

Company Registration Number: 6404382

Birch Sites Limited

Annual Report and Financial Statements

For the year ended 31 March 2019



Birch Sites Limited

Strategic Report

For the year ended 31 March 2019

The Directors present their Strategic Report on Birch Sites Limited ('the Company') for the year ended 31 March 2019.

Review of the business

The Company's principal activities are the acquisition, management and disposal of land and property.

Executive summary

The property portfolio consists of land and buildings occupied by other National Grid plc subsidiary undertakings, or leased to third parties, and surplus properties and land. The Company undertakes remediation work on sites contaminated by former gas works use, working with interested parties to return the land to the beneficial use of the community. The Company manages this risk through the employment of internal and external environmental experts.

During the year, the Company sold 4 sites (2018: two sites) to third parties resulting in total profit on sale of fixed assets of £1,474,000 (2018: £497,000). In addition, the Directors have reviewed the carrying value of land and buildings and have considered it appropriate to impair the assets and charge £657,000 (2018: £303,000) to the profit and loss account within administrative expenses.

Results, as detailed below, largely depend on rental income offset by interest charges.

Results

The Company's profit for the financial year was £4,055,000 (2018: £2,576,000 loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' deficit at 31 March 2019 was £95,263,000 (2018: £99,318,000), comprising fixed assets of £62,336,000 (2018: £63,955,000), less net current liabilities of £106,118,000 (2018: £109,799,000), less creditors: amounts falling due after more than one year of £23,867,000 (2018: £947,000) and provisions for liabilities of £27,614,000 (2018: £31,527,000).

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 2018/19, 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:



R Yousuf
Company Secretary
24 October 2019

Birch Sites Limited

Directors' Report

For the year ended 31 March 2019

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2019.

Future developments

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

Dividends

The Company has paid no interim ordinary dividends during the year (2018: £nil) and the Directors do not recommend payment of a final dividend (2018: £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. These risks are monitored through a National Grid Treasury ('Treasury') management function which invests surplus funds, mitigates foreign exchange and interest rate exposure and manages borrowings for National Grid plc and its subsidiaries ('National Grid').

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

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

Interest rate cash flow risk

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

Directors

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

R Alden
P D Edwards
P K Gabbi

Birch Sites Limited

Directors' Report (continued)

For the year ended 31 March 2019

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 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 in a net liabilities position, but is expected to continue to be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future. In addition, as indicated in note 17 to the financial statements, a fellow subsidiary undertaking, National Grid Holdings One plc, has confirmed its intention to support the Company. In completing this analysis the Directors have considered the ability of the National Grid group to provide such finance.

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

Auditors

At the 2019 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

Birch Sites Limited

Directors' Report (continued)

For the year ended 31 March 2019

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 Board of Directors and was signed by order of the Board on its behalf by:



R Yousuf
Company Secretary
24 October 2019

Registered office:

1-3 Strand
London
WC2N 5EH

Registered in England and Wales

Company registration number: 6404382

Independent auditor's report to the members of

Birch Sites Limited

Report on the audit of the financial statements

Our opinion

In our opinion the financial statements of Birch Sites Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18, which includes a summary of significant accounting policies.

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of

Birch Sites Limited (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:


- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Independent auditor's report to the members of
Birch Sites Limited (continued)**

Use of our report

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



Jane Whitlock (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
24 October 2019

Birch Sites Limited

Profit and loss account

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	5,609	5,220
Administrative expenses		(41)	(2,053)
Operating profit	3	5,568	3,167
Profit on sale of tangible fixed assets	8	1,474	497
Interest receivable and similar income	5	1,239	1
Interest payable and similar charges	6	(3,251)	(5,193)
Profit/(loss) before tax		5,030	(1,528)
Tax	7	(975)	(1,048)
Profit/(loss) for the financial year		4,055	(2,576)

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.

Birch Sites Limited

Balance sheet

As at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Property, plant and equipment	8	57,741	59,360
Investments	9	4,595	4,595
		<u>62,336</u>	<u>63,955</u>
Current assets			
Debtors: amounts falling due within one year	10	149,947	146,611
Debtors: amounts falling due after more than one year	10	4,115	6,175
Cash at bank and in hand		1,244	459
		<u>155,306</u>	<u>153,245</u>
Creditors: amounts falling due within one year	11	(261,424)	(263,044)
Net current liabilities		<u>(106,118)</u>	<u>(109,799)</u>
Total assets less current liabilities		<u>(43,782)</u>	<u>(45,844)</u>
Creditors (amounts falling due after more than one year)	12	(23,867)	(21,947)
Provisions for liabilities	13	(27,614)	(31,527)
Net liabilities		<u>(95,263)</u>	<u>(99,318)</u>
Equity			
Share capital	14	250,000	250,000
Profit and loss account		(345,263)	(349,318)
Total shareholders' deficit		<u>(95,263)</u>	<u>(99,318)</u>

These financial statements on pages 8 to 22 were approved by the Board of Directors and authorised for issue on 24 October 2019 and signed on its behalf by:



P K Gabbi
Director

Birch Sites Limited
Company registration number: 6404382

Birch Sites Limited

Statement of changes in equity

For the year ended 31 March 2019

	Share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2017	250,000	(346,742)	(96,742)
Loss for the financial year	-	(2,576)	(2,576)
At 31 March 2018	250,000	(349,318)	(99,318)
Profit for the financial year	-	4,055	4,055
At 31 March 2019	<u>250,000</u>	<u>(345,263)</u>	<u>(95,263)</u>

Birch Sites Limited

Notes to the financial statements

For the year ended 31 March 2019

1 Summary of significant accounting policies.

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

(a) Basis of preparation

The financial statements of Birch Sites Limited for the year ended 31 March 2019 were approved by the Board of Directors on 24 October 2019. 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 a historical cost basis and are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2018 comparative financial information has also been prepared on this basis.

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. 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 in a net liabilities position, but is expected to continue to generate positive cash flows or be able to obtain finance via intercompany loans to continue to operate for the foreseeable future.

In addition, as indicated in note 17 to the financial statements, the parent company, National Grid plc, has confirmed its intention to support the Company. In doing this the Directors have considered the ability of the National Grid group to provide such finance.

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.

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).

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, which are publicly available.

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;
- disclosures in respect of transactions with National Grid plc and its subsidiaries;
- disclosures in respect of capital management;
- presentation of comparative information in respect of certain assets; and
- the effects of new but not yet effective IFRS standards.

Birch Sites Limited
Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 April 2018. The adoption of IFRS 9 has had no material impact and the adoption of IFRS 15 has had no impact on the Company.

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. Information about such judgements and estimations is contained in the notes to the financial statements.

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

Key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows :

- review of residual lives, carrying values and impairment charges for property, plant and equipment and fixed asset investments, notes 8 and 9;
- environmental provisions, note 13 .

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

(b) Fixed asset investments

Investments in subsidiary undertakings 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) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any impairment losses.

Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment; and the cost of any associated asset retirement obligations.

Property, plant and equipment include assets in which the Company's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacements of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction.

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

No depreciation is provided on freehold land or assets in the course of construction.

In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually. 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
Freehold and leasehold buildings	Up to 50

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the profit and loss account.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated.

Impairments are recognised in the profit and loss account and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

(d) 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 both current and deferred tax.

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

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

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

Deferred tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, 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.

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(d) Tax (continued)

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

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

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

(e) Financial instruments

The Company adopted IFRS 9 with effect from 1 April 2018. The comparatives are not required to be restated and are accounted for in accordance with IAS 39. Under IFRS 9 the Company has reported the following financial assets and liabilities, and the classification for each is dependent upon its contractual cash flows and the business model it is held under and recognised on trade date.

An equity instrument is any contract that includes 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.

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

Borrowings, which include interest-bearing loans and overdrafts, are initially recorded at fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated either: (i) at amortised cost; or (ii) at fair value through profit and loss. Where a borrowing is held at amortised cost any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method. For a liability held at fair value through profit and loss, the difference between the fair value at the date of reclassification and the redemption value is recognised over the term of the borrowing using the effective interest method.

2018

Loans receivable and other receivables are initially recognised at fair value plus transaction costs and subsequently held at amortised cost using the effective interest method. 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 gains and losses when the loans are derecognised or impaired, are recognised in the profit and loss account.

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

Borrowings, which include interest-bearing loans and overdrafts, are recorded at their initial fair values which normally reflect 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.

(f) Environmental costs

Liabilities for environmental remediation resulting from past operations or events are recognised to the extent to which required under UK decontamination requirements and to the extent to which the amount can reasonably be estimated. Measurement of liabilities is based on current legal requirements and existing technology. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology. No provision is made for non-statutory decontamination costs.

The unwinding of the discount is included within the profit and loss account as an interest expense.

(g) Turnover

Turnover consists of rent and associated property income from tenants, derived from property situated in the United Kingdom and is stated net of value added tax. Rental income from internal sources is recognised monthly in advance whereas from external sources, it is invoiced quarterly in advance but recognised monthly.

2 Turnover

	2019 £'000	2018 £'000
An analysis of turnover by category:		
Rental income	4,472	4,740
Service charge and other income	1,137	480
	<u>5,609</u>	<u>5,220</u>

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

3 Operating profit

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Amount written off from impairment of fixed assets	657	303
Depreciation of property, plant and equipment	<u>152</u>	<u>152</u>
Services provided by the Company's auditor		
Audit fees	<u>30</u>	<u>28</u>

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

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

4 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year there was 1 Director (2018: 2) 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 (2018: none).

5 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from fellow subsidiary undertakings	1,238	-
Other interest receivable	1	1
	<u>1,239</u>	<u>1</u>

6 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to a fellow subsidiary undertaking	2,456	4,365
Unwinding of discount on environmental provision	795	828
	<u>3,251</u>	<u>5,193</u>

7 Tax

Tax charged to the profit and loss account

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	(601)	80
Adjustments in respect of prior years	(484)	264
Total current tax	<u>(1,085)</u>	<u>344</u>
Deferred tax:		
Origination and reversal of timing differences	2,313	788
Impact of change in tax rate	(242)	(83)
Adjustments in respect of prior years	(11)	(1)
Total deferred tax	<u>2,060</u>	<u>704</u>
Tax charge on profit	<u>975</u>	<u>1,048</u>

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

7 Tax (continued)

The tax for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit/(loss) before tax	5,030	(1,528)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	956	(290)
Effect of:		
Expenses not deductible for tax purposes	230	96
Non-taxable income	(280)	(141)
Other taxable expenses/(income)	1,564	566
Taxation on transfer pricing adjustments	(609)	720
Land remediation uplift	(149)	(83)
Impact of change in UK tax rate	(242)	(83)
Adjustments in respect of prior years	(495)	263
Total tax charge for the year	975	1,048

Factors that may affect future tax charges

The main rate of UK corporation tax is reduced to 17% with effect from 1 April 2020. Deferred tax balances have been calculated at this rate.

The Directors will continue to monitor the developments driven by Brexit, the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives including fiscal aid investigations. At this time the Directors do not expect this to cause any material impact on future tax charges.

8 Property, plant and equipment

	Freehold land and buildings £'000
Cost:	
At 1 April 2018	319,236
Disposals	(810)
At 31 March 2019	318,426
Provision for impairment:	
At 1 April 2018	258,918
Impairment charge for the year	657
At 31 March 2019	259,575

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

8 Property, plant and equipment (continued)

Accumulated depreciation:

At 1 April 2018	958
Depreciation charge for the year	152
At 31 March 2019	<u>1,110</u>

Net book value:

At 31 March 2019	<u>57,741</u>
At 31 March 2018	<u>59,360</u>

The Company sold four sites (2018: two sites) to third parties resulting in total profit on sale of fixed assets of £1,474,000 (2018: £497,000).

The Directors have reviewed the carrying value of land and buildings for impairment and have considered it appropriate to charge £657,000 (2018: £303,000) to the profit and loss account within administrative expenses.

9 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost:	
At 1 April 2018 and 31 March 2019	<u>33,259</u>
Provision for impairment	
At 1 April 2018 and 31 March 2019	<u>(28,664)</u>
Net book value:	
At 31 March 2018 and 31 March 2019	<u>4,595</u>

The Company's subsidiary undertakings as at 31 March 2019 were as follows:

Name of subsidiary	% Holding	Principal activity
Port Greenwich Limited	100	Property development

The above subsidiary is registered in England and Wales with a registered office at 1-3 Strand, London, WC2N 5EH.

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

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2019

10 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	501	300
Amounts owed by fellow subsidiary undertakings	148,055	146,245
Other tax and social security	-	48
Other debtors	1,372	-
Prepayments and accrued income	19	18
	<u>149,947</u>	<u>146,611</u>

Amounts owed by fellow subsidiary undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Deferred tax	<u>4,115</u>	<u>6,175</u>
Deferred tax	2019 £'000	2018 £'000
Accelerated capital allowances	57	51
Environmental provision	4,058	6,124
Deferred tax asset	<u>4,115</u>	<u>6,175</u>
Deferred tax asset at 1 April	6,175	6,880
Charged to the profit and loss account	<u>(2,060)</u>	<u>(705)</u>
Deferred tax asset at 31 March	<u>4,115</u>	<u>6,175</u>

There are no other significant unrecognised deferred tax assets or liabilities (2018: £nil).

11 Creditors (amounts falling due within one year)

	2019 £'000	2018 £'000
Trade creditors	304	205
Amounts owed to fellow subsidiary undertakings	257,902	257,167
Other creditors	867	1,333
Other tax and social security	31	-
Accruals and deferred income	2,320	4,339
	<u>261,424</u>	<u>263,044</u>

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

An amount of £750,000 (2018: £3,437,000) representing the obligation to demolish gas holders is included in accruals and deferred income falling due within one year, with the remaining obligation falling due after more than one year.

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Creditors (amounts falling due after more than one year)

	2019 £'000	2018 £'000
Deferred income	23,867	21,947
	<u>23,867</u>	<u>21,947</u>

An amount of £23,867,000 (2018: £21,947,000), represent the obligation to demolish gas holders on the transferred sites funded by National Grid Gas plc.

13 Provisions for liabilities

	Environmental £'000	Demolition £'000	Other £'000	Total £'000
At 1 April 2018	31,795	(305)	37	31,527
Utilised	(1,573)	-	-	(1,573)
Released to the profit and loss	(3,135)	-	-	(3,135)
Unwinding of discount	795	-	-	795
At 31 March 2019	27,882	(305)	37	27,614

Environmental provision

During the year the Directors have reviewed the environmental provisions relating to sites sold and have considered it appropriate to release through administration expenses an amount of £3,135,000 (2018: £1,111,000).

The environmental provision represents the net present value of the estimated statutory decontamination costs of old gas manufacturing sites. The Company does not provide for non-statutory decontamination costs.

The expected decontamination costs have been discounted at a real rate of 1% (2018: 1%) to arrive at these provisions. The anticipated timing of the cash flows for statutory contamination cannot be predicted with certainty, but they are expected to be incurred over the next 10 years.

There are a number of uncertainties that affect the calculation of the provision for gas site decontamination, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the discount rate. We have made our best estimate of the financial effect of these uncertainties in the calculation of the provision, but future material changes in any of the assumptions could materially impact on the calculation of the provision and hence the profit and loss account.

The impact of the changes in these uncertainties in the previous year have been charged to operating costs rather than exceptional items as they are not in relation to changes in regulation.

The undiscounted amount of the provision at 31 March 2019 relating to gas site decontamination was £29,275,000 (2018: £32,966,000) being the best undiscounted estimate of the liability having regard to the uncertainties referred to above.

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

14 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
250,000,001 (2018: 250,000,001) ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

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

15 Contingent liabilities

a) Environmental claims

The environmental provision (see note 13) has been set up to deal with the costs of statutory decontamination of the National Grid group's UK old gas-manufacturing sites. Other claims have arisen from time to time, however none of these have been significant. It is not possible to determine the level of such future claims however, based upon experience, the Directors do not consider a provision necessary.

b) 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.

16 Related party transactions

On 31 March 2017, National Grid plc disposed of a 61% equity interest in the UK Gas Distribution business. National Grid plc sold a further 14% stake as at 31 March 2019. The Company continues to transact with Cadent Gas Limited (Cadent) which is deemed to be a related party. The following amounts receivable from and payable to Cadent are due on normal commercial terms:

	2019 £'000	2018 £'000
Sales: Goods and services supplied to Cadent	<u>387</u>	<u>337</u>
Payable to Cadent at 31 March	<u>1</u>	<u>49</u>

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.

17 Ultimate parent company and financial support

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

Birch Sites Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

17 Ultimate parent company and financial support (continued)

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

An intermediate holding company, National Grid Holdings One plc, has confirmed its intention to ensure that the Company will be in a position to meet its liabilities for a period of not less than one year from the date of approval of these financial statements.

18 Events after the reporting period

Subsequent to the year end, the Company has sold 1 site to third parties for consideration of £6,471,000.