

Company Registration Number: 2367004

National Grid Holdings One plc
Annual Report and Financial Statements
For the year ended 31 March 2020

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National Grid Holdings One plc

Strategic Report

For the year ended 31 March 2020

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

Review of the business

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

The Company holds investments in various intermediate holding companies including National Grid Holdings Limited (whose subsidiaries include National Grid Electricity Transmission plc ('NGET') which operates the electricity transmission system in England and Wales) and Lattice Group Limited (whose subsidiaries include National Grid Gas plc which operates the gas transmission system in Great Britain). In addition, the Company holds an investment in National Grid Electricity System Operator Limited who acquired the electricity system operator business from NGET on 1 April 2019.

Executive summary

There have been no significant changes in the Company's trading activities during the year, as reported in the profit and loss account, however, there were several significant transactions as follows:

- The Company received dividends from its key intermediate holding companies, National Grid Holdings Limited and Lattice Group Limited, of £919 million and £1,047 million respectively. Other dividends received from its trading subsidiaries totalled £1,040 million.
- On 1 April 2019, the Company subscribed for a further 330,000,000 ordinary shares of £0.01 each in its subsidiary undertaking, National Grid Electricity System Operator Limited, for a total cash consideration of £330 million.
- During June 2019, the Company completed the sale of its interest in Quadgas HoldCo Limited ('Quadgas') for cash consideration of £1,965 million. This sale was pursuant to agreements previously entered between the Company and a consortium of investors. In addition, the Company received cash consideration of £6 million in respect of interest on its shareholder loan to Quadgas. The total cash consideration received was used to pay an interim dividend of £1,971 million.
- Over the course of the year, the Directors have approved and implemented a range of steps as part of a wider group restructuring project where a number of companies were identified as no longer being required by the National Grid group. These steps included:
 - The acquisition of an investment from a subsidiary undertaking for a total consideration of £4,794 million;
 - The assignment to the Company of an intercompany loan receivable of £4,700 million with a fellow subsidiary undertaking; and
 - The receipt of dividends from existing and the newly acquired company totalling £11,092 million.
- Following the receipt of these dividends the Directors reviewed the investment carrying values and considered it appropriate to charge £9,543 million through the profit and loss account as an impairment, which is reflected within operating charges. Following the restructuring a number of these subsidiaries entered voluntary solvent liquidation.
- At 31 March 2020, the Directors reviewed its commitments to subsidiary undertakings that were in a net liability position and following various transactions during the year to make good these deficits this resulted in a release of £296 million through the profit and loss account, which is reflected within operating charges.

Results, as detailed below, largely depend on investment income partially offset by impairment charges and net interest payable.

COVID-19

Since the outbreak of the COVID-19 coronavirus pandemic in early 2020, the Directors have reviewed the risks to the Company. The Company is an investment holding company and 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.

National Grid Holdings One plc
Strategic Report (continued)
For the year ended 31 March 2020

Results

The Company's profit for the year was £4,782 million (2019: £381 million loss).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2020 was £4,940 million (2019: £4,045 million) comprising fixed assets of £8,834 million (2019: £13,244 million) less net current liabilities of £3,859 million (2019: £8,796 million) less long term creditors and provisions of £35 million (2019: £403 million).

Key performance indicators and principal risks and uncertainties

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

National Grid Holdings One plc
Strategic Report (continued)
For the year ended 31 March 2020

Section 172 (1) Statement (continued)

Employee Engagement

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

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

Fostering Business Relationships with our customers and suppliers

The Company is a holding company and obtains and provides finance to fellow subsidiary companies and thus has no suppliers and customers itself. The Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the success of the Group and are satisfied that the Group has close relationships with its customers, suppliers to meet our strategic priorities.

The Community and the Environment

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

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

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

Shareholders

The Board considers the long-term impact of corporate actions and decisions on our shareholders. During the year, the Company paid dividends totalling £3,887 million.

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


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 on the website at www.nationalgrid.com/investors).

National Grid Holdings One plc
Strategic Report (continued)
For the year ended 31 March 2020

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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M Barnes
Company Secretary
10 August 2020

National Grid Holdings One plc

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 2.

Dividends

The Company has paid interim ordinary dividends during the year totalling £3,887 million (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 a number of financial risks. The Directors have identified the need to manage the Company's material financial risks, including liquidity, credit and interest rate cash flow risks. These risks are monitored through a National Grid Treasury ('Treasury') management function which invests surplus funds, mitigates foreign exchange and interest rate exposure and manages borrowings for National Grid plc and its subsidiaries.

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

Liquidity risk

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

Credit risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. 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.

Interest rate cash flow risk

The Company has both intercompany financial assets and financial 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 charged based upon Euro, US dollar and 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 use 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 Holdings One plc

Directors' Report (continued)

For the year ended 31 March 2020

Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts and interest rate swaps are entered into for the purposes of hedging interest rate and foreign exchange risk. These derivative financial instruments are recorded at fair value in the financial statements. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates.

As at 31 March 2020 the fair value of these derivative financial instruments resulted in an asset of £54 million (2019: £42 million) and a liability of £45 million (2019: £47 million). The net notional principal of these contracts was £2,846 million (2019: £2,315 million) with a net foreign exchange exposure of £2,846 million (2019: £2,315 million). The future expected cash flows from these derivatives are affected by changes in the Euro/GBP, SEK/GBP, NOK/GBP and USD/GBP exchange rate. The contracts have fixed settlement dates.

Directors

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

A J Agg	
K M Dickie	(Appointed 1 July 2020)
S W Grant	
S C Humphreys	(Resigned 31 December 2019)
A M Lewis	
A K Mead	
J M Pettigrew	
C J Waters	

Directors' indemnity

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

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.

On 24 July 2020, the Company received dividends of £123 million and £434 million from its subsidiaries, Lattice Group Limited and National Grid Holdings Limited respectively. The total cash consideration received was advanced to the ultimate parent company, National Grid plc.

National Grid Holdings One plc

Directors' Report (continued)

For the year ended 31 March 2020

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.

The Company is in a net current liabilities position, but is expected to continue to be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future. In completing this analysis, the Directors have considered the ability of the National Grid group to provide such finance and have received assurances in writing that the Group will continue to provide funding for the foreseeable future.

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.

Modern Slavery Act 2015

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

Disclosure of information to auditors

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

Auditors

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

National Grid Holdings One plc

Directors' Report (continued)

For the year ended 31 March 2020

Statement of Directors' responsibilities

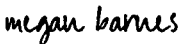
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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M Barnes
Company Secretary
10 August 2020

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 2367004

Independent auditor's report to the members of

National Grid Holdings One plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid Holdings One plc ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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 Holdings One plc (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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


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

We have nothing to report in respect of these matters.

**Independent auditor's report to the members of
National Grid Holdings One plc (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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10 August 2020

National Grid Holdings One plc
Profit and loss account
For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Operating charges		(9,257)	(451)
Operating loss	2	(9,257)	(451)
Income from shares in subsidiary undertakings		14,098	132
Interest receivable and similar income	4	133	115
Interest payable and similar charges	5	(213)	(198)
Profit/(loss) before tax		4,761	(402)
Tax	6	21	21
Profit/(loss) for the year		4,782	(381)

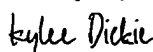
The results for both years reported above relate to continuing activities.

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 Holdings One plc**Balance sheet****As at 31 March 2020**

	Notes	2020 £m	2019 £m
Fixed assets			
Tangible fixed assets	8	9	-
Fixed asset investments	9	8,825	13,244
		<u>8,834</u>	<u>13,244</u>
Current assets			
Debtors (amounts falling due within one year)	10	7,130	4,897
Debtors (amounts falling due after more than one year)	10	17	24
Assets held for sale	11	-	1,965
Current asset investments	12	15	-
Total current assets		<u>7,162</u>	<u>6,886</u>
Creditors (amounts falling due within one year)	13	(11,021)	(15,682)
Net current liabilities		<u>(3,859)</u>	<u>(8,796)</u>
Total assets less current liabilities		<u>4,975</u>	<u>4,448</u>
Creditors (amounts falling due after more than one year)	13	(25)	(35)
Provision for liabilities and charges	15	(10)	(368)
Net assets		<u>4,940</u>	<u>4,045</u>
Equity			
Share capital	16	176	176
Share premium account		335	335
Revaluation reserve		624	624
Other equity reserve		3	3
Profit and loss account		3,802	2,907
Total shareholders' equity		<u>4,940</u>	<u>4,045</u>

The financial statements set out on pages 12 to 30 were approved by the Board of Directors on 10 August 2020 and were signed on its behalf by:

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K M Dickie
 Director

National Grid Holdings One plc
 Company registration number: 2367004

National Grid Holdings One plc
Statement of changes in equity
For the year ended 31 March 2020

	Share capital £m	Share premium account £m	Revaluation Reserve (i) £m	Other equity reserve £m	Profit and loss account £m	Total shareholders' equity £m
At 1 April 2018	176	335	624	3	3,288	4,426
Loss for the year	-	-	-	-	(381)	(381)
At 31 March 2019	176	335	624	3	2,907	4,045
Profit for the year	-	-	-	-	4,782	4,782
Equity dividends (note 7)	-	-	-	-	(3,887)	(3,887)
At 31 March 2020	176	335	624	3	3,802	4,940

(i) During the year ended 31 March 1999, the Company acquired all of the ordinary shares in National Grid Holdings Limited in exchange for shares in subsidiary undertakings, including National Grid Electricity Transmission plc (at that date 'The National Grid Company plc'). The carrying value of National Grid Holdings Limited within fixed asset investments represents the value attributable to the initial investment in The National Grid Company plc, which was acquired for no consideration and was based on a pro-forma net asset value at the date of acquisition, plus all additional investments at cost. As a result of this transaction a revaluation reserve of £624 million was created.

National Grid Holdings One plc
Notes to the financial statements
For the year ended 31 March 2020

1. Summary of significant accounting policies

National Grid Holdings One plc is a public 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 Holdings One plc for the year ended 31 March 2020 were approved by the Board of Directors on 10 August 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 except for the revaluation of derivative financial instruments 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 Company is in a net current liabilities position, but is expected to continue to be in a position to obtain finance via intercompany loans to continue to operate for the foreseeable future. In completing this analysis, the Directors have considered the ability of the National Grid group to provide such finance and have received assurances in writing that the Group will continue to provide funding for the foreseeable future.

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'.

National Grid Holdings One plc

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 Company adopted IFRS 16 'Leases' with effect from 1 April 2019. The Company has applied the modified retrospective approach permitted in the standard whereby prior year comparatives have not been restated on adoption. Instead, any cumulative transition adjustments would be reflected through profit and loss account reserve. Refer to note 20 for full details of the impact and transition adjustments arising on adoption.

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.

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

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

(b) Tax

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

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

(c) Property, plant and equipment

The Company leases a property. With effect from 1 April 2019, 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 (see note 20). 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 discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term. 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.

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

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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.

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) Fixed asset investments

Investments in subsidiary undertakings and associate 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.

(f) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing on the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates on monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(g) Equity instruments

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

(h) Assets held for sale

Assets are classified as held for sale when their carrying amounts are recovered through sale rather than through continuing use. It only meets the held for sale condition when the assets are ready for immediate sale in their present condition, management is committed to the sale and it is highly probable that the sale will complete within one year.

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

(i) 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 the purposes of impairment assessment loans to subsidiary and fellow subsidiary undertakings are individually assessed based on a review of solvency and liquidity arrangements and as such the expected credit loss for the year is £nil.

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

The Company adopted IFRS 16 on 1 April 2019, which resulted in the recognition of £9 million of lease liabilities. As the Company applied the modified retrospective approach to transition, comparatives were not restated. Refer to note 20 for details.

Lease liabilities are initially measured at the present value of the lease payments expected over the lease term. The discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term. 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.

Derivatives

Derivative financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each reporting date. Changes in fair values are recorded in the period they arise, and all are recorded in the profit and loss account as required by IFRS 9. Where the fair value of a derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability.

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Summary of significant accounting policies (continued)

(j) 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

	2020 £m	2019 £m
Operating loss is stated after charging/(crediting):		
Impairment of fixed asset investment (note 9)	9,543	91
(Derecognition)/recognition of provisions in respect of net liabilities of subsidiary undertakings (note 15)	(296)	358

Operating loss is stated after charging audit fees of the Company of £39,000 (2019: £37,000) and audit fees of fellow subsidiary undertakings of £47,000 (2019: £56,000).

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 7 Directors (2019: 7) who exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

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

4. Interest receivable and similar income

	2020 £m	2019 £m
Interest receivable from subsidiary undertakings*	39	33
Interest receivable from fellow subsidiary undertakings*	21	8
Interest receivable from immediate parent company	7	4
Interest receivable from an associate	6	24
Other interest receivable	-	1
Interest on external derivatives	5	-
Exchange gains on revaluation of foreign currency denominated intercompany loans	16	22
Changes in fair value of intercompany derivatives	39	18
Changes in fair value of external derivatives	-	5
	133	115

* Comparatives have been represented to be consistent with current year disclosure

National Grid Holdings One plc
Notes to the financial statements (continued)

For the year ended 31 March 2020

5. Interest payable and similar charges

	2020 £m	2019 £m
Interest payable to subsidiary undertakings*	122	125
Interest payable to fellow subsidiary undertakings*	18	20
Interest payable to immediate parent company	7	5
Exchange losses on revaluation of foreign currency denominated intercompany loans	1	4
Changes in fair value of intercompany derivatives	23	37
Changes in fair value of external derivatives	41	7
Other interest payable	1	-
	<u>213</u>	<u>198</u>

* Comparatives have been represented to be consistent with current year disclosure

6. Tax

	2020 £m	2019 £m
Current tax:		
UK corporation tax	(22)	(21)
Adjustments in respect of prior years	1	-
	<u>(21)</u>	<u>(21)</u>

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

	2020 £m	2019 £m
Profit/(loss) before tax	<u>4,761</u>	<u>(402)</u>
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	905	(76)
Effect of:		
Expenses not deductible for tax purposes	1,759	85
Non-taxable income from investments	(2,679)	(25)
Taxation on transfer pricing adjustments	(7)	(5)
Adjustments in respect of prior years	1	-
Total tax credit in the profit and loss account	<u>(21)</u>	<u>(21)</u>

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

6. Tax (continued)

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

There are no other significant unrecognised deferred tax assets or liabilities (2019: £nil).

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

7. Equity dividends

	2020 £m	2019 £m
Equity - ordinary dividends		
First interim paid: 131.50 (2019: nil) pence per share	1,971	-
Second interim paid: 127.90 (2019: nil) pence per share	1,916	-
	<u>3,887</u>	<u>-</u>

8. Tangible fixed assets

	Land and buildings £m
Cost and net book value	
At 1 April 2019	-
Right-of-use assets recognised on transition to IFRS 16*	9
At 31 March 2020	<u>9</u>

* £9 million of right-of-use assets were recognised on transition to IFRS 16 on 1 April 2019 (see note 21 for further details).

National Grid Holdings One plc
Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost:	
At 1 April 2019	13,244
Additions	5,124
At 31 March 2020	<u>18,368</u>
Provision:	
At 1 April 2019	-
Charge for the year	9,543
At 31 March 2020	<u>9,543</u>
Net book value:	
At 31 March 2020	<u>8,825</u>
At 31 March 2019	<u>13,244</u>

On 1 April 2019, the Company subscribed for a further 330,000,000 ordinary shares of £0.01 each in its subsidiary undertaking, National Grid Electricity System Operator Limited, for a total cash consideration of £330 million.

During the year, the Directors have approved and implemented a range of steps as part of a wider group restructuring project where a number of companies were identified as no longer being required by the National Grid group.

These steps included the acquisition of National Grid Thirty Five Limited during the year at a cost of £4,794 million. As part of the restructure the Company received dividends from existing and the newly acquired companies totalling £11,092 million. Following the receipt of these dividends the Directors reviewed the investment carrying values and considered it appropriate to charge £9,543 million through the profit and loss account as an impairment, which is reflected within operating charges. Following the restructuring a number of these subsidiaries entered voluntary solvent liquidation as indicated below.

The fixed asset investments at 31 March 2020 were as follows:

Incorporated in England and Wales

Registered office: 1-3 Strand, London, WC2N 5EH (unless stated otherwise in footnotes)

Name of subsidiary	Principal activity
Lattice Group Limited	Investment company
National Grid Belgium Limited*	In liquidation
National Grid Carbon Limited	Carbon capture
National Grid Distributed Energy Limited	Metering company
National Grid Electricity System Operator Limited	Electricity system operator in Great Britain
National Grid Holdings Limited	Investment company
National Grid Interconnector Holdings Limited	Holding company
National Grid Interconnectors Limited	Interconnector between the UK and France
National Grid Offshore Limited	Dormant
National Grid Thirty Five Limited*	In liquidation
National Grid UK Limited	Investment company

* Registered office: c/o KPMG, 15 Canada Square, London, E14 5GL

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Fixed asset investments (continued)

Incorporated in Jersey

Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG, UK

Name of subsidiary	Principal activity
National Grid Jersey Investments Limited	In liquidation

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

Incorporated in England and Wales

Registered office: 1-3 Strand, London, WC2N 5EH (unless stated otherwise in the footnotes)

Beegas Nominees Limited	National Grid Property Holdings Limited
Birch Sites Limited	National Grid Seventeen Limited*
Carbon Sentinel Limited	National Grid Smart Limited
Droylsden Metering Services Limited	National Grid Thirty Six Limited
Gridcom Limited	National Grid Twenty Eight Limited
Icelink Interconnector Limited	National Grid Twenty Seven Limited
Landranch Limited	National Grid UK Pension Services Limited
Lattice Group Employee Benefit Trust Limited	National Grid Ventures Limited
Lattice Group Trustees Limited	National Grid Viking Link Limited
Natgrid Limited	National Grid William Limited
National Grid Blue Power Limited*	NG Nominees Limited
National Grid Commercial Holdings Limited	NGC Employee Shares Trustee Limited
National Grid Electricity Group Trustee Limited	Ngrid Intellectual Property Limited
National Grid Electricity Transmission plc	NGT Telecom No. 1 Limited*
National Grid Energy Metering Limited	Port Greenwich Limited
National Grid Four Limited*	Stargas Nominees Limited
National Grid Fourteen Limited*	Supergrid Electricity Limited
National Grid Gas Holdings Limited	Supergrid Energy Transmission Limited
National Grid Gas plc	Supergrid Limited
National Grid Grain LNG Limited	Thamesport Interchange Limited
National Grid IFA2 Limited	The National Grid Group Quest Trustee Limited
National Grid International Limited	The National Grid YouPlan Trustee Limited
National Grid Metering Limited	Transco Limited
National Grid North Sea Link Limited	Warwick Technology Park Management Company (No 2) Limited (60.56%)**
National Grid Plus Limited	

* Registered office: c/o KPMG, 15 Canada Square, London, E14 5GL

** Registered office: Shire Hall, PO Box 9, Warwick CV34 4RL

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2020

9. Fixed asset investments (continued)

Indirect subsidiaries (continued)

Incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States of America.

British Transco Capital Inc.
British Transco Finance, Inc.

Incorporated in the Netherlands

British Transco International Finance B.V.
Registered office: Westblaak 89, 3012 KG Rotterdam, PO Box 21153, 3001 AD, Rotterdam, Netherlands
National Grid Holdings B.V.
Registered office: Prins Bernhardplein 200, 1097 JB, Amsterdam, Netherlands.

Incorporated in Australia

National Grid Australia Pty Limited
Registered office: Level 7, 330 Collins Street, Melbourne VIC 3000, Australia

Incorporated in the Isle of Man

National Grid Insurance Company (Isle of Man) Limited
NGT Holding Company (Isle of Man) Limited *
Registered office: Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man, UK

Incorporated in the Republic of Ireland

National Grid Company (Ireland) Designated Activity Company *
Registered office: c/o Moore Stephens Nathans, Third Floor, Ulysees House, 23/24 Foley Street, Dublin 1, D01 W2T2, Ireland.

Incorporated in Jersey

NG Jersey Limited *
Registered office: 44 Esplanade, St Helier, Jersey, JE4 9WG, UK

* In liquidation

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Fixed asset investments (continued)

The following indirectly owned entities are joint ventures:

Incorporated in England and Wales

Registered office: 1-3 Strand, London, WC2N 5EH (unless stated otherwise in footnotes)

BritNed Development Limited (50%)*

Joint Radio Company Limited (50%)**

Nemo Link Limited (50%)

NGET/SPT Upgrades Limited (50%***)

St William Homes LLP (50%)²

* National Grid Interconnector Holdings Limited owns 284,500,000 €0.20 C Ordinary shares and one £1.00 Ordinary A share

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

*** National Grid Electricity Transmission plc owns 50 £1.00 A Ordinary shares

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

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

Incorporated in France

IFA2 SAS (50%)

Registered office: 1 Terrasse Bellini, Tour Initiale, TSA 41000 – 9291, Paris La Defense, CEDEX, France

The following indirectly owned entity is an associate

Incorporated in Belgium

Coreso SA (15.84%)

Registered office: Avenue de Cortenbergh 71, 1000 Brussels, Belgium

The following indirectly owned entity is classed as an other investment

Incorporated in England and Wales

Energis plc (33.06%)*

Registered office: 1 More London Place, London SE1 2AF

* In liquidation

10. Debtors

	2020	2019
Amounts falling due within one year	£m	£m
Derivative financial instruments (note 14)	37	18
Amounts owed by subsidiary undertakings*	1,880	4,099
Amounts owed by fellow subsidiary undertakings*	4,752	153
Amounts owed by immediate parent company	347	627
Corporation tax recoverable	114	-
	7,130	4,897

* Comparatives have been represented to be consistent with current year disclosure

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

During the year, as part of the group restructuring project, the Directors approved the assignment to the Company of an intercompany loan receivable of £4,700 million with a fellow subsidiary undertaking.

National Grid Holdings One plc
Notes to the financial statements (continued)

For the year ended 31 March 2020

10. Debtors (continued)

	2020 £m	2019 £m
Amounts falling due after more than one year		
Derivative financial instruments (note 14)	17	24
	<u>17</u>	<u>24</u>

11. Assets held for sale

	2020 £m	2019 £m
Assets held for sale	-	1,965
	<u>-</u>	<u>1,965</u>

During June 2019, the Company completed the sale of its interest in Quadgas HoldCo Limited ('Quadgas') for cash consideration of £1,965 million. This sale was pursuant to agreements previously entered between the Company and a consortium of investors.

12. Current asset investments

	2020 £m	2019 £m
Investments in short term money funds	15	-
	<u>15</u>	<u>-</u>

13. Creditors

	2020 £m	2019 £m
Amounts falling due within one year		
Borrowings*	15	38
Derivative financial instruments (note 14)	29	23
Amounts owed to subsidiary undertakings**	4,900	12,019
Amounts owed to fellow subsidiary undertakings**	4,936	3,037
Amounts owed to immediate parent company	1,135	482
Other creditors	5	58
Corporation tax payable	-	10
Accruals	1	15
	<u>11,021</u>	<u>15,682</u>

* Borrowings primarily represents a bank loan payable

** Comparatives have been represented to be consistent with current year disclosure

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

	2020 £m	2019 £m
Amounts falling due after more than one year		
Lease liabilities	9	-
Derivative financial instruments (note 14)	16	24
Other creditors	-	11
	<u>25</u>	<u>35</u>

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2020

13. Creditors (continued)**Lease liabilities**

	2020 £m	2019 £m
Gross lease liabilities are repayable as follows:		
More than 5 years	17	-
	<u>17</u>	<u>-</u>
Less: finance charges allocated to future periods	(8)	-
	<u>9</u>	<u>-</u>
The present value of lease liabilities are as follows:		
More than 5 years	9	-
	<u>9</u>	<u>-</u>

14. Derivative financial instruments

The fair values of derivative financial instruments are:

	Assets £m	2020 Liabilities £m	Total £m
Amounts falling due within one year	37	(29)	8
Amounts falling due after one year	17	(16)	1
	<u>54</u>	<u>(45)</u>	<u>9</u>

	Assets £m	2019 Liabilities £m	Total £m
Amounts falling due within one year	18	(23)	(5)
Amounts falling due after one year	24	(24)	-
	<u>42</u>	<u>(47)</u>	<u>(5)</u>

For each class of derivative the notional contract* amounts are as follows:

	2020 £m	2019 £m
Forward foreign exchange contracts	<u>(2,846)</u>	<u>(2,315)</u>

* The notional amounts of derivatives indicate the gross nominal value of transactions outstanding.

National Grid Holdings One plc
Notes to the financial statements (continued)

For the year ended 31 March 2020

15. Provision for liabilities and charges

	Other £m
At 1 April 2019	368
Released to profit and loss account	(296)
Utilised	(62)
At 31 March 2020	<u>10</u>

The other provisions comprise £10 million (2019: £10 million) in respect of transaction costs in association with the sale of UK Gas Distribution the expenditure for which is expected to be incurred over the next year.

In addition, in the prior year, the Company had commitments totalling £358 million to certain non-regulated subsidiary undertakings which were in a net liability position as at the reporting date. At 31 March 2020, the Directors reviewed these commitments and following various transactions during the year to make good these deficits this resulted in a release of £296 million through the profit and loss account, which is reflected within operating charges.

16. Share capital

	2020 £m	2019 £m
Allotted, called up and fully paid		
1,498 (2019: 1,498) million ordinary shares of 11 13/17 pence	<u>176</u>	<u>176</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.

17. Commitments and contingencies

The Company has guaranteed the repayment of the principal sum, any associated premium and interest on specific loans due from certain subsidiary undertakings primarily to third parties. At the reporting date the sterling equivalent amounted to £nil (2019: £1 million).

In addition, as part of the sectionalisation of the National Grid UK Pension Scheme, a guarantee of £1 billion has been provided to Section A. This payment is contingent on insolvency or on failure to pay pensions obligations to Section A and can be claimed against National Grid plc, National Grid Holdings One plc or Lattice Group Limited (up to £1 billion in total).

18. Related party transactions

The Company is exempt under FRS 101.8k from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group.

As disclosed in note 11 to the financial statements the Company completed the sale of its 39% investment and shareholder loan in an associate, Quadgas HoldCo Limited. The Company received total cash consideration of £1,971 million including £6 million in respect of interest on the shareholder loan.

19. Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Hong Kong Limited. The largest and smallest group which includes the Company and for which consolidated financial statements are prepared is headed by National Grid plc. National Grid plc is registered in England and Wales at the registered office below and National Grid Hong Kong Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

National Grid Holdings One plc

Notes to the financial statements (continued)

For the year ended 31 March 2020

20. 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.

On 24 July 2020, the Company received dividends of £123 million and £434 million from its subsidiaries, Lattice Group Limited and National Grid Holdings Limited respectively. The total cash consideration received was advanced to the ultimate parent company, National Grid plc.

21. Transition to IFRS 16

The Company has adopted IFRS 16 'Leases', with effect from 1 April 2019. IFRS 16 introduces a single lease accounting model for lessees (rather than the current distinction between operating and finance leases). A contract is, or contains, a lease, if it provides the right to control the use of an identified asset for a specific period of time in exchange for consideration. The new standard results in operating leases being accounted for in the balance sheet as 'right-of-use' assets with corresponding lease liabilities also recognised. It therefore increases both our assets and liabilities. It also changes the timing and presentation in the profit and loss account as it results in an increase in finance costs and depreciation largely offset by a reduction in the previously straight-line operating costs.

Transition options

The Company has applied IFRS 16 using the modified retrospective approach. Comparatives have not been restated on adoption. Instead, on the opening balance sheet date, right-of-use assets (net of accrued rent or rent free periods, and reported within property, plant and equipment), additional lease liabilities and any associated deferred tax have been recognised, with no adjustment to retained profit and loss account reserve. 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 as permitted by IFRS 16.

The Company has elected to apply the practical expedient to grandfather our previous assessments of whether contracts were previously accounted for as a lease, as permitted by the standard, instead of reassessing all significant contracts as at the date of initial application to determine whether they met the IFRS 16 definition of a lease.

The Company has elected to apply the practical expedient on transition, which permits right-of-use assets to be measured at an amount equal to the lease liability on adoption of the standard (adjusted for any prepaid or accrued lease expenses).

In addition, the Company has also elected the option to adjust the carrying amounts of the right-of-use assets as at 1 April 2019 for any onerous lease provisions that had been recognised on the balance sheet as at 31 March 2019, rather than performing impairment assessments on transition.

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2020

21. Transition to IFRS 16 (continued)

Impact of transition

As a result, the Company has recognised additional right-of-use assets of £9 million and lease liabilities of £9 million at 1 April 2019. No additional net deferred tax has arisen. There is no impact on net assets as shown in the table below, which shows the impacted balances on the Company balance sheet.

	31 March 2019 as previously reported £m	IFRS16 transition adjustment £m	1 April 2019 as restated £m
Property, plant and equipment			
Land and buildings	-	9	9
Total property, plant and equipment	-	9	9
Lease liabilities			
Non-current	-	(9)	(9)
Total lease liabilities	-	(9)	(9)
Net assets	4,045	-	4,045
Equity	4,045	-	4,045

The impact of IFRS 16 on profit after tax as a result of adopting the new standard is not material. However, it has resulted in an increase in operating profit due to the operating costs now being replaced with depreciation and interest charges.

Ongoing accounting policy

With effect from 1 April 2019, 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 Group. 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 discount rate applied is the rate implicit in the lease or if that is not available, then the incremental rate of borrowing for a similar term.

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.