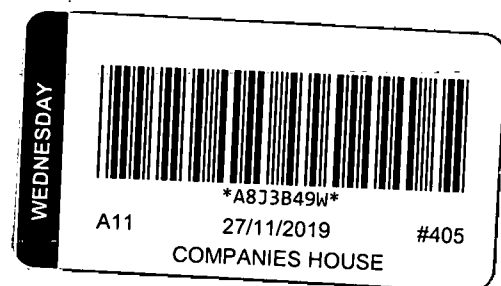


Registered Number: 02202625

WESTERN POWER DISTRIBUTION INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2019



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Directors' report

For the year ended 31 March 2019

The directors present their annual report and the audited financial statements of Western Power Distribution Investments Limited (the 'Company'), company number 02202625, for the year ended 31 March 2019.

The Company has taken the small company exemption available under s415A of the Companies Act 2006.

Ownership

The Company is an indirect wholly-owned subsidiary of Western Power Distribution plc, which is owned indirectly by PPL Corporation, an electricity utility holding company of Allentown, Pennsylvania, USA. PPL Corporation trades in the United Kingdom as Western Power Distribution plc ('WPD' and 'Group').

Principal activities and business review

The principal activity of the Company is that of an investment holding company, which includes a portfolio of properties.

Future developments

There are no plans to change the principal activity of the Company in the foreseeable future.

Investment property

Investment properties are properties not used by the Company but leased to third parties and other companies within the Group. There has been no movement in the valuation of investment properties in the year (2018: £1,051,000 decrease).

Key investment properties within the portfolio have been valued by suitably qualified external valuers in accordance with valuation guidelines produced by the Royal Institution of Chartered Surveyors. The remainder of the portfolio is assessed each year by a qualified valuer employed by the WPD Group and who is a director of this Company, based upon trends identified in the external valuations and market developments observed.

Results and dividends

The profit for the year was £1,989,800 (2018: £3,103,000 loss). During the year the Company received dividends of £1,199,800 (2018: £39,700).

The Company paid cash dividends of £1,685,458 during the year to WPD Distribution Network Holdings Limited (2018: £10,679,935 dividend in specie).

Going concern

After consideration, the directors of the Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future and at least for a period of 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements. This consideration included the overall position of the balance sheet which shows net current assets of £630,000 mainly comprising amounts due from other WPD undertakings and the stable nature of its business.

Financial risk management and principal risks and uncertainties

The principal risk for the Company's investment in its subsidiaries is that they will become impaired or that they will no longer be able to distribute dividends. The directors of this Company are involved with the management of its subsidiaries and this mitigates the risk. The principal risks and uncertainties for these businesses are included within the Strategic report of Western Power Distribution plc.

Directors' report (continued)

For the year ended 31 March 2019

Financial risk management and principal risks and uncertainties (continued)

The principal risk for the Company's investment properties is that they will become impaired, or will become vacant. The Company's investment properties are primarily leased to other companies within the WPD Group; this is unlikely to change in the foreseeable future.

Impact of Brexit

Following the referendum vote on 23 June 2016 and the decision to leave the European Union, there has been considerable uncertainty surrounding the outlook for the UK economy, which may potentially impact the valuation of properties in the UK. However to date, the Company has not suffered from any significant decline in the fair value of its investment properties. The Company will continue to carefully monitor the economic trends and ensure that the valuation for its properties is based on the use of the most relevant market data.

Since all of the Company's revenue is from properties within the UK, the Company's exposure to any financial risks and to risks from the EU market place is considered minimal.

Directors and their interests

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

DA Withers
IR Williams

During and at the end of the financial year, no director was interested in any contract of significance in relation to the Company's business other than service contracts. Insurance in respect of directors and officers is maintained by the WPD Group's ultimate parent, PPL Corporation. The insurance, which is third party qualifying indemnity insurance, is subject to the conditions set out in the Companies Act 2006 and remains in force at the date of signing the Directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Director's report (continued)

For the year ended 31 March 2019

Independent auditor

Deloitte LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put before the Annual General Meeting.

Approved by the board of directors and signed on its behalf by:



IR Williams
Director

Western Power Distribution Investments Limited
Avonbank
Feeder Road
Bristol BS2 0TB

20 November 2019

Directors' responsibilities statement

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 Financial Reporting standard ("FRS") 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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.

Independent auditor's report to the member of Western Power Distribution Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Western Power Distribution Investments Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB');
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the members of Western Power Distribution Investments Limited (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinion 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has 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 directors' report.

Matters on which we are required to report by exception

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

- the directors were not entitled to take advantage of the small companies' exemption in preparing the director's report and from the requirement to prepare a strategic report; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

Independent auditor's report to the members of Western Power Distribution Investments Limited (continued)

Matters on which we are required to report by exception (continued)

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's member, 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 member, for our audit work, for this report, or for the opinions we have formed.

Delyth Jones

Delyth Jones, Senior Statutory Auditor
For and on behalf of Deloitte LLP,
Statutory Auditor,
Bristol, United Kingdom

21 November 2019

Profit and loss account

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover		1,002	946
Cost of sales		(73)	(123)
Gross profit		929	823
Other operating (expense)/income	4	(33)	32
Decrease in fair value of investment properties	10	-	(1,051)
Operating profit/(loss)		896	(196)
Impairment of investments	11	-	(2,940)
Income from investments	5	1,200	40
Interest income	6	7	14
Profit/(loss) before tax		2,103	(3,082)
Tax on profit/(loss)	8	(113)	(21)
Profit/(loss) for the financial year		1,990	(3,103)

All operations are continuing.

There is no other comprehensive income for the year ended 31 March 2019 or 31 March 2018 and therefore no separate statement of comprehensive income has been prepared.

The accompanying notes are an integral part of these financial statements.

Balance sheet

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investment property	10	10,937	10,928
Investments	11	17,038	17,038
		27,975	27,966
Current assets			
Debtors: amounts falling due within one year	12	926	643
		926	643
Current liabilities			
Creditors: amounts falling due within one year	13	(296)	(267)
Net current assets		630	376
Total assets less current liabilities		28,605	28,342
Provisions for liabilities			
Deferred tax	14	(7)	(49)
Net assets		28,598	28,293
Capital and reserves			
Called-up share capital	15	20,000	20,000
Profit and loss account		8,598	8,293
Total shareholder's funds		28,598	28,293

The accompanying notes are an integral part of these financial statements.

The financial statements of the Company (registered number 02202625) on pages 8 to 22 were approved and authorised for issue by the board of directors on 20 November 2019 and were signed on its behalf by:



IR Williams
Director

Statement of changes in equity

For the year ended 31 March 2019

	Note	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2017		20,000	22,076	42,076
Loss for the financial year		-	(3,103)	(3,103)
Total comprehensive loss for the year		-	(3,103)	(3,103)
Dividend paid	9	-	(10,680)	(10,680)
At 31 March 2018		20,000	8,293	28,293
Profit for the financial year		-	1,990	1,990
Total comprehensive income for the year		-	1,990	1,990
Dividend paid	9	-	(1,685)	(1,685)
At 31 March 2019		20,000	8,598	28,598

Notes to the financial statements

For the year ended 31 March 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Western Power Distribution Investments Limited (the "Company") for the year ended 31 March 2019 were authorised for issue by the board of directors on 20 November 2019 and the Balance sheet was signed on the board's behalf by IR Williams. Western Power Distribution Investments Limited is a private company limited by shares, incorporated and registered in England and Wales. The registered address is included in note 17.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards.

2. Significant accounting policies

Basis of preparation

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, fair value, and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of Western Power Distribution plc. The group financial statements of Western Power Distribution plc are available to the public and can be obtained as set out in note 17.

The financial statements have been prepared on the historical cost basis, except for the revaluation of property that is measured at fair value at the end of the reporting year, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

The Company's financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest one thousand pounds (£'000) except when otherwise indicated.

The principal accounting policies adopted are set out below.

Notes to the financial statements (continued)

For the year ended 31 March 2019

2. Significant accounting policies (continued)

Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This is discussed further within the Director's report.

Group financial statements

Group financial statements have not been prepared as the Company has taken advantage of the relief under s400 of the Companies Act 2006. The results of the Company are consolidated in the financial statements of Western Power Distribution plc. These financial statements therefore present information about the Company and not the Western Power Distribution Investments Limited group.

Impact of New Financial Reporting Standards

The following new standards are effective for accounting periods beginning on or after 1 January 2018:

IFRS 15

IFRS 15 'Revenue from Contracts with Customers' supersedes the current revenue recognition guidance including IAS 18 Revenue and the related interpretations and establishes a single comprehensive five-step model to account for revenues arising from contract with customers, focusing on the identification and satisfaction of performance obligations.

The Company has assessed the impact of this standard and concluded that there will be no material change to the Company's financial statements.

IFRS 9

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The Company has assessed the impact of this standard and concluded that there will be no material change to the Company's financial statements.

Revenue recognition

Revenue is recognised when, or as the Company satisfies the performance obligations and is measured at the fair value of the consideration received or receivable, stated net of value added tax.

Rental income

Rental income from owned or leased property operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rental income is all in respect of sales to customers in the United Kingdom.

Investment income

Investment income, in the form of dividends, is included in the profit and loss account when the shareholder's right to receive payment is established.

Notes to the financial statements (continued)

For the year ended 31 March 2019

2. Significant accounting policies (continued)

Revenue recognition (continued)

Interest income

Interest income comprises interest receivable on financial assets at amortised cost and is recognised in the profit and loss account as it accrues, on an effective rate basis.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Investment properties include all properties leased to other parties, including other companies within the Group.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in the profit and loss account in the period of derecognition.

Tax

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities based on the tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

Notes to the financial statements (continued)

For the year ended 31 March 2019

2. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company as lessor

Leases where the lessor retains substantially all of the risks and benefits of ownership of the assets are classified as operating leases and rentals payable are charged to profit and loss on a straight-line basis over the lease term. Lease termination fees are allocated to the profit and loss account upon termination.

The Company as lessee

Assets leased out under operating leases are included in investment properties. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the term of the lease. Lease termination fees are allocated to the profit and loss account upon termination.

Financial assets

Financial assets are classified as debt instruments at amortised cost, debt instruments at fair value through other comprehensive income ('FVOCI'), financial assets at fair value through profit and loss ('FVTPL') or as equity instruments designated at FVOCI, as appropriate. The Company's financial assets include debtors and investments. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. For financial assets at FVTPL, transaction costs are immediately recognised in the profit and loss account.

The subsequent measurement of financial assets depends on their classification as follows:

Debt instruments at amortised cost

Debt instruments that meet the hold-to-collect business model test and sole payment principal and interest ('SPPI') contractual cash flow test, are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the debt instruments are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade debtors.

Impairment of financial assets

The Company recognises impairment on financial assets following the expected credit loss ('ECL') model in IFRS 9.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL, as default is a component of the probability of default ('PD') which affects the measurements of ECLs. WPD constitutes the following as an event of default:

- (i) Borrower is past due more than 90 days on any material credit obligation to the Company; or
- (ii) Borrower is unlikely to pay its credit obligation to the Company in full

The Company has the following financial assets not measured at FVTPL that are subject to ECL:

Notes to the financial statements (continued)

For the year ended 31 March 2019

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

Debtors

Debtors consists of amounts due from WPD undertakings, repayable on demand and therefore is considered to be low risk, and therefore the impairment provision, if any, is determined as 12 months expected credit loss. 12 month ECL results from those default events on the financial assets that are possible within 12 months after the reporting date.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Company's financial liabilities include trade and other payables and accruals. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. This category of financial liabilities includes trade and other payables.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs.

This category of financial liabilities includes creditors.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the group currently has a legally enforceable right to set off the recognised amounts; and the Company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. A right of set off is the Company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Investments

Investments in shares in subsidiary undertakings are shown at cost less any provisions for impairment. Investments are reviewed for impairment if there are indications that the carrying value may not be recoverable. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying value and recoverable amount being the higher of fair value less cost to sell and value in use. The impairment, if any, is charged to the profit and loss account.

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Dividends

Dividend distributions are recognised in the year in which the dividends are paid.

Notes to the financial statements (continued)

For the year ended 31 March 2019

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair values being recognised in the profit and loss account. The Company engaged independent valuation specialists (both external and internal) to determine fair value as at 31 March 2019. The valuer used a valuation technique based on a discounted cash flow model due to lack of observable market data, because of the nature of the properties.

The fair value of investment properties is most sensitive to the assumptions concerning discount rate and the long term vacancy rate. The key assumptions used to determine fair value of the investment property are further explained in Note 10.

Impairment of investments in subsidiaries

Investments are reviewed annually for indicators of impairment or if events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indicator exists, determining whether the Company's investments in subsidiaries have been impaired would require estimations of the investments' values in use. The key assumptions underlying the value in use calculations are those regarding the discount rate, expected cash flows arising from revenues, direct costs, and capital expenditure during the period, and the premium applied to the Regulatory Asset Value ('RAV') at the end of the period to calculate a terminal value. All these assumptions are sources of estimations.

There are no judgements dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

4. Other operating (expenses)/income

Operating expenses include a management charge from an affiliate. This includes an audit fee of £2,136 (2018: £2,066) for the audit of these financial statements. There were no non-audit fees in the current or prior year.

5. Income from investments

The Company received cash dividends of £1,199,778 from investments in the current year (2018: £39,700).

Notes to the financial statements (continued)

For the year ended 31 March 2019

6. Interest income

	2019 £'000	2018 £'000
Interest on loans to other WPD undertakings	7	14

7. Directors and employees

The Company did not employ any staff during either year. The directors did not receive remuneration in either the current or prior year for their services as directors of the Company as they are incidental to their roles elsewhere in the Group.

8. Tax

(a) Tax charge in the profit and loss account:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax on profit for the year	160	156
Adjustment in respect of prior years	(5)	(55)
Total current tax charge	155	101
Deferred tax:		
Origination and reversal of temporary differences	11	(88)
Adjustment in respect of prior years	(53)	(1)
Impact of tax rate change	-	9
Total deferred tax credit	(42)	(80)
Total tax charge	113	21

(b) Reconciliation of the total tax charge:

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit/(loss) before tax	2,103	(3,082)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%).	400	(586)
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(228)	654
Adjustments to tax charge in respect of prior years	(58)	(56)
Impact of tax rate change	(1)	9
Total tax charge	113	21

Notes to the financial statements (continued)

For the year ended 31 March 2019

8. Tax (continued)

c) Factors which will affect future tax charges

From 1 April 2017 the standard rate of corporation tax was reduced from 20% to 19%. In addition the Finance Act 2016 reduced the standard rate of corporation tax to 17% from 1 April 2020. This future change has been enacted and included in the calculation of deferred tax with respect to any temporary differences that are expected to reverse after the effective date.

9. Dividends

	2019 £'000	2018 £'000
Dividends on equity shares:		
Dividend in specie £nil (2018: £0.53 per share)	-	10,680
First interim £0.001 per share (2018: £nil per share)	23	-
Second interim £0.08 per share (2018: £nil per share)	1,662	-
	1,685	10,680

10. Investment property

	Leased externally £'000	Leased within WPD Group £'000	Total £'000
Cost or valuation			
At 1 April 2018	1,023	9,905	10,928
Additions	-	9	9
At 31 March 2019	1,023	9,914	10,937

The net book value of investment property comprises:

	Leased externally 2019 £'000	Leased within WPD Group 2019 £'000	Total 2019 £'000	2018 £'000
Freehold	1,023	6,989	8,012	8,003
Long leasehold	-	2,925	2,925	2,925
	1,023	9,914	10,937	10,928

Notes to the financial statements (continued)

For the year ended 31 March 2019

10. Investment property (continued)

The fair value of investment properties occupied by fellow Group companies, which comprise office space, storage facilities and depots, is based on valuations by independent valuers not connected with the Company; either Cooke and Arkwright, King Sturge or Jones Lang LaSalle Limited. All valuers are either members of the Royal Institution of Chartered Surveyors (MRICS) or Fellows of the Royal Institution of Chartered Surveyors (FRICS).

Additions in the year have been valued at cost. The properties have been valued on an open market basis in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The rental received from these assets is considered to be an arm's length rental and as such their current use is considered to be their highest and best use.

All of these valuations, which fall within Level 3 of the fair value hierarchy, are derived using the income capitalisation methodology whereby rents receivable are divided by an appropriate yield, taking into account the existing tenancies. The valuation assumes that all intra group tenancy agreements will be renewed at the end of the current lease term.

The property rental income earned by the Company from its investment properties amounted to £1,002,000 (2018: £946,000). Direct operating expenses arising on the investment properties, all of which generated rental income in the year, amounted to £73,000 (2018: £123,000).

11. Investments

Shares in
subsidiary
undertakings
£'000

Cost

At 1 April 2018 and 31 March 2019	21,545
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Provision for impairment

At 1 April 2018 and 31 March 2019	4,508
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Net book value at 1 April 2018 and 31 March 2019	17,038
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The subsidiary undertakings at 31 March 2019 were:

Name	Principal activity	Holding	Proportion held %
Hyder Profit Sharing Trustee Limited	Trust company	Ordinary Shares	100%
Infralec 1992 Pension Trustee Limited	Trust company	Ordinary Shares	100%
WW Share Scheme Trustees Limited	Trust company	Ordinary Shares	100%
South Wales Electricity Share Scheme Trustees Limited	Trust company	Ordinary Shares	100%
Western Power Generation Limited	Power generation	Ordinary Shares	100%
WPD Investments Limited (in liquidation)*	Investment company	Ordinary Shares	100%
Kelston Properties 2 Limited*	Property investment	Ordinary Shares	100%

Notes to the financial statements (continued)

For the year ended 31 March 2019

11. Investments (continued)

The financial year end for the subsidiary undertakings marked * is 31 December.

All undertakings are registered in England and Wales.

The registered office address for all subsidiary undertakings is the same as the Company as listed on page 22.

12. Debtors - amounts falling due within one year

	2019 £'000	2018 £'000
Prepayments and accrued income	-	4
Trade debtors	2	8
VAT receivable	2	-
Amounts owed by other WPD undertakings	922	631
	926	643

The amounts owed by Group undertakings accrue interest at the Bank of England base rate and are unsecured and repayable on demand.

13. Creditors - amounts falling due within one year

	2019 £'000	2018 £'000
Accruals and deferred income	10	69
Trade creditors	42	26
Amounts owed to other WPD undertakings	84	14
Group relief payable	160	158
	296	267

The amounts owed to Group undertakings accrue interest at the Bank of England base rate of 0.25% and are unsecured and repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 March 2019

14. Deferred tax

	Deferred taxation £'000
At 1 April 2017	129
Credit to profit and loss	(80)
At 31 March 2018	49
Credit to profit and loss	(42)
At 31 March 2019	7

The deferred tax balance relates solely to temporary differences on investment properties.

15. Called-up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid:		
20,000,000 Ordinary shares of £1 each (2018: 20,000,000)	20,000	20,000

The shares entitle the holders thereof to one vote per share held. Each share ranks equally for any dividend declared and any distribution made on a winding up. The shares are not redeemable.

All shares are held by WPD Distribution Network Holdings Limited.

16. Operating lease arrangements

The Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The leases have various terms; escalation clauses and renewable rights. The leases include a clause to enable an upward revision of rental charge on a review cycle set on lease inception according to prevailing market conditions.

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments which all relate to properties leased to third parties external to the WPD Group:

	2019 £'000	2018 £'000
Within one year	1	22
In the second to fifth years inclusive	4	43
After five years	88	47
	93	112

Notes to the financial statements (continued)

For the year ended 31 March 2019

17. Parent undertakings

The immediate parent undertaking of Western Power Distribution Investments Limited is WPD Distribution Network Holdings Limited.

The smallest group in which the results of the Company are consolidated is that headed by Western Power Distribution plc, which is registered in England and Wales. Copies of its financial statements may be obtained from Companies House or the Company's registered office as stated below.

The largest group in which the results of Western Power Distribution Investments Limited are consolidated is headed by PPL Corporation, the ultimate parent undertaking which is registered in the USA. Copies of its financial statements may be obtained from Two North Ninth Street, Allentown, Pennsylvania, PA 18101-1179,

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