

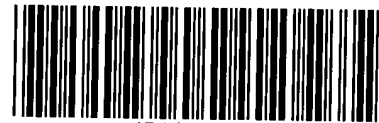
Company Registration Number: 5284987

National Grid Thirty Five Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

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National Grid Thirty Five Limited

Strategic Report

For the year ended 31 March 2017

The Directors present their Strategic Report on the Company for the year ended 31 March 2017.

Review of the business

The Company obtains and provides finance to fellow National Grid plc subsidiary companies via intercompany balances.

Executive summary

There have been no significant changes in the Company's trading activities during the year, as reported in the profit and loss account. There have been no other significant changes in the Company's intercompany balances during the year.

Results, as detailed below, largely depend on interest income.

Results

The Company's profit for the financial year was £46,890,000 (2016: £45,889,000)

Financial position

The financial position of the Company was presented in the balance sheet. Total shareholders' equity at 31 March 2017 was £6,129,273,000 (2016: £6,082,383,000) comprising current assets of £6,361,503,000 (2016: £6,303,358,000) less current liabilities of £232,230,000 (2016: £220,975,000).

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 2016/17, which does not form part of this report.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the foreseeable future with no anticipated significant balance sheet movements.

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



A Morgan
Company Secretary
26 July 2017

National Grid Thirty Five Limited

Directors' Report

For the year ended 31 March 2017

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2017.

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 (2016: £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 ('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 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 exposure is considered to exist in respect of intercompany loans as fully recoverable from within the National Grid group.

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 loan agreements, the Company's exposure to interest rate cash flow risk arises on such loans on which interest is charged based upon sterling LIBOR.

Directors

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

F L Beaney
D C Bonar
W J Jackson
A K Mead
D A Preston
C J Waters

National Grid Thirty Five Limited

Directors' Report (continued)

For the year ended 31 March 2017

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.

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.

Auditors

Subject to approval at the 2017 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP will be appointed as external auditor to the group. Accordingly, PricewaterhouseCoopers LLP will not be seeking re-appointment as auditor of the Company at the conclusion of their current term of office. There were no circumstances connected with the resignation of PricewaterhouseCoopers LLP as external auditor which should be brought to the attention of members or creditors of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual 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, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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..

National Grid Thirty Five Limited

Directors' Report (continued)

For the year ended 31 March 2017

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



A Morgan
Company Secretary
26 July 2017

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 5284987

Independent auditors' report to the members of

National Grid Thirty Five Limited

Report on the financial statements

Our opinion

In our opinion the National Grid Thirty Five 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 2017 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 balance sheet as at 31 March 2017;
- the profit and loss account 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 their preparation is applicable law and 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 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 addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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 Thirty Five Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and 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 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. With respect to the Strategic Report and Directors' Report, we consider whether these reports include the disclosures required by applicable legal requirements.



Richard Kay (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 July 2017

National Grid Thirty Five Limited

Profit and loss account

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Interest receivable and similar income	4	58,145	63,944
Interest payable and similar charges	5	(140)	(162)
Profit before tax	2	58,005	63,782
Tax	6	(11,115)	(17,893)
Profit for the financial year		46,890	45,889

The results reported above relate to continuing activities.

There have been no other comprehensive income/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 Thirty Five Limited

Balance sheet

As at 31 March 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Debtors (amounts falling due within one year)	7	6,361,503	6,303,358
Creditors (amounts falling due within one year)	8	(232,230)	(220,975)
Net current assets		<u>6,129,273</u>	<u>6,082,383</u>
Net assets		<u>6,129,273</u>	<u>6,082,383</u>
Equity			
Share capital	9	4,791,430	4,791,430
Other reserve		3,000	3,000
Profit and loss account		1,334,843	1,287,953
Total shareholders' equity		<u>6,129,273</u>	<u>6,082,383</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 26 July 2017 and were signed on its behalf by:



W J Jackson
Director

National Grid Thirty Five Limited
Company registration number: 5284987

National Grid Thirty Five Limited

Statement of changes in equity

For the year ended 31 March 2017

	Share capital £'000	Other reserve (i) £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2015	4,791,430	3,000	1,242,064	6,036,494
Profit for the financial year	-	-	45,889	45,889
At 31 March 2016	4,791,430	3,000	1,287,953	6,082,383
Profit for the financial year	-	-	46,890	46,890
At 31 March 2017	4,791,430	3,000	1,334,843	6,129,273

- (i) The other reserve represents a capital contribution of £3,000,000 from the immediate parent company.

National Grid Thirty Five Limited

Notes to the financial statements

For the year ended 31 March 2017

1 Summary of significant accounting policies

National Grid Thirty Five Limited is a private company, limited by shares. The Company is incorporated and domiciled in England with its registered office is 1-3 Strand, London, WC2N 5EH.

(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 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 are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The 2016 comparative financial information has also been presented on this 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).

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; 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 2018.

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 are no significant estimates or critical areas of judgement that are considered to have a significant effect on the amounts recognised in the financial statements.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described below:

National Grid Thirty Five Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

1 Summary of significant accounting policies (continued)

(b) Tax

The tax charge for the period is recognised in the profit and loss account, the statement of comprehensive income or directly in equity according to the accounting treatment of the related transaction. The tax charge comprises current 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.

(c) Financial instruments

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

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

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

2 Profit before tax

Audit fees of £3,000 (2016: £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 (2016: 3) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2016: none).

National Grid Thirty Five Limited
Notes to the financial statements (continued)
For the year ended 31 March 2017

4 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable from fellow subsidiary undertakings	58,138	63,936
Interest receivable from ultimate parent company	7	8
	<u>58,145</u>	<u>63,944</u>

5 Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable to fellow subsidiary undertakings	119	136
Interest payable to immediate parent company	8	9
Interest payable to ultimate parent company	13	17
	<u>140</u>	<u>162</u>

6 Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	11,115	12,313
Adjustments in respect of prior years	-	5,580
	<u>11,115</u>	<u>17,893</u>

The tax charge for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	<u>58,005</u>	<u>63,782</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	11,601	12,756
Effect of:		
Taxation on transfer pricing adjustments	(486)	(443)
Adjustments in respect of prior years	-	5,580
Total tax charge for the year	<u>11,115</u>	<u>17,893</u>

National Grid Thirty Five Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

6 Tax (continued)

Factors that may affect future tax charges

The Finance Act 2016 which was enacted on 15 September 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020.

Continuing focus on tax reform during 2016/17, specifically the Organisation for Economic Co-Operation and Development's Base Erosion and Profit Shifting ('BEPS') project to address mismatches in international rules resulted in draft legislation on areas such as interest deductibility being issued during the year. The Directors will continue to monitor developments and assess the potential impact for the Company of these and any further initiatives.

Whilst the UK remains part of the EU, the evolution of the application of EU tax competition regulations continues to create uncertainty over tax legislation and at this stage it is not possible to quantify any potential impact on the financial statements.

7 Debtors (amounts falling due within one year)

	2017 £'000	2016 £'000
Amounts owed by fellow subsidiary undertakings	6,360,168	6,302,030
Amounts owed by ultimate parent company	1,335	1,328
	<u>6,361,503</u>	<u>6,303,358</u>

8 Creditors (amounts falling due within one year)

	2017 £'000	2016 £'000
Amounts owed to fellow subsidiary undertakings	219,383	208,150
Amounts owed to immediate parent company	1,202	1,194
Amounts owed to ultimate parent company	2,942	2,928
Corporation tax	8,703	8,703
	<u>232,230</u>	<u>220,975</u>

9 Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
4,791,430,393 ordinary shares of £1 each	<u>4,791,430</u>	<u>4,791,430</u>

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. There were no related party transactions with other companies.

National Grid Thirty Five Limited

Notes to the financial statements (continued)

For the year ended 31 March 2017

11 Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Jersey Investments 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 National Grid Jersey Investments 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