

**Company Registration Number: 4042700**

**National Grid Commercial Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2019**



# **National Grid Commercial Holdings Limited**

## **Strategic Report**

**For the year ended 31 March 2019**

The Directors present their Strategic Report on National Grid Commercial Holdings 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 provides corporate centre services to fellow National Grid plc subsidiary companies.

### **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.

As in previous years, the Company has incurred various costs which the Directors considered not to be shared costs and hence were not recharged totalling £44 million (2018: £27 million).

During the year, as part of a review of the insurance arrangements within the group, National Grid Company (Ireland) Designated Activity Company was deemed surplus to requirements and its activities were transferred to another National Grid company. Following this review, the Company received dividends of £32 million and following receipt of the dividends, the Directors have reviewed the carrying value of the investment and considered it appropriate to charge £9 million to the profit and loss account. National Grid Company (Ireland) Designated Activity Company entered liquidation on 26 March 2019.

There were no other significant changes in the Company's investments or changes in intercompany balances.

Results, as detailed below, largely depend on operating costs which are not recharged partially offset by investment income.

### **Results**

The Company's loss for the financial year was £51 million (2018: £10 million).

### **Financial position**

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2019 was £753 million (2018: £799 million), comprising fixed assets of £118 million (2018: £111 million); net current assets of £635 million (2018: £694 million), less provisions for liabilities of £nil million (2018: £6 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.

**National Grid Commercial Holdings Limited**

**Strategic Report (continued)**

**For the year ended 31 March 2019**

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

A handwritten signature in black ink, appearing to read 'M Barnes', written in a cursive style.

**M Barnes**  
Company Secretary  
19 December 2019

# **National Grid Commercial Holdings 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 payment of a final ordinary 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 exposure 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. The Company holds an approved list of counterparties of good credit quality and these counterparties and their credit ratings are routinely monitored. No exposure is considered to exist in respect of intercompany loans as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements. Where a loan is with a subsidiary in 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 intermediate holding company, National Grid Holdings One plc.

#### **Interest rate cash flow risk**

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

## **National Grid Commercial Holdings 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	(Resigned 1 October 2019)
K M Dickie	
S W Grant	
A M Lewis	(Appointed 1 October 2019)
A K Mead	
D A Preston	
D J Waller	
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 in the course of 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.

#### **Events after the reporting period**

Subsequent to the year end, on 28 November 2019 the Company subscribed for a further 40,928,339 ordinary shares of £1 each in NGT Telecom No. 1 Limited in full and final settlement of an intercompany loan of £41 million due to the Company. As a result the Directors have charged £41 million to the profit and loss account during the current year as an impairment of this loan. NGT Telecom No. 1 Limited entered voluntary liquidation on 10 December 2019.

#### **Employees**

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

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

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

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

# **National Grid Commercial Holdings Limited**

## **Directors' Report (continued)**

**For the year ended 31 March 2019**

### **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 2018 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  
19 December 2019

**Registered office:**  
1-3 Strand  
London  
WC2N 5EH

**Registered in England and Wales**  
Company registration number: 4042700

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

### **National Grid Commercial Holdings Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of National Grid Commercial Holdings 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18, 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 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 Commercial Holdings 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](http://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 Commercial Holdings 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.



**Jane Whitlock (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
Birmingham, UK  
19 December 2019

# National Grid Commercial Holdings Limited

## Profit and loss account

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Recharges to fellow subsidiary undertakings	1(h)	67	62
Operating costs		(157)	(72)
<b>Operating loss</b>	2	<u>(90)</u>	<u>(10)</u>
Income from shares in subsidiary undertakings	9	32	-
Interest receivable and similar income	4	5	3
Interest payable and similar charges	5	-	(2)
<b>Loss before tax</b>		<u>(53)</u>	<u>(9)</u>
Tax	6	2	(1)
<b>Loss for the financial year</b>		<u>(51)</u>	<u>(10)</u>

The results reported above relate to continuing activities.

There have been no other comprehensive income/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 Commercial Holdings Limited

## Balance sheet

As at 31 March 2019

	Notes	2019 £m	2018 £m
<b>Fixed assets</b>			
Intangible assets	7	42	25
Property, plant and equipment	8	4	5
Investments	9	72	81
		<u>118</u>	<u>111</u>
<b>Current assets</b>			
Debtors (amounts falling due within one year)	10	758	759
Debtors (amounts falling due after more than one year)	10	3	4
		<u>761</u>	<u>763</u>
Creditors (amounts falling due within one year)	11	(126)	(69)
<b>Net current assets</b>		<u>635</u>	<u>694</u>
<b>Total assets less current liabilities</b>		<u>753</u>	<u>805</u>
<b>Provisions for liabilities</b>	12	-	(6)
<b>Net assets</b>		<u>753</u>	<u>799</u>
<b>Equity</b>			
Share capital	13	231	231
Profit and loss account		522	568
<b>Total shareholders' equity</b>		<u>753</u>	<u>799</u>

These financial statements on pages 9 to 23 were approved by the Board of Directors on 19 December 2019 and were signed on its behalf by:



**S W Grant**  
Director

**National Grid Commercial Holdings Limited**  
Company registration number: 4042700

# National Grid Commercial Holdings Limited

## Statement of changes in equity

For the year ended 31 March 2019

	Share capital £m	Profit and loss Account £m	Total shareholders' equity £m
At 1 April 2017	231	574	805
Loss for the year	-	(10)	(10)
Share-based payments	-	5	5
Tax on share-based payments	-	(1)	(1)
At 31 March 2018	231	568	799
Loss for the year	-	(51)	(51)
Share-based payments	-	5	5
At 31 March 2019	231	522	753

# National Grid Commercial Holdings Limited

## Notes to the financial statements

### For the year ended 31 March 2019

#### 1 Summary of significant accounting policies

National Grid Commercial Holdings 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 domiciled in England, with its registered office at 1-3 Strand, London, WC2N 5EH.

##### (a) Basis of preparation

The financial statements of National Grid Commercial Holdings Limited for the year ended 31 March 2019 were approved by the Board of Directors on 19 December 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 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 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;
- presentation of comparative information in respect of certain assets; 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'.

**National Grid Commercial Holdings 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 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. IFRS 16 'Leases' is effective for the Company for the year ending 31 March 2020 and the Company has recognised additional right-of-use assets of £13 million and lease liabilities of £15 million at 1 April 2019. No additional net deferred tax has arisen.

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.

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) Intangible assets**

Identifiable Intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is an indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Where such an asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which that asset belongs is estimated. Impairments are recognised in the profit and loss account and are disclosed separately. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date.

Internally generated intangible assets, such as software, are recognised only if: (i) an asset is created that can be identified; (ii) it is probable that the asset created will generate future economic benefits; and (iii) the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful economic lives. Amortisation periods for categories of intangible assets are:

Software

Over 3 to 10 years

# **National Grid Commercial Holdings Limited**

## **Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

### **1 Summary of significant accounting policies (continued)**

#### **(d) Property, plant and equipment**

Property, plant and equipment is recorded at cost less accumulated depreciation and any impairment losses.

Cost includes the purchase price of the asset; any payroll and finance costs incurred which are directly attributable to the construction of property, plant and equipment; and the cost of any associated asset retirement obligations.

Property, plant and equipment include assets in which the Company's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacements of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction.

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

Depreciation is not provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are, in general, as shown in the table below:

<b>Depreciation periods</b>	<b>Years</b>
Leasehold buildings	Up to 50

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the profit and loss 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.

The calculation of the total tax charge/credit involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**1 Summary of significant accounting policies (continued)**

**(e) Tax (continued)**

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and 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.

**(f) 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 other 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 a review of solvency and liquidity arrangements.

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.



**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**1 Summary of significant accounting policies (continued)**

**(f) Financial instruments (continued)**

**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.

**(g) Provisions for liabilities**

Provisions for liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events on the basis of external third party or expert evidence where it is available. In some circumstances no such evidence is available and management use their best estimate of likely costs to be incurred. Onerous contracts are provided for on the basis of contracted future expenditure that exceeds expected future economic benefit. Provisions are not recognised for future operating losses.

**(h) Recharges to fellow subsidiary undertakings**

Recharges to fellow subsidiary undertakings represent charges for corporate centre services provided to fellow National Grid plc subsidiary companies.

**(i) Leases**

Operating lease payments are charged to the profit and loss account on a straight-line basis over the term of the lease.

**(j) Pensions**

National Grid operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company is not a participating employer of the defined benefit schemes operated by the National Grid group. However the Company has employees who are members of one of these schemes. The net defined benefit cost is recognised in the individual company financial statements of the group company that is legally the sponsoring employer for the scheme. The other group companies in their individual financial statements recognise a cost which represents a recharge from the sponsoring employers.

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**1 Summary of significant accounting policies (continued)**

**(k) 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.

**2 Operating loss**

	2019 £m	2018 £m
<b>Operating loss is stated after charging:</b>		
Amortisation of intangible fixed assets	7	1
Depreciation of tangible fixed assets: owned assets	1	1
Amounts charged to/(released from) impairment of fixed asset investments	9	(17)
Amounts written off from balance owed by a subsidiary undertaking	41	-
Operating lease rentals – other	3	4
	<u>3</u>	<u>4</u>

Audit fees for the year were £12,000 (2018: £12,000).

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 4 Directors (2018: 7) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

**Staff costs**

	2019 £m	2018 £m
Wages and salaries	26	28
Social security costs	6	6
Defined contribution scheme pension costs	2	2
Defined benefit scheme pension costs	19	3
Share-based payments	5	5
	<u>58</u>	<u>44</u>

The average monthly number of employees employed by the Company during the year in a corporate function was 289 (2018: 289).

**National Grid Commercial Holdings 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 a fellow subsidiary undertaking	<u>5</u>	<u>3</u>

**5 Interest payable and similar charges**

	2019 £m	2018 £m
Other interest payable	<u>-</u>	<u>2</u>

**6 Tax**

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

	2019 £m	2018 £m
<b>Current tax:</b>		
UK corporation tax	(5)	(7)
Adjustments in respect of prior years	2	7
Total current tax	<u>(3)</u>	<u>-</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	2	1
Adjustments in respect of prior years	(1)	-
Total deferred tax	<u>1</u>	<u>1</u>
<b>Tax (credit)/charge in the profit and loss account</b>	<u>(2)</u>	<u>1</u>

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

	2019 £m	2018 £m
Loss before tax	<u>(53)</u>	<u>(9)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(10)	(2)
Effect of:		
Expenses not deductible for tax purposes	7	(4)
Adjustments in respect of prior years	1	7
<b>Total tax (credit)/charge in the profit and loss account</b>	<u>(2)</u>	<u>1</u>

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**6 Tax (continued)**

**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 Intangible assets**

	<b>Software £m</b>
<b>Cost:</b>	
At 1 April 2018	30
Additions	24
At 31 March 2019	<u>54</u>
<b>Accumulated amortisation:</b>	
At 1 April 2018	5
Amortisation charge for the year	7
At 31 March 2019	<u>12</u>
<b>Net book value:</b>	
At 31 March 2019	<u>42</u>
At 31 March 2018	<u>25</u>

Additions to software during the year of £24 million relate to human resources, financial planning and performance monitoring and risk management software.

**8 Property, plant and equipment**

	<b>Leasehold £m</b>
<b>Cost</b>	
At 1 April 2018 and 31 March 2019	<u>8</u>
<b>Accumulated depreciation</b>	
At 1 April 2018	3
Depreciation charge for the year	1
At 31 March 2019	<u>4</u>
<b>Net book value:</b>	
At 31 March 2019	<u>4</u>
At 31 March 2018	<u>5</u>

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 March 2019**

**9 Fixed asset investments**

	Shares in subsidiary undertakings £m
<b>Cost:</b>	
At 1 April 2018	563
On disposals	(232)
At 31 March 2019	<u>331</u>
<b>Provision:</b>	
At 1 April 2018	482
Charge for the year	9
On disposals	(232)
At 31 March 2019	<u>259</u>
<b>Net book value:</b>	
At 31 March 2019	<u>72</u>
At 31 March 2018	<u>81</u>

During the year, as part of a review of the insurance arrangements within the group, National Grid Company (Ireland) Designated Activity Company was deemed surplus to requirements and its activities were transferred to another National Grid company. Following this review, the Company received dividends of £32 million and following receipt of the dividends, the Directors have reviewed the carrying value of the investment and considered it appropriate to charge £9 million to the profit and loss account. National Grid Company (Ireland) Designated Activity Company entered liquidation on 26 March 2019.

On 30 October 2018, the Company's 100% subsidiary, Lattice Telecom Finance (No 1) Limited which entered into liquidation on 5 April 2016 made a final distributions of £3 which was set off against the debt due to the Company. This company was officially dissolved on 5 March 2019.

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

<b>Name of subsidiary</b>	<b>% Holding</b>	<b>Principal activity</b>
Beegas Nominees Limited	100	Dormant
Birch Sites Limited	100	Property holding company
Lattice Group Employee Benefit Trust Limited	100	Dormant
Lattice Group Trustees Limited	100	Dormant
National Grid Company (Ireland) Designated Activity Company	100	In liquidation
National Grid Property Holdings Limited	100	Property holding company
Ngrid Intellectual Property Limited	100	Dormant
NGT Telecom No 1 Limited	100	Investment holding company
Stargas Nominees Limited	100	Dormant
Thamesport Interchange Limited	100	Property holding company

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**9 Fixed asset investments (continued)**

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

<b>Name of subsidiary</b>	<b>Incorporated in</b>	<b>Registered office</b>
Landranch Limited	England and Wales	1-3 Strand, London WC2N 5EH
National Grid Twenty Eight Limited	England and Wales	1-3 Strand, London WC2N 5EH
National Grid Twenty Seven Limited	England and Wales	1-3 Strand, London WC2N 5EH
National Grid William Limited	England and Wales	1-3 Strand, London WC2N 5EH
Port Greenwich Limited	England and Wales	1-3 Strand, London WC2N 5EH
Warwick Technology Park Management Company (No 2) Limited (60.563%)	England and Wales	Shire Hall, PO Box 9, Warwick CV34 4RL

The list below contains all indirect joint ventures.

<b>Name of joint venture</b>	<b>Incorporated in</b>	<b>Registered office</b>
St William Homes LLP (50%)	England and Wales	Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG

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

**10 Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	-	1
Amounts owed by subsidiary undertakings	-	41
Amounts owed by fellow subsidiary undertakings	<b>742</b>	704
Amounts owed by ultimate parent company	<b>1</b>	-
Other tax and social security	<b>12</b>	12
Prepayments	<b>3</b>	1
	<b><u>758</u></b>	<b><u>759</u></b>

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

	<b>2019</b>	<b>2018</b>
	<b>£m</b>	<b>£m</b>
<b>Amounts falling due after more than one year:</b>		
Deferred tax	<b><u>3</u></b>	<b><u>4</u></b>

# National Grid Commercial Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

### 10 Debtors (continued)

#### Deferred tax (continued)

	2019 £m	2018 £m
<b>Deferred tax</b>		
Other short-term timing differences	3	4
	<b>2019 £m</b>	<b>2018 £m</b>
Deferred tax asset at 1 April	4	6
Charged to profit and loss account	(1)	(1)
Credited to equity	-	(1)
Deferred tax asset at 31 March	3	4

Deferred tax assets in respect of capital losses of £nil (2018: £5 million) have not been recognised as their future recovery is uncertain or not currently anticipated. Capital losses are available to carry forward indefinitely and capital losses can be offset against specific type of future capital gains.

### 11 Creditors (amounts falling due within one year)

	2019 £m	2018 £m
Bank overdraft	-	1
Trade creditors	7	5
Amounts owed to subsidiary undertakings	-	1
Amounts owed to fellow subsidiary undertakings	68	37
Amounts owed to immediate parent company	21	4
Other tax and social security	2	-
Other creditors	17	16
Accruals	11	5
	<b>126</b>	<b>69</b>

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

### 12 Provisions for liabilities

	Severance £m	Other £m	Total £m
At 1 April 2018	1	5	6
Utilised	(2)	-	(2)
Released to the profit and loss account	-	(5)	(5)
Charged to the profit and loss account	1	-	1
<b>At 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

During the year the Directors have considered it appropriate to release the other provision of £5 million (2018: 5 million) as it is not anticipated any costs will be incurred in relation to a previous sale of a subsidiary undertaking.

**National Grid Commercial Holdings Limited**  
**Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

**13 Share capital**

	2019 £m	2018 £m
<b>Allotted, called up and fully paid</b>		
231,321,001 (2018: 231,321,001) ordinary shares of £1 each	<u>231</u>	<u>231</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.		

**14 Capital and other commitments**

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £m	2018 £m
Less than 1 year	2	2
In 2-5 years	9	9
More than 5 years	4	6
	<u>15</u>	<u>17</u>

**15 Contingent liabilities**

**Litigation**

Through the ordinary course of operations, the Company is party to various litigation, claims and investigations. The Directors do not expect the ultimate resolution of any of these proceedings to have a material adverse effect on the Company's results of operations, cash flows or financial position.

**16 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.

**17 Events after the reporting period**

Subsequent to the year end, on 28 November 2019 the Company subscribed for a further 40,928,339 ordinary shares of £1 each in NGT Telecom No. 1 Limited in full and final settlement of an intercompany loan of £41 million due to the Company. As a result the Directors have charged £41 million to the profit and loss account during the current year as an impairment of this loan. NGT Telecom No. 1 Limited entered voluntary liquidation on 10 December 2019.

**18 Ultimate parent company**

The ultimate parent and controlling company is National Grid plc and the immediate parent company is Lattice Group 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.