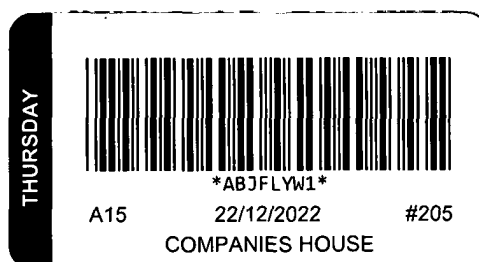


Company Registration Number: 6404382

Birch Sites Limited

Annual Report and Financial Statements

For the year ended 31 March 2022



Birch Sites Limited

Strategic Report

For the year ended 31 March 2022

The Directors present their Strategic Report on Birch Sites Limited ('the Company') for the year ended 31 March 2022.

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 3 sites (2021: 4) to third parties resulting in a profit on sale of fixed assets of £7,619,000 (2021: £417,000). In addition, the Directors have reviewed the environmental provision and onerous gas holder demolition provisions and have considered it appropriate to charge £1,406,000 (2021: £4,923,000) to the profit and loss account through administrative expenses.

The results for the year reflect changes in the Company's share of deferred income relating to the long term obligations to demolish gas holders on transferred sites funded by National Grid Gas plc. This change gives rise to prior year adjustments and have been reflected in the restatement of the financial statements for the year ended 31 March 2021.

The effects of these changes in the financial statements for the year ended 31 March 2022 and 2021 is disclosed in note 1.

Results, as detailed below, largely depend on the profit on sale of properties and interest payable.

Results

The Company's profit for the year was £7,913,000 (2021: £3,671,000 loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2022 was £20,678,000 (2021 as restated : £12,765,000) comprising fixed assets of £52,455,000 (2021 as restated : £54,073,000), net current assets of £19,847,000 (2021 as restated : £12,380,000) less creditors: amounts falling due after more than one year of £22,233,000 (2021 as restated : £25,252,000) and provisions for liabilities of £29,391,000 (2021 as restated : £28,436,000).

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2021/22, which does not form part of this report.

Financial risk management

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

Birch Sites Limited
Strategic Report (continued)
For the year ended 31 March 2022

Financial risk management (continued)

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

Liquidity risk

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

Credit risk

The Company 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 one intercompany loan which can fluctuate between an asset and liability 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 Overnight Index Average (SONIA) for GBP.

LIBOR is being replaced as an interest rate benchmark by alternative reference rates. This impacts contracts including financial liabilities that pay LIBOR-based cash flows, and derivatives that receive or pay LIBOR-based cash flows. The change in benchmark also affects discount rates which will impact the valuations of certain liabilities. The Directors are managing the risk by transitioning LIBOR cash flows to alternative reference rates on affected contracts. The migration project is underway, with all affected contracts where the Company had previously paid or received GBP LIBOR amended in the year to 31 March 2022. The Finance Committee of the National Grid plc Board have delegated to the treasury department the authority to determine which benchmarks are the most appropriate. A combination of LIBOR and the successor benchmarks, primarily GBP SONIA and USD Secured Overnight Financing Rate (SOFR) will be used in the portfolio during the migration period.

Future developments

The Directors do not foresee a change in activities of the Company.

Section 172 (1) statement

The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in section 172(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2022. It follows the National Grid Group's ('the Group's') business standards and compliance with local corporate governance requirements, and is committed to acting if our business should fail to act in the manner we expect of them. For the Group's section 172 statement please see the National Grid plc Annual Report and Accounts.

Birch Sites Limited
Strategic Report (continued)
For the year ended 31 March 2022

Section 172 (1) statement (continued)

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

The Board is also mindful of the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

Our culture and decision making

Our culture is shaped by our clearly defined values to help ensure we achieve our vision. It determines how we behave, how we make decisions and our attitude towards risk aligned with the Group's purpose, vision and values. Decisions affecting a subsidiary are required to be taken in line with the National Grid Statement of Delegations of Leadership, Responsibility and Financial Authority. In making such decisions the Directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company and its businesses.

Employee engagement

The Company has no employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of National Grid plc. The employees are kept informed about what is happening across the Group through the Group's intranet and through email, newsletters, and leadership blogs and briefings.

Disclosures relating to employees may be found in the Annual Report and Accounts of these companies. You can read more about the Group's engagement with employees on page 57 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors).

Fostering business relationships with our customers and suppliers

The Company is a property investment company and thus has external suppliers and customers. The Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the success of the Group and are satisfied that the Group has close relationships with its customers and suppliers to meet our strategic priorities. The Board receives regular updates on the interactions between the Directors and senior management and key stakeholders, including Government, Ofgem, the HSE, customers and suppliers.

The community and the environment

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

The Directors recognise the critical role the Group plays in tackling climate change in the markets that we operate. Ambitious carbon reduction targets and further legislative actions are anticipated in all our markets which will be challenging and as a Group we embrace the opportunity to support the delivery of these goals. The Group continues to focus on and advance its work in relation to its environmental sustainability strategy.

You can read more about the Group's responsible business on pages 60 to 69 in the National Grid plc Annual Report and Accounts.

Birch Sites Limited
Strategic Report (continued)
For the year ended 31 March 2022

Section 172 (1) statement (continued)

Shareholders

The Board considers the long-term impact of corporate actions and decisions on our shareholders. During the year the Company has issued further share capital to its immediate parent in settlement of an intercompany loan due.

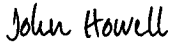
Our ultimate shareholder is National Grid plc and there is ongoing communication and engagement with the National Grid Board. Any matters requiring escalation are escalated by the Board through the Chairman to its ultimate parent.

Maintaining a reputation for high standards of business conduct

The Group's Code of Ethical Business Conduct sets out the standards and behaviours expected from all employees to meet the Group's values.

Detailed information on the Group-wide business conduct processes and policies are described in the National Grid plc Annual Report and Accounts on page 59 (available at: www.nationalgrid.com/investors).

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

DocuSigned by:

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J Howell
Company Secretary
14 December 2022

Birch Sites Limited
Directors' Report
For the year ended 31 March 2022

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2022.

Future developments

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

Financial risk management

Details of financial risk management have been included within the Strategic Report on page 1

Dividends

During the year, the Company has paid no interim ordinary dividends (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

Directors

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

R Alden	(Resigned 16 April 2021)
P D Edwards	
P K Gabbi	
B J Gaunt	
S W Grant	(Appointed 16 April 2021)

Directors' indemnity

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third-party indemnities against financial exposure that Directors may incur during their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance cover for each Director.

Going concern

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 subsidiaries. The Company is expected to generate positive cash flows or be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future.

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.

Events after the reporting period

Subsequent to the year end, the Company has sold 3 sites to a third party resulting in a gain on disposal of £26,825,000.

Birch Sites Limited
Directors' Report (continued)
For the year ended 31 March 2022

Auditors

At the 2022 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

Statement of Directors' responsibilities

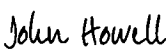
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DocuSigned by:

216DFD5AADE2407...

J Howell

Company Secretary

14 December 2022

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

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of 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.

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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


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

We have nothing to report in respect of these matters.

**Independent auditor's report to the members of
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.

DocuSigned by:

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James Isherwood (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
14 December 2022

Birch Sites Limited
Profit and loss account
For the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	2	3,043	4,055
Administrative expenses		(3,822)	(6,969)
Operating loss	3	<u>(779)</u>	<u>(2,914)</u>
Profit on sale of tangible fixed assets	8	7,619	417
Interest receivable and similar income	5	36	2
Interest payable and similar charges	6	(817)	(815)
Profit/(loss) before tax		<u>6,059</u>	<u>(3,310)</u>
Tax	7	1,854	(361)
Profit/(loss) for the year		<u><u>7,913</u></u>	<u><u>(3,671)</u></u>

The results for both years reported above relate to continuing activities.

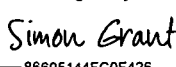
There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

Birch Sites Limited
Balance sheet
As at 31 March 2022

		2022	2021
	Notes	£'000	(restated)* £'000
Fixed assets			
Property, plant and equipment	8	47,860	49,478
Investments	9	4,595	4,595
		<u>52,455</u>	<u>54,073</u>
Current assets			
Debtors (amounts falling due within one year)	10	16,377	14,216
Debtors (amounts falling due after more than one year)	10	5,732	3,940
Cash at bank and in hand		505	254
Total current assets		<u>22,614</u>	<u>18,410</u>
Creditors (amounts falling due within one year)	11	(2,767)	(6,030)
Net current assets		<u>19,847</u>	<u>12,380</u>
Total assets less current liabilities		<u>72,302</u>	<u>66,453</u>
Creditors (amounts falling due after more than one year)	12	(22,233)	(25,252)
Provisions for liabilities	13	(29,391)	(28,436)
Net assets		<u>20,678</u>	<u>12,765</u>
Equity			
Share capital	14	358,684	358,684
Profit and loss account		(338,006)	(345,919)
Total shareholders' equity		<u>20,678</u>	<u>12,765</u>

* For further details of prior year adjustment refer to note 1(b).

The financial statements set out on pages 11 to 26 were approved by the Board of Directors on 14 December 2022 and were signed on its behalf by:

DocuSigned by:

86695144FC0F426...
S W Grant
Director

Birch Sites Limited
Company registration number: 6404382

Birch Sites Limited
Statement of changes in equity
For the year ended 31 March 2022

	Share capital £'000	Profit and loss account (restated)* £'000	Total shareholders' equity (restated)* £'000
At 1 April 2020 as previously reported	358,684	(338,408)	20,276
Prior year adjustments (Note 1(b))		(3,840)	(3,840)
At 1 April 2020 as restated	358,684	(342,248)	16,436
Loss for the year	—	(3,671)	(3,671)
At 31 March 2021	358,684	(345,919)	12,765
Profit for the year	—	7,913	7,913
At 31 March 2022	358,684	(338,006)	20,678

* For further details of prior year adjustment refer to note 1(b).

Birch Sites Limited
Notes to the financial statements
For the year ended 31 March 2022

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 registered 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 2022 were approved by the Board of Directors on 14 December 2022. 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 UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on an historical cost basis and are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2021 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 subsidiaries. The Company is expected to generate positive cash flows or be in a position to obtain finance via intercompany loans to continue for the foreseeable future.

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.

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

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

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

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2022 that have a material impact on the Company's financial statements.

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

There are no areas of judgement that are considered to have a significant effect on the amounts recognised in these 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, note 8, and
- environmental provisions, note 13.

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

(b) Prior period restatement

Following a review of deferred income accounting across NG plc subsidiary entities in the year, the Directors identified that a correction to the Company's calculation of its proportionate share of this income, which relates to the long-term obligation to demolish gas holders on transferred sites funded by National Grid Gas plc, was required. On the basis that the error identified dates back several years, the Directors determined that the appropriate treatment was to restate the prior period balance sheet and opening reserves as at 1 April 2020.

The effect of the adjustment (which has no impact on the current year profit and loss account) on the opening position as at 1 April 2020 is to decrease opening reserves by £3,840,000. This is the net impact of administration expenses increasing and long term creditors increasing by £4,740,000 along with a current tax charge and associated group tax relief debtor increasing by £900,000.

The effect of the change for the year ended 31 March 2021 is to reduce the long term creditor (note 12) by £4,740,000 and increase the group tax relief debtor (note 10) by £900,000.

The cumulative impact of this results in an decrease in net assets of £3,840,000 as at 1 April 2021.

(c) 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.

(d) 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 together with an appropriate portion of overheads which are directly linked to the capital work performed; and the cost of any associated asset retirement obligations.

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

1 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

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

Other items of property, plant and equipment are depreciated on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, 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

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.

(e) 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.

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

1 Summary of significant accounting policies (continued)

(e) Tax (continued)

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

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

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

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

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

(f) Financial instruments

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

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

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

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

1 Summary of significant accounting policies (continued)

(g) Provisions

i. 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.

ii. Demolition costs

Demolition costs relating to the demolition of gas holders, based on discounted future estimated expenditures expected to be incurred are provided for in full.

(h) 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

	2022 £'000	2021 £'000
An analysis of turnover by category:		
Rental income	2,943	3,950
Service charge income	80	19
Insurance income	20	86
	<u>3,043</u>	<u>4,055</u>

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

3 Operating loss

	2022 £'000	2021 £'000
Operating loss is stated after charging:		
Depreciation of property, plant and equipment (note 8)	<u>152</u>	<u>152</u>
Services provided by the Company's auditor		
Audit fees of the Company	<u>31</u>	<u>28</u>

Operating loss includes the charge of onerous gas holder demolition provision of £734,000 (2021: £5,092,000 charge) and the charge of environmental provision of £672,000 (2021: £170,000 net release).

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

3 Operating loss (continued)

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

4 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year, there were 3 Directors (2021: 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 (2021: none).

5 Interest receivable and similar income

	2022 £'000	2021 £'000
Interest receivable from fellow subsidiary undertakings	32	2
Other interest receivable	4	—
	<u>36</u>	<u>2</u>

6 Interest payable and similar charges

	2022 £'000	2021 £'000
Unwinding of discount on provisions	<u>817</u>	<u>815</u>

7 Tax

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	(29)	(73)
Adjustments in respect of prior years	<u>(33)</u>	<u>127</u>
	<u>(62)</u>	<u>54</u>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	(416)	307
Impact of change in tax rate	<u>(1,376)</u>	<u>—</u>
Total deferred tax	<u>(1,792)</u>	<u>307</u>
Tax (credited)/charged to the profit and loss account	<u>(1,854)</u>	<u>361</u>

The tax credit (2021: charge) for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

7 Tax (Continued)

	2022	2021
	£'000	£'000
Profit/(loss) before tax	<u>6,059</u>	<u>(3,310)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	1,151	(629)
Effect of:		
Expenses not deductible for tax purposes	124	428
Reversal of accounting loss on disposal	(519)	577
Taxation on transfer pricing adjustments	(537)	(409)
Land remediation uplift	(520)	(46)
Impact of change in UK tax rate	(1,376)	—
Other	(144)	313
Adjustments in respect of prior years	<u>(33)</u>	<u>127</u>
Total tax (credited)/charged in the profit and loss account	<u>(1,854)</u>	<u>361</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2022, that are expected to reverse after 1 April 2023, have been calculated at 25%.

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

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

8 Property, plant and equipment

	Land and buildings £'000
Cost	
At 1 April 2021	310,596
Additions	68
Disposals	(2,856)
At 31 March 2022	<u>307,808</u>
Provision for impairment	
As at 1 April 2021 and 31 March 2022	<u>259,704</u>
Accumulated depreciation	
At 1 April 2021	(1,414)
Depreciation charge for the year	(152)
Disposals	1,323
At 31 March 2022	<u>(243)</u>
Net book value:	
At 31 March 2022	<u><u>47,860</u></u>
At 31 March 2021	<u><u>49,478</u></u>

The Company sold 3 sites (2021: 4 sites) to third parties resulting in total profit on sale of fixed assets of £7,619,000 (2021: £417,000).

During the prior year, the Directors reviewed the carrying value of land and buildings and have considered it appropriate to charge £nil of impairment.

9 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2021 and 31 March 2022	<u><u>33,259</u></u>
Provision	
At 1 April 2021 and 31 March 2022	<u><u>28,664</u></u>
Net book value:	
At 1 April 2021 and 31 March 2022	<u><u>4,595</u></u>

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

9 Fixed asset investments (continued)

The Company's subsidiary undertaking as at 31 March 2022 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.

10 Debtors

	2022	2021
	£'000	(restated)*
		£'000
Amounts falling due within one year:		
Trade debtors	—	325
Amounts owed by fellow subsidiary undertakings	15,576	13,411
Amounts owed by immediate parent company	—	1
VAT recoverable	167	—
Other debtors	618	461
Prepayments and accrued income	16	18
	<u>16,377</u>	<u>14,216</u>
Amounts falling due after more than one year:		
Deferred tax	<u>5,732</u>	<u>3,940</u>

Details of prior year adjustment below-

	2022	2021
	£'000	(restated)*
		£'000
Amounts owed by fellow subsidiary undertakings	15,576	12,511
Restatement -charged to equity	—	900
Amounts owed to fellow subsidiary undertakings(restated)	<u>15,576</u>	<u>13,411</u>

* For further details of prior year adjustment refer to note 1(b).

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

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

10 Debtors (continued)

Deferred tax

	2022	2021
	£'000	£'000
Accelerated capital allowances	70	57
Other	5,662	3,883
Deferred tax asset	<u>5,732</u>	<u>3,940</u>
	2022	2021
	£'000	£'000
Deferred tax asset at 1 April	3,940	4,247
Credited/(charged) to profit and loss account	1,792	(307)
Deferred tax asset at 31 March	<u>5,732</u>	<u>3,940</u>

There are no other significant unrecognised deferred tax assets or liabilities (2021: £nil).

11 Creditors (amounts falling due within one year)

	2022	2021
	£'000	£'000
Trade creditors	439	186
Amounts owed to fellow subsidiary undertakings	—	334
Other tax and social security	—	650
Other creditors	719	671
Accruals and deferred income	1,609	4,189
	<u>2,767</u>	<u>6,030</u>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Where intercompany loans are interest-bearing interest is charged at rates determined by Group Treasury.

An amount of £80,000 (2021: £2,950,000) 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.

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

	2022	2021
	£'000	(restated)* £'000
Deferred income	<u>22,233</u>	<u>25,252</u>

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

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

Details of prior year adjustment below-

	2022	2021 (restated)*
	£'000	£'000
Deferred income (prior to restatement)	22,233	20,512
Restatement- credited to equity	—	4,740
Deferred income (restated)	<u>22,235</u>	<u>25,252</u>

* For further details of prior year adjustment refer to note 1(b).

An amount of £22,233,000 (2021 as restated : £25,252,000), 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	Total £'000
At 1 April 2021	23,345	5,091	28,436
Additions	672	734	1,406
Utilised	(1,268)	—	(1,268)
Unwinding of discount	817	—	817
At 31 March 2022	<u>23,566</u>	<u>5,825</u>	<u>29,391</u>

Environmental provision

During the year the Directors have reviewed the environmental provisions relating to sites sold and have considered it appropriate to charge through administration expenses an amount of £672,000 (2021: £170,000 net release).

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

The expected decontamination costs have been discounted at a real rate of 0.5% (2021: 0.5%) 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 8 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 current year have been charged to operating costs rather than exceptional items as they are not in relation to changes in regulation.

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

13 Provisions for liabilities (continued)

Environmental provision (continued)

The undiscounted amount of the provision at 31 March 2022 relating to gas site decontamination was £24,000,000 (2021: £23,818,000) being the best undiscounted estimate of the liability having regard to the uncertainties referred to above.

Demolition provision

Annual analysis was carried out on the demolition programme and has given rise to an onerous contract liability, being the excess of all expected future net demolition costs less the net fixed rate fees received from National Grid Gas plc, a fellow subsidiary, as deferred income. This demolition provision represents the costs relating to the demolition of gas holders expected to be incurred until 2025. The undiscounted amount of the provision at 31 March 2022 was £5,920,000 (2021: £5,149,000).

14 Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
358,683,900 (2021: 358,683,900) ordinary shares of £1 each	<u>358,684</u>	<u>358,684</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 Capital and other commitments

	2022 £'000	2021 £'000
Contracts for future capital expenditure not provided in the financial statements	<u>—</u>	<u>3,500</u>

16 Contingent liabilities

(a) Environmental claims

The environmental provision (note 13) has been set up to deal with the costs of statutory decontamination of the National Grid group's UK old gas works 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.

Birch Sites Limited
Notes to the financial statements (continued)
For the year ended 31 March 2022

17 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.

18 Ultimate parent company

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.

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

19 Events after the reporting period

Subsequent to the year end, the Company has sold 3 sites to a third party resulting in a gain on disposal of £26,825,000.