Company Registration Number: 4463679

National Grid Grain LNG Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

National Grid Grain LNG Limited

Strategic Report

For the year ended 31 March 2018

The Directors present their Strategic Report on National Grid Grain LNG Limited ('the Company') for the year ended 31 March 2018.

Review of the business

The Company's principal activity during the year was the operation of the Liquefied Natural Gas (LNG) importation facility at the Isle of Grain in Kent.

National Grid Grain LNG Limited's ("NGGL") business model is the design, build, finance, maintenance and operation of the LNG importation terminal on the Isle of Grain in Kent. The business model is underpinned by long term take or pay contracts with six primary shippers.

Executive summary

The Company's financial performance remained consistent with prior years. The terminal continues to deliver its primary obligations under the long-term contracts in place and the road tanker loading facility continues to perform well showing growth year on year as downstream demand grows.

Results

The Company's profit for the financial year was £49,000,000 (2017: £57,710,000).

Financial position

The financial position of the Company is presented in the balance sheet. Total shareholders' equity at 31 March 2018 was £570,211,000 (2017: £521,093,000) comprising tangible fixed assets of £699,458,000 (2017: £758,273,000), intangible assets of £1,251,000 (2017: £1,622,000); net current assets of £15,711,000 (2017: net current liabilities of £71,641,000); creditor amounts falling due after more than one year, £61,070,000 (2017: £78,447,000); and provisions for liabilities of £85,139,000 (2017: £88,714,000).

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 2017/18, which does not form part of this report.

Future developments

The Directors believe the current level of trading activity as reported in the profit and loss account will continue in the foreseeable future with no anticipated significant balance sheet movements.

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

L Hagan
Company Secretary
23 July 2018

National Grid Grain LNG Limited

Directors' Report

For the year ended 31 March 2018

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2018.

Future developments

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

Dividends

During the year the Company has not paid any interim dividends (2017: £nil) and the Directors do not recommend the payment of a final dividend (2017: £nil).

Financial risk management

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

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

Liquidity risk

Treasury, on behalf of the Company, actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Credit risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. To this end the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company holds an approved list of counterparties of good credit quality and these counterparties and their credit ratings are routinely monitored. No exposure is considered to exist in respect of intercompany loans as these are fully recoverable from within the National Grid group.

Interest rate cash flow risk

The Company has both interest bearing intercompany assets and interest bearing intercompany liabilities. To the extent that the Company enters into 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 LIBOR.

Directors

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

J Butterworth
S R Culkin
N Hooper
S C Humphreys

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 in the course of 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 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.

Modern Slavery Act 2015

In accordance with the Modern Slavery Act 2015 (section 54 part 6), the Board of National Grid Grain LNG Limited 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 2017 Annual General meeting of National Grid plc, the Company's ultimate parent Company; Deloitte LLP were appointed as external auditor to the group. Accordingly, Deloitte LLP were appointed auditor of the Company replacing PricewaterhouseCoopers LLP for the year ended 31 March 2018.

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 FRS101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

L Hagan
Company Secretary
23 July 2018

Registered office:
1-3 Strand
London
WC2N 5EH

Registered in England and Wales
Company registration number: 4463679

Independent auditor's report to the members of

National Grid Grain LNG Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 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 of National Grid Grain LNG Limited (the 'Company') which comprise:

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

Other information (continued)

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsilbities. This description forms part of our auditor's report.

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.

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.

Independent auditor's report to the members of

National Grid Grain LNG Limited (continued)

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.

Jane Whitlock (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
27 July 2018

National Grid Grain LNG Limited

Profit and loss account

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	**206,635**	203,649
Administrative expenses		**(137,887)**	(132,306)
Operating profit	3	**68,748**	71,343
Interest receivable from a fellow subsidiary undertaking		**677**	120
Interest payable and similar charges	5	**(2,519)**	(4,109)
Profit before tax		**66,906**	67,354
Tax	6	**(17,906)**	(9,644)
Profit for the financial year		**49,000**	57,710

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 Grain LNG Limited

Balance sheet

As at 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	1,251	1,622
Property, plant and equipment	8	699,458	758,273
		700,709	759,895
Current assets			
Intangible current assets	9	1,380	1,447
Stocks	10	6,442	6,899
Debtors (amounts falling due within one year)	11	161,995	68,779
Total current assets		169,817	77,125
Creditors (amounts falling due within one year)	12	(154,106)	(148,766)
Net current assets/(liabilities)		15,711	(71,641)
Total assets less current liabilities		716,420	688,254
Creditors (amounts falling due after more than one year)	13	(61,070)	(78,447)
Provisions for liabilities	15	(85,139)	(88,714)
Net assets		570,211	521,093
Equity			
Share capital	16	77,046	77,046
Profit and loss account		493,165	444,047
Total shareholders' equity		570,211	521,093

The financial statements on pages 8 to 24 were approved by the Board of Directors on 23 July 2018 and were signed on its behalf by:

J Butterworth
Director

National Grid Grain LNG Limited
Company registration number: 4463679

National Grid Grain LNG Limited

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 April 2016	77,046	386,184	463,230
Profit for the financial year	-	57,710	57,710
Share-based payments	-	153	153
At 31 March 2017	77,046	444,047	521,093
Profit for the financial year	-	49,000	49,000
Share-based payments	-	118	118
At 31 March 2018	**77,046**	**493,165**	**570,211**

1 Summary of significant accounting policies

National Grid Grain LNG 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 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 in accordance with applicable UK accounting and financial reporting standards and the Companies Act 2006. They have been prepared on an historical cost basis and are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. The 2017 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 for it to do so, for at least one year from the date the financial statements are signed. 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).

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;
- disclosure in respect of transactions with National Grid plc and its subsidiaries;
- disclosure in respect of capital management; and
- the effects of new but not yet effective IFRSs.

As the consolidated financial statements of National Grid plc which are available from the registered office, include the equivalent disclosures, the Company has taken the exemptions under FRS 101 in respect of certain disclosures required by IFRS 13 'Fair value measurement' and the disclosures required by IFRS 7 'Financial instruments disclosures'. The Company intends to apply the above exemptions in the financial statements for the year ending 31 March 2018.

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.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Information about such judgements and estimations is contained in the notes to the financial statements, and the key areas are summarised below:

Critical areas of judgement that have the most significant effect on the amounts recognised in the financial statements is the environmental provision, note 15.

Key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the environmental provision, note 15.

The balance sheet has been prepared in accordance with the Company's accounting policies approved by the Board and described below:

(b) Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and any provision for impairment. Intangible assets are tested for impairment only if there is an indication that the carrying value of the assets may have been impaired. Impairments of assets are calculated as the difference between the carrying value of the asset and the recoverable amount, if lower. Any assets which suffered impairment in a previous period are reviewed for possible reversal of the impairment at each reporting date. There are no internally generated intangible assets.

Intangible assets are amortised on a straight-line basis over their estimated useful economic lives. Amortisation periods for categories of intangible assets are:

Software	Over 3 to 10 years

(c) Property, plant and equipment

Property, plant and equipment is recorded in the balance sheet at historical cost less accumulated depreciation. Historical cost includes the purchase price of the asset, any payroll and finance costs incurred as well as those overheads that have been incurred in bringing the asset to their present location and condition which are directly attributable to the construction of property, plant and equipment.

Property, plant and equipment include assets in which the Company's interest comprises legally protected statutory or contractual rights of use. Additions represent the purchase or construction of new assets, including capital expenditure for safety and environmental assets, and extensions to, enhancements to, or replacements of existing assets. All costs associated with projects or activities which have not been fully commissioned at the period end are classified within assets in the course of construction.

Depreciation is not provided on freehold land or assets in the course of construction. Other items of property, plant and equipment are depreciated on a straight-line basis, at rates estimated to write off their book values over their estimated useful economic lives. In assessing estimated useful economic lives, consideration is given to any contractual arrangements and operational requirements relating to particular assets. The assessments of estimated useful economic lives and residual values of assets are performed annually. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of tangible fixed assets are, in general, as shown in the table below:

1 Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation periods	**Years**
Freehold and leasehold buildings	20 to 25
Plant and machinery	5 to 25
Vehicles and office equipment	Up to 5

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.

(d) Tax

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

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

The calculation of the total tax charge involves a degree of estimation and judgement, and management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method and is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases.

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

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

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

1 Summary of significant accounting policies (continued)

(d) Tax (continued)

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

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

(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 of retranslation of monetary assets and liabilities are included in the profit and loss account

(f) Stocks

Stocks are stated at cost less any provision for deterioration and obsolescence. The stock value mainly relates to engineering spares. Cost is determined on a weighted average basis and is held at lower of cost and net realisable value.

(g) Emission allowances

Emission allowances principally relating to the emissions of carbon dioxide are recorded as an intangible asset within current assets and are initially recorded at cost, and subsequently at the lower of cost and net realisable value. Impairment reviews are carried out if there is a change in market value or some indication that impairment may have occurred, or where otherwise required to ensure that assets are not carried above their estimated recoverable amounts. Impairments are recognised in the profit and loss account. Impairment reversals are recognised when, in management's opinion, the reversal is permanent.

Where emission allowances are granted by relevant authorities, cost is deemed to be equal to the fair value at the date of allocation. Receipts of such grants are treated as deferred income, which is recognised in the profit and loss account as the related charges for emissions are recognised or on impairment of the related intangible asset. A provision is recorded in respect of the obligation to deliver emission allowances and emission charges are recognised in the profit and loss account in the period emissions are made.

Income from emission allowances that are sold is reported as part of turnover.

1 Summary of significant accounting policies (continued)

(h) Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events on the basis of external third party or expert evidence where it is available. In some circumstances no such evidence is available and management use their best estimate of likely costs to be incurred. Onerous contracts are provided for on the basis of contracted future expenditure that exceeds expected future economic benefit. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(i) Restructuring costs

Costs arising from the Company's restructuring programmes primarily relate to redundancy costs. Redundancy costs are charged to the profit and loss account in the year in which the Company becomes irrevocably committed to incurring the costs and the main features of the restructuring plan have been announced to the affected employees.

(j) Environmental costs

Liabilities for environmental remediation resulting from past operations or events are recognised to the extent to which required under UK decontamination requirements and to the extent to which the amount can reasonably be estimated. Measurement of liabilities is based on current legal requirements and existing technology. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology. No provision is made for non-statutory decontamination costs. The unwinding of the discount is included within the profit and loss account as an interest expense.

(k) Turnover

Turnover comprises the sales value derived largely from fixed (with respect to plant utilisation) monthly capacity charges, 'additional capex' charges and variable (with respect to plant utilisation) charges for pass-through costs during the year, including an assessment of the value of services provided, but not invoiced, at the year end. It excludes value added tax and other sales taxes.

1 Summary of significant accounting policies (continued)

(l) Pensions

National Grid operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company is not a participating employer of the defined benefit schemes operated by the National Grid group. However the Company will have employees who are members of one of these schemes. The net defined benefit cost is recognised in the individual company financial statements of the group company that is legally the sponsoring employer for the scheme. The other group companies in their individual financial statements recognise a cost equal to the contribution payable for the period.

(m) Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

All of the Company's operations are based in the UK and in the same class of business and therefore a segmental analysis has not been prepared.

3 Operating profit

	2018	2017
	£'000	£'000
Operating profit is stated after (crediting)/charging:		
Foreign exchange (gains)/losses	(54)	86
Amortisation of intangible fixed assets	818	867
Depreciation of tangible fixed assets	65,362	64,219
Other operating lease charges	4,957	4,131
Tangible own work capitalised	(533)	(437)

Services provided by the Company's auditor

	2018	2017
Audit fees	60	59

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

4 Directors and employees

Directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	**372**	342

Post-employment benefits are accruing to 4 (2017: 2) Directors under a Group defined benefit scheme and 1 (2017: 1) Director under a defined contribution scheme.

During the year there were 4 Directors (2017: 2) who exercised share options in or received ordinary shares as part of long-term incentive plans of the ultimate parent company, National Grid plc.

Highest paid Director
The highest paid Director's emoluments were as follows:

	2018 £'000	2017 £'000
Total amount of emoluments and amounts receivable (excluding shares) under long term incentive schemes	**176**	148
Group defined benefit pension scheme - Accrued pension at end of year	**47**	48

During the year the highest paid Director exercised share options in or received ordinary shares as part of long term incentive plans of the ultimate parent company, National Grid plc.

Staff costs

	2018 £'000	2017 £'000
Wages and salaries	**8,412**	8,904
Social security costs	**978**	921
Defined contribution scheme pension costs	**919**	868
Other pension costs	**403**	380
Share-based payments	**118**	153
	10,830	11,226

The average monthly number of employees (including Directors) employed by the Company during the year was as follows:

By activity	2018 Number	2017 Number
Administration	**150**	142

5 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to fellow subsidiary undertakings	**27**	1,355
Interest payable to immediate parent company	**513**	135
Interest payable to ultimate parent company	**1,442**	1,699
Bank interest payable	**451**	644
Unwinding of discount on provisions	**86**	276
	2,519	4,109

6 Tax

Tax charged to the profit and loss account

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	**19,449**	16,169
Adjustments in respect of prior years	**2,782**	(142)
Total current tax	**22,231**	16,027

	2018 £'000	2017 £'000
Deferred tax:		
Origination and reversal of timing differences	**(4,772)**	(2,212)
Impact of change in tax rate	**509**	(4,864)
Adjustments in respect of prior years	**(62)**	693
Total deferred tax	**(4,325)**	(6,383)
Tax charge on profit	**17,906**	9,644

The tax charge for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	**66,906**	67,354
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	**12,712**	13,471
Effect of:		
Expenses not deductible for tax purposes	**649**	714
Other taxable income	**1,294**	(259)
Impact of change in tax rate	**509**	(4,864)
Share-based payments	**22**	31
Adjustments in respect of prior years	**2,720**	551
Total tax charge for the year	**17,906**	9,644

6 Tax (continued)

Factors that may affect future tax charges

The Finance Act 2016 which was enacted on 15 September 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred tax balances have been calculated at this rate.

7 Intangible assets

	Software £'000
Cost:	
At 1 April 2017	8,332
Addition	20
Reclassification (*)	427
At 31 March 2018	8,779
Accumulated amortisation:	
At 1 April 2017	6,710
Amortisation charge for the year	818
At 31 March 2018	7,528
Net book value:	
At 31 March 2018	1,251
At 31 March 2017	1,622

(*) Represents amounts transferred from tangible assets (note 8)

8 Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Vehicles and office equipment £'000	Total £'000
Cost:					
At 1 April 2017	80,163	1,094,245	15,199	7,106	1,196,713
Additions	-	66	6,885	23	6,974
Reclassifications (1)	520	2,528	(4,080)	605	(427)
At 31 March 2018	80,683	1,096,839	18,004	7,734	1,203,260
Accumulated					
At 1 April 2017	26,070	406,539	-	5,831	438,440
Charge for the year	4,297	60,512	-	553	65,362
At 31 March 2018	30,367	467,051	-	6,384	503,802
Net book value:					
At 31 March 2018	**50,316**	**629,788**	**18,004**	**1,350**	699,458
At 31 March 2017	54,093	687,706	15,199	1,275	758,273

The cumulative amount of capitalised finance costs is £63,000,000 (2017: £63,000,000)

(*) Represents amounts transferred between categories and also to intangible assets (note 7)

National Grid Grain LNG Limited

Notes to the financial statements (continued)

For the year ended 31 March 2018

9 Intangible current assets

	2018 £'000	2017 £'000
Emissions allowances at 1 April	1,447	1,518
Additions	9	9
Disposals	(76)	(80)
Emissions allowances at 31 March	1,380	1,447

10 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	8,692	9,130
Provision for obsolescence and slowing moving stock	(2,250)	(2,231)
	6,442	6,899

11 Debtors (amounts falling due within one year)

	2018 £'000	2017 £'000
Trade debtors	65	148
Amounts owed by fellow subsidiary undertakings	141,089	50,649
Amounts owed by immediate parent company	80	-
Prepayments and accrued income	20,761	17,982
	161,995	68,779

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

12 Creditors (amounts falling due within one year)

	2018 £'000	2017 £'000
Borrowings (note 14)	16,734	16,816
Trade creditors	2,779	3,155
Amounts owed to fellow subsidiary undertakings	22,691	22,073
Amounts owed to immediate parent company	89,107	88,601
Amounts owed to ultimate parent company	42	59
Corporation tax	3,999	-
Other tax and social security	3,862	3,720
Other creditors	430	545
Accruals and deferred income	14,462	13,797
	154,106	148,766

12 Creditors (amounts falling due within one year) (continued)

Accruals and deferred income above includes £699,000 (2017: £699,000) and £177,000 (2017: £177,000) in respect of upfront payments made by customers for a nitrogen gas blending plant, and an 11kv high voltage electrical cable respectively. The total deferred income balances are £4,020,000 (2017: £4,719,000) and £1,302,000 (2017: £1,479,000) which are being released on a straight line basis over the remainder of a 15 year and 11.75 period respectively.

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

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

	2018 £'000	2017 £'000
Borrowings (note 14)	56,625	73,125
Accruals and deferred income	4,445	5,322
	61,070	78,447

14 Borrowings

	2018 £'000	2017 £'000
Amounts falling due within one year		
Bank loans	16,519	16,518
Bank overdrafts	215	298
	16,734	16,816
Amounts falling due after more than one year		
Bank loans	56,625	73,125

	2018 £'000	2017 £'000
Total borrowings are repayable as follows:		
Less than 1 year	16,734	16,816
In 1-2 years	14,625	16,500
In 2-3 years	14,000	14,625
In 3-4 years	14,000	14,000
In 4-5 years	14,000	14,000
More than five years	-	14,000
	73,359	89,941

14 Borrowings (continued)

Of the £73,359,000 bank loans, £73,144,000 is from the European Investment Bank and attracts variable rates of interest from 0.4558% to 0.8860% as at 31 March 2018. The loans are guaranteed by National Grid Holdings One plc (Phase 1: £3,125,000 payable by 2020) and National Grid plc (Phase 2: £70,000,000 payable by 2023).

15 Provisions for liabilities

	Emissions allowances £'000	Restructuring £'000	Deferred tax £'000	Environmental £'000	Total £'000
At 1 April 2017	94	-	85,230	3,390	88,714
Additions	76	664	-	-	740
Utilised	-	-	(4,325)	-	(4,325)
Unused amounts reversed	(76)	-	-	-	(76)
Unwinding of discount	-	-	-	86	86
At 31 March 2018	**94**	**664**	**80,905**	**3,476**	**85,139**

Emissions allowances provision

The provision for emissions costs will be settled using emission allowances granted to the Company which are reported as an intangible asset. The timing of expected cash outflows is within the next 12 months.

Restructuring provision

The restructuring provision related to business reorganisation activity undertaken during the year. The timing of expected cash outflows is within the next 12 months.

Environmental provision

The environmental provision represents the net present value of the estimated statutory decontamination costs of old gas manufacturing sites. The Company does not provide for non-statutory decontamination costs.

The expected decontamination costs have been discounted at a real rate of 1% (2017: 1%) to arrive at these provisions. The anticipated timing of the cash flows for statutory contamination cannot be predicted with certainty, but they are expected to be incurred over the next 11 years.

There are a number of uncertainties that affect the calculation of the provision for gas site decontamination, including the impact of regulation, the accuracy of the site surveys, unexpected contaminants, transportation costs, the impact of alternative technologies and changes in the discount rate. We have made our best estimate of the financial effect of these uncertainties in the calculation of the provision, but future material changes in any of the assumptions could materially impact on the calculation of the provision and hence the profit and loss account.

The impact of the changes in these uncertainties in the current year have been charged to operating costs rather than exceptional items as they are not in relation to changes in regulation.

15 Provisions for liabilities (continued)

The undiscounted amount of the provision at 31 March 2018 relating to gas site decontamination was £3,666,000 (2017: £3,552,000) being the best undiscounted estimate of the liability having regard to the uncertainties referred to above.

Other

In the normal course of business the entity has obligations to remediate two leased sites prior to their respective termination in 2104. No amounts have been provided for in respect of site remediation due the expectation that any resulting outflow, net of scrapped assets, would be immaterial.

Deferred Tax

	2018 £'000	2017 £'000
Accelerated capital allowances	81,969	85,997
Other short-term timing differences	(1,064)	(767)
Deferred tax liability	80,905	85,230

	2018 £'000	2017 £'000
Deferred tax liability at 1 April	85,230	91,613
Credited to profit and loss account	(4,325)	(6,383)
Deferred tax liability at 31 March	80,905	85,230

16 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
77,046,489 ordinary shares of £1 each	77,046	77,046

In line with the provisions of the Companies Act 2006, the Company has amended its Aritcles of Association and ceased to have authorised share capital.

17 Capital and other commitments

	2018 £'000	2017 £'000
Contracts for future capital expenditure not provided for in the financial statements	-	2,848

17 Capital and other commitments (continued)

The Company had the following future minimum lease payments under non-cancellable operating leases relating to land for each of the following periods:

	2018 £'000	2017 £'000
Less than 1 year	4,074	3,711
In 1-5 years	14,351	13,870
More than 5 years	25,114	27,289
	43,539	44,870

18 Related party transactions

The Company is exempt under FRS 101.8(k) from disclosing transactions with National Grid plc and its subsidiary undertakings where all of the voting rights are held within the group. There were no related party transactions with other companies.

19 Ultimate parent company

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

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