

Company Registration Number: 3900804

Lattice Group Limited

Annual Report and Financial Statements

For the year ended 31 March 2019



Lattice Group Limited

Strategic Report

For the year ended 31 March 2019

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

Review of the business

The Company holds investments in other National Grid plc subsidiary companies and obtains and provides finance to fellow subsidiary companies via intercompany balances. In addition, the Company acts as the sponsoring company of Section A of the National Grid UK Pension Scheme.

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.

In addition, there were no other significant movements in the Company's investments or changes in intercompany balances.

Results, as detailed below, largely depend on net interest received.

Results

The Company's profit for the financial year was £29 million (2018: £16 million profit).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2019 was £2,876 million (2018: £2,810 million) comprising fixed asset investments of £675 million (2018: £675 million), net current assets of £2,349 million (2018: £2,276 million) less provisions for liabilities and charges of £121 million (2018: £113 million) and pension benefit obligations of £27 million (2018: £28 million).

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2018/19, which does not form part of this report.

Future developments

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

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



M Barnes
Company Secretary
6 September 2019

Lattice Group Limited

Directors' Report

For the year ended 31 March 2019

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

Future developments

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

Dividends

The Company has paid no interim ordinary dividends during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and interest rate cash flow 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 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 has intercompany financial assets 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 charged based upon sterling LIBOR.

Lattice Group Limited
Directors' Report (continued)
For the year ended 31 March 2019

Directors

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

A J Agg
D C Bonar (Resigned 30 April 2018)
A R J Bonfield (Resigned 30 July 2018)
J P Clay
S W Grant
H Hill
S C Humphreys
A K Mead
D A Preston
C J Waters

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 Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Modern Slavery Act

In accordance with the Modern Slavery Act 2015 (section 54 part 6), the Board of Lattice Group Limited has adopted and approved the statement on the prevention of slavery and human trafficking of its parent company, National Grid plc. A copy of the statement is available on the National Grid plc website.

Disclosure of information to auditors

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

Events after the reporting period

Subsequent to the year end, on 25 July 2019, the Company received dividends of £1,047 million from its subsidiary, National Grid Gas Holdings Limited. The cash consideration received was used to settle a dividend declared to its parent company, National Grid Holdings One plc of £1,047 million on the same date.

In addition, on 15 August 2019, the Trustee of the National Grid UK Pension Scheme entered into a buy-in arrangement in respect of some pensioner and dependent members of Section A. This involved exchanging around £2.7 billion of gilts for the buy-in policy, which is held by the Trustee.

Lattice Group Limited

Directors' Report (continued)

For the year ended 31 March 2019

Auditors

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

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 judgments 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:



M Barnes
Company Secretary
6 September 2019

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 3900804

Independent auditor's report to the members of

Lattice Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lattice Group Limited ('the Company'):

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15, which includes a summary of significant accounting policies.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of

Lattice Group 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.

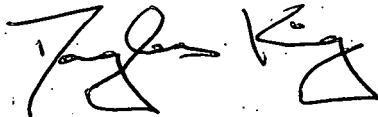
We have nothing to report in respect of these matters.

Independent auditor's report to the members of

Lattice Group 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.

A handwritten signature in black ink, appearing to read 'Douglas King', is positioned above the printed name and title of the auditor.

Douglas King FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, UK

6 September 2019

Lattice Group Limited

Profit and loss account

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Other operating charges		(2)	(3)
Operating loss	2	<u>(2)</u>	<u>(3)</u>
Interest receivable and similar income	4	34	21
Interest payable and similar charges	5	(1)	(1)
Profit before tax		<u>31</u>	<u>17</u>
Tax	6	(2)	(1)
Profit for the financial year		<u><u>29</u></u>	<u><u>16</u></u>

The results reported above relate to continuing activities.

Lattice Group Limited
Statement of comprehensive income
For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Profit for the financial year		29	16
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement gains on pension assets and post-retirement benefit obligations	12	45	351
Tax on items that will never be reclassified to profit or loss	6	(8)	(60)
Total items that will never be reclassified to profit or loss		37	291
Other comprehensive income for the year, net of tax		37	291
Total comprehensive income for the year		66	307

Lattice Group Limited

Balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
Fixed asset investments	7	<u>675</u>	<u>675</u>
Current assets			
Debtors (amounts falling due within one year)	8	1,612	1,588
Pension asset	12	<u>742</u>	<u>693</u>
Total current assets		<u>2,354</u>	<u>2,281</u>
Creditors (amounts falling due within one year)	9	(5)	(5)
Net current assets		<u>2,349</u>	<u>2,276</u>
Total assets less current liabilities		<u>3,024</u>	<u>2,951</u>
Provisions for liabilities and charges	10	(121)	(113)
Pension benefit obligations	12	(27)	(28)
Net assets		<u>2,876</u>	<u>2,810</u>
Equity			
Share capital	11	361	361
Share premium account		3	3
Other equity reserve		14	14
Profit and loss account		<u>2,498</u>	<u>2,432</u>
Total shareholders' equity		<u>2,876</u>	<u>2,810</u>

These financial statements on pages 8 to 27 were approved by the Board of Directors on 6 September 2019 and were signed on its behalf by:



S W Grant
Director

Lattice Group Limited
Company registration number: 3900804

Lattice Group Limited
Statement of changes in equity
For the year ended 31 March 2019

	Share capital £m	Share premium account £m	Other equity reserve £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2017	361	3	14	2,125	2,503
Profit for the financial year	-	-	-	16	16
Other comprehensive income for the year	-	-	-	291	291
Total comprehensive income for the year	-	-	-	307	307
At 31 March 2018	361	3	14	2,432	2,810
Profit for the financial year	-	-	-	29	29
Other comprehensive income for the year	-	-	-	37	37
Total comprehensive loss for the year	-	-	-	66	66
At 31 March 2019	361	3	14	2,498	2,876

Lattice Group Limited
Notes to the financial statements
For the year ended 31 March 2019

1 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of Lattice Group Limited for the year ended 31 March 2019 were approved by the Board of Directors on 6 September 2019. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on a historical cost basis and are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The 2018 comparative financial information has also been presented 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 are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

These financial statements are presented in the format as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

In accordance with Section 400 of the Companies Act 2006, the Company is exempt from preparing consolidated financial statements, as it is included within the consolidated financial statements of National Grid plc, which are publicly available.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosures in respect of transactions with National Grid plc and its subsidiaries;
- disclosures in respect of capital management;
- 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 has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 April 2018. The adoption of IFRS 9 has had no material impact and the adoption of IFRS 15 has had no impact on the Company.

The preparation of financial statements may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The area of judgement that has the most significant effect on the amounts recognised in the financial statements is the recognition of the surplus in respect of the defined benefit pension scheme.

Similarly, the key source of estimation uncertainty that has significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relates to the estimation of liabilities for pensions as detailed in note 12. In order to illustrate the impact that changes in assumptions could have on the results and financial position, sensitivity analysis has been provided in note 12.

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

(b) Fixed asset investments

Investments in subsidiary undertakings held as fixed assets are stated at cost less any provisions for impairment.

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

(c) Financial instruments

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

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

Borrowings, which include interest-bearing loans and overdrafts, are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

2018

Loans receivable [and other receivables] are initially recognised at fair value plus transaction costs and subsequently held at amortised cost using the effective interest method. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with gains and losses when the loans [and receivables] are derecognised or impaired, are recognised in the profit and loss account.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(d) 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 and the balance recorded in the share premium account.

(e) Tax

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

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

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.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

1 Summary of significant accounting policies (continued)

(f) Pensions

Section A of the National Grid UK Pension Scheme is reflected within these financial statements. This is a defined benefit scheme where members on retirement receive benefits whose value is dependent on factors such as salary and length of pensionable service.

The Company's obligation in respect of the scheme is calculated by projecting the estimated amount of future benefit payments that employees have earned for their pensionable service in the current and prior periods. These future pension benefits are discounted to determine the present value of the liabilities. Current service cost and any unrecognised past service cost is recognised immediately. The discount rate used is the yield at the valuation date on high-quality corporate bonds.

Advice is taken from independent actuaries relating to the appropriateness of the key assumptions applied which include life expectancy of members, expected salary and pension increases, and inflation. Comparatively small changes in the assumptions used may have a significant effect on the amounts recognised in the profit and loss account, the statement of other comprehensive income and the net asset recognised in the balance sheet.

Remeasurement of pension assets and post-retirement benefit obligations are recognised in full in the period in which they occur in the statement of other comprehensive income.

(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 loss

Audit fees of £13,000 (2018: £13,000) have been borne by the immediate parent company 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.

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 6 Directors (2018: 9) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

There were no employees of the Company during the year (2018: none).

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

4 Interest receivable and similar income

	2019 £m	2018 £m
Interest receivable from subsidiary undertakings	1	1
Interest receivable from fellow subsidiary undertakings	3	6
Interest receivable from immediate parent company	7	4
Interest receivable from ultimate parent company	5	3
Net interest receivable on pension assets and post-retirement benefit obligations	18	7
	<u>34</u>	<u>21</u>

5 Interest payable and similar charges

	2019 £m	2018 £m
Other interest payable	<u>1</u>	<u>1</u>

Other interest payable represents fees in relation to surety bonds taken out as security for future payments due to Section A of the National Grid UK Pension Scheme.

6 Tax

Tax charged to profit and loss account

	2019 £m	2018 £m
Current tax:		
UK corporation tax	2	1
Adjustments in respect of prior years	-	(1)
	<u>2</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	1
	<u>-</u>	<u>1</u>
Total tax charge	<u>2</u>	<u>1</u>

Tax charged to other comprehensive income

	2019 £m	2018 £m
Deferred tax		
Remeasurement gains of pension assets and post-retirement benefit obligations	8	60
	<u>8</u>	<u>60</u>

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

6 Tax (continued)

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

	2019 £m	2018 £m
Profit before tax	31	17
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	5	3
Effect of:		
Taxation on transfer pricing adjustments	-	(1)
Non-taxable income	(3)	-
Adjustments in respect of prior years	-	(1)
Total tax charge in the profit and loss account	2	1

Factors that may affect future tax charges

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

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

7 Fixed asset investments

	Shares in subsidiary undertakings £m
Cost:	
At 1 April 2018 and 31 March 2019	695
Provision:	
At 1 April 2018 and 31 March 2019	20
Net book value:	
At 31 March 2019 and 31 March 2018	675

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

Name of subsidiary	% Holding	Principal activity
National Grid Blue Power Limited	100	Dormant
National Grid Commercial Holdings Limited	100	Investment holding company and provision of corporate centre services
National Grid Gas Holdings Limited	100	Investment holding company
National Grid Grain LNG Limited	100	Gas storage company
National Grid Smart Limited	100	Metering services
National Grid Energy Metering Limited	100	Dormant

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

7 Fixed asset investments (continued)

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

The Directors believe that the carrying values of the investments are supported by the value of their underlying net assets.

The Company also controls indirectly through its subsidiary undertakings a number of companies.

Subsidiary undertakings incorporated in England and Wales

Registered office: 1-3 Strand, London, WC2N 5EH.

Beegas Nominees Limited	National Grid Twenty Eight Limited
Birch Sites Limited	National Grid Twenty Seven Limited
Droylsdon Metering Services Limited	National Grid William Limited
Landranch Limited	Ngrid Intellectual Property Limited
Lattice Group Employee Benefit Trust Limited	NGT Telecom No 1 Limited
Lattice Group Trustees Limited	Port Greenwich Limited
National Grid Gas plc	Stargas Nominees Limited
National Grid Metering Limited	Thamesport Interchange Limited
National Grid Property Holdings Limited	Warwick Technology Park Management Company (No 2) Limited (60.56%) ¹

1. Registered office: Shire Hall, PO.Box 9, Warwick, CV34 4RL, UK

Subsidiary undertakings incorporated in the United States of America

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA.

British Transco Capital Inc.
British Transco Finance, Inc.

Subsidiary undertakings incorporated in the Netherlands

British Transco International Finance B.V.

Registered office: Westblaak 89, 3012 KG Rotterdam, PO Box 21153, 3001 AD, Rotterdam, Netherlands.

Subsidiary undertakings incorporated in the Republic of Ireland

National Grid Company (Ireland) Designated Activity Company *

Registered office: c/o Moore Stephens Nathans, Third Floor, Ulysees House, 23/24 Foley Street, Dublin 1, D01 W2T2, Ireland.

* in liquidation

The list below contains all indirect joint ventures.

Joint ventures incorporated in England and Wales

Joint Radio Company Limited (50%)**

Registered office: Friars House, Manor House Drive, Coventry, CV1 2TE, UK.

St William Homes LLP (50%)

Registered office: Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG, UK.

** National Grid Gas plc owns all £1.00 A Ordinary shares

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

8 Debtors (amounts falling due within one year)

	2019 £m	2018 £m
Amounts owed by subsidiary undertakings	111	93
Amounts owed by immediate parent company	590	587
Amounts owed by fellow subsidiary undertakings	317	316
Amounts owed by ultimate parent company	594	592
	<u>1,612</u>	<u>1,588</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 the purposes of the impairment assessment the majority of 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. Where such loans are with subsidiaries in a net liabilities position no provision for impairment has been made as provisions to make good such deficits are reflected in the financial statements of the Company's immediate parent, National Grid Holdings One plc.

9 Creditors (amounts falling due within one year)

	2019 £m	2018 £m
Other creditors	<u>5</u>	<u>5</u>

10 Provisions for liabilities and charges

Deferred tax	2019 £m	2018 £m
Other short-term timing differences	<u>121</u>	<u>113</u>
	2019 £m	2018 £m
Deferred tax liability at 1 April	113	52
Charged to profit and loss account	-	1
Charged to equity	8	60
Deferred tax liability at 31 March	<u>121</u>	<u>113</u>

There are no significant unrecognised deferred tax assets or liabilities.

11 Share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
3,613,496,929 (2018: 3,613,496,929) ordinary shares of £0.10 each	<u>361</u>	<u>361</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.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions

Section A of the National Grid UK Pension Scheme ('the Scheme') which is a defined benefit pension scheme is reflected within these financial statements. The Scheme is supported by the Company and makes payments to cover administration costs and the Pension Protection Fund levy. The Scheme was closed to new hires on 1 April 2002. In addition to the defined benefit scheme the Company also maintains an unfunded pension scheme for a limited number of staff.

Defined benefit arrangements

The Company's defined benefit arrangements are held in separate Trustee-administered funds. These arrangements are managed by a Trustee company with a board consisting of company- and member-appointed directors.

These arrangements are subject to independent actuarial funding valuations at least every three years and following consultation and agreement with National Grid, the qualified actuary certifies the employers' contribution, which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable.

The most recent actuarial valuation was carried out by Willis Towers Watson as at 31 March 2017. The market value of the Scheme's assets and liabilities was £6,716 million and £6,627 million respectively. The value of the assets represented approximately 101% of the actuarial value of benefits due to members. Thus, there was a funding surplus of £89 million (£74 million net of tax). An actuarial valuation for the Scheme is currently being performed as at 31 March 2019.

Following the last actuarial valuation, the Scheme was in surplus, and currently no deficit funding contributions are being made. National Grid and the Trustees have agreed a schedule of contributions whereby the employers will contribute 51.8% of pensionable salary, less member contributions, in respect of ongoing service cost. The rate is deemed to be sufficient to meet the statutory funding objective during the period for which it is in force. The Company is also responsible for the costs of administration and the Pension Protection Fund levy.

As part of the sectionalisation of the National Grid UK Pension Scheme on 1 January 2017 a guarantee of £1 billion has been provided to Section A. This payment is contingent on insolvency or on failure to pay pension obligations to Section A and can be claimed against National Grid plc, National Grid Holdings One plc or the Company (up to £1 billion in total).

Security arrangements

The Company has also established a security arrangement with a charge in favour of the Trustees. As at 31 March 2019 the value of this arrangement was £315 million and the principal supporting employers are National Grid plc and National Grid UK Limited. An additional amount of £72 million is payable if certain trigger events occur which have been agreed between the Scheme and their relevant supporting employers.

The security is provided in the form of surety bonds. The assets held in security will be paid to the Scheme in the event that the relevant supporting employer is subject to an insolvency event or fails to make the required contributions. Counter indemnities have also been taken out to ensure the obligations will be fulfilled.

Guaranteed Minimum Pension (GMP) equalisation

In the UK, GMPs were intended to broadly replace State Earnings Related Pension Scheme (SERPS) benefits for members of contracted-out occupational pension schemes from April 1978 to April 1997. Inequalities in GMP stemmed from the statutory definition of GMP, resulting in benefits accruing at different rates between male and female members.

A High Court judgement in October 2018 confirmed that GMP benefits needs to be equalised between men and women, and importantly also provided alternative prescribed methods of equalisation. This provide much needed clarity, as there has been uncertainty in pensions law for decades, as it pertains to GMP equalisation.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Guaranteed Minimum Pension (GMP) equalisation (continued)

However, schemes cannot directly equalise the GMPs, but need to adjust other benefits in order to achieve this, through correcting the ongoing position and making back-payments to affected members. This is a highly complex issue that will have a significant effect on the eventual cost of providing benefits, as well as significant cost implications in the calculation and implementation of the equalisation method. Under IAS19 we have estimated the cost of equalising for the impact of GMP under the most cost effective permissible method to be £17 million. This amount has been recognised as a past service cost.

The key drivers of these costs are the schemes' benefit structures, the membership profile and retirement choices made by members. National Grid will continue to work closely with the Trustee, the actuaries and legal advisers to implement and administer GMP equalisation, which is expected to take some years. Administration costs related to this process will most likely be significant, but we are unable to accurately estimate them at this stage.

Actuarial assumptions

The Company has applied the following financial assumptions in assessing defined benefit liabilities:

	2019 %	2018 %
Discount rate – past service	2.40	2.60
Discount rate – future service	2.45	2.65
Rate of increase in salaries	3.50	3.40
Rate of increase in RPI – past service	3.25	3.15
Rate of increase in RPI – future service	3.20	3.10

The discount rates for UK pension liabilities have been determined by reference to appropriate yields on high-quality corporate bonds prevailing in the UK debt markets at the reporting date. Since 2018, National Grid has adopted different discount rates for future and past service based on the duration of future and past service scheme liabilities. The rate of increase in salaries has been set using a promotional scale where appropriate. The rates of increase stated are not indicative of historical increases awarded or a guarantee of future increases, but merely an appropriate assumption used in assessing defined benefit liabilities. Retail Price Index (RPI) is the key assumption that determines assumed increases in pensions in payment and deferment. Consistent with the determination of the discount rate, the RPI assumption reflects the duration of the active liabilities to be adopted in the calculation of the future service obligations.

Demographic assumptions

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2019 years	2018 years
Assumed life expectations for a retiree age 65		
Today:		
Males	21.6	22.0
Females	23.4	23.7
In 20 years:		
Males	23.0	23.4
Females	25.0	25.3

Maturity profile of defined benefit obligations

The weighted average duration of the defined benefit obligation is 15 years.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Amounts recognised in the balance sheet

	2019 £m	2018 £m
Present value of funded obligations	(5,810)	(5,852)
Fair value of scheme assets	6,552	6,545
	<u>742</u>	<u>693</u>
Present value of unfunded liabilities	(27)	(28)
Net defined benefit asset	<u>715</u>	<u>665</u>
Represented by:		
Liabilities	(27)	(28)
Assets	<u>742</u>	<u>693</u>
	<u>715</u>	<u>665</u>

The recognition of the pension asset reflects legal and actuarial advice that National Grid has taken regarding recognition of surplus under IFRIC 14. National Grid has concluded that the Company has an unconditional right to a refund from the Scheme in the event of a winding-up. The Trustees must seek the agreement of the Company to any benefit augmentation beyond the provisions set out in the Scheme rules.

Amounts recognised in profit and loss and statement of other comprehensive income

	2019 £m	2018 £m
Included within operating costs*		
Administration costs	3	3
Included within payroll costs*		
Current service cost	3	3
Past service cost – plan amendments	17	-
Special termination benefit cost – redundancies	2	1
Included within interest payable		
Net interest receivable on pension assets and post-retirement benefit obligations	(18)	(7)
Total included in profit and loss account*	<u>7</u>	<u>-</u>
Amounts recharged to fellow National Grid subsidiary companies	(22)	(4)
Total included in Company profit and loss account	<u>(15)</u>	<u>(4)</u>
Remeasurement gains on pension assets and post-retirement obligations	45	351
Total included in the statement of other comprehensive income	<u>45</u>	<u>351</u>

* All service costs (current and past) and special termination benefit costs have been recharged to fellow National Grid subsidiary companies.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Reconciliation of the net defined benefit asset

	2019 £m	2018 £m
Opening net defined benefit asset	665	306
Credit recognised in the profit and loss account	(7)	-
Remeasurement effects recognised in the statement of other comprehensive income	45	351
Employer contributions	12	8
Closing net defined benefit asset	715	665

Changes in the present value of defined benefit obligations (including unfunded obligations)

	2019 £m	2018 £m
Opening defined benefit obligations	(5,880)	(6,416)
Current service cost	(3)	(3)
Interest cost	(148)	(150)
Actuarial losses – experience	(6)	(40)
Actuarial gains – demographic assumptions	95	166
Actuarial (losses)/gains – financial assumptions	(215)	226
Special termination benefit cost – redundancies	(2)	(1)
Past service cost – plan amendments	(17)	-
Benefits paid	339	338
Closing defined benefit obligations	(5,837)	(5,880)

Changes in the fair value of scheme assets

	2019 £m	2018 £m
Opening fair value of scheme assets	6,545	6,722
Interest income	166	157
Return on assets greater/(less) than assumed	171	(1)
Administration costs	(3)	(3)
Employer contributions	12	8
Benefits paid	(339)	(338)
Closing fair value of scheme assets	6,552	6,545
Actual return on scheme assets	337	156
Expected contributions to scheme in the following year	10	8

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Asset allocation strategy

The Scheme's investment strategy is formulated specifically to target specific asset allocations and returns, and to manage risk. The asset allocation of the scheme as at 31 March 2019 is as follows:

	%
Equities	8.1
Corporate bonds	26.2
Government securities	53.6
Property	5.1
Diversified alternatives	5.2
Cash and cash equivalents	1.8
	<u>100.0</u>

Defined benefit investment strategies and risks

Defined benefit pension schemes can pose a significant risk to future cash flows, as National Grid underwrites the financial and demographic risks associated with these plans. Although the governing bodies have sole responsibility for setting investment strategies and managing risks, National Grid closely works with and supports the governing bodies of each scheme, to assist them in mitigating the risks associated with their schemes and to ensure that the schemes are funded to meet their obligations.

In the UK, each scheme has a Trustee that is the governing body. The Trustees' responsibilities are set out in the Trust Deed and Rules.

The Trustees, after taking advice from professional investment advisers and in consultation with National Grid, set the key principles, including expected returns, risk and liquidity requirements. In setting these they take into account expected contributions, maturity of the pension liabilities, and in the UK, the strength of the covenant. The Trustees formulate an investment strategy to manage risk through diversification, including the use of liability matching assets; which move in line with the long-term liabilities of the scheme; return seeking assets; some of which are designed to mitigate downside risk. Where appropriate, the strategies may include interest rate and inflation hedging instruments, and currency hedging to hedge overseas holdings.

Investments are usually grouped into:

- Return-seeking assets: equities, property and diversified funds where the objective is to achieve growth within the constraints of the schemes' risk profiles. These assets should produce returns greater than the liability increase, so improving the funding position and are assessed by reference to benchmarks and performance targets agreed with the investment managers.
- Liability matching assets: liability driven investments (LDI) funds and swaps, where the objective is to secure fixed or inflation adjusted cash flows in future. These investments are generally expected to match the change in liability valuation, so protecting the funding position. Bonds and securities are also measured against certain market benchmarks.

Investments are predominantly made in assets considered to be of investment grade. Where investments are made in non-investment grade assets, the higher volatility involved is carefully judged and balanced against the expected higher returns. Similarly, investments are made predominantly in regulated markets. Where investments are made either in non-investment grade assets or outside of regulated markets, investment levels are kept to prudent levels and subject to agreed control ranges, to control the risk. Should these investments fall outside the pre-agreed ranges, corrective actions and timescales are agreed with the investment manager to remedy the position.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Defined benefit investment strategies and risks (continued)

The governing bodies ensure that the performance of investment managers is regularly reviewed against measurable objectives, consistent with each scheme's long-term objectives and accepted risk levels. Where required, the portfolios are amended, or investment managers changed.

The Trustees can generally delegate responsibility for the selection of specific bonds, securities and other investments to appointed investment managers. Investment managers are selected based on the required skills, expertise of those markets, process and financial security to manage the investments. The investment managers use their skill and expertise to manage the investments competently. In some cases, they may further delegate this responsibility, through appointing sub-managers.

The scheme holds sufficient cash to meet benefit outgo requirements, with other investments being held in liquid or realisable assets to meet unexpected cash flow requirements. The scheme does not borrow money, or act as guarantor, to provide liquidity (unless it is temporary).

The NGUKPS Trustee believes that long-term shareholder value and financial success, can be protected and enhanced by a responsible environmental, social and corporate governance (ESG) policy. As such, the NGUKPS' appointed investment managers are expected to be mindful of ESG issues when managing the scheme's assets. Day-to-day stewardship (voting and engagement) is delegated to the investment managers and they are encouraged to adhere to the UK Stewardship Code.

The most significant risks associated with the Scheme are:

- Asset volatility – the scheme invests in a variety of asset classes, but principally in equities, government securities, corporate bonds and property. Consequently, actual returns will differ from the underlying discount rate adopted, impacting on the funding position of the scheme through the net balance sheet asset or liability. The Scheme seeks to balance the level of investment return required with the risk that it can afford to take, to design the most appropriate investment portfolio. Volatility will be controlled through using liability matching asset strategies, interest rate hedging and management of foreign exchange exposure, as well as diversification of the return seeking assets.
- Changes in bond yields – liabilities are calculated using discount rates set with reference to the yields in high quality corporate bonds prevailing in the UK and will fluctuate as yields change.
- Member longevity – longevity is a key driver of liabilities and changes in expected mortality has a direct impact on liabilities. In aggregate, the liabilities are relatively mature which mitigates the risk to a certain extent.
- Deficit risk – the risk that the increase in the liability will outpace the growth in assets, is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy and adjusting the policy as required.
- Manager risk - expected deviation of the return, relative to the benchmark, is carefully monitored, as is the process, team and expertise of the manager. Where appropriate, the Trustee, will move assets under management to a more robust manager, whom they consider will have a better expectation of performing well in the future.
- Currency risk – fluctuations in the value of foreign denominated assets due to exposure to currency exchange rates, is managed through a combination of segregated currency hedging overlay and currency hedging carried out by some of the investment managers.
- Interest rate and inflation risk – changes in inflation will affect the current and future pensions, but are partially mitigated through investing in inflation matching assets and hedging instruments.
- Investment funds – the credit risk arising from investing in investment funds, is mitigated by the underlying assets of the investment funds being ring-fenced from the fund managers, the regulatory environments in which the fund managers operate and diversification of investments amongst investment fund arrangements.

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Defined benefit investment strategies and risks (continued)

- Political risk – an adverse influence on asset values arising from political intervention in a specific country or region is managed through regular review of the asset distribution and through ensuring geographical diversification of investments within the managers.
- Counterparty risk – is managed by having a diverse range of counterparties and through having a strong collateralisation process. Measurement and management of counter party risk is delegated to the relevant investment managers.
- Custodian risk – the creditworthiness and ability of the custodians to settle trades on time and provide secure safekeeping of the assets under custody is managed by ongoing monitoring of the custodial arrangements against pre-agreed service levels and credit ratings.

Assets allocations

Within the asset allocations below there is significant diversification across regions, asset managers, currencies and bond categories.

	2019 £m	2018 £m
Equities – quoted (i)	302	365
Equities – unquoted	231	250
Corporate bonds – quoted	1,717	1,880
Government securities – quoted	3,506	3,211
Property – unquoted	336	373
Diversified alternatives – unquoted (ii)	338	361
Cash and cash equivalents - unquoted	121	105
Other – unquoted (iii)	1	-
	<u>6,552</u>	<u>6,545</u>

- (i) Included within equities at 31 March 2019 were ordinary shares of National Grid plc with a value of £nil million (2017: £2 million).

Sensitivities

Sensitivities have been prepared to show how the defined benefit obligations and annual service costs could potentially be impacted by changes in the relevant actuarial assumption that were reasonably possible as at 31 March 2019. In preparing sensitivities the potential impact has been calculated by applying the change to each assumption in isolation and assuming all other assumptions remain unchanged. This is with the exception of RPI in the UK where the corresponding change to increases to pensions in payment, increases to pensions in deferment and increases in salary is recognised.

The sensitivities included in the table below broadly have an equal and opposite effect if the sensitivity increases or decreases by the same amount. The changes shown are a change in the annual pension service charge and change in the defined benefit obligations:

Lattice Group Limited

Notes to the financial statements (continued)

For the year ended 31 March 2019

12 Pensions (continued)

Sensitivities (continued)

	2019 Profit and loss £m	2019 Net assets £m	2018 Profit and loss £m	2018 Net assets £m
Discount rate change of 0.5% (i)	-	396	1	405
RPI rate change of 0.5% (ii)	-	321	-	326
Long term rate of increase in salaries change of 0.5% (iii)	-	4	-	4
Change of one year to life expectancy at age 65	-	258	-	249

- (i) A change in the discount rate is likely to occur as a result of changes in bond yields and as such would be expected to be offset to a significant degree by a change in the value of the bond assets held by the scheme.
- (ii) The projected impact resulting from a change in RPI reflects the underlying effect on pensions in payment, pensions in deferment and resultant increases in salary assumptions.
- (iii) The change has been applied to both the pre 1 April 2014 and post 1 April 2014 rate of increase in salary assumption.

13 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.

14 Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Holdings One plc. 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.

15 Events after the reporting period

Subsequent to the year end, on 25 July 2019, the Company received dividends of £1,047 million from its subsidiary, National Grid Gas Holdings Limited. The cash consideration received was used to settle a dividend declared to its parent company, National Grid Holdings One plc of £1,047 million on the same date.

In addition, on 15 August 2019, the Trustee of the National Grid UK Pension Scheme entered into a buy-in arrangement in respect of some pensioner and dependent members of Section A. This involved exchanging around £2.7 billion of gilts for the buy-in policy, which is held by the Trustee.