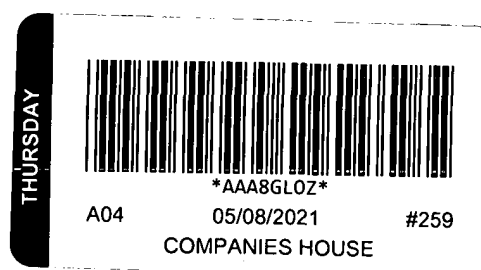


Company Registration Number: 9874533

National Grid Partners Limited

Annual Report and Financial Statements

For the year ended 31 March 2021



National Grid Partners Limited
Strategic Report
For the year ended 31 March 2021

The Directors present their Strategic Report on National Grid Partners Limited ('the Company') for the year ended 31 March 2021.

Review of the business

The Company invests in technology start-ups in the form of convertible preference shares and sometimes convertible loan notes. The Company also has minority equity investments in fund of funds that also principally invest in technology start-ups. The purpose of these investments is to generate a financial return and to leverage strategic benefits from working with the investees.

Executive summary

The portfolio of investments consists of minority interest equity investments in a number of start-ups and technology funds. The start-ups are all 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 \$32,035,000 in 11 companies (including technology funds). Portfolio companies performed well, overall, despite the initial uncertainty from COVID-19. Additional funding rounds for Sitetracker, Climacell and Uniphore drove significant increases in valuations. Our investing activity is funded by our 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 profit for the financial year was \$6,168,000 (the period from 1 February 2019 to 31 March 2020: \$4,289,000 loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2021 was \$201,957,000 (2020: \$195,789,000) comprising net current assets of \$46,680,000 (2020: \$88,923,000). The fair value of our minority interest equity investments at 31 March 2021 was \$155,277,000 (2020: \$106,866,000).

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 2020/21, 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, interest rate cash flow and foreign exchange 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.

National Grid Partners Limited
Strategic Report (continued)
For the year ended 31 March 2021

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 cash flow risk

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

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 planning to replace LIBOR cash flows with alternative reference rates on affected contracts. The migration project is underway, with all affected contracts expected to be amended by 31 December 2021. As at 31 March 2021, no contracts had yet been amended. 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 Sterling Overnight Index Average (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 in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates.

Impact of COVID-19 and Brexit

The Directors have continued to review the risks to the Company of the ongoing COVID-19 coronavirus pandemic and the UK's formal withdrawal from the EU on 31 January 2021. They have concluded that there is no impact on the Company nor any resultant adjustments to these financial statements.

A detailed risk assessment of COVID-19 has been done at the National Grid Group level and disclosure in relation to this has been provided in National Grid plc's Annual Report and Accounts 2020/21.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the foreseeable future. The COVID-19 pandemic became known in January 2020 and since this time there have been various actions taken by the UK government. None of these developments have impacted or caused adjustment to these financial statements. While COVID-19 will continue to bring some uncertainty and volatility in the venture capital market, we will monitor these developments closely. Refer to note 8 for further information.

National Grid Partners Limited
Strategic Report (continued)
For the year ended 31 March 2021

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 2021. 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.

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 page 59 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 holding company and thus has no suppliers and customers itself. 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 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.

National Grid Partners Limited
Strategic Report (continued)
For the year ended 31 March 2021

Section 172 (1) statement (continued)

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 52 to 60 in the National Grid plc Annual Report and Accounts.

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 60 (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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L Hagan
Company Secretary
26 July 2021

National Grid Partners Limited
Directors' Report
For the year ended 31 March 2021

The Directors present their Report and the audited financial statements of the Company for the year ended to 31 March 2021.

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 (2020: \$nil) . The Directors do not recommend the payment of a final dividend (2020: \$nil).

Directors

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

I Cooper
L M Lambert

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 Directors have considered the impact of COVID-19 on the Group, as described in note 1 to the consolidated financial statements in National Grid's Annual Report and Accounts 2020/21, and on the Company and have concluded that there are no material uncertainties related to these events or conditions that may cast doubt upon the Company's ability to continue as a going concern. 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 2021

Employees

The Company has established through e-mails, intranets, cascade briefings and in-house magazines, effective methods for communicating with employees on matters of concern to them. Regular consultation with staff takes place using both formal and informal mechanisms.

The Company remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find alternative jobs for those who are unable to continue in their existing job due to disability.

The Company takes a positive approach to equality and diversity. We promote equality in the application of reward policies, employment and development opportunities, and aim to support employees in balancing work and personal lifestyles.

Employees are encouraged to become shareholders in National Grid plc and the Group operates a Sharesave Scheme and Share Incentive Plan.

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 2021 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.

National Grid Partners Limited
Directors' Report (continued)
For the year ended 31 March 2021

Statement of Directors' responsibilities (continued)

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:

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L Hagan
Company Secretary
26 July 2021

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

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 2021 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 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. 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.

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

Other information (continued)

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.

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. www.frc.org.uk/auditorsresponsibilities

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 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.

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

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

We discussed among the audit engagement team 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 fraud the following area, and our specific procedures performed to address it are described below:

- We utilised internal fair value experts within Deloitte Corporate Finance to assess the appropriateness of the valuation methodology and key judgements made by management in determining
- We corroborated key inputs into the valuations models to supporting materials where available; assessed the financial performance of the underlying investment through a review of financial information; and performed an independent search for any evidence which might contradict managements 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.

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
National Grid Partners 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.

Paraskevas Christoforou

Paraskevas Christoforou, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 July 2021

National Grid Partners Limited
Profit and loss account
For the year ended 31 March 2021

	Note	2021 \$'000	2020 ⁽ⁱ⁾ \$'000
Turnover	2	16,376	4,470
Gross profit		16,376	4,470
Administrative expenses	3	(9,510)	(10,954)
Operating profit/(loss)	3	6,866	(6,484)
Interest receivable and similar income	5	745	1,410
Interest payable and similar charges	6	—	(205)
Profit/(loss) before tax		7,611	(5,279)
Tax	7	(1,443)	990
Profit/(loss) for the year		6,168	(4,289)

⁽ⁱ⁾ 1 February 2019 to 31 March 2020


The results for year/period reported above relate to continuing activities.

There have been no other comprehensive income/losses during the the current year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented. The notes on pages 14 to 23 form an integral part of the financial statements.

National Grid Partners Limited
Balance sheet
As at 31 March 2021

	Note	31 March 2021 \$'000	31 March 2020 \$'000
Fixed assets			
Investments	8	<u>155,277</u>	<u>106,866</u>
Current assets			
Debtors (amounts falling due within one year)	9	51,205	105,832
Financial and other investments	10	2,966	—
Cash at bank and in hand		<u>42</u>	<u>213</u>
Total current assets		<u>54,213</u>	<u>106,045</u>
Creditors (amounts falling due within one year)	11	(7,533)	(17,122)
Net current assets		<u>46,680</u>	<u>88,923</u>
Total assets less current liabilities		<u>201,957</u>	<u>195,789</u>
Net assets		<u>201,957</u>	<u>195,789</u>
Equity			
Share capital	12	1,292	1,292
Share premium account		198,708	198,708
Profit and loss account		<u>1,957</u>	<u>(4,211)</u>
Total shareholders' equity		<u>201,957</u>	<u>195,789</u>

The financial statements set out on pages 12 to 23 were approved by the Board of Directors on 26 July 2021 and were signed on its behalf by:

DocuSigned by:

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I Cooper
 Director

National Grid Partners Limited
 Company registration number: 9874533

National Grid Partners Limited
Statement of changes in equity
For the year ended 31 March 2021

	Share capital \$'000	Share premium account \$'000	Profit and loss account \$'000	Total shareholders' equity \$'000
At 1 April 2019	—	—	—	—
Loss for the year	—	—	(4,289)	(4,289)
Total comprehensive income for the year	—	—	(4,289)	(4,289)
Issue of share capital (note 12)	1,292	198,708	—	200,000
Share-based payments	—	—	78	78
At 31 March 2020	1,292	198,708	(4,211)	195,789
Profit for the year	—	—	6,168	6,168
Total comprehensive income for the year	—	—	6,168	6,168
At 31 March 2021	<u>1,292</u>	<u>198,708</u>	<u>1,957</u>	<u>201,957</u>

National Grid Partners Limited
Notes to the financial statements
For the year ended 31 March 2021

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 2021 were approved by the Board of Directors on 26 July 2021. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on an historical cost basis except for the recording of our equity investments which are recorded at fair value and are presented in US dollar 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 Directors have considered the impact of COVID-19 on the Group, as described in note 1 to the consolidated financial statements in National Grid's Annual Report and Accounts 2020/21, and on the Company and have concluded that there are no material uncertainties related to these events or conditions that may cast doubt upon the Company's ability to continue as a going concern. 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).

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 2021 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 2021

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

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

(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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. 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.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

Investments (fair value through profit and loss instruments)

The Company classifies its minority interest equity investments on 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 which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these 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 our investments held at fair value through profit and loss are 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. More information can be found in note 8.

(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) Turnover

Turnover comprises 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.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(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.

In light of the current ongoing impact of the COVID-19 pandemic, valuations of these investments are necessarily more subjective. Refer to note 8 for further information.

2 Turnover

	2021 \$'000	2020 \$'000
An analysis of turnover by category:		
Realised gains	—	8,947
Contingent gain	—	564
Unrealised gains/losses	<u>16,376</u>	<u>(5,041)</u>
	<u>16,376</u>	<u>4,470</u>

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

3 Operating loss

	2021 \$'000	2020 \$'000
Operating profit/(loss) is stated after charging:		
Foreign exchange losses unrealised	(63)	655
Foreign exchange losses realised	2	(54)
Management charges	6,603	8,410
Conference costs	13	680
Subscriptions	—	124
Other	<u>1,849</u>	<u>972</u>
Services provided by the Company's auditor		
Audit fees	<u>237</u>	<u>167</u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

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 1 (2020: 2) Directors 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

	2021 \$'000	2020 \$'000
Wages and salaries	931	2,171
Social security costs	140	305
Defined contribution scheme pension costs	130	154
Defined benefit scheme pension costs	27	73
Share-based payments	—	78
Total staff costs	<u>1,228</u>	<u>2,781</u>
Costs recharged to fellow National Grid subsidiaries	<u>(122)</u>	<u>(2,635)</u>
Net staff costs	<u><u>1,106</u></u>	<u><u>146</u></u>

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

	2021 No	2020 No
By activity		
Administration	<u>6</u>	<u>6</u>

5 Interest receivable and similar income

	2021 \$'000	2020 \$'000
Interest receivable from ultimate parent company	<u>745</u>	<u>1,410</u>

6 Interest payable and similar charges

	2021 \$'000	2020 \$'000
Interest payable to fellow subsidiary undertakings	—	201
Interest payable on bank loans and overdrafts	<u>—</u>	<u>4</u>
	<u><u>—</u></u>	<u><u>205</u></u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

7 Tax

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

	2021 \$'000	2020 \$'000
Current tax:		
UK corporation tax	<u>1,443</u>	<u>(990)</u>

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 \$'000	2020 \$'000
Profit/(loss) before tax	<u>7,611</u>	<u>(5,279)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,446	(1,003)
Effect of:		
Expenses not deductible for tax purposes	(3)	(1)
Impact of share-based payments	—	14
Total tax charged/(credited) in the profit and loss account	<u><u>1,443</u></u>	<u><u>(990)</u></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.

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.

8 Investments

	2021 \$'000	2020 \$'000
At 1 April 2020	106,866	—
New investments	13,500	118,113
Additional funding to pre-existing portfolio investments ²	18,535	1,249
Fair value Gains	16,376	5,015
Disposals	—	(17,511)
At 31 March 2021	<u><u>155,277</u></u>	<u><u>106,866</u></u>

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

8 Investments (continued)

Financial assets at fair value through profit and loss of \$155,277,000 (1 February 2019 to 31 March 2020: \$106,866,000) are the Company's minority interest equity investments in technology-led companies that are fair valued through profit and loss. During the period the Company acquired \$32,035,000 (1 February 2019 to 31 March 2020: \$119,907,000) of investments and recorded fair value gains of \$16,376,000 (1 February 2019 to 31 March 2020: \$4,470,000) (see note 2).

The fair values of these 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 there has been no exits in the period.

All of the investments are unquoted investments with unobservable valuation inputs and are therefore level III financial instruments.

Most investments had a financing round within the last twelve month period and as such the valuation for the majority of the investments are based on the latest transaction share price, adjusted using an option pricing model. At 31 March 2021, we had seven investments whose latest 3rd party transaction dates were more than 12 months ago. These investments were valued with a combination of references to market multiples considering a range of values using a combination of techniques (including market multiples of listed technology companies, cost to replace and cross checking current revenue performance against investment thesis multiples).

The valuation of these seven investments involve significant judgement and the range of fair value estimates that the various methodologies yielded were from \$32,730,000 to \$72,980,000. The value of \$43,130,000 selected reflected the most appropriate valuation based on market information, performance of the underlying business and other qualitative information.

While COVID-19 has impacted individual portfolio companies differently, there is has been no lasting impact on the capital markets. Given the performance of the markets over the last year, no capital market adjustment due to COVID-19 was considered at this time, unlike during the previous year when the market had materially declined.

9 Debtors

	2021	2020
	\$'000	\$'000
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	—	1,114
Amounts owed by ultimate parent company	50,594	104,154
VAT recoverable	47	—
Prepayments and accrued income	564	564
	<u>51,205</u>	<u>105,832</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.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

9 Debtors (continued)

Included within prepayments and accrued income is \$564,000 (2020: \$564,000) of contingent consideration relating to the sale of one of our investments, Aporeto. The amount recorded reflects the fair value of the contingent consideration at 31 March 2021.

10 Financial and other investments

	2021 \$'000	2020 \$'000
Restricted cash balances	<u>2,966</u>	<u>—</u>

The Panaseer investment was funded during the period but was held in attorney's account until closing conditions were finalised subsequent to 31 March 2021.

11 Creditors (amounts falling due within one year)

	2021 \$'000	2020 \$'000
Bank overdraft	—	310
Trade creditors	201	10
Amounts owed to fellow subsidiary undertakings	6,171	11,159
Other tax and social security	17	—
Other creditors	1,121	142
Accruals	23	5,501
	<u>7,533</u>	<u>17,122</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.

12 Share capital

	2021 \$'000	2020 \$'000
Allotted, called up and fully paid		
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 £9,530,000 (2020: £12,420,000) of capital committed to various IQ Capital funds.

National Grid Partners Limited
Notes to the financial statements (continued)
For the year ended 31 March 2021

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 Events after the reporting period

Since 31 March 2021 the Company participated in a further financing rounds in 3 pre-existing investments for \$3.6m. As well as the funding of 6 new investments for \$21.8m.

The Company committed a further £10,000,000 to an IQ Capital fund post balance sheet date.