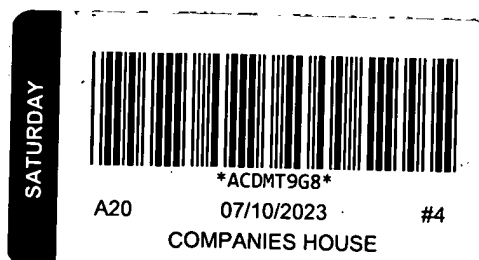


Company Registration Number: 9874533

National Grid Partners Limited

Annual Report and Financial Statements

For the year ended 31 March 2023



National Grid Partners Limited

Strategic Report

For the year ended 31 March 2023

The Directors present their Strategic Report on National Grid Partners Limited ('the Company') for the year ended 31 March 2023.

Review of the business

The Company invests in technology start-ups in the form of convertible preference shares, convertible loan notes, and minority equity investments in other venture capital funds that also principally invest in technology start-ups (together, the "investment portfolio"). The purpose of these investments is to generate a financial return and to leverage strategic benefits from working with the investees.

Executive summary

The investment portfolio consists of investments in start-up technology businesses focusing on a range of innovative products, from capital program management, to cyber security to man-hole leak detection.

During the year the Company invested \$69,296,000 (2022: \$125,927,000) in 18 (2022: 27) companies and technology funds. Challenging macro conditions impacted portfolio returns. Funding opportunities at increased valuations, which typically drive portfolio returns, were not available due to the overall tighter venture capital market. The Company's portfolio did realise four exits as three companies were acquired and one was sold on a public exchange after its Initial Public Offering (IPO) in 2021. The acquisitions all produced gains, but the size of the acquisition prices were constrained by the overall market condition. Shares in Copperleaf were sold on the Toronto exchange in April 2022, after the lock-up period expired. This resulted in a current year loss in the income statement on these shares, given a decline in the share price between the end of the prior year and the date of sale. On a total basis the investment still produced \$24,400,000 in total proceeds from a \$10,000,000 investment. The Company's investing activity is funded by its parent company.

Results, as detailed below, largely depend on movement in fair value of investments and the profit or loss on disposal of investments.

Results

The Company's loss for the financial year was \$16,247,000 (2022: \$66,850,000 profit).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2023 was \$252,695,000 (2022: \$268,858,000) comprising the fair value of our minority interest equity investments \$379,519,000 (2022: \$363,704,000); net current liabilities of \$107,637,000 (2022: \$69,101,000 net current liabilities) and provisions for liabilities of \$19,187,000 (2022: \$25,745,000).

Key performance indicators and principal risks and uncertainties

The Company performance is monitored by tracking the portfolio's Internal Rate of Return (IRR) and annual fair value gains. The principal risk for the Company is portfolio performance, which is driven by specific company risk factors and broader systemic market risk factors. Diversification in the investment portfolio helps the Company to manage some of this risk through minimising over-exposure to any of these specific risk factors.

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, interest rate and foreign exchange risks. These risks are monitored through National Grid's 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 Partners Limited
Strategic Report (continued)
For the year ended 31 March 2023

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 new share issues and intercompany loans or balances to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities.

Interest rate risk

The Company has one intercompany loan which can fluctuate between an asset and liability which exposes it to interest rate risk. To the extent that the Company enters into intercompany loan agreements, the Company's exposure to interest rate risk arises on such loans on which interest is currently charged based upon USD LIBOR.

LIBOR is being replaced as an interest rate benchmark by alternative reference rates for USD loans. 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 under way, with all affected contracts where the Company had previously paid or received GBP LIBOR amended in the prior year. 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.

Foreign exchange risk

To the extent that the Company enters into transaction in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates.

Future developments

The Directors are continuing to monitor risks from inflation and the war in Ukraine. Recessionary concerns and the potential risk of additional bank failures are being watched. The Company is working to ensure portfolio companies are aware of and prepared for these risks. None of these developments have directly impacted or caused adjustment to these financial statements, though increased market volatility caused by these concerns is already priced in to the valuations. We are continuing to monitor these developments closely. Refer to note 8 for further information.

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 2023. 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.

National Grid Partners Limited
Strategic Report (continued)
For the year ended 31 March 2023

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

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 pages 36 to 37 and 77 to 78 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors).

Fostering business relationships with our customers and suppliers

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 33 to 35 in the National Grid plc Annual Report and Accounts and in the National Grid plc Responsible Business Report.

National Grid Partners Limited
Strategic Report (continued)
For the year ended 31 March 2023

Section 172 (1) statement (continued)

Shareholders

The Board considers the long-term impact of corporate actions and decisions on our shareholders. 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 68 (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:

Lawrence Hagan

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L Hagan

Company Secretary

18 September 2023

National Grid Partners Limited
Directors' Report
For the year ended 31 March 2023

The Directors present their Report and the audited financial statements of the Company for the year ended to 31 March 2023.

Future developments

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

Principal risk and uncertainties

Details of principal risks and uncertainties have been included within the Strategic Report on page 1.

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 not paid any interim ordinary dividends during the year (2022: \$nil). The Directors do not recommend the payment of a final dividend (2022: \$nil).

Directors

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

I Cooper	
K J Hyzak	(Appointed 9 August 2023)
L M Lambert	(Resigned 15 June 2023)
S C Harle Smith	(Appointed 22 June 2023)
B H Wilson	(Appointed 14 April 2022)

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.

The Company is in a net current 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 completing this analysis, the Directors have considered the ability of the National Grid group to provide such finance and have received assurances in writing that the Group will continue to provide funding for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

National Grid Partners Limited
Directors' Report (continued)
For the year ended 31 March 2023

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 2023 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.

National Grid Partners Limited
Directors' Report (continued)
For the year ended 31 March 2023

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

DocuSigned by:
Lawrence Hagan
882598C639FF40A...

L Hagan
Company Secretary
18 September 2023

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 9874533

Independent auditor's report to the members of National Grid Partners Limited

Independent auditor's report to the members of National Grid Partners Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid Partners Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March, 2023 and of its loss 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;
- the related notes 1 to 15.

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.

Independent auditor's report to the members of National Grid Partners Limited (continued)

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 respect in this regard.

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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent auditor's report to the members of National Grid Partners Limited (continued)

We obtained an understanding of the legal and regulatory frameworks 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 and 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 relevant internal specialists such as tax and valuations regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for in the following area, and our procedures performed to address it are described below:

- The company holds fixed asset investments measured at fair value and where the determination of fair value requires significant judgement there is a risk that those investments are not recorded at an appropriate fair value. For certain investments where we assessed the valuation to be of significant risk, we utilised internal fair value specialists to assess the appropriateness of the valuation methodology used and the key judgements made by management. We corroborated key inputs into the valuation model to supporting materials where available, assessed the financial performance of the portfolio company through a review of the management financial information and performed an independent search for any evidence which might contradict management's valuation assumptions.

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.

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 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.

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.

Independent auditor's report to the members of National Grid Partners Limited (continued)

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

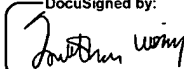
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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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Jonathan Wiseman, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory auditor
London, United Kingdom
22 September 2023

National Grid Partners Limited
Profit and loss account
For the year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
(Losses)/gains on investments	2	(9,951)	103,467
Gross (loss)/profit		(9,951)	103,467
Administrative expenses	3	(11,674)	(16,636)
Operating (loss)/profit	3	(21,625)	86,831
Interest receivable and similar income	5	—	81
Interest payable and similar charges	6	(2,671)	(44)
(Loss)/profit before tax		(24,296)	86,868
Tax	7	8,049	(20,018)
(Loss)/profit for the year		(16,247)	66,850

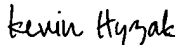
The results for both years reported above relate to continuing activities.

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.

National Grid Partners Limited
Balance sheet
As at 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Fixed assets			
Investments	8	<u>379,519</u>	<u>363,704</u>
Current assets			
Debtors (amounts falling due within one year)	9	3,464	5,585
Cash at bank and in hand		<u>180</u>	<u>—</u>
Total current assets		<u>3,644</u>	<u>5,585</u>
Creditors (amounts falling due within one year)	10	(111,281)	(74,686)
Net current liabilities		<u>(107,637)</u>	<u>(69,101)</u>
Total assets less current liabilities		<u>271,882</u>	<u>294,603</u>
Provisions for liabilities	11	(19,187)	(25,745)
Net assets		<u><u>252,695</u></u>	<u><u>268,858</u></u>
Equity			
Share capital	12	1,292	1,292
Share premium account		198,708	198,708
Profit and loss account		<u>52,695</u>	<u>68,858</u>
Total shareholders' equity		<u><u>252,695</u></u>	<u><u>268,858</u></u>

The financial statements set out on pages 12 to 24 were approved by the Board of Directors on 18 September 2023 and were signed on its behalf by:

DocuSigned by:

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K J Hyzak
 Director

National Grid Partners Limited
 Company registration number: 9874533

National Grid Partners Limited
Statement of changes in equity
For the year ended 31 March 2023

	Share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total shareholders' equity \$'000
At 1 April 2021	1,292	198,708	1,957	201,957
Profit for the year	—	—	66,850	66,850
Share-based payments	—	—	51	51
At 31 March 2022	1,292	198,708	68,858	268,858
Loss for the year	—	—	(16,247)	(16,247)
Share-based payments	—	—	84	84
At 31 March 2023	1,292	198,708	52,695	252,695

National Grid Partners Limited
Notes to the financial statements
For the year ended 31 March 2023

1 Summary of significant accounting policies

National Grid Partners 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 National Grid Partners Limited for the year ended 31 March 2023 were approved by the Board of Directors on 18 September 2023. 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 except for the recording of our equity investments which are recorded at fair value and are presented in US dollars which is the currency of the primary economic environment in which the Company operates.

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.

The Company is in a net current 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 completing this analysis the Directors have considered the ability of the National Grid group to provide such finance and have received assurances in writing that the Group will continue to provide funding for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the 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).

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 2023 that have a material impact on the Company's financial statements.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The valuation of our unlisted equity investments that are fair valued through profit and loss requires significant judgement and has inputs that are key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in these financial statements. Refer to note 8 for further information.

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

(b) Tax

The tax credit 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 credit comprises current tax.

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

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, 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 offset 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.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

1 Summary of significant accounting policies (continued)

(c) Foreign currency transactions and balances

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Non-monetary assets are not retranslated unless they are carried at fair value. Gains and losses arising on retranslation of monetary assets and liabilities are included in the profit and loss account.

(d) 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.

Amortised cost instruments

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 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.

Investments (fair value through profit and loss instruments)

The Company classifies its minority interest equity investments considering both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of investments is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. All equity investments are therefore measured at fair value through profit and loss.

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.

Fair value analysis

Included in the balance sheet are financial instruments which are measured at fair value. These fair values can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

All investments are held at fair value through profit and loss and are classified as level 3 financial instruments (see note 8 for further information). Level 3 financial instruments are valued using techniques where one or more significant inputs are based on unobservable market data. They comprise a series of small unquoted investments where prices or valuation inputs are unobservable. Many of these investments are either recently acquired or there have been recent funding rounds with third parties and therefore the valuation is based on the latest transaction price and any subsequent investment-specific adjustments. In determining the fair value of the Company's level 3 financial assets, the Company follows recommendations and best practices set out in the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. More information can be found in note 8.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

1 Summary of significant accounting policies (continued)

(e) Equity instruments

An equity instrument is any contract that includes a residual interest in the assets of the Company after deducting all 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.

(f) Gains/losses on investments

These are gains and losses on the fair value movements of our equity investments. Refer to note 8 for further information on those investments.

(g) Share based payments

National Grid issues equity-settled share-based payments to certain employees of the Company. Equity-settled share-based payments are measured at fair value at the date of grant, based on an estimate of the number of shares that will eventually vest. This fair value is recognised on a straight-line basis over the vesting period, as an operating cost and an increase in equity. Payments made by the Company to National Grid in respect of share-based payments are recognised as a reduction in equity.

(h) Areas of judgement and key sources of estimation

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of income and expenses during the reported period. Actual results could differ from these estimates. Information about such judgements and estimates is in the notes to the financial statements and the key areas are summarised below.

Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements relates to the fair value of investments. The valuation of early stage technology start-up unquoted companies is inherently difficult as valuation inputs are generally unobservable and there is often limited comparable market data. Where transactions are within a 12 month period, the valuation is based on the latest transaction price. Where the latest transaction price is greater than 12 months, we utilise a combination of valuation techniques (such as comparison to market multiples of early stage technology companies, cost to replace, or comparison to our original investment thesis and performance of the company in the period) to triangulate a valuation that correlates with qualitative information available. Refer to note 8 for further information.

Recent bank failures have not directly impacted portfolio companies. Valuations have indirectly taken account of this risk as increased volatility in the public markets as a result of these events is factored in to valuations. The situation is continuing to be monitored, however, and we will update valuations in line with company and market performance as merited.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

2 (Losses)/gains on investments

	2023	2022
	\$'000	\$'000
An analysis of investments:		
Realised gains	17,943	11,043
Unrealised (losses)/gains	<u>(27,894)</u>	<u>92,424</u>
	<u>(9,951)</u>	<u>103,467</u>

3 Operating (loss)/profit

	2023	2022
	\$'000	\$'000
Operating (loss)/profit is stated after charging/(crediting):		
Foreign exchange losses/(gains)	866	(578)
Management charges	9,645	14,394
Services provided by the Company's auditor		
Audit fees	<u>187</u>	<u>356</u>

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

4 Directors and employees

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 (2022: 1) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

Staff costs

	2023	2022
	\$'000	\$'000
Wages and salaries	753	1,050
Social security costs	109	134
Defined contribution scheme pension costs	134	130
Defined benefit scheme pension costs	11	26
Share-based payments	<u>84</u>	<u>51</u>
Total staff costs	<u>1,091</u>	<u>1,391</u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

4 Directors and employees (continued)

The average monthly number of employees (including Directors) employed by the Company during the year was as follows:

	2023	2022
By activity	No	No
Administration	<u>7</u>	<u>7</u>

5 Interest receivable and similar income

	2023	2022
	\$'000	\$'000
Interest receivable from ultimate parent company	<u>—</u>	<u>81</u>

6 Interest payable and similar charges

	2023	2022
	\$'000	\$'000
Interest payable to ultimate parent company	2,671	43
Interest payable on bank loans and overdrafts	<u>—</u>	<u>1</u>
	<u>2,671</u>	<u>44</u>

7 Tax

Tax (credited)/charged to the profit and loss account

	2023	2022
	\$'000	\$'000
Current tax:		
UK corporation tax	(1,412)	(2,447)
Adjustments in respect of prior years	<u>(221)</u>	<u>(3,138)</u>
Total current tax	<u>(1,633)</u>	<u>(5,585)</u>
Deferred tax:		
Origination and reversal of timing differences	(6,385)	24,297
Adjustments in respect of prior years	<u>(31)</u>	<u>1,306</u>
Total deferred tax	<u>(6,416)</u>	<u>25,603</u>
Tax (credited)/charged in the profit and loss account	<u>(8,049)</u>	<u>20,018</u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

7 Tax (continued)

The tax credit (2022: charge) for the year is higher (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023	2022
	\$'000	\$'000
(Loss)/profit before tax	<u>(24,296)</u>	<u>86,868</u>
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(4,616)	16,505
Effect of:		
Expenses not deductible for tax purposes	(5)	—
Taxation on transfer pricing adjustments	2	(4)
Impact of share-based payments	16	11
Impact of change in UK tax rate	(1,540)	6,145
Other	(1,654)	(807)
Adjustments in respect of prior years	<u>(252)</u>	<u>(1,832)</u>
Total tax (credited)/charged in the profit and loss account	<u>(8,049)</u>	<u>20,018</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 2023 have been calculated at 25%.

8 Investments

	2023	2022
	\$'000	\$'000
At 1 April	363,704	155,277
New investments	23,197	73,154
Additional funding to pre-existing portfolio investments	46,099	52,773
Fair value (losses)/gains	(27,894)	103,467
Disposals	<u>(25,587)</u>	<u>(20,967)</u>
At 31 March	<u>379,519</u>	<u>363,704</u>

Financial assets at fair value through profit and loss of \$379,519,000 (2022: \$363,704,000) are the Company's minority interest equity investments in technology-led companies that are fair valued through profit and loss. During the year the Company acquired \$69,296,000 (2022: \$125,927,000) of investments and recorded fair value losses of \$27,894,000 (2022: \$103,467,000 gains) (see note 2).

Of the investments made during the financial year, \$46,099,000 (2022: \$52,773,000) were related to existing portfolio companies and \$23,197,000 (2022: \$73,154,000) were investments in new companies.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

8 Investments (continued)

The Company sold four investments during the year for an amount totalling \$42,990,000, originally acquired for \$25,587,000.

The fair values of investments can be categorised into hierarchy levels that are representative of the inputs used in measuring the fair value. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. Fair value gains in the period represent unrealised gains and realised gains related to four exits achieved during the period.

Fourteen investments had a financing round within the last twelve month period and as such the valuations for these investments are based on the latest transaction share price, adjusted using an option pricing model. In this application, the option pricing model is used to calculate the relative values of junior share classes, compared to the most recent share class, given the rights and preferences associated with that tranche. At 31 March 2022, the Company had seventeen investments whose latest 3rd party transaction dates were more than 12 months ago. These investments were valued with a combination of techniques (including market multiples of listed technology companies, calibration to previous financing rounds, and the discounted cash flow method).

The valuation of these seventeen investments involve significant judgement and the range of fair value estimates that the various methodologies yielded were from \$200,000,000 to \$349,000,000. The value of \$256,000,000 was selected as it reflected the most appropriate valuation based on market information, performance of the underlying business and other qualitative information.

The situation around the war in Ukraine and bank failures are continuing to be monitored but there has not been any direct and measurable impacts on the Company's portfolio companies to date.

9 Debtors

	2023	2022
	\$'000	\$'000
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	2,026	5,578
VAT recoverable	1	6
Other debtors	1,437	1
	<u>3,464</u>	<u>5,585</u>

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 (2022: \$nil).

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

10 Creditors (amounts falling due within one year)

	2023 \$'000	2022 \$'000
Bank overdraft	—	61
Trade creditors	50	105
Amounts owed to fellow subsidiary undertakings	6,808	10,568
Amounts owed to ultimate parent company	104,422	63,507
Other creditors	—	89
Accruals	1	356
	<u>111,281</u>	<u>74,686</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.

11 Provisions for liabilities

	Restructuring \$'000	Deferred taxation \$'000	Total \$'000
At 1 April 2022	142	25,603	25,745
Released to profit and loss	(142)	—	(142)
Credited to profit and loss account	—	(6,416)	(6,416)
At 31 March 2023	<u>—</u>	<u>19,187</u>	<u>19,187</u>

Deferred tax

	2023 \$'000	2022 \$'000
Other net temporary differences	<u>19,187</u>	25,603
Deferred tax liability	<u>19,187</u>	<u>25,603</u>
	2023 \$'000	2022 \$'000
Deferred tax liability at 1 April	25,603	—
(Credited)/charged to profit and loss account	<u>(6,416)</u>	25,603
Deferred tax liability at 31 March	<u>19,187</u>	<u>25,603</u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2023

12 Share capital

	2023	2022
	\$'000	\$'000
Allotted, called up and fully paid		
1,000,001 (2022: 1,000,001) ordinary shares of \$£1 each	<u>1,292</u>	<u>1,292</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.

13 Capital commitments

The Company has £10,688,096 (2022: £16,000,000) of remaining capital committed to various IQ Capital funds.

14 Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid (US) Partner 1 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.

15 Significant holdings in non-subsidary undertakings

As of 31 March 2023 the Company held significant holdings in the following start-up technology companies: Pathr.ai (22%, incorporated in the United States), CNIGuard (37%, incorporated in the United Kingdom), and AccuKnox (42%, incorporated in the United States).