

Company Registration Number: 2630496

**National Grid (US) Holdings Limited**

**Annual Report and Financial Statements**

**For the year ended 31 March 2019**



# National Grid (US) Holdings Limited

## Strategic Report

For the year ended 31 March 2019

The Directors present their Strategic Report on National Grid (US) Holdings Limited ('the Company') for the year ended 31 March 2019.

### Review of the business

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

### 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 has continued to hedge its foreign exchange risk associated with its US dollar investments using intercompany loans and derivatives. This has resulted in an increase of £366,701,000 (2018: £538,961,000 decrease) in the carrying value of investments.

There have been no other significant changes in investments or intercompany balances.

Results, as detailed below, largely depend on interest costs incurred.

### Results

The Company's loss for the financial year was £104,066,000 (2018: £67,239,000 loss).

### Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2019 was £8,774,857,000 (2018: £8,878,923,000) comprising fixed asset investments of £13,050,379,000 (2018: £12,683,678,000) less net current liabilities of £4,275,522,000 (2018: £3,804,755,000).

### Key performance indicators and principal risks and uncertainties

As the Company is part of a larger group, the management of the Company does not involve the use of key performance indicators, other than the profit or loss for the year, in measuring the development, performance or the position of the Company and the principal risks and uncertainties are integrated with the principal risks of National Grid plc. For information on the development, performance, risks, uncertainties and position of National Grid plc and its subsidiaries ('National Grid'), and of the key performance indicators used, refer to the Strategic Report included in National Grid plc's Annual Report and Accounts 2018/19, which does not form part of this report.

### Future developments

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

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



**M Barnes**  
Company Secretary  
31 July 2019

# National Grid (US) Holdings Limited

## Directors' Report

### For the year ended 31 March 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

#### **Future developments**

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

#### **Dividends**

The Company has paid no interim ordinary dividends during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

#### **Financial risk management**

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

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

#### **Liquidity risk**

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

#### **Credit risk**

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. 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 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 sterling and US dollar LIBOR.

#### **Foreign exchange risk**

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

# National Grid (US) Holdings Limited

## Directors' Report (continued)

For the year ended 31 March 2019

### Derivative financial instruments

Derivative financial instruments in the form of forward foreign exchange contracts are entered into for the purposes of hedging 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 2019 the fair value of these derivative financial instruments resulted in a liability of £3,127,000 (2018: £33,235,000 asset). The notional principal of contracts was £212,791,000 (2018: £968,807,000) with a net foreign exchange exposure of £212,791,000 (2018: £968,807,000). The future expected cash flows from these derivatives are affected by changes in the 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	(Appointed 30 July 2018)
D C Bonar	(Resigned 30 April 2018)
A R J Bonfield	(Resigned 30 July 2018)
K M Dickie	
S W Grant	
S C Humphreys	
A M Lewis	
A K Mead	
D A Preston	
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.

### Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the Company's financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. 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.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# National Grid (US) Holdings Limited

## Directors' Report (continued)

For the year ended 31 March 2019

### Disclosure of information to auditors

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

### Auditors

At the 2019 Annual General meeting of National Grid plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

### Statement of Directors' responsibilities

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

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

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

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

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



**M Barnes**  
Company Secretary  
31 July 2019

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

**Registered in England and Wales**  
Company registration number: 2630496

# Independent auditor's report to the members of National Grid (US) Holdings Limited

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 12, which includes the summary of significant accounting policies.

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

### Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 (US) Holdings Limited (continued)**

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

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

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Lee Highton (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
London, UK  
31 July 2019



# National Grid (US) Holdings Limited

## Profit and loss account

For the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Operating charges		(102)	(108)
<b>Operating loss</b>	2	<u>(102)</u>	<u>(108)</u>
Interest receivable and similar income	4	4,395	5,293
Interest payable and similar charges	5	(132,735)	(86,739)
<b>Loss before tax</b>		<u>(128,442)</u>	<u>(81,554)</u>
Tax	6	24,376	14,315
<b>Loss for the financial year</b>		<u><u>(104,066)</u></u>	<u><u>(67,239)</u></u>

The results reported above relate to continuing activities.

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

# National Grid (US) Holdings Limited

## Balance sheet

As at 31 March 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed asset investments</b>	7	<u>13,050,379</u>	<u>12,683,678</u>
<b>Current assets</b>			
Debtors (amounts falling due within one year)	8	470,879	498,636
Creditors (amounts falling due within one year)	9	(4,746,401)	(4,303,391)
<b>Net current liabilities</b>		<u>(4,275,522)</u>	<u>(3,804,755)</u>
<b>Total assets less current liabilities</b>		<u>8,774,857</u>	<u>8,878,923</u>
<b>Net assets</b>		<u>8,774,857</u>	<u>8,878,923</u>
<b>Equity</b>			
Share capital	10	2,149	2,149
Share premium account		8,265,511	8,265,511
Profit and loss account		507,197	611,263
<b>Total shareholders' equity</b>		<u>8,774,857</u>	<u>8,878,923</u>

These financial statements on pages 8 to 20 were approved by the Board of Directors on 31 July 2019 and were signed on its behalf by:



**S W Grant**  
Director

**National Grid (US) Holdings Limited**  
Company registration number: 2630496

# National Grid (US) Holdings Limited

## Statement of changes in equity

For the year ended 31 March 2019

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2017	1,968	7,265,692	678,502	7,946,162
Loss for the financial year	-	-	(67,239)	(67,239)
Issue of share capital (note 10)	181	999,819	-	1,000,000
At 31 March 2018	<u>2,149</u>	<u>8,265,511</u>	<u>611,263</u>	<u>8,878,923</u>
Loss for the financial year	-	-	(104,066)	(104,066)
<b>At 31 March 2019</b>	<u><b>2,149</b></u>	<u><b>8,265,511</b></u>	<u><b>507,197</b></u>	<u><b>8,774,857</b></u>

# National Grid (US) Holdings Limited

## Notes to the financial statements

For the year ended 31 March 2019

### 1 Summary of significant accounting policies

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

#### (a) Basis of preparation

The financial statements of National Grid (US) Holdings Limited for the year ended 31 March 2019 were approved by the Board of Directors on 31 July 2019. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements have been prepared on a historical cost basis except for the revaluation of derivative financial instruments and any adjustments arising from hedge accounting and are presented in pounds sterling which, is the currency of the primary economic environment in which the Company operates. The 2018 comparative financial information has also been prepared on this basis.

These financial statements have been prepared on a going concern basis, which presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements are signed. As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. 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.

The Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

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

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements of the Company in accordance with FRS 101:

- a cash flow statement and related notes;
- disclosures in respect of transactions with National Grid plc and its subsidiaries;
- disclosures in respect of capital management; 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 (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

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

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

The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 April 2018. The adoption of IFRS 9 has had no material impact and the adoption of IFRS 15 has had no impact on the Company.

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 were no areas of judgements required in preparing these financial statements. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the valuation of derivative financial instruments.

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

#### (b) Fixed asset investments

Investments in subsidiary undertakings held as fixed assets are recorded at cost less any provisions for impairment. Cost will also include any adjustments arising from hedge accounting as described in accounting policy 1 (f).

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value-in-use.

#### (c) Tax

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

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

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

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

#### (e) 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.

# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

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

#### (f) Financial instruments

The Company adopted IFRS 9 with effect from 1 April 2018. The comparatives are not required to be restated and accounted for in accordance with IAS 39. Under IFRS 9 the Company has reported the following financial assets and liabilities, and the classification for each is dependent upon its contractual cash flows and for financial assets the business model it is held under. All financial instruments are initially recognised on trade date.

Financial assets that have contractual cash flows that are solely payments of principal and interest, and which are held within a business model whose objective is to collect contractual cash flows, are held at amortised cost. These instruments include loans to subsidiary undertakings, and loans to subsidiaries within the National Grid group. For the purposes of impairment assessment loans to subsidiary and fellow subsidiary undertakings are individually assessed based on a review of solvency and liquidity arrangements.

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

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, in either the profit and loss account or other comprehensive income as required by IAS39/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.

#### 2018

Loans receivable are initially recognised at fair value plus transaction costs and subsequently held at amortised cost using the effective interest method. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with gains and losses when the loans are derecognised or impaired, are recognised in the profit and loss account.

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

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

**(g) Hedge accounting**

The Company adopted IFRS 9 with effect from 1 April 2018. Hedge accounting comparatives are not required to be restated and are accounted for in accordance with IAS 39.

The Company enters into derivatives and foreign currency denominated intercompany loans in order to manage its foreign currency exposures, with a view to managing the risk associated with the Company's underlying business activities and the financing of those activities. The principal derivatives used are forward foreign currency contracts.

Hedge accounting allows derivatives and foreign currency denominated intercompany loans to be designated as a hedge of other financial instruments, to mitigate the impact of potential volatility in the profit and loss account. The Company has used hedge accounting to hedge investments in overseas subsidiary undertakings.

Changes in the carrying value of financial instruments that are designated as hedges of the changes in the fair value of assets or liabilities ('fair value hedges') are recognised in the profit and loss account. An offsetting amount is recorded as an adjustment to the carrying value of hedged items, with a corresponding entry in the profit and loss account, to the extent that the change is attributable to the risk being hedged and that the fair value hedge is effective.

Fair value hedging is designated as hedging the exposure to movements in the forward rate of exchange rates only. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when a hedging relationship no longer qualifies for hedge accounting. For fair value hedges the cumulative adjustment recorded to its carrying value at the date hedge accounting is discontinued is recognised in the profit and loss account as the hedged item impacts profit or loss.

**2 Operating loss**

	2019	2018
	£'000	£'000
<b>Operating loss is stated after charging:</b>		
<b>Services provided by the Company's auditor</b>		
Audit fees of Company	15	15
Audit fees of subsidiary undertakings	65	63
	65	63

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 6 Directors (2018: 8) 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 (2018: none).

# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

### 4 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from a fellow subsidiary undertaking	4,395	54
Interest receivable from immediate parent company	-	5,239
	4,395	5,293

In the prior period, during March 2018, the Directors entered an intercompany loan offset agreement with its immediate parent, National Grid plc and a new interest bearing loan agreement with a fellow subsidiary undertaking, the impact of which is reflected in the current period.

### 5 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to immediate parent company	122,166	78,342
Net losses on derivatives and foreign currency denominated intercompany loans designated as fair value hedges (see below)	10,569	8,397
	132,735	86,739

Net losses/(gains) on intercompany derivatives and foreign currency denominated intercompany loans designated as fair value hedges:

	2019 £'000	2018 £'000
Losses/(gains) on intercompany derivatives	95,019	(104,437)
Exchange losses/(gains) on revaluation of foreign currency denominated intercompany loans	282,251	(426,127)
	377,270	(530,564)
Fair value hedge accounting adjustments recorded against fixed asset investments (note 7)	(366,701)	538,961
	10,569	8,397

### 6 Tax

	2019 £'000	2018 £'000
<b>Current tax:</b>		
UK corporation tax	(24,404)	(14,315)
Adjustments in respect of prior years	28	-
	(24,376)	(14,315)



# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

### 6 Tax (continued)

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

	2019 £'000	2018 £'000
Loss before tax	<u>(128,442)</u>	<u>(81,554)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	<b>(24,404)</b>	(15,495)
Effect of:		
Taxation on transfer pricing adjustments	-	1,180
Expenses not deductible for tax purposes	<b>69,673</b>	102,403
Non-taxable income	<b>(69,673)</b>	(102,403)
Adjustments in respect of prior years	<b>28</b>	-
<b>Total tax credit in the profit and loss account</b>	<u><b>(24,376)</b></u>	<u>(14,315)</u>

#### Factors that may affect future tax charges

The main rate of UK corporation tax is reduced to 17% with effect from 1 April 2020.

The Directors will continue to monitor the developments driven by Brexit, the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives including fiscal aid investigations. At this time the Directors do not expect this to cause any material impact on future tax charges.

### 7 Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost and net book value:</b>	
At 1 April 2018	12,683,678
Fair value hedge accounting adjustments	366,701
At 31 March 2019	<u><b>13,050,379</b></u>

During the year, the Company has continued to hedge its foreign exchange risk associated with its US dollar investments using intercompany loans and derivatives. This has resulted in an increase of £366,701,000 (2018: £538,961,000 decrease) in the carrying value of investments.

In the prior period, on 12 June 2017, the Company acquired a further 219 ordinary shares of £1 each in the capital of National Grid (US) Investments 4 Limited for a cash consideration of £1,000,000,000 following a rights issue in that company.

# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

### 7 Fixed asset investments (continued)

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

Name of subsidiary	Principal activity
National Grid (US) Investments 4 Limited	Investment holding company
National Grid Twenty-Five Limited	Investment holding company
NatgridTW1 Limited	Investment holding company

For the above subsidiaries the Company holds 100% of the ordinary share capital and each of the companies are registered in England and Wales with a registered office at 1-3 Strand, London, WC2N 5EH.

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

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

#### Subsidiary undertakings incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA, unless stated otherwise in the footnotes.

Boston Gas Company <sup>1</sup>	National Grid Connect Inc.
Broken Bridge Corp. <sup>2</sup>	National Grid Development Holdings Corp.
Colonial Gas Company <sup>1</sup>	National Grid Electric Services LLC <sup>3</sup>
EUA Energy Investment Corporation <sup>1</sup>	National Grid Energy Management LLC
Granite State Power Link LLC	National Grid Energy Services LLC
GridAmerica Holdings Inc.	National Grid Energy Trading Services LLC <sup>3</sup>
Grid NY LLC <sup>3</sup>	National Grid Engineering & Survey Inc. <sup>3</sup>
KeySpan CI Midstream Limited	National Grid Generation LLC <sup>3</sup>
KeySpan Energy Corporation <sup>3</sup>	National Grid Generation Ventures LLC <sup>3</sup>
KeySpan Energy Services Inc.	National Grid Glenwood Energy Center, LLC
KeySpan Gas East Corporation <sup>3</sup>	National Grid Green Homes Inc.
KeySpan International Corporation	National Grid IGTS Corp. <sup>3</sup>
KeySpan MHK, Inc.	National Grid Insurance USA Ltd <sup>3</sup>
KeySpan Midstream Inc.	National Grid Islander East Pipeline LLC
Keyspan Plumbing Solutions, Inc. <sup>3</sup>	National Grid LNG GP LLC
KSI Contracting, LLC	National Grid LNG LLC
KSI Electrical, LLC	National Grid LNG LP LLC
KSI Mechanical, LLC	National Grid Millennium LLC
Land Management & Development, Inc. <sup>3</sup>	National Grid NE Holdings 2 LLC <sup>1</sup>
Landwest, Inc. <sup>3</sup>	National Grid North America Inc.
Massachusetts Electric Company <sup>1</sup>	National Grid North East Ventures Inc.
Metro Energy L.L.C. <sup>3</sup>	National Grid Port Jefferson Energy Center LLC
Metrowest Realty LLC	National Grid Services Inc.
Mystic Steamship Corporation	National Grid Partners Inc. <sup>3</sup>
Nantucket Electric Company <sup>1</sup>	National Grid Transmission Services Corporation <sup>1</sup>
National Grid Algonquin LLC	National Grid US 6 LLC

# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

### 7 Fixed asset investments (continued)

#### Subsidiary undertakings incorporated in the US (continued)

National Grid US LLC	Niagara Mohawk Power Corporation <sup>3</sup>
National Grid USA	NM Properties, Inc. <sup>3</sup>
National Grid USA Service Company, Inc. <sup>3</sup>	Northeast Renewable Link LLC
Nees Energy, Inc. <sup>1</sup>	North East Transmission Co, Inc.
New England Electric Transmission Corporation <sup>2</sup>	Opinac North America, Inc.
New England Energy Incorporated <sup>1</sup>	Philadelphia Coke Co., Inc.
New England Hydro Finance Company, Inc. (53.704%) <sup>1</sup>	Port of the Islands North, LLC <sup>3</sup>
New England Hydro-Transmission Corporation (53.704%) <sup>2</sup>	The Brooklyn Union Gas Company <sup>3</sup>
New England Hydro-Transmission Electric Company Inc. (53.704%) <sup>1</sup>	The Narragansett Electric Company <sup>4</sup>
New England Power Company <sup>1</sup>	Transgas Inc. <sup>1</sup>
Newport America Corporation <sup>4</sup>	Upper Hudson Development Inc. <sup>1</sup>
NGNE LLC	Valley Appliance and Merchandising Company <sup>4</sup>
NGV Emerald Acquisition Co LLC <sup>5</sup>	Vermont Green Line Devco, LLC (90%)
NGV Emerald Holdings LLC <sup>5</sup>	Wayfinder Group, Inc. <sup>1</sup>
Niagara Mohawk Energy, Inc.	
Niagara Mohawk Holdings, Inc. <sup>3</sup>	

1. Registered office: Corporation Service Company, 84 State Street, Boston MA 02109, Suffolk County, USA
2. Registered office: Corporation Service Company, 10 Ferry Street, Suite 313, Concord NH 03301, Merrimack County, USA
3. Registered office: Corporation Service Company, 80 State Street, Albany NY 12207-2543, Albany County, USA
4. Registered office: Corporation Service Company, 222 Jefferson Boulevard, Suite 200, Warwick RI 02888, Kent County, USA
5. Registered office: 404 Wyman Street, Waltham. MA02451, USA

#### Subsidiary undertaking incorporated in Canada

Registered office: 1959 Upper Water Street, Suite 800, Halifax NS, B3J 2X2, Canada  
KeySpan Energy Development Co.

#### Subsidiary undertakings incorporated in England and Wales

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

Natgrid One Limited  
National Grid (US) Investments 2 Limited  
National Grid (US) Partner 1 Limited  
National Grid Ten  
National Grid Twelve Limited  
National Grid Twenty Three Limited  
NGT Two Limited

#### Joint ventures incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA, unless stated otherwise in the footnotes.

Clean Energy Generation, LLC (50%)  
Goldendale Energy Storage LLC (50%)  
Island Park Energy Center LLC (50%)  
Islander East Pipeline Company, LLC (50%)<sup>1</sup>  
LI Energy Storage System, LLC (50%)  
LI Solar Generation, LLC (50%)  
Swan Lake North Holdings LLC (50%)

1. Registered office: Corporation Trust Company, 1209 Orange Street, Wilmington DE 19808, New Castle County, USA

## National Grid (US) Holdings Limited

### Notes to the financial statements (continued)

For the year ended 31 March 2019

#### 7 Fixed asset investments (continued)

##### Associates incorporated in the US

Registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA, unless stated otherwise in the footnotes

##### Name of associate

Algonquin Gas Transmission, LLC (20%)<sup>1</sup>  
 Clean Line Energy Partners LLC (32%)<sup>1</sup>  
 Connecticut Yankee Atomic Power Company (19.5%)<sup>2</sup>  
 Direct Global Power, Inc (26%)<sup>3</sup>  
 Energy Impact Fund LP (33%)<sup>4</sup>  
 KHB Venture LLC (33%)<sup>5</sup>  
 Maine Yankee Atomic Power Company (24%)<sup>6</sup>  
 Millennium Pipeline Company LLC (26.25%)<sup>1</sup>  
 New York Transco LLC (28.3%)<sup>7</sup>  
 Nysearch RMLD, LLC (22.63%)  
 Sunrun Neptune Investor 2016 LLC<sup>1\*</sup>  
 Yankee Atomic Electric Company (34.5%)<sup>8</sup>

1. Registered office: Corporation Trust Company, 1209 Orange Street, Wilmington DE 19808, New Castle County, USA
2. Registered office: Carla Pizzella, 362 Injun Road, East Hampton, CT06424, USA
3. Registered office: Corporation Service Company, 507 Plum Street, PO Box 5001, Syracuse, NY 13250, USA
4. Registered office: Harvard Business Services, Inc., 16192 Coastal Highway, Lewes DE 19958, Sussex County, USA
5. Registered office: De Maximus Inc., 135 Beaver Street, 4th Floor, Waltham, MA02452, USA
6. Registered office: Joseph D Fay, 321 Old Ferry Road, Wiscasset, ME 04578, USA
7. Registered office: 80 State Street, Albany NY 12207-2543, Albany County, USA
8. Registered office: Brian Smith, 49 Yankee Road, Rowe, MA 01367, USA

\* National Grid Green Homes Inc. owns 1,000 Class A Membership Interests

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

	2019	2018
	£'000	£'000
Derivative financial instruments (i)	-	33,235
Amounts owed by subsidiary undertakings	-	1,110
Amounts owed by a fellow subsidiary undertaking	470,879	464,291
	470,879	498,636

(i) Derivative financial instruments comprise intercompany derivative balances owed by the immediate parent company with a fair value of £nil (2018: £33,235,000). The net notional principal of these contracts was £nil (2018: £968,807,000) with a net foreign exchange exposure of £nil (2018: £968,807,000). The future expected cash flows from these derivatives are affected by changes in the USD/GBP exchange rate. The contracts have fixed settlement dates.

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

# National Grid (US) Holdings Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2019

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

	2019 £'000	2018 £'000
Derivative financial instruments (i)	3,127	-
Amounts owed to fellow subsidiary undertakings	18	23,214
Amounts owed to immediate parent company	4,743,154	4,279,930
Accruals	102	247
	<u>4,746,401</u>	<u>4,303,391</u>

(i) Derivative financial instruments comprise intercompany derivative balances owed to the immediate parent company with a fair value of £3,127,000 (2018: £nil). The net notional principal of these contracts was £212,791,000 (2018: £nil) with a net foreign exchange exposure of £212,791,000 (2018: £nil). The future expected cash flows from these derivatives were affected by changes in the USD/GBP exchange rate. The contracts had fixed settlement dates.

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.

### 10 Share capital

	2019 £'000	2018 £'000
<b>Allotted, called up and fully paid</b>		
2,149,261 (2018: 2,149,261) ordinary shares of £1 each	<u>2,149</u>	<u>2,149</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.

In the prior period, on 12 June 2017, the Company completed a rights issue and as a result issued a further 180,868 additional ordinary shares of £1 for a total consideration of £1,000,000,000. The cash consideration was used to acquire a further investment in the Company's subsidiary undertaking, National Grid (US) Investments 4 Limited.

### 11 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.

### 12 Ultimate parent company

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

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