

Company Registration Number: 4042700

National Grid Commercial Holdings Limited

Annual Report and Financial Statements

For the year ended 31 March 2023

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National Grid Commercial Holdings Limited
Strategic Report
For the year ended 31 March 2023

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

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

The Company continues to recharge corporate centre costs to fellow National Grid subsidiary companies; however there are certain costs which are not shared costs and are absorbed by the Company.

Operating losses of £55 million have increased £40 million on the prior year driven primarily by a charitable donation charge made following announcements made by National Grid regarding the creation of energy support funds to help alleviate financial distress caused by rising energy costs. These payments will be made to various charities over the next two years.

In the UK, a £50 million fund was created, targeted at charities that provide immediate, emergency financial relief to households using pre-payment energy meters; charities that fund energy-efficiency measures to lower bills over the long term; and charities that provide advisory services for households who need help with energy bills, payments and debt. Money from the fund will be used by beneficiary organisations to support people struggling with energy costs by increasing the number of support staff giving advice on phone lines, providing fuel vouchers and improving the energy efficiency of homes at no cost to householders, for example. This fund has supported 30,000 households to date.

During the current year, the Company has incurred certain exceptional costs including £38 million in relation to the sale of National Grid Gas Transmission and Metering business, £16 million associated with the integration of National Grid Electricity Distribution businesses acquired in the prior year, and £22 million relating to the implementation of the new group operating model.

During March 2023 a dividend of £186 million was received from the Company's subsidiary undertaking, National Grid Property Holdings Limited.

Results, as detailed below, largely depend on operating costs not recharged, exceptional costs, and dividend income from a subsidiary undertaking.

Results

The Company's profit for the year was £45 million (2022: £118 million loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2023 was £372 million (2022: £557 million) comprising fixed assets of £243 million (2022: £249 million); net current assets of £134 million (2022: £315 million) less creditors amounts falling due after more than one year of £4 million (2022: £6 million); and less provisions for liabilities of £1 million (2022: £1 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 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 2022/23, which does not form part of this report.

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

Financial risk management

The management of the Company and the execution of the Company's strategy are subject to several financial risks. The Directors have identified the need to manage the Company's material financial risks, including credit, liquidity and interest rate cash flow risks. These risks are monitored through National Grid's Treasury ('Treasury') management function which invests surplus funds, mitigates foreign exchange and interest rate exposure and manages borrowings for National Grid plc and its subsidiaries.

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.

Credit risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. To this end the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. 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.

Liquidity risk

The Company finances its operations through intercompany loans to ensure that the Company has sufficient long-term and short-term funds available for current operations and future activities.

Interest rate risk

The Company has one intercompany loan which can fluctuate between an asset and liability which exposes it to interest rate risk. To the extent that the Company enters 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 Overnight Index Average (SONIA)

Future developments

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

Section 172 (1) statement

The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in section 172(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2023. It follows the National Grid Group's ('the Group's') business standards and compliance with local corporate governance requirements, and is committed to acting if our business should fail to act in the manner we expect of them. For the Group's section 172 statement please see the National Grid plc Annual Report and Accounts.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholder and to our stakeholders are met. For each matter, which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making.

The Board is also mindful of the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

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

Section 172 (1) statement (continued)

Our culture and decision making

Our culture is shaped by our clearly defined values to help ensure we achieve our vision. It determines how we behave, how we make decisions and our attitude towards risk aligned with the Group's purpose, vision and values. Decisions affecting a subsidiary are required to be taken in line with the National Grid Statement of Delegations of Leadership, Responsibility and Financial Authority. In making such decisions the Directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company and its businesses.

Employee engagement

The Company has 367 employees. All UK employees engaged in the activities of the Company are employed by subsidiary undertakings of National Grid plc. The employees are kept informed about what is happening across the Group through the Group's intranet and through email, newsletters, and leadership blogs and briefings.

Disclosures relating to employees may be found in the Annual Report and Accounts of these companies. You can read more about the Group's engagement with employees on pages 36 to 37 and 77 to 78 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors).

Fostering business relationships with our customers and suppliers

The Company is a holding company. The Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the success of the Group and are satisfied that the Group has close relationships with its customers and suppliers to meet our strategic priorities. The Board receives regular updates on the interactions between the Directors and senior management and key stakeholders, including Government, Ofgem, the HSE, customers and suppliers.

The community and the environment

The Directors recognise that the Group delivers sustainable energy safely, reliably and affordably for the communities we serve. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to the Group and its employees, allowing them to make a positive difference and have an impact where it counts. As discussed in the Executive summary during the year the Company has been at the forefront of the Energy Support funds created by National Grid to help alleviate financial distress caused by rising energy costs.

The Directors recognise the critical role the Group plays in tackling climate change in the markets that we operate. Ambitious carbon reduction targets and further legislative actions are anticipated in all our markets which will be challenging and as a Group we embrace the opportunity to support the delivery of these goals. The Group continues to focus on and advance its work in relation to its environmental sustainability strategy.

You can read more about the Group's responsible business on pages 33 to 35 in the National Grid plc Annual Report and Accounts and in the National Grid plc Responsible Business Report.

Shareholders

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

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

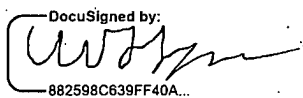
National Grid Commercial Holdings Limited
Strategic Report (continued)
For the year ended 31 March 2023

Maintaining a reputation for high standards of business conduct

The Group's Code of Ethical Business Conduct sets out the standards and behaviours expected from all employees to meet the Group's values.

Detailed information on the Group-wide business conduct processes and policies are described in the National Grid plc Annual Report and Accounts on page 68 (available at: www.nationalgrid.com/investors).

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

DocuSigned by:

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L Hagan
Company Secretary
25 July 2023

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

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

Future developments

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

Principal risk and uncertainties

Details of principal risks and uncertainties have been included within the Strategic Report on page 2.

Financial risk management

Details of financial risk management have been included within the Strategic Report on page 2.

Dividends

During the year, the Company has paid an interim ordinary dividend of £243 million (2022: £nil). The Directors do not recommend the payment of a final dividend (2022: £nil).

Directors

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

K M Dickie
S W Grant
A M Lewis
A K Mead
D A Preston
D J Waller
C J Waters (Resigned 28 March 2023)

Directors' indemnity

National Grid has arranged, in accordance with the Companies Act 2006 and the Articles of Association, qualifying third-party indemnities against financial exposure that Directors may incur during their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance cover for each Director.

Going concern

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. As the Company is part of a larger group it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its subsidiaries. The Directors expect to be in a position to draw on intercompany loans, should this liquidity be required for the Company to meet its future obligations as they fall due.

National Grid Commercial Holdings Limited

Directors' Report (continued)

For the year ended 31 March 2023

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.

Disclosure of information to auditors

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

Auditors

At the 2023 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

Statement of Directors' responsibilities

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

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

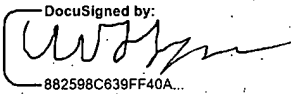
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

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

Statement of Directors' responsibilities (continued)

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

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

DocuSigned by:

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L Hagan
Company Secretary
25 July 2023

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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

Other information (continued)

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, FRS 101, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

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

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

We discussed among the audit engagement team including IT internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, internal audit reports and reviewing correspondence with relevant regulatory authorities.

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.

DocuSigned by:

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Lee Highton FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 July 2023

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

	Notes	2023 £m	2022 £m
Turnover		110	108
Administrative expenses		(165)	(123)
Operating loss	2	<u>(55)</u>	<u>(15)</u>
Income from shares in a subsidiary undertaking		186	—
Exceptional costs	2	(76)	(97)
Interest receivable and similar income	4	3	1
Interest payable and similar charges	5	(1)	(1)
Profit/(loss) before tax		<u>57</u>	<u>(112)</u>
Tax	6	(12)	(6)
Profit/(loss) for the year		<u><u>45</u></u>	<u><u>(118)</u></u>


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

There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the profit and loss account and therefore no separate statement of comprehensive income has been presented.

National Grid Commercial Holdings Limited**Balance sheet****As at 31 March 2023**

	Notes	2023 £m	2022 £m
Fixed assets			
Intangible assets	8	16	20
Property, plant and equipment	9	9	11
Investments	10	218	218
		<u>243</u>	<u>249</u>
Current assets			
Debtors (amounts falling due within one year)	11	245	454
Debtors (amounts falling due after more than one year)	11	4	3
Total current assets		<u>249</u>	<u>457</u>
Creditors (amounts falling due within one year)	12	(115)	(142)
Net current assets		<u>134</u>	<u>315</u>
Total assets less current liabilities		<u>377</u>	<u>564</u>
Creditors (amounts falling due after more than one year)	13	(4)	(6)
Provisions for liabilities	15	(1)	(1)
Net assets		<u>372</u>	<u>557</u>
Equity			
Share capital	16	231	231
Profit and loss account		141	326
Total shareholders' equity		<u>372</u>	<u>557</u>

The financial statements set out on pages 12 to 28 were approved by the Board of Directors on 25 July 2023 and were signed on its behalf by:

DocuSigned by:

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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 2023

	Share capital £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2021	231	432	663
Loss for the year	—	(118)	(118)
Share-based payments	—	11	11
Tax on share-based payments	—	1	1
At 31 March 2022	231	326	557
Profit for the year	—	45	45
Equity dividends (note 7)	—	(243)	(243)
Share-based payments	—	13	13
At 31 March 2023	231	141	372

National Grid Commercial Holdings Limited

Notes to the financial statements

For the year ended 31 March 2023

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 registered 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 2023 were approved by the Board of Directors on 25 July 2023. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on an historical cost basis and are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2022 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. As the Company is part of a larger group it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its subsidiaries. The Directors expect to be in a position to draw on intercompany loans, should this liquidity be required for the Company to meet its future obligations as they fall due.

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

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

As a qualifying entity, the Company has taken the following exemptions in the preparation of these financial statements in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosures in respect of transactions with National Grid plc and its wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of fixed asset investments; and
- the effects of new but not yet effective IFRS standards.

As the consolidated financial statements of National Grid plc which are available from the registered office, include the equivalent disclosures, the Company has taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instruments: Disclosures'.

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023 that have a material impact on the Company's financial statements.

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

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

There are no areas of judgement or key sources of estimation uncertainty that are considered to have a significant effect on the amounts recognised in these financial statements.

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

(b) 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.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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 together with an appropriate portion of overheads which are directly linked to the capital work performed; 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.

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:

Depreciation periods	Years
Freehold and leasehold buildings	up to 60
Motor vehicles and office equipment	up to 30

Right-of-use-assets

The Company leases various properties, land, equipment and cars. New lease arrangements entered into are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that the Company is reasonably certain to incur. The discount rate applied is the rate implicit in the lease or, if that is not available, the incremental rate of borrowing for a similar term and similar security. This is determined based on observable data for borrowing rates for the Company, with specific adjustments for the term of the lease and any lease-specific risk premium.

The lease term takes account of exercising any extension options that are at our option if we are reasonably certain to exercise the option and any lease termination options unless we are reasonably certain not to exercise the option. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit and loss account over the lease period using the effective interest rate method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers), the Company continues to recognise a lease expense on a straight-line basis.

Items within property, plant and equipment are tested for impairment only if there is some indication that the carrying value of the assets may have been impaired.

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

1 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

(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 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.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint arrangements except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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

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

1 Summary of significant accounting policies (continued)

(e) Tax (continued)

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

(f) Financial instruments

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

Borrowings, which include interest-bearing loans and overdrafts, are initially recorded at fair value. This normally reflects the proceeds received (net of direct issue costs for liabilities measured at amortised cost). Subsequently, borrowings are stated at amortised cost. Any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the profit and loss account using the effective interest method.

(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) Turnover

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

(i) 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.

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

1 Summary of significant accounting policies (continued)

(i) Pensions (continued)

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.

(j) Equity instruments

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

(k) Share based payments

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

(l) 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 and exceptional items

	2023	2022
	£m	£m
Operating loss is stated after (crediting)/charging:		
Foreign exchange gains	(1)	—
Amortisation of intangible fixed assets (note 8)	6	9
Impairment of intangible fixed assets (note 8)	2	4
Depreciation of tangible fixed assets (note 9)	3	3
	<u>3</u>	<u>3</u>

Audit fees of £18,000 (2022: £16,000) have been charged during the year.

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

During the current year, the Company has incurred exceptional costs of £76 million (2022: £96 million) including £38 million (2022: £57 million) in relation to the sale of National Grid Gas Transmission and Metering business, £16 million (2022: £19 million) associated with the integration of National Grid Electricity Distribution businesses acquired in the prior year, and £22 million (2022: £21 million) relating to the implementation of the new group operating model.

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

3 Directors and employees

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other National Grid subsidiary undertakings. Accordingly, no details in respect of their emoluments have been included in these financial statements. During the year, there were 5 Directors (2022: 6) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

Staff costs

	2023 £m	2022 £m
Wages and salaries	39	40
Social security costs	8	7
Defined contribution scheme pension costs	3	3
Defined benefit scheme pension costs	1	1
Share-based payments	13	11
	<u>64</u>	<u>62</u>

The average monthly number of employees employed by the Company during the year in a corporate function was 367 (2022: 364).

4 Interest receivable and similar income

	2023 £m	2022 £m
Interest receivable from a fellow subsidiary undertaking	<u>3</u>	<u>1</u>

5 Interest payable and similar charges

	2023 £m	2022 £m
Other interest payable	<u>1</u>	<u>1</u>

6 Tax

	2023 £m	2022 £m
Current tax:		
UK corporation tax	16	9
Adjustments in respect of prior years	(3)	(2)
Total current tax	<u>13</u>	<u>7</u>

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

6 Tax (continued)

	2023 £m	2022 £m
Deferred tax:		
Origination and reversal of timing differences	(1)	(2)
Impact of change in tax rate	—	1
Total deferred tax	<u>(1)</u>	<u>(1)</u>
Tax charged in the profit and loss account	<u>12</u>	<u>6</u>

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

	2023 £m	2022 £m
Profit/(loss) before tax	<u>57</u>	<u>(112)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	11	(21)
Effect of:		
Expenses not deductible for tax purposes	9	15
Non-taxable income	(35)	(2)
Taxation on transfer pricing adjustments	29	16
Impact of share-based payments	1	1
Impact of change in UK tax rate	—	(1)
Adjustments in respect of prior years	(3)	(2)
Total tax charged in the profit and loss account	<u>12</u>	<u>6</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2023 have been calculated at 25%.

7 Equity dividends

	2023 £m	2022 £m
Equity - ordinary		
Interim paid: 104.9p per £1 share	<u>243</u>	<u>—</u>

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

8 Intangible assets

	Software Assets under construction £m	Software £m	Total £m
Cost:			
At 1 April 2022	9	64	73
Additions	4	—	4
Reclassifications	(8)	8	—
Impairment	(2)	—	(2)
At 31 March 2023	3	72	75
Accumulated amortisation:			
At 1 April 2022	—	(53)	(53)
Amortisation charge for the year	—	(6)	(6)
At 31 March 2023	—	(59)	(59)
Net book value:			
At 31 March 2023	3	13	16
At 31 March 2022	9	11	20

9 Property, plant and equipment

	Land and buildings £m	Motor Vehicles and Office equipment £m	Total £m
Cost			
At 1 April 2022	13	10	23
Additions	—	1	1
Disposals	(2)	(1)	(3)
At 31 March 2023	11	10	21
Accumulated depreciation			
At 1 April 2022	(6)	(6)	(12)
Depreciation charge for the year	(2)	(1)	(3)
Disposals	2	1	3
At 31 March 2023	(6)	(6)	(12)
Net book value:			
At 31 March 2023	5	4	9
At 31 March 2022	7	4	11

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

9 Property, plant and equipment (continued)

The table below shows the net book value of right-of-use assets included within property, plant and equipment at 31 March 2023 and 31 March 2022, split by category. The associated lease liabilities are disclosed in note 14.

	Land and buildings £m	Motor Vehicles and Office equipment £m	Total £m
Net book value at 31 March 2023	5	2	7
Additions	—	1	1
Disposals	(2)	(1)	(3)
Depreciation charge for year	(2)	(2)	(4)
Depreciation on disposals	2	1	3

	Land and buildings £m	Motor Vehicles and Office equipment £m	Total £m
Net book value at 31 March 2022	7	1	8
Additions	—	2	2
Depreciation charge for year	(2)	—	(2)

10 Fixed asset investments

	Shares in subsidiary undertakings £m
Cost	
At 1 April 2022	478
Disposals	(10)
At 31 March 2023	<u>468</u>
Impairment provision	
At 1 April 2022	260
Disposals	(10)
At 31 March 2023	<u>250</u>
Net book value:	
At 31 March 2023	<u><u>218</u></u>
At 31 March 2022	<u><u>218</u></u>

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

10 Fixed asset investments (continued)

On 9 November 2022, the Company's subsidiary undertaking National Grid Insurance Company (Ireland) Designated Activity Company was formally dissolved following the completion of the liquidation. As a result, this fully impairment investment of £10 million was accounted for as a disposal during the year.

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

The Company also controls indirectly through its subsidiary undertakings a number of companies split between subsidiaries and joint ventures and associates as listed below. These undertakings are wholly owned unless otherwise indicated.

The Company's subsidiary undertakings as at 31 March 2023 were as follows:

Name of subsidiary	% Holding	Principal Activity
Birch Sites Limited	100	Property holding company
Lattice Group Employee Benefit Trust Limited	100	Dormant
Lattice Group Trustees Limited	100	Dormant
National Grid Property Holdings Limited	100	Property holding company
Ngrid Intellectual Property Limited	100	Dormant
Thamesport Interchange Limited	100	Property holding company

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

The Company's indirect subsidiary undertakings as at 31 March 2023 were as follows:

Name of subsidiary	Incorporated in	Registered office
National Grid Plus 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 Company's indirect joint venture as at 31 March 2023 was as follows:

Name of joint venture	Incorporated in	Registered office
National Places LLP (50%)	England and Wales	80 Cheapside, London, United Kingdom, EC2V 6EE

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

11 Debtors

	2023 £m	2022 £m
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	172	434
Amounts owed by immediate parent company	49	—
Amounts owed by ultimate parent company	—	1
VAT recoverable	16	15
Other debtors	2	2
Prepayments and accrued income	6	2
	<u>245</u>	<u>454</u>

Amounts falling due after more than one year:

Deferred tax	<u>4</u>	<u>3</u>
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Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Where intercompany loans are interest-bearing interest is charged at rates determined by Treasury. For impairment assessment purposes, such loans to group undertakings are considered low risk as the subsidiaries are solvent and are covered by the National Grid group's liquidity arrangements and as such the expected credit loss for the year is £nil.

Deferred tax

	2023 £m	2022 £m
Share-based payments	4	3
Deferred tax asset	<u>4</u>	<u>3</u>

	2023 £m	2022 £m
Deferred tax asset at 1 April	3	2
Credited to profit and loss account	1	1
Deferred tax asset at 31 March	<u>4</u>	<u>3</u>

There are no other significant unrecognised deferred tax assets or liabilities (2022: £nil).

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

12 Creditors (amounts falling due within one year)

	2023	2022
	£m	£m
Borrowings (note 14)	22	6
Trade creditors	13	16
Amounts owed to fellow subsidiary undertakings	43	97
Other tax and social security	1	2
Other creditors	6	6
Accruals and deferred income	30	15
	<u>115</u>	<u>142</u>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

13 Creditors (amounts falling due after more than one year)

	2023	2022
	£m	£m
Lease liabilities (note 14)	<u>4</u>	<u>6</u>

14 Borrowings and lease liabilities

	2023	2022
	£m	£m
Amounts falling due within one year		
Bank overdrafts	19	4
Lease liabilities	3	2
	<u>22</u>	<u>6</u>
Amounts falling due after more than one year		
Lease liabilities	<u>4</u>	<u>6</u>

Lease liabilities

	2023	2022
	£m	£m
Gross lease liabilities are repayable as follows:		
Less than 1 year	3	2
1 to 5 years	4	6
	<u>7</u>	<u>9</u>
Less: finance charges allocated to future periods	—	—
	<u>7</u>	<u>9</u>

The present value of lease liabilities are as follows:

	2023	2022
	£m	£m
Less than 1 year	3	2
1 to 5 years	4	6
	<u>7</u>	<u>9</u>

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

15 Provisions for liabilities

**Restructuring
£m**

At 1 April 2022 and 31 March 2023

1

Restructuring provision

The restructuring provision relates to business reorganisation costs, to be paid over the next financial year.

16 Share capital

	2023	2022
	£m	£m

Allotted, called up and fully paid

231,321,001 (2022: 231,321,001) ordinary shares of £1 each

231

231

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.

17 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.

18 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.

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