

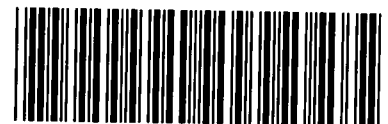
Company Registration Number: 2537092

National Grid International Limited

Annual Report and Financial Statements

For the year ended 31 March 2020

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National Grid International Limited

Strategic Report

For the year ended 31 March 2020

The Directors present their Strategic Report on National Grid International Limited ('the Company') for the year ended 31 March 2020.

Review of the business

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

Executive summary

There have been no significant changes in the Company's trading activities during the year, as reported in the profit and loss account, however, the Company has been part of a group intercompany loan and company rationalisation project with the aim of reducing the number of such loans and companies within the National Grid group. As a result, the Directors have approved a number of transactions including: the sale of the Company's investments in subsidiary undertakings, National Grid Holdings BV and National Grid Thirty Six Limited to National Grid Holdings Limited resulting in a profit on sale of £18,166,000; and the settlement of a number of intercompany loans to various group companies.

On the completion of these transactions, following shareholders' approval, the Directors agreed the Company would reduce its share capital by way of the solvency statement procedure permitted under sections 641(1)(a) and 642 to 644 of the Companies Act 2006. As a result, 999,990 ordinary shares of £0.10 each were cancelled and the resulting reserve was treated as realised profit and therefore distributable by the Company. Following the completion of the capital reduction, the Company paid a dividend and the remaining intercompany loan receivable was made non-interest bearing.

During the year, the Company has recognised a deferred tax asset on previously unrecognised tax losses resulting in a credit of £11,571,000 in the profit and loss account. Results, as detailed below, largely depend on the deferred tax credit and profit on sale of fixed asset investments partially offset by net interest payable.

COVID-19

Since the outbreak of the COVID-19 coronavirus pandemic in early 2020, the Directors have reviewed the risks to the Company. The Company was an investment holding company and now provides finance to fellow National Grid subsidiary companies and has no external transactions to the National Grid group. As a result, COVID-19 has not impacted the Company or caused any adjustments to these financial statements.

Results

The Company's profit for the year was £28,503,000 (2019: £1,502,000 loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2020 was £11,679,000 (2019: £39,221,000) comprising fixed asset investments of £nil (2019: £245,834,000) and net current assets of £11,679,000 (2019: £206,613,000 net current liabilities).

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2019/20, which does not form part of this report. Further details of Company financial risk management have been included in the Directors' Report.

Future developments

The Directors are currently reviewing the future activities of the Company.

National Grid International Limited

Strategic Report (continued)

For the year ended 31 March 2020

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 2020. 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

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

Disclosures relating to employees may be found in the Annual Report and Accounts of these companies. You can read more about the Group's engagement with employees on page 73 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 was a holding company and provides finance to fellow subsidiary companies 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, 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.

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 48 to 56 in the National Grid plc Annual Report and Accounts.

National Grid International Limited

Strategic Report (continued)

For the year ended 31 March 2020

Section 172 (1) statement (continued)

Shareholders

The Board considers the long-term impact of corporate actions and decisions on our shareholders. During the year, the Board paid interim dividends of £56,045,000 to its immediate parent.

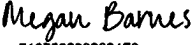
The ultimate shareholder is National Grid plc and there is ongoing communication and engagement with the National Grid Board. Any matters requiring escalation are escalated by the Board through the Chairman to its ultimate parent.

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 pages 55 and 56 (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:

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M Barnes
Company Secretary
30 July 2020

National Grid International Limited

Directors' Report

For the year ended 31 March 2020

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2020.

Future developments

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

Dividends

The Company has paid an interim ordinary dividend of £56,045,000 (2019: £nil) during the year, however, the Directors do not recommend the payment of a final dividend (2019 £nil).

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit, 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.

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

Liquidity risk

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

Credit risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. No exposure is considered to exist in respect of intercompany loans as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements.

Interest rate cash flow risk

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

The UK's Financial Conduct Authority announced that LIBOR will cease to exist by the end of 2021, and will be replaced by alternative reference rates ('ARRs'). National Grid's interest rate risk arises from long-term borrowings, which currently uses LIBOR as the benchmark. The migration to ARR's will impact contracts at National Grid including financial liabilities that pay LIBOR-based cash flows, derivatives that receive or pay LIBOR-based cash flows, and other contracts such as leases or procurement contracts that reference LIBOR. The change in benchmark also affects discount rates which can impact valuations. National Grid are managing the risk by identifying affected contracts and planning to replace LIBOR cash flows with alternative reference rates on those contracts.

Foreign exchange risk

To the extent that the Company enters intercompany loan agreements in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. During the year the Company had intercompany loans denominated in Chilean Pesos and US dollars.

National Grid International Limited

Directors' Report (continued)

For the year ended 31 March 2020

Directors

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

K M Dickie	(Resigned 12 February 2020; Appointed 1 July 2020)
S W Grant	
A K Mead	
D A Preston	
C J Waters	(Resigned 12 February 2020)

Directors' indemnity

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles, qualifying third-party indemnities against financial exposure that Directors may incur 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

The impact of COVID-19 on the National Grid group's operations is continually being assessed and subject to rapid change. These risks and uncertainties are included within the Strategic Report and described in note 1 to the consolidated financial statements in National Grid plc's Annual Report and Accounts 2019/20 and have been taken into consideration in assessing the ability of the Group to continue as a going concern. Based on this analysis the Directors of National Grid plc concluded that the Group has adequate resources to continue in operation and adopted the going concern basis of accounting in preparing the Group financial statements.

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 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.

Events after the reporting period

In the period since year end to the date of signing of these financial statements there have continued to be substantial economic and social changes in the UK as a result of the ongoing pandemic of coronavirus disease (COVID-19). These changes and risks are being actively managed by the Directors of the Company and none of these developments have impacted or caused adjustment to these financial statements.

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors in office at the date of the approval of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. This confirmation is given in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

At the 2020 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.

National Grid International Limited

Directors' Report (continued)

For the year ended 31 March 2020

Statement of Directors' responsibilities


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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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M Barnes
Company Secretary
30 July 2020

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 2537092

Independent auditor's report to the members of

National Grid International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid International Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 of National Grid International Limited (the 'Company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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


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

We have nothing to report in respect of these matters.

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

Use of our report

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

DocuSigned by:

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James Isherwood (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
30 July 2020

National Grid International Limited**Profit and loss account****For the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
Operating income		18,145	4
Operating profit	2	18,145	4
Interest receivable and similar income	4	392	101
Interest payable and similar charges	5	(1,893)	(1,954)
Profit/(loss) before tax		16,644	(1,849)
Tax	6	11,859	347
Profit/(loss) for the year		28,503	(1,502)

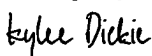
The results for both years reported above relate to continuing activities.

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 International Limited**Balance sheet****As at 31 March 2020**

	Notes	2020 £'000	2019 £'000
Fixed asset investments	8	-	245,834
Current assets			
Debtors (amounts falling due within one year)	9	4,459	12,952
Debtors (amounts falling due after more than one year)	9	7,220	1
		11,679	12,953
Creditors (amounts falling due within one year)	10	-	(219,566)
Net current assets/(liabilities)		-	(206,613)
Total assets less current liabilities		11,679	39,221
Net assets		11,679	39,221
Equity			
Share capital	11	-	100
Profit and loss account		11,679	39,121
Total shareholders' equity		11,679	39,221

The financial statements set out on pages 10 to 20 were approved by the Board of Directors on 30 July 2020 and were signed on its behalf by:

DocuSigned by:

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K M Dickie
 Director

National Grid International Limited
 Company registration number: 2537092

National Grid International Limited**Statement of changes in equity****For the year ended 31 March 2020**

	Share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2018	100	40,623	40,723
Loss for the year	-	(1,502)	(1,502)
At 31 March 2019	100	39,121	39,221
Profit for the year	-	28,503	28,503
Equity dividends (note 7)	-	(56,045)	(56,045)
Capital reduction (note 11)	(100)	100	-
At 31 March 2020	-	11,679	11,679

National Grid International Limited

Notes to the financial statements

For the year ended 31 March 2020

1 Summary of significant accounting policies

National Grid International 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

These financial statements of National Grid International Limited for the year ended 31 March 2020 were approved by the Board of Directors on 30 July 2020. 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 and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The 2019 comparative financial information has also been prepared on this basis.

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. The Directors have considered the impact of COVID-19 on the Group 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'.

The Company adopted IFRS 16 'Leases' with effect from 1 April 2019. The adoption of IFRS 16 has had no impact on the Company.

The UK's Financial Conduct Authority announced that LIBOR will cease to exist by the end of 2021, and will be replaced by alternative reference rates. In September 2019, the IASB amended IFRS 9 and IFRS 7 by issuing Interest Rate Benchmark Reform, which provides exceptions to specific hedge accounting requirements to ensure that hedging relationships are not considered to be modified as a result of uncertainties during the migration from LIBOR to alternative reference rate. The Company early-adopted these changes to IFRS 7 and IFRS 9 with effect from 1 April 2019 and the adoption has had no impact on the Company.

National Grid International Limited
Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates. There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in these financial statements.

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 year 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 jointly controlled entities except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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

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

(c) Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provisions for impairment.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value-in-use.

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

(d) 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.

(e) Financial instruments

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

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

Borrowings, which include interest-bearing loans and overdrafts, are initially recorded at fair value 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.

(f) Equity instruments

An equity instrument is any contract that includes a residual interest in the assets of the Company after deducting all of its liabilities and is recorded at the proceeds received, net of direct issue costs, with an amount equal to the nominal amount of the shares issued included in the share capital account.

(g) Dividends

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after crediting/(charging):		
Profit on sale of fixed asset investments (note 8)	18,166	-
Foreign exchange (losses)/gains	(22)	4

Audit fees of £6,000 (2019: £6,000) have been borne by a fellow subsidiary undertaking and not recharged.

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

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year, there were 5 Directors (2019: 3) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2019: none).

4 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from immediate parent company	391	96
Exchange gains on revaluation of foreign currency denominated intercompany loans	1	5
	<u>392</u>	<u>101</u>

5 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest payable to a subsidiary undertaking	46	68
Interest payable to a fellow subsidiary undertaking	468	550
Interest payable to immediate parent company	1,331	1,317
Exchange losses on revaluation of foreign currency denominated intercompany loans	48	19
	<u>1,893</u>	<u>1,954</u>

6 Tax

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	(289)	(347)
Adjustments in respect of prior years	1	-
Total current tax	<u>(288)</u>	<u>(347)</u>
Deferred tax:		
UK deferred tax	<u>(11,571)</u>	<u>-</u>
Tax credit in the profit and loss account	<u>(11,859)</u>	<u>(347)</u>

The tax credit for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

6 Tax (continued)

	2020 £'000	2019 £'000
Profit/(loss) before tax	16,644	(1,849)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	3,162	(351)
Effect of:		
Non-taxable income	(3,451)	-
Taxation on transfer pricing adjustments	-	4
Deferred tax asset recognised on previously unrecognised tax losses	(11,571)	-
Adjustments in respect of prior years	1	-
Total tax credit in the profit and loss account	(11,859)	(347)

Deferred tax assets in respect of capital losses of £362 million (2019: £450 million) have not been recognised as their future recovery is uncertain or not currently anticipated. The capital losses are available to carry forward indefinitely and capital losses can be offset against specific types of future capital gains.

Factors that may affect future tax charges

On 17 March 2020, the UK government utilised the Provisional Collection of Taxes Act 1968 to substantively enact a reversal of the reduction in the main UK corporation tax rate to 17% with effect from 1 April 2020. The main UK corporation tax rate therefore remains at 19%. Deferred tax balances have been calculated at this rate.

The Directors will continue to monitor the developments driven by Brexit, the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives including fiscal aid investigations. At this time the Directors do not expect this to 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. The Directors will monitor as the details become available for any that may materially impact our future tax charges.

7 Equity dividends

	2020 £'000	2019 £'000
Equity - ordinary dividends		
First interim paid: £560.45 per £0.10 share	56,045	-

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

8 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2019	245,834
Disposals	(245,834)
At 31 March 2020	-
Net book value	
At 31 March 2020	-
At 31 March 2019	245,834

During the year, the Company has been part of a group rationalisation project with the aim of reducing the number of companies within the National Grid group. As a result, the Directors have approved a number of transactions including the sale of the Company's investments in subsidiary undertakings, National Grid Holdings BV and National Grid Thirty Six Limited to National Grid Holdings Limited resulting in a profit on sale of £18,166,000. At 31 March 2020, the Company holds no investments in subsidiary undertakings.

9 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	-	641
Amounts owed by fellow subsidiary undertakings	-	3,423
Amounts owed by immediate parent company	108	8,888
Deferred tax	4,351	-
	4,459	12,952

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.

During the year, as part of a group rationalisation and intercompany loan project, the Company received cash in settlement of amounts owed by subsidiary and fellow subsidiary undertakings. The cash received was advanced to the immediate parent company, under existing loan arrangements.

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

9 Debtors (continued)

	2020 £'000	2019 £'000
Amounts falling due after more than one year		
Deferred tax	7,220	-
Deferred tax		
Accelerated capital allowances	1	1
Unused capital losses	11,571	-
Deferred tax asset	11,572	1
Deferred tax asset at 1 April	1	1
Deferred tax asset recognised on previously unrecognised tax losses	11,571	-
Deferred tax asset at 31 March	11,572	1

10 Creditors (amounts falling due within one year)

	2020 £'000	2019 £'000
Amounts owed to subsidiary undertakings	-	6,571
Amounts owed to fellow subsidiary undertakings	-	56,998
Amounts owed to immediate parent company	-	155,989
Other creditors	-	8
	-	219,566

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

During the year, as part of a group rationalisation and intercompany loan project, the Company has cash settled the amounts owed to subsidiary and fellow subsidiary undertakings using cash advanced from the immediate parent company.

11 Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
10 (2019: 1,000,000) ordinary shares of £0.10 each	-	100

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.

On 25 February 2020, following shareholders' approval, the Directors agreed the Company would reduce its share capital by way of the solvency statement procedure permitted under sections 641(1)(a) and 642 to 644 of the Companies Act 2006. The capital reduction was effective on 5 March 2020 and as a result, 999,990 ordinary shares of £0.10 each were cancelled and the resulting reserve was treated as realised profit and therefore distributable by the Company.

National Grid International Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

12 Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

13 Ultimate parent company

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

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

14 Events after the reporting period

In the period since year end to the date of signing of these financial statements there have continued to be substantial economic and social changes in the UK as a result of the ongoing pandemic of coronavirus disease (COVID-19). These changes and risks are being actively managed by the Directors of the Company and none of these developments have impacted or caused adjustment to these financial statements.