditors

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

National Grid Seventeen Limited

Directors' Report (continued)

For the year ended 31 March 2014

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Approved by the Board and signed on its behalf by:



H M Rayner
Secretary
8 December 2014

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 4492598

Independent auditors' report to the members of National Grid Seventeen Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by National Grid Seventeen Limited, comprise:

- the Balance sheet as at 31 March 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") 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.

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.

**Independent auditors' report to the members of
National Grid Seventeen Limited (continued)**

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.

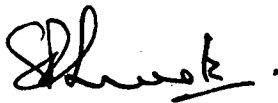
Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, 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 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.



Stephen Snook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
8 December 2014

National Grid Seventeen Limited

Profit and loss account

For the years ended 31 March

	Notes	2014 £'000	2013 £'000
Interest receivable from a fellow subsidiary undertaking		847	1,039
Interest payable and similar charges	4	(1,735)	(2,193)
Loss on ordinary activities before taxation	2	(888)	(1,154)
Tax on loss on ordinary activities	5	1,370	2,669
Profit for the financial year	9	482	1,515

The results reported above relate to continuing activities.

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

National Grid Seventeen Limited

Balance sheet

As at 31 March

	Notes	2014 £'000	2013 £'000
Fixed asset investment	6	<u>3,414,360</u>	<u>3,414,360</u>
Current assets			
Amounts owed by a fellow subsidiary undertaking		99,307	97,091
Creditors: amounts falling due within one year	7	(909,891)	(908,157)
Net current liabilities		<u>(810,584)</u>	<u>(811,066)</u>
Total assets less current liabilities		<u>2,603,776</u>	<u>2,603,294</u>
Net assets		<u>2,603,776</u>	<u>2,603,294</u>
Capital and reserves			
Called up share capital	8	2,500	2,500
Share premium account	9	2,535,438	2,535,438
Profit and loss account	9	65,838	65,356
Total shareholders' funds	10	<u>2,603,776</u>	<u>2,603,294</u>

The financial statements on pages 7 to 12 were approved by the Board of Directors on 8 December 2014 and signed on its behalf by:



E D Fraser
Director

National Grid Seventeen Limited

Notes to the financial statements

For the year ended 31 March 2014

1 Accounting policies

(a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards (FRS) and the Companies Act 2006. They have been prepared on an historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The 2013 comparative financial information has also been prepared on this basis.

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

The Company is a wholly owned subsidiary within a group headed by National Grid plc and is included in the consolidated financial statements of that company which are publicly available. Consequently the Company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash Flow Statements' from preparing a cash flow statement.

Further, in accordance with exemptions under FRS 29 'Financial Instruments: Disclosures', the Company has not presented the financial instruments disclosures required by the standard, as disclosures that comply with the standard are included in the consolidated financial statements of National Grid plc.

(b) Fixed asset investments

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

(c) Taxation

Current tax for the current and prior years is provided at the amount expected to be paid or recovered using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

(d) Financial instruments

Financial assets, liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

Loans receivable are carried at amortised cost using the effective interest method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired, is recognised using the effective interest method in the profit and loss account.

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

National Grid Seventeen Limited
Notes to the financial statements (continued)
For the year ended 31 March 2014

2 Loss on ordinary activities before taxation

Audit fees of £3,000 (2013: £3,000) have been borne by a fellow subsidiary undertaking and not recharged.

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

3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there were 3 Directors (2013: 5) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2013: none).

4 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable to fellow subsidiary undertakings	72	-
Interest payable to immediate parent company	1,663	2,193
	<u>1,735</u>	<u>2,193</u>

5 Tax on loss on ordinary activities

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax	<u>(1,370)</u>	<u>(2,669)</u>

The tax credit for the year is higher than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	<u>(888)</u>	<u>(1,154)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	(204)	(277)
Effect of:		
Expenses not deductible for tax purposes	382	526
Taxation on transfer pricing adjustments	<u>(1,548)</u>	<u>(2,918)</u>
Total current tax credit for the year	<u>(1,370)</u>	<u>(2,669)</u>

Factors that may affect future tax changes

The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act further reduced the main rate of UK corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015.

National Grid Seventeen Limited
Notes to the financial statements (continued)
For the year ended 31 March 2014

6 Fixed asset investment

	Shares in a subsidiary undertaking £'000
Cost and net book value:	
At 1 April 2013 and 31 March 2014	<u>3,414,360</u>

The fixed asset investment at 31 March 2014 represents 100% of the ordinary share capital and A share capital of NGG Telecoms Holdings Limited, a company registered in England and Wales, which is an investment holding company.

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

Subsequent to the year end, on 4 November 2014 the Company transferred its 100% investment in the ordinary and A share capital in NGG Telecom Holdings Limited to a fellow subsidiary undertaking, National Grid Holdings Limited, at book value resulting in no profit or loss on sale.

7 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to a subsidiary undertaking	1	1
Amounts owed to fellow subsidiary undertakings	675,499	675,673
Amounts owed to immediate parent company	<u>234,391</u>	<u>232,483</u>
	<u>909,891</u>	<u>908,157</u>

8 Called up share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
2,500,001 ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

9 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2013	2,535,438	65,356
Profit for the financial year	-	482
At 31 March 2014	<u>2,535,438</u>	<u>65,838</u>

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

For the year ended 31 March 2014

10 Reconciliation of movement in total shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	482	1,515
Net increase in shareholders' funds	482	1,515
Opening shareholders' funds	2,603,294	2,601,779
Closing shareholders' funds	<u>2,603,776</u>	<u>2,603,294</u>

11 Related party transactions and ultimate parent company

The Company is exempt under FRS 8 'Related Party Disclosures' from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

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

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