

**Company Registration Number: 4508773**

**National Grid UK Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2020**



## **National Grid UK Limited**

### **Strategic Report**

#### **For the year ended 31 March 2020**

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

#### **Review of the business**

The Company acts as an agent for the transfer of staff and other costs between UK and US companies within National Grid plc and its subsidiaries ('National Grid').

The Company also acts as a contracting agent for certain types of licensing and related agreements which are for general application across National Grid plc operations, particularly in the United Kingdom. In entering into these agreements, the relevant sponsoring group entity accepts full financial and other responsibility. The Company has accordingly not accounted for this activity through its own books.

#### **Executive summary**

The recharge of costs between UK and US subsidiaries are denominated in US dollars and hence operating loss/profit largely depends upon foreign exchange movements. There have been no significant changes in Company's activities during the year, as reported in the profit and loss account.

Results as detailed below largely depend on foreign exchange movements and interest income received.

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

#### **Results**

The Company's loss for the year was £1,383,000 (2019: £110,000 profit).

#### **Financial position**

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2020 was £3,272,000 (2019: £4,655,000) comprising fixed asset investments of £489,000 (2019: £489,000) and net current assets of £2,783,000 (2019: £4,166,000).

#### **Key performance indicators and principal risks and uncertainties**

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

#### **Future developments**

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

**National Grid UK Limited**  
**Strategic Report (continued)**  
**For the year ended 31 March 2020**

**Section 172 (1) statement**

The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in section 172(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 March 2020. It follows the National Grid Group's ('the Group's') business standards and compliance with local corporate governance requirements, and is committed to acting if our business should fail to act in the manner we expect of them. For the Group's section 172 statement please see the National Grid plc Annual Report and Accounts.

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

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

**Our culture and decision making**

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

**Employee engagement**

The Company is a principal employer within the National Grid group. The employees are kept informed about what is happening across the Group through the Group's intranet and through email, newsletters, and leadership blogs and briefings.

Disclosures relating to employees may be found in the Annual Report and Accounts of these companies. You can read more about the Group's engagement with employees on page 73 of the National Grid plc Annual Report and Accounts (available at: [www.nationalgrid.com/investors](http://www.nationalgrid.com/investors)).

**Fostering business relationships with our customers and suppliers**

The Company acts as a contracting agent for the group procurement team and the Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the success of the Group and are satisfied that the Group has close relationships with its customers, suppliers to meet our strategic priorities.

**The community and the environment**

The Directors recognise that the Group delivers sustainable energy safely, reliably and affordably for the communities we serve. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to the Group and its employees, allowing them to make a positive difference and have an impact where it counts.

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

**National Grid UK Limited**  
**Strategic Report (continued)**

**For the year ended 31 March 2020**

**Section 172 (1) statement (continued)**

**The community and the environment (continued)**

You can read more about the Group's responsible business on pages 48 to 56 in the National Grid plc Annual Report and Accounts.

**Shareholders**

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


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

**Maintaining a reputation for high standards of business conduct**

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

Detailed information on the Group-wide business conduct processes and policies are described in the National Grid plc Annual Report and Accounts on pages 55 and 56 (available at: [www.nationalgrid.com/investors](http://www.nationalgrid.com/investors)).

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

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**M Barnes**  
Company Secretary  
24 September 2020

## National Grid UK Limited

### Directors' Report

#### For the year ended 31 March 2020

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

#### Future developments

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

#### Dividends

During the year, the Company has paid no interim ordinary dividends (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

#### Financial risk management

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

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

#### Liquidity risk

The Company finances its operations through a combination of retained profits and intercompany balances 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. To this end the Company has implemented policies that require appropriate credit checks on potential customers before sales are made.

#### 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.

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

## National Grid UK Limited

### Directors' Report (continued)

#### For the year ended 31 March 2020

##### Foreign exchange risk

To the extent that the Company enters in currencies different to that of the Company's functional currency, there is an exposure to movements in exchange rates. At the balance sheet date the Company had intercompany balances denominated in US dollars

##### Directors

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

R J Davidson  
 K M Dickie (Appointed 1 July 2020)  
 M J Durham  
 S W Grant

##### Directors' indemnity

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

##### Going concern

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

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. The Directors have considered the impact of COVID-19 on the Group and on the Company and have concluded that there are no material uncertainties related to these events or conditions that may cast doubt upon the Company's ability to continue as a going concern. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### Events after the reporting period

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

##### Disclosure of information to auditors

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

## National Grid UK Limited

### Directors' Report (continued)

For the year ended 31 March 2020

#### Auditors

At the 2020 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

#### Statement of Directors' responsibilities

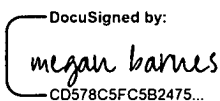
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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#### M Barnes

Company Secretary  
24 September 2020

#### Registered office:

1-3 Strand  
London  
WC2N 5EH

#### Registered in England and Wales

Company registration number: 4508773

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

### **National Grid UK Limited**

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

##### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its 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 12.

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

##### **Basis for opinion**

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

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

##### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

##### **Other information**

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

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

We have nothing to report in respect of these matters.



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

### **National Grid UK 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 UK 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.

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

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

	Note	2020 £'000	2019 £'000
Operating (charges)/income		(1,952)	215
<b>Operating (loss)/profit</b>	2	<u>(1,952)</u>	<u>215</u>
Interest receivable from ultimate parent company		332	61
Interest payable to ultimate parent company		—	(5)
<b>(Loss)/profit before tax</b>		<u>(1,620)</u>	<u>271</u>
<b>Tax</b>	4	237	(161)
<b>(Loss)/profit for the year</b>		<u><u>(1,383)</u></u>	<u><u>110</u></u>

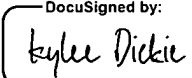
The results for both years reported above relate to continuing activities.

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

	Note	2020 £'000	2019 £'000
<b>Fixed asset Investments</b>	5	<u>489</u>	<u>489</u>
<b>Current assets</b>			
Debtors (amounts falling due within one year)	6	35,675	20,968
Cash at bank and in hand		<u>71</u>	<u>80</u>
<b>Total current assets</b>		<u>35,746</u>	<u>21,048</u>
<b>Creditors (amounts falling due within one year)</b>	7	<u>(32,963)</u>	<u>(16,882)</u>
<b>Net current assets</b>		<u>2,783</u>	<u>4,166</u>
<b>Total assets less current liabilities</b>		<u>3,272</u>	<u>4,655</u>
<b>Net assets</b>		<u>3,272</u>	<u>4,655</u>
<b>Equity</b>			
Share capital	8	—	—
Profit and loss account		<u>3,272</u>	<u>4,655</u>
<b>Total shareholders' equity</b>		<u>3,272</u>	<u>4,655</u>

The financial statements set out on pages 10 to 19 were approved by the Board of Directors on 24 September 2020 and were signed on its behalf by:

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**K M Dickie**  
 Director

**National Grid UK Limited**  
 Company registration number: 4508773

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

	<b>Share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total shareholders' equity £'000</b>
At 1 April 2018	—	4,545	4,545
Profit for the year	—	110	110
At 31 March 2019	—	4,655	4,655
Loss for the year	—	(1,383)	(1,383)
<b>At 31 March 2020</b>	<b>—</b>	<b>3,272</b>	<b>3,272</b>

**National Grid UK Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2020**

**1 Summary of significant accounting policies**

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

**(a) Basis of preparation**

These financial statements of National Grid UK Limited for the year ended 31 March 2020 were approved by the Board of Directors on 24 September 2020. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on an historical cost basis and are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2019 comparative financial information has also been prepared on this basis.

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. The Directors have considered the impact of COVID-19 on the Group and on the Company and have concluded that there are no material uncertainties related to these events or conditions that may cast doubt upon the Company's ability to continue as a going concern. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

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

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

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

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

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

# National Grid UK Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2020

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

#### (a) Basis of preparation (continued)

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

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. Information about such judgements and estimations is contained in the notes to the financial statements

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) Tax

The tax credit/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 credit comprises current tax.

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

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.

#### (d) Foreign currency transactions and balances

Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at closing exchange rates. Gains and losses arising on retranslation of monetary assets and liabilities are included in the profit and loss account.

# National Grid UK Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2020

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

#### (e) Financial instruments

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

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

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

#### (f) Equity instruments

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

### 2 Operating (loss)/profit

	2020	2019
	£'000	£'000
<b>Operating (loss)/profit is stated after charging/(crediting):</b>		
Foreign exchange losses/(gains)	<u>1,946</u>	<u>(215)</u>

Audit fee is £6,000 (2019: £6,000).

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 3 Directors (2019: 2) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.



## National Grid UK Limited

### Notes to the financial statements (continued)

**For the year ended 31 March 2020**

#### 3 Directors and employees (continued)

In both the current and prior years, the Company is the contractual employer for a number of National Grid group employees. All employee costs are borne directly by or recharged in full, at nil mark-up, to other National Grid Group companies, including National Grid Gas plc and National Grid Electricity Transmission plc. The Company also participates in Section A and Section B of the National Grid UK Pension Scheme. Further information on these pension arrangements is set out in National Grid plc's 2019/20 Annual Report and Accounts.

#### 4 Tax

	2020 £'000	2019 £'000
<b>Current tax:</b>		
UK corporation tax	(308)	51
Adjustments in respect of prior years	71	110
<b>Total current tax</b>	<u>(237)</u>	<u>161</u>

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

	2020 £'000	2019 £'000
(Loss)/profit before tax	<u>(1,620)</u>	<u>271</u>
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(308)	51
Effect of:		
Adjustments in respect of prior years	71	110
<b>Total tax (credited)/charged in the profit and loss account</b>	<u>(237)</u>	<u>161</u>

#### Factors that may affect future tax charges

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

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. Governments across the world including the UK have introduced various stimulus/reliefs for businesses to cope with the impact of COVID 19 pandemic. The Directors will monitor as the details become available for any that may materially impact our future tax charges.

# National Grid UK Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 5 Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost and net book value</b>	
At 1 April 2019 and 31 March 2020	<u>489</u>

The Company's subsidiary undertakings as at 31 March 2020 were as follows:

Name of subsidiary	% Holding	Principal activity
National Grid UK Pension Services Limited	100	Administrative services to the National Grid UK Pension Scheme Trustee
The National Grid You Plan Trustee Limited	100	Acts as the Corporate Trustee of the defined contribution pension plan, The National Grid You Plan. Dormant company.

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

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

### 6 Debtors (amounts falling due within one year)

	2020 £'000	2019 £'000
Amounts owed by fellow subsidiary undertakings	30,669	14,874
Amounts owed by immediate parent company	189	—
Amounts owed by ultimate parent company	—	1,816
Accrued income	4,817	4,278
	<u>35,675</u>	<u>20,968</u>

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

# National Grid UK Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2020

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

	2020 £'000	2019 £'000
Amounts owed to fellow subsidiary undertakings	27,368	16,126
Amounts owed to immediate parent company	—	162
Amounts owed to ultimate parent company	3,127	—
Other tax and social security	127	143
Other creditors	181	5
Accruals and deferred income	2,160	446
	<u>32,963</u>	<u>16,882</u>

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

### 8 Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
1 (2019: 1) ordinary share of £1 each	<u>1</u>	<u>1</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.

### 9 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.

### 10 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.

### 11 Ultimate parent company

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

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

**National Grid UK Limited**

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

**For the year ended 31 March 2020**

**12 Events after the reporting period**

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