

Company Registration Number: 2367004

National Grid Holdings One plc
Annual Report and Financial Statements
For the year ended 31 March 2021



National Grid Holdings One plc

Strategic Report

For the year ended 31 March 2021

The Directors present their Strategic Report on National Grid Holdings One plc ('the Company') for the year ended 31 March 2021.

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. During the year the Company received its regular dividends from its key intermediate holding companies, National Grid Holdings Limited of £434 million (2020: £919 million) and Lattice Group Limited of £123 million (2020: £1,567 million). In the prior year 'one off' dividends of £520 million were received from the Company's other trading subsidiaries and £11,092 million from companies rationalised as part of a group wide project (as detailed in note 9 to the financial statements). Operating charges have fallen due to prior year charges for impairment of fixed asset investments and derecognition of provisions of £9,247 million.

During the year, the Directors approved a number of significant transactions as part of a group wide intercompany loan rationalisation project as follows:

- During February 2021, an intercompany loan payable of £2,422 million owed to a fellow subsidiary undertaking, National Grid (US) Investments 2 Limited, was assigned to the ultimate parent company, National Grid plc. In addition, an intercompany loan payable to a fellow subsidiary undertaking, National Grid (US) Holdings Limited, of £478 million was cash settled using funds provided by the ultimate parent company;
- During March 2021, the Company made further investments in its subsidiaries totalling £1,672 million to provide additional working capital in those companies and the funding was provided by the ultimate parent company, National Grid plc (see note 9 for further details); and
- During March 2021, an intercompany loan receivable of £4,763 million owed by a fellow subsidiary undertaking, National Grid (US) Investments 4 Limited, was assigned to the ultimate parent company and this followed the cash settlement of an intercompany loan payable of £2,000 million to the same company using funds provided by the ultimate parent company.

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

Results

The Company's profit for the year was £564 million (2020: £4,782 million profit).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2021 was £3,857 million (2020: £4,940 million) comprising fixed assets of £10,506 million (2020: £8,834 million) less net current liabilities of £6,610 million (2020: £3,859 million) less long term creditors and provisions of £39 million (2020: £35 million).

National Grid Holdings One plc

Strategic Report (continued)

For the year ended 31 March 2021

Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2020/21, which does not form part of this report.

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.

LIBOR is being replaced as an interest rate benchmark by alternative reference rates. This impacts contracts including financial liabilities that pay LIBOR-based cash flows, and derivatives that receive or pay LIBOR-based cash flows. The change in benchmark also affects discount rates which will impact the valuations of certain liabilities. The Directors are managing the risk by planning to replace LIBOR cash flows with alternative reference rates on affected contracts. The migration project is underway, with all affected contracts expected to be amended by 31 December 2021. As at 31 March 2021, no contracts had yet been amended. The Finance Committee of the National Grid plc Board have delegated to the treasury department the authority to determine which benchmarks are the most appropriate. A combination of LIBOR and the successor benchmarks, primarily GBP Sterling Overnight Index Average (SONIA) and USD Secured Overnight Financing Rate (SOFR) will be used in the portfolio during the migration period.

National Grid Holdings One plc
Strategic Report (continued)
For the year ended 31 March 2021

Financial risk management (continued)

Foreign exchange risk

To the extent that the Company enters intercompany loan agreements (and derivative contracts) 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 has intercompany balances, loans and derivative contracts denominated in Euro (EUR), US dollar (USD), Swedish krona (SEK) and Norwegian krone (NOK).

Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts 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 2021 the fair value of these derivative financial instruments resulted in an asset of £46 million (2020: £54 million) and a liability of £46 million (2020: £45 million). The net notional principal of these contracts was £1,922 million (2020: £2,846 million) with a net foreign exchange exposure of £1,922 million (2020: £2,846 million). The future expected cash flows from these derivatives are affected by changes in the EUR/GBP, SEK/GBP, NOK/GBP and USD/GBP exchange rate. The contracts have fixed settlement dates.

Impact of COVID-19 and Brexit

The Directors have continued to review the risks to the Company of the ongoing COVID-19 coronavirus pandemic and the UK's formal withdrawal from the EU on 31 January 2021. They have concluded that there is no impact on the Company nor any resultant adjustments to these financial statements.

A detailed risk assessment of COVID-19 has been done at the National Grid Group level and disclosure in relation to this has been provided in National Grid plc's Annual Report and Accounts 2020/21.

Future developments

The Directors do not foresee a change in the activities of the Company. On 18 March 2021, National Grid announced it would commence a process later in 2021 for the sale of the majority stake in its gas business and the sale is expected to take approximately a year to complete once launched. It is anticipated that the subsidiaries to be sold as part of this process will be National Grid Gas Holdings Limited, National Grid Gas plc and National Grid Metering Limited.

National Grid Holdings One plc
Strategic Report (continued)
For the year ended 31 March 2021

Section 172 (1) statement

The Directors of the Company, as those of all UK companies, must act in accordance with section 172 of the UK Companies Act 2006. Throughout the year, while discharging their duties, section 172 (1) of the Companies Act 2006 requires a Director to consider, where relevant, the following in making their decisions:

- the likely long term consequences of the decision;
- the interests of the Company's employees;
- the need to foster the Company's business;
- the need to foster relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- and
- the need to act fairly between members of the Company

The Directors are of the opinion that they have acted fairly and in good faith to promote the success of the Company for the benefits of its members. The Directors have carried out these duties and have made decisions and undertaken short- and long-term strategies to maintain its financial performance and position. The Directors of National Grid plc are responsible for the governance of, and oversight over, the National Grid Group ('the Group') as a whole.

The Company is a holding company, holding investments in National Grid subsidiary companies. As a holding company, the Company obtains and provides finance to fellow subsidiary companies via intercompany balances. The Board considers the Company's investments in light of the Group's corporate and social responsibility strategy, and the Board receives information on these topics from management to make these decisions. As a wholly owned subsidiary with the Group the Directors consider the impact of the Company's activities on its shareholder, its subsidiaries and other stakeholders. The Company has no other operational activities, employees or external suppliers or customers.

The Directors believe that certain matters they are responsible for under s172 in respect of the Company and its stakeholders, including, but not limited to, decisions impacting employees, suppliers, customers or the community and the environment have been considered to an appropriate extent by the Directors of National Grid plc in relation both to the Group and the Company. The Directors also continue to recognise the importance of maintaining its high standards of business conduct in line with the Group's Code of Ethical Business Conduct which applies to all subsidiaries within the Group.

The Directors are of the opinion that the remaining details of how they meet their duty is in line with those reflected by the Directors of National Grid plc in their Annual Report. Please refer to pages 46-51 of the National Grid plc Annual Report and Accounts (available at: www.nationalgrid.com/investors) for more information on how the Group Directors meet their duty.

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
23 July 2021

National Grid Holdings One plc
Directors' Report
For the year ended 31 March 2021

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

Future developments

Details of future developments have been included within the Strategic Report on page 3.

Principal risk and uncertainties

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

Financial risk management

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

Dividends

The Company has paid interim ordinary dividends during the year totalling £1,647 million (2020: £3,887 million). The Directors do not recommend the payment of a final dividend (2020: £nil).

Directors

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

A J Agg	
L Barbrook	(Appointed 1 September 2020)
K M Dickie	(Appointed 1 July 2020)
S W Grant	
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 of Association, qualifying third-party indemnities against financial exposure that Directors may incur during their professional duties. Equivalent qualifying third-party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board in prior financial years for matters arising when they were Directors of the Company. Alongside these indemnities, National Grid places Directors' and Officers' liability insurance cover for each Director.

Going concern

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed.

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, as described in note 1 to the consolidated financial statements in National Grid's Annual Report and Accounts 2020/21, 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.

National Grid Holdings One plc
Directors' Report (continued)
For the year ended 31 March 2021

Events after the reporting period

Subsequent to the year end, on 14 June 2021, the Company completed the acquisition of PPL WPD Investments Limited (together with its subsidiary undertakings), the holding company of Western Power Distribution (WPD) for a cash consideration of £7.8 billion which was funded by way of a loan from the ultimate parent company, National Grid plc. The acquisition is subject to a Competition and Markets Authority (CMA) merger review which has not yet concluded. As a result, the CMA has issued an *Initial Enforcement Order*, requiring the WPD group to continue to be run independently from National Grid under its existing management until the CMA review has completed. As a consequence, no further information on the acquisition can be provided at this stage.

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 2021 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

Statement of Directors' responsibilities

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

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

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

National Grid Holdings One plc
Directors' Report (continued)
For the year ended 31 March 2021

Statement of Directors' responsibilities (continued)

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

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

DocuSigned by:

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M Barnes
Company Secretary
23 July 2021

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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.

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

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

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

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

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

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT and Treasury specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

**Independent auditor's report to the members of
National Grid Holdings One plc (continued)**

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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.



Lee Highton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 July 2021

National Grid Holdings One plc
Profit and loss account
For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Operating charges		-	(9,257)
Operating loss	2	-	(9,257)
Income from shares in subsidiary undertakings		557	14,098
Interest receivable and similar income	4	114	133
Interest payable and similar charges	5	(113)	(213)
Profit before tax		558	4,761
Tax	6	6	21
Profit for the year		564	4,782

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 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Tangible fixed assets	8	9	9
Fixed asset investments	9	10,497	8,825
		<u>10,506</u>	<u>8,834</u>
Current assets			
Debtors (amounts falling due within one year)	10	5,136	7,130
Debtors (amounts falling due after more than one year)	10	20	17
Current asset investments	11	21	15
Total current assets		<u>5,177</u>	<u>7,162</u>
Creditors (amounts falling due within one year)	12	(11,787)	(11,021)
Net current liabilities		<u>(6,610)</u>	<u>(3,859)</u>
Total assets less current liabilities		<u>3,896</u>	<u>4,975</u>
Creditors (amounts falling due after more than one year)	12	(29)	(25)
Provision for liabilities and charges	14	(10)	(10)
Net assets		<u>3,857</u>	<u>4,940</u>
Equity			
Share capital	15	176	176
Share premium account		335	335
Revaluation reserve		624	624
Other equity reserve		3	3
Profit and loss account		2,719	3,802
Total shareholders' equity		<u>3,857</u>	<u>4,940</u>

The financial statements set out on pages 11 to 27 were approved by the Board of Directors on 23 July 2021 and were signed on its behalf by:

DocuSigned 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 2021

	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 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
Profit for the year	-	-	-	-	564	564
Equity dividends (note 7)	-	-	-	-	(1,647)	(1,647)
At 31 March 2021	176	335	624	3	2,719	3,857

(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 2021

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 2021 were approved by the Board of Directors on 23 July 2021. 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 2020 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, as described in note 1 to the consolidated financial statements in National Grid's Annual Report and Accounts 2020/21, 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 impairment of assets;
- 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 2021

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the Company's 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) 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 on a 99-year lease dated 22 July 2013 with a break out clause date of 31 December 2072. 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. The right-of-use asset and associated lease liability arising from a lease are initially measured at the present value of the lease payments expected over the lease term. The lease payments include fixed payments, any variable lease payments dependent on an index or a rate, and any break fees or renewal option costs that the Company is reasonably expected to incur. 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 and similar security (which is determined based on observable data for borrowing rates for the Company, with specific adjustments for the term of the lease and any lease-specific risk premium). The lease term takes account of exercising any extension options that are at the Company's option if the Company is reasonably certain to exercise the option and any lease termination options unless the Company is 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.

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.

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(d) 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.

(e) 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.

(f) Equity instruments

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

(g) 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 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.

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 and similar security. The lease term takes account of exercising any extension options that are at the Company's option if the Company is reasonably certain to exercise the option and any lease termination options unless the Company is 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.

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

1 Summary of significant accounting policies (continued)

(g) Financial instruments (continued)

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.

The fair value of derivative financial instruments is calculated by taking the present value of future cash flows, primarily incorporating market observable inputs. The various inputs include foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate and inflation curves, the forward rate curves of underlying commodities, and for those positions that are not fully cash collateralised the credit quality of the counterparties.

(h) 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

	2021 £m	2020 £m
Operating loss is stated after charging/(crediting):		
Impairment of fixed asset investments (note 9)	-	9,543
Derecognition of provisions in respect of net liabilities of subsidiary undertakings	-	(296)
	<hr/>	<hr/>

Operating loss is stated after charging audit fees of the Company of £41,000 (2020: £39,000) and audit fees of fellow subsidiary undertakings of £15,000 (2020: £47,000).

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 (2020: 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 (2020: none).

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

4. Interest receivable and similar income

	2021 £m	2020 £m
Interest receivable from subsidiary undertakings	5	39
Interest receivable from fellow subsidiary undertakings	33	21
Interest receivable from ultimate parent company	2	7
Interest receivable from an associate	-	6
Interest on external derivatives	4	5
Exchange gains on revaluation of foreign currency denominated intercompany loans	-	16
Changes in fair value of intercompany derivatives	55	39
Changes in fair value of external derivatives	15	-
	<u>114</u>	<u>133</u>

5. Interest payable and similar charges

	2021 £m	2020 £m
Interest payable to subsidiary undertakings	20	122
Interest payable to fellow subsidiary undertakings	14	18
Interest payable to ultimate parent company	6	7
Exchange losses on revaluation of foreign currency denominated intercompany loans	36	1
Changes in fair value of intercompany derivatives	31	23
Changes in fair value of external derivatives	6	41
Other interest payable	-	1
	<u>113</u>	<u>213</u>

6. Tax

	2021 £m	2020 £m
Current tax:		
UK corporation tax	(6)	(22)
Adjustments in respect of prior years	-	1
	<u>(6)</u>	<u>(21)</u>

The tax credit for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

6. Tax (continued)

	2021	2020
	£m	£m
Profit before tax	<u>558</u>	<u>4,761</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	106	905
Effect of:		
Expenses not deductible for tax purposes	-	1,759
Non-taxable income from investments	(106)	(2,679)
Taxation on transfer pricing adjustments	(6)	(7)
Adjustments in respect of prior years	-	1
Total tax credit in the profit and loss account	<u>(6)</u>	<u>(21)</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023.

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, from which the Directors do not currently expect there to be a material impact on the Company's future tax charges.

7. Equity dividends

	2021	2020
	£m	£m
Equity - ordinary dividends		
First interim paid: 109.95 pence (2020: 131.50) per share	1,647	1,971
Second interim paid: nil pence (2020: 127.90) per share	-	1,916
	<u>1,647</u>	<u>3,887</u>

8. Tangible fixed assets

		Land and buildings
		£m
Right of use asset		
Cost and net book value		
At 1 April 2020 and 31 March 2021		<u><u>9</u></u>

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

9. Fixed asset investments

	Shares in subsidiary undertakings £m
Cost:	
At 1 April 2020	18,368
Additions	1,672
At 31 March 2021	20,040
Provision:	
At 1 April 2020 and 31 March 2021	9,543
Net book value:	
At 31 March 2021	10,497
At 31 March 2020	8,825

During March 2021 the Company made further investments in its subsidiaries as follows:

- National Grid Interconnector Holdings Limited - £1,600 million;
- National Grid Interconnectors Limited - £58 million;
- National Grid Distributed Energy Limited - £10 million; and
- National Grid Carbon Limited - £4 million.

These cash investments were to provide additional working capital for these subsidiaries and the funding was provided by the ultimate parent company, National Grid plc.

During the prior year the significant transactions were as follows:

- On 1 April 2019, the Company made a further investment in National Grid Electricity System Operator Limited, for a total cash consideration of £330 million; and
- The Company implemented a number of steps as part of a group rationalisation project to reduce the number of companies in the group. These steps included the acquisition of National Grid Thirty Five Limited at a cost of £4,794 million; the receipt of dividends from existing and the newly acquired companies totalling £11,092 million; and following the receipt of these dividends the Directors reviewed the investment carrying values and charged £9,543 million through the profit and loss account as an impairment, which was reflected within operating charges.

The fixed asset investments at 31 March 2021 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	Energy development 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 Thirty Five Limited*	In liquidation
National Grid UK Limited	Contracting agent for the Group

* 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 2021

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 Offshore Limited	
National Grid Plus Limited	

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

** 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 2021

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

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 2021

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%)**¹

National Places LLP (50%)²

Nemo Link Limited (50%)

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

St William Homes LLP (50%)³

* 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: 80 Cheapside, London, EC2V 6EE, UK.

3. 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

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

10. Debtors

	2021	2020
	£m	£m
Amounts falling due within one year		
Derivative financial instruments (note 13)	26	37
Amounts owed by subsidiary undertakings	307	1,880
Amounts owed by fellow subsidiary undertakings	8	4,752
Amounts owed by ultimate parent company	4,764	347
Corporation tax recoverable	31	114
	<u>5,136</u>	<u>7,130</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.

The Directors approved a number of significant transactions as part of a group wide intercompany loan rationalisation project and during March 2021, an intercompany loan receivable of £4,763 million owed by a fellow subsidiary undertaking, was assigned to the ultimate parent company, National Grid plc.

	2021	2020
	£m	£m
Amounts falling due after more than one year		
Derivative financial instruments (note 13)	<u>20</u>	<u>17</u>

11. Current asset investments

	2021	2020
	£m	£m
Investments in short term money funds	<u>21</u>	<u>15</u>

12. Creditors

	2021	2020
	£m	£m
Amounts falling due within one year		
Borrowings*	9	15
Derivative financial instruments (note 13)	26	29
Amounts owed to subsidiary undertakings	5,263	4,900
Amounts owed to fellow subsidiary undertakings	6	4,936
Amounts owed to ultimate parent company	6,480	1,135
Other creditors	3	5
Accruals	-	1
	<u>11,787</u>	<u>11,021</u>

* Borrowings primarily represents a bank loan payable

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

12 Creditors (continued)

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.

The Directors approved a number of significant transactions as part of a group wide intercompany loan rationalisation project and during February 2021, an intercompany loan payable of £2,422 million owed by a fellow subsidiary undertaking, National Grid (US) Investments 2 Limited, was assigned to the ultimate parent company, National Grid plc. In addition, an intercompany loan payable to a fellow subsidiary undertaking, National Grid (US) Holdings Limited, of £478 million was cash settled using funds provided by the ultimate parent company. During March 2021, an intercompany loan payable of £2,000 million to a fellow subsidiary undertaking, National Grid (US) Investments 4 Limited, was cash settled using funds provided by the ultimate parent company.

	2021 £m	2020 £m
Amounts falling due after more than one year		
Lease liabilities	9	9
Derivative financial instruments (note 13)	20	16
	<u>29</u>	<u>25</u>

	2021 £m	2020 £m
Lease liabilities		
Gross lease liabilities are repayable as follows:		
More than 5 years	17	17
	<u>17</u>	<u>17</u>
Less: finance charges allocated to future periods	(8)	(8)
	<u>9</u>	<u>9</u>
The present value of lease liabilities is as follows:		
More than 5 years	9	9
	<u>9</u>	<u>9</u>

13. Derivative financial instruments

The fair values of derivative financial instruments are:

	Assets £m	2021 Liabilities £m	Total £m
Amounts falling due within one year	26	(26)	-
Amounts falling due after one year	20	(20)	-
	<u>46</u>	<u>(46)</u>	<u>-</u>
	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>

National Grid Holdings One plc
Notes to the financial statements (continued)
For the year ended 31 March 2021

13. Derivative financial instruments (continued)

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

	2021 £m	2020 £m
Forward foreign exchange contracts	<u>(1,922)</u>	<u>(2,846)</u>

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

14. Provision for liabilities and charges

	Other £m
At 1 April 2020 and 31 March 2021	<u>10</u>

The other provision comprises £10 million (2020: £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.

15. Share capital

	2021 £m	2020 £m
Allotted, called up and fully paid		
1,498 (2020: 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.

16. Commitments and contingencies

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).

17. 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.

18. Ultimate parent company

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Luxembourg SARL. 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 Luxembourg SARL at 412F, Route d'Esch, L-2086, Luxembourg, Grand Duchy of Luxembourg.

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 2021

19. Events after the reporting period

Subsequent to the year end, on 14 June 2021, the Company completed the acquisition of PPL WPD Investments Limited (together with its subsidiary undertakings), the holding company of Western Power Distribution (WPD) for a cash consideration of £7.8 billion which was funded by way of a loan from the ultimate parent company, National Grid plc. The acquisition is subject to a Competition and Markets Authority (CMA) merger review which has not yet concluded. As a result, the CMA has issued an Initial Enforcement Order, requiring the WPD group to continue to be run independently from National Grid under its existing management until the CMA review has completed. As a consequence, no further information on the acquisition can be provided at this stage.