

BRITISH TRANSCO INTERNATIONAL
FINANCE B.V.

Amsterdam, the Netherlands

Annual Report
for the year ended 31 March 2020

ADDRESS:
Herikerbergweg 238
1101 CM Amsterdam

Chamber of Commerce Amsterdam
File number: 24.26.26.46

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Table of contents

Directors' Report	Page 2
Balance Sheet as at 31 March 2020	Page 5
Profit and Loss Account for the year ended 31 March 2020	Page 6
Notes to the Financial Statements for the year ended 31 March 2020	Page 7-17
Supplementary Information	Page 18
Independent auditor's report	Page 19

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Directors' Report

The Management Board of British Transco International Finance B.V. ('the Company') herewith submits its Annual Report for the year ended 31 March 2020.

Summary of activities

The principal activity of the Company is to act as a finance company for National Grid Gas Plc., its sole shareholder, incorporated in the United Kingdom. As such, the Company has emitted a bond loan and all loan proceeds have been placed at the disposal of its parent company, which in turn has guaranteed repayment of the bond loan to the bond holders. The Company has no employees and no investments other than in loans.

Result for the year

The profit for the year is EUR 476,724 (31 March 2019: EUR 156,052). This result is mainly the result of a spread on the proceeds of bearer bonds which have been lent to the shareholder of the Company. The higher result for this year compared to previous year is mainly caused by the development of the EUR/USD exchange rate during the year. The net result is also significantly influenced by the increase in tax expense compared to prior year.

Per 31 March 2020, the Company's current ratio is 20.00 (31 March 2019: 14.99).

There have been no unusual events during the reporting year.

Financial risk management

The Company does have exposure with regard to interest rate or foreign currency risk. However, these financial risks for the Company are considered to be limited. All incoming loans and bonds issued are guaranteed by the shareholder. The Company maintains a capital of EUR 5,904,353 (31 March 2019: EUR 5,324,345), being its equity at risk to comply with the Dutch tax practice for group finance companies. Apart from the credit risk on the outstanding loans to the shareholder, due to the back to back nature of the bond loan and the loan to the shareholder, the financial risk the Company bears is limited to the amount of capital and reserves, which according to the advanced pricing agreements made with the fiscal authorities is required to be set at a minimum of EUR 2,000,000. The objective of the Company is not to bear any more financial risks. See also note 3 to the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company for risk management purposes are the following:

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party fails to meet its contractual obligations, and arises principally from the Company's receivables from the shareholder. The Company issued bonds under the guarantee of its shareholder, National Grid Gas Plc., and therefore the Company is exposed to the market conditions which affect National Grid Gas Plc.

National Grid's Group Treasury team maintains frequent contact with Moody's Investor Services (Moody's), Standard and Poor's Rating Services (S&P) and Fitch Ratings and ensures that the agencies are kept aware of significant developments in the Group which the Company is part of. Senior members of National Grid's management team also meet with these agencies formally, usually at least once in each fiscal year, to discuss the anticipated performance of the Group. The long- and

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

short-term credit ratings of National Grid Gas Plc., the Company's shareholder, are A3/P2 (Moody's), A-/A2 (Standard & Poor's) and A/F2 (Fitch). The management of the Company periodically reviews the credit rating of its shareholder to assess if there is an increased risk of collectability with regard to its receivable from its shareholder.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards for corporate behaviour. More specific, possible upcoming changes in local and UK tax law are considered to be an operational risk which might have impact on fiscal treatment of the Company's taxable result and might result in additional taxes due. The developments in local and UK tax law are carefully monitored by the Company's external group and local tax advisor and the consequences of these developments are reported periodically to the management of the Company.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined under summary of activities. All administrative functions have been outsourced by the Company.

Sensitivity analysis

The Management Board considers the chance that the above-mentioned risks will occur to be minimal and has therefore not performed a sensitivity analysis.

The Impact of Brexit

Brexit in the UK continued to bring uncertainty within the market. The Company has taken notice that National Grid Plc, being the head of the group that the Company is part of, has worked during the year and continue to work to manage the risk arising from continuing uncertainty over Brexit in the UK. There has been strong engagement with the UK government and regulators to ensure that the efficient transmission of electricity can continue whatever the outcome of Brexit, with minimal impact to the stakeholders. National Grid's Group has conducted a number of Brexit scenario-planning exercises and worked to maintain access for customers to European energy markets. National Grid's Group is supportive of the EU and UK agreeing on a deal and a transition period to minimise any disruption and keep costs down for consumers.

The Impact of COVID-19

Since the beginning of the year 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closure of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this stage. Currently, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods, however, management believes that the Company has sufficient liquidity to meet its obligations as they fall due. The position of the Company is that the events related to COVID-19 outbreak have not resulted in a material uncertainty with regard to the going concern assessment.

Future outlook

The results in future years will be mainly influenced by the profit margin on the present and future financing activities.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Post-balance sheet events

Subsequent to balance sheet date, no matters or circumstances of importance have arisen, which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

Activities in the field of research and development

The Company is not engaged in such activities.

Management Board

The Company has taken notice of adopted legislation effective as of 13 April 2017. As a consequence the Company, when nominating or appointing members of the Management Board, should take into account as much as possible a balanced composition of these Boards in terms of gender, to the effect that at least 30 per cent of the positions are held by women and at least 30 per cent by men.

The current composition of the Management Board is in line with the above-mentioned percentages. With regard to future board changes, the Management Board will take gender diversity objectives into account as much as possible.

The Management Board

D. A. Preston

S. J. van der Duijs

A. Doppenberg

Amsterdam, 8 September 2020.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Balance Sheet as at 31 March 2020

(Before appropriation of results and expressed in EUR)

	Notes	31 March 2020	31 March 2019
FIXED ASSETS			
Financial fixed assets			
Revolving loan to shareholder	4	4,854,385	4,323,090
Loans to shareholder	5	751,527,357	678,831,648
		<u>756,381,742</u>	<u>683,154,738</u>
CURRENT ASSETS			
Receivables			
Corporation tax receivable		82,412	149,078
Interest receivable from shareholder		0	636
Accounts receivable from shareholder	6	893,974	780,416
		<u>976,386</u>	<u>930,130</u>
Cash at banks	7	129,797	142,715
		<u>1,106,183</u>	<u>1,072,845</u>
CURRENT LIABILITIES			
Interest payable to shareholder		1,215	0
Accrued expenses		55,000	71,590
		<u>56,215</u>	<u>71,590</u>
CURRENT ASSETS LESS CURRENT LIABILITIES		<u>1,049,968</u>	<u>1,001,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>757,431,710</u>	<u>684,155,993</u>
LONG-TERM DEBT			
Bearer bonds	8	751,527,357	678,831,648
		<u>751,527,357</u>	<u>678,831,648</u>
SHAREHOLDER'S EQUITY	9		
Issued share capital		228,765	228,765
Currency translation reserve		738,855	635,571
Retained earnings		4,460,009	4,303,957
Profit for the year		476,724	156,052
		<u>5,904,353</u>	<u>5,324,345</u>
SHAREHOLDER'S EQUITY AND LONG-TERM DEBT		<u>757,431,710</u>	<u>684,155,993</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Profit and Loss Account for the year ended 31 March 2020

(Expressed in EUR)

	Notes	Year ended 31 March 2020	Year ended 31 March 2019
FINANCIAL INCOME AND EXPENSES			
Interest and similar income from loans to shareholder	10	59,906,182	52,437,153
Interest and similar expense on zero coupon bearer bonds	11	-59,013,180	-51,655,945
Bank interest		-525	-315
Other Interest		0	-877
Exchange differences		-103,282	-460,714
Other financial income		29,097	0
		<u>818,292</u>	<u>319,302</u>
OTHER EXPENSES			
General and administrative expenses	12	-165,899	-172,494
		<u>-165,899</u>	<u>-172,494</u>
RESULT BEFORE TAXATION			
		<u>652,393</u>	<u>146,808</u>
CORPORATION TAX			
	13	-175,669	9,244
NET PROFIT FOR THE YEAR			
		<u>476,724</u>	<u>156,052</u>

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020 **(All tabular amounts are, unless otherwise stated, expressed in Euros)**

1. General

British Transco International Finance B.V. (“the Company”) was established in Rotterdam on 18 January 1982. The statutory seat is Rotterdam, the Netherlands. The address is Herikerbergweg 238, 1101 CM Amsterdam, the Netherlands. The Company is registered at the trade register under number 24.26.26.46. The principal activity of the Company is to act as a finance company for National Grid Gas Plc., London, United Kingdom, its sole shareholder. As such, the Company has emitted a bond loan and all loan proceeds have been placed at the disposal of its parent company, which in turn has guaranteed repayment of the bond loan to the bond holders. The Company’s ultimate parent company is National Grid Plc., London, United Kingdom. The financial statements of the Company are included in the consolidated financial statements of its ultimate parent National Grid Plc., London, England which can be obtained from the website <http://investors.nationalgrid.com>.

2. Summary of principal accounting policies

(a) General

The financial statements have been prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for annual reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The functional currency of the Company is the U.S. Dollar. The presentation currency of these financial statements is the Euro, as the Company operates in Netherlands, which is a Euro denominated country, and incurs overhead operating expenses and tax liabilities with accounting entries and cash flows generated by the administration in Euros.

The balance sheet and profit and loss account include references to the notes.

(b) Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2 of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

(c) Assets and liabilities

In general, assets and liabilities (except for equity) are stated at the amounts at which they were acquired or incurred. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

2. Summary of principal accounting policies (cont'd)

(d) Loans to shareholder and revolving loan

The loans receivable from shareholder disclosed under financial fixed assets include loans which are intended to be held to their maturity date. These receivables are initially measured at fair value. These loans and debentures are subsequently carried at amortised cost.

If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans, using the effective interest rate method. Transaction costs are included in the initial valuation. Impairment losses are deducted from amortised cost and expensed in the profit and loss account.

(e) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the profit and loss account. The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

(f) Accounts receivable/current liabilities/accruals

Accounts receivable/current liabilities/accruals are recognised initially at fair value and subsequently measured at amortised cost.

(g) Cash and cash equivalents

Cash and cash equivalents include bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts will be shown within borrowings in current liabilities on the balance sheet.

Cash and cash equivalents are stated at nominal value.

(h) Long-term debt

Borrowings, which are intended to be held to maturity, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

2. Summary of principal accounting policies (cont'd)

(i) Foreign currencies

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the profit and loss account. Assets and liabilities are translated from the functional currency to the presentation currency at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at the exchange rates on the transaction date. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

(j) Financial instruments

All financial instruments are recognised initially at fair value and are subsequently carried at (amortised) cost.

(k) Determination of result

Other income and expenses are recognised in the year to which they are related. Profit is only recognised when realised on balance sheet date. Losses originating before the end of the financial year are taken into account if they become known before preparation of the financial statements.

(l) Financial income and expenses

Financial income and expenses are recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned.

(m) Exchange differences

Exchange differences are recognised in the profit and loss account in the period that they arise.

(n) General and administrative expenses and other expenses

General and administrative expenses and other expenses comprise costs chargeable to the year that are not directly attributable to bonds and loans.

(o) Corporation tax

Taxation is provided for in accordance with a specific Advance Pricing Agreement applicable to the Company. Reference is made to Note 13. Income tax is recognised in the profit and loss account.

Income tax is calculated on the profit/loss before tax in the profit and loss account, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

2. Summary of principal accounting policies (cont'd)

(p) Cash flow statement

No cash flow statement is included, in accordance with Dutch Auditing Standard 360:104, as this information is included in the consolidated financial statements of National Grid Plc, of which the financials can be obtained from the corporate website <http://investors.nationalgrid.com>.

(q) Related parties

All entities within the National Grid Plc. group are considered to be related parties. Other related parties are the members of the Management Board of the Company.

3. Financial risk management

Disclosure of management of financial risks

The financial risks for the Company are limited. All loans payable and bonds issued are guaranteed by the shareholder. The Company is required to maintain a capital of EUR 2,000,000, being its equity at risk to comply with the Dutch tax practice for group finance companies. The risk that the Company bears is therefore limited to the capital and reserves, which according to the advanced pricing agreements made with the fiscal authorities, should be at a minimum of EUR 2,000,000. The objective of the Company is not to bear any more financial risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The market risks are limited as all loans payable have equal counter positions which are guaranteed by the shareholder.

Interest and cash flow risks

Interest rate risks are limited as the only loans consist of a shareholder loan receivable and a zero-coupon bond payable with a fixed interest rate.

Foreign currency risk

The foreign currency risks are limited as all major outstanding amounts have equal counter positions which are guaranteed by the shareholder.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party fails to meet its contractual obligations, and arises principally from the Company's receivables from the shareholder.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risks are limited as all interest payments and future repayments of loans are guaranteed by the shareholder. The repayment dates of loans to the shareholder are equal to the long-term debt. The Company retains a minimum equity at risk of EUR 2,000,000.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

4. Revolving loan to shareholder

On 4 February 2014 the Company entered into an uncommitted EUR 6,000,000 revolving loan agreement with its shareholder. Interest shall be accrued at a rate per annum equal to LIBOR plus 20bps. No fixed repayment date has been agreed upon. As it is not expected that the loan will be repaid shortly it has been classified as long term. The shareholder shall repay the outstanding advance with accrued interest upon demand by the Company.

With effect from 1 April 2014 the interest has been calculated on the basis of the number of days elapsed based on 360 days per year instead of 365 days per year. As per 1 April 2019 the accounts receivable balance of EUR 780,416 with the shareholder (see note 6) has been added to this revolving loan.

The balance per balance sheet amounts to EUR 4,854,385.

	<u>2019/2020</u>	<u>2018/2019</u>
Balance at the beginning of the year	4,323,090	3,986,938
Addition to loan	780,416	735,587
Repayment	-250,000	-400,000
Interest added to the loan	879	565
Balance at the end of the year	<u>4,854,385</u>	<u>4,323,090</u>

5. Loans to shareholder

In prior years the Company entered into loan agreements with its sole shareholder, National Grid Gas Plc., which are denominated in USD. As at the balance sheet date the following loan was outstanding:

Currency	Issue date	Maturity date	Interest rate	Amount USD	2019/2020	2018/2019
					Amount EUR	Amount EUR
USD	04/May/94	04/Nov/21	8.37863%	761,615,168	751,527,357	678,831,648
Total loans to shareholder					<u>751,527,357</u>	<u>678,831,648</u>

The fair value of the zero-coupon loan to the shareholder of the Company with a carrying amount of EUR 751,527,357 amounted to EUR 835,994,655 at 31 March 2020 (31 March 2019: EUR 773,408,757). We calculate the fair value by discounting all future cash flows by the market yield curve, at the balance sheet date, including the credit spread for debt. The market yield curve with respect to the USD currency is obtained from external sources for interest and foreign exchange rates.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

5. Loans to shareholder (continued)

The following movements occurred:

	<1 year	Loan to shareholder		Total
		between 1-5 years	> 5 years	
Book value 1 April 2018	0	569,834,252	0	569,834,252
Interest accrued zero coupon	0	51,655,945	0	51,655,945
Difference from translation to presentation currency	0	57,341,451	0	57,341,451
Book value 31 March 2019	0	678,831,648	0	678,831,648

	<1 year	Loan to shareholder		Total
		between 1-5 years	> 5 years	
Book value 1 April 2019	0	678,831,648	0	678,831,648
Interest accrued zero coupon	0	59,013,179	0	59,013,179
Difference from translation to presentation currency	0	13,682,530	0	13,682,530
Book value 31 March 2020	0	751,527,357	0	751,527,357

6. Accounts receivable from shareholder

This amount is due from National Grid Gas Plc. and bears no interest. All receivables fall due in less than one year. All amounts receivable are due upon demand and have therefore been classified as current. The carrying value of the accounts receivable from shareholder approximates the fair value.

7. Cash at banks

Cash at banks consists of current account balances in a total amount of EUR 129,797 (31 March 2019: EUR 142,715), which are available on demand. There are no restrictions on the current accounts.

8. Bearer bonds

The Company issued listed bearer bonds (listed at the Professional Securities Market of the London Stock Exchange as of July 2017). The funds have been used to issue loans to the shareholder of the Company. As at the balance sheet date the following bond was outstanding:

Currency	Issue date	Maturity date	Interest rate	Amount USD	2019/2020	2017/2018
					Amount EUR	Amount EUR
USD	05/Nov/91	04/Nov/21	8.37863%	761,615,168	751,527,357	678,831,648
Total bearer bonds					<u>751,527,357</u>	<u>678,831,648</u>

On 5 November 1991 the Company issued zero-coupon bearer bonds of in total USD 1,500,000,000 (based on nominal value), due on 4 November 2021. A discounted value of USD 127,850,000, based upon a discount factor of 8.37863 % per annum, was received at the date of

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

8. Bearer bonds (continued)

issuance. Since inception, the Company received two repayments of its shareholder loan, in 2002 and 2017. Subsequently the Company repurchased zero-coupon bearer bonds from its bondholders. The remaining nominal value of the bonds after the repurchase amounts to USD 942,750,000. The bonds and all other liabilities of the Company are guaranteed by National Grid Gas Plc. The original currency description of the loan is stated above.

During the year ended 31 March 2018, the Company moved its issued bonds from the Main Market of the London Stock Exchange to the Professional Securities Market of the London Stock Exchange, a non-EU regulated market. As the issued bonds are now on an exchange regulated market and not an EU regulated market, the Company no longer qualifies as an EU-PIE.

The fair value of the bonds with a carrying amount of EUR 751,527,357 amounted to EUR 835,994,655 at 31 March 2020 (31 March 2019: EUR 773,408,757). We calculate the fair value by discounting all future cash flows by the market yield curve, at the balance sheet date, including the credit spread for debt. The market yield curve with respect to the USD currency is obtained from external sources for interest and foreign exchange rates.

The following movements occurred:

	Bonds			Total
	<1 year	between 1-5 years	> 5 years	
Book value 1 April 2018	0	569,834,252	0	569,834,252
Interest accrued zero-coupon bond	0	51,655,945	0	51,655,945
Difference from translation to presentation currency	0	57,341,451	0	57,341,451
Book value 31 March 2019	0	678,831,648	0	678,831,648

	Bonds			Total
	<1 year	between 1-5 years	> 5 years	
Book value 1 April 2019	0	678,831,648	0	678,831,648
Interest accrued zero-coupon bond	0	59,013,179	0	59,013,179
Difference from translation to presentation currency	0	13,682,530	0	13,682,530
Book value 31 March 2020	0	751,527,357	0	751,527,357

9. Shareholder's equity

The authorised share capital of the Company consists of 2,525 ordinary shares of EUR 453 each amounting to EUR 1,143,825. As at 31 March 2020, 505 shares were issued and fully paid up.

The movements in capital and reserves can be summarised as follows:

	Issued share capital	Currency translation reserve	Retained earnings	Profit for the year	Total
Balance as at 1 April 2019	228,765	635,571	4,303,957	156,052	5,324,345
Appropriation of result	0	0	156,052	-156,052	0
Result current year	0	0	0	476,724	476,724
Addition/release	0	103,284	0	0	103,284
Balance as at 31 March 2020	228,765	738,855	4,460,009	476,724	5,904,353

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended at 31 March 2020

10. Interest and similar income from loans to shareholder

	<u>2019/2020</u>	<u>2018/2019</u>
Interest accrued zero-coupon	59,013,180	51,655,945
Interest revolving loan	-972	792
Spread for the year	893,974	780,416
	<u>59,906,182</u>	<u>52,437,153</u>

The spread on the interest zero-coupon bond is calculated based on 12.5 basis point remuneration as under the previous applicable Advance Pricing Agreement and the comparable search report performed in December 2017.

The interest on the revolving loan amounts to 1 year Libor +20bp.

11. Interest and similar expense on zero-coupon bearer bonds

The total interest expense is equal to the total interest income minus the spread of EUR 893,974 and minus the interest revolving loan of EUR -972.

	<u>2019/2020</u>	<u>2018/2019</u>
Interest accrued zero-coupon bond	59,013,180	51,655,945
	<u>59,013,180</u>	<u>51,655,945</u>

12. General and administrative expenses

	<u>2019/2020</u>	<u>2018/2019</u>
Management and accounting fees	99,370	100,683
Audit fees	45,738	45,738
Tax advisory fees	15,375	20,999
Other general expenses	5,416	5,074
	<u>165,899</u>	<u>172,494</u>

13. Corporation tax

The taxable profit of the Company is computed on the basis of an Advance Pricing Agreement with the tax authorities. This requires a minimum taxable income in respect of taking up and granting loans as well as covering any exchange and interest rate risks by way of swap agreements or other hedging procedures. The past Advanced Pricing Agreement is expired. The Company has decided not to apply for a new Advanced Pricing Agreement, but to proceed according to the assumptions as under the expired Advanced Pricing Agreement.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

13. Corporation tax (continued)

	<u>2019/2020</u>	<u>2018/2019</u>
Result before income tax	652,393	146,808
Correction for exchange results	103,284	461,473
	<u>755,677</u>	<u>608,281</u>
Income tax expenses	175,669	-9,244
effective tax rate	23.2%	-1.5%
applicable tax rate < 200,000	19%	20%
applicable tax rate > 200,000	25%	25%

The effective tax rate is different than the applicable tax rate due to currency exchange fluctuations during the year under review. During the prior year, a correction was booked regarding an error in the tax calculation related to prior year. This error resulted in a higher calculated taxable amount, hence a higher accrued tax expense in the prior year. The negative effective tax rate in the prior year is reflected by the afore-mentioned correction, which can be further specified as follows:

	<u>2019/2020</u>	<u>2018/2019</u>
Current year tax expense	175,669	142,070
Correction for prior year tax expense	0	-151,314
Net income tax expenses	<u>175,669</u>	<u>-9,244</u>

14. Proposed appropriation of result

The management proposes that the result for the past year will be carried forward. This proposal is not yet reflected in the financial statements.

15. The Impact of COVID-19

Since the beginning of the year 2020, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closure of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this stage. Currently, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods, however, management believes that the Company has sufficient liquidity to meet its obligations as they fall due. The position of the Company is that the events related to COVID-19 outbreak have not resulted in a material uncertainty with regard to the going concern assessment.

16. Post-balance sheet events

Subsequent to balance sheet date, no matters or circumstances of importance have arisen, which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Notes to the financial statements for the year ended 31 March 2020

17. Directors

During the year under review, the Directors received an amount of EUR 8,000 in respect of their services (2018/2019: EUR 8,000). The Company has three directors (2018/2019: three) and has no Supervisory Directors.

18. Staff number and employment costs

The Company has no employees, and hence incurred no wages, salaries and related social security premiums during the year or previous year.

19. Related parties

Except for the loans, accounts receivables and interest receivables, as outlined in note 4, 5 and 6 above, from the shareholder, the interest income from the shareholder, as outlined in note 10 above, and the management remuneration, as outlined in note 16, the Company has no other transactions or outstanding positions with related parties.

20. Independent auditor's remuneration

With reference to Section 2:38a, (1) and (2) of Book 2, Part 9 of the Dutch Civil Code, the following fees for the year have been charged by Deloitte Accountants B.V. (31 March 2019: Deloitte Accountants B.V.). The fees disclosed relate to the year in which services were rendered.

	<u>2019/2020</u>	<u>2018/2019</u>
Audit of financial statements	45,738	45,738
Other audit procedures	0	0
Tax services	0	0
Other non-audit services	0	0
	<u>45,738</u>	<u>45,738</u>

21. Commitments and contingencies not included in the balance sheet

There are no commitments and contingencies per 31 March 2020. No pledges are applicable. The bonds and all other liabilities of the Company are guaranteed by National Grid Gas Plc. On 4 February 2014 the Company entered into an uncommitted EUR 6,000,000 revolving loan agreement with its sole shareholder to which a variation agreement has been drawn up to change the day basis used for the calculation of interest effective from 1 April 2014. The Company retains a minimum equity at risk of EUR 2,000,000.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

The Management Board

D. A. Preston

S. J. van der Dujs

A. Doppenberg

Amsterdam, 8 September 2020.

BRITISH TRANSCO INTERNATIONAL FINANCE B.V.

Supplementary Information

Retained earnings

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, retained earnings are at the disposal of the shareholder in accordance with Article 14 of the Articles of Association of the Company. Moreover, no distributions may be made if the Management Board is of the opinion that, by such distribution, the Company will not be able to fulfil its financial obligations in the foreseeable future.

Independent auditor's report

The independent auditor's report is set forth on the following page.

Independent auditor's report

To the Shareholders of British Transco International Finance B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS THE YEAR ENDED MARCH 31, 2020 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements the year ended March 31, 2020 of British Transco International Finance B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of British Transco International Finance B.V. as at March 31, 2020, and of its result for the year ended March 31, 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at March 31, 2020.
2. The profit and loss account for the year ended March 31, 2020.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of British Transco International Finance B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the impact of the coronavirus

The coronavirus also impacts British Transco International Finance B.V. Management disclosed the current impact and their plans to deal with these events or circumstances on page 15 of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance and health of British Transco International Finance B.V. Our opinion is not modified in respect of this matter.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7,500,000. The materiality is based on 1% of Total Assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of EUR 375,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Financial Assets and disclosure of the Fair Market Value of Financial Assets

Key Audit Matter

The risk associated with the impairment of the financial assets, which are measured at amortized cost, and the disclosure of the fair value of these financial assets relates to the lack of observable inputs and the correct identification and calculation of possible impairments.

Response

We tested the design and implementation of procedures related to the determination of possible impairment of the financial assets measured against amortized cost and evaluated the impairment analysis of management. For the fair value disclosures we challenged management assumptions used for the determination of the fair value, with the support of data input from independent sources.

Based on the work performed, as mentioned above, we observed that the impairment analysis for these financial assets is appropriate. We also determined that the disclosure of the fair value in relation to these financial assets is appropriate.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Directors' Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.

- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Directors' Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, September 8, 2020

Deloitte Accountants B.V.

Signed on the original: M. van Luijk