

Registered Number: 02202625

**WESTERN POWER DISTRIBUTION INVESTMENTS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2020**



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## **Directors' report**

For the year ended 31 March 2020

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 2020.

The Company has taken the small company exemption available under s.415A and s.414B 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 (2019: no movement).

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 based upon trends identified in the external valuations and market developments observed.

### **Results and dividends**

The profit for the year was £2,042,000 (2019: £1,989,800). During the year the Company received dividends of £1,344,754 (2019: £1,199,800).

The Company paid cash dividends of £1,869,400 during the year to WPD Distribution Network Holdings Limited (2019: £1,685,458).

### **Subsequent events**

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 10 August 2020, PPL publically announced its intention to sell its UK business (Western Power Distribution) and reposition PPL as a US focused utility. PPL aims to complete this process and announce a transaction in the first half of 2021.

### **Going concern**

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £809,000. The majority of the Company's income is from WPD Group entities and its assets are mainly receivables from WPD Group. Taking this into account, confirmation has been obtained from a parent undertaking that it will provide financial support to the Company for not less than 12 months from the date of approval of the financial statements and the directors have considered the ability of the parent undertaking to provide such financial support.

Impacts of COVID-19 have also been taken into consideration in arriving at this conclusion. For further details refer to the disclosure of impacts of COVID-19 as included on page 2.

## **Directors' report (continued)**

For the year ended 31 March 2020

### **Going concern (continued)**

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.

### **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.

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 European Union referendum vote on 23 June 2016, the UK formally left the EU on 31 January 2020 and is currently in the transition period which ends on 31 December 2020. During the transition period, there is continued 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.

### Impact of Coronavirus

Coronavirus ('COVID-19') is an infectious disease that was first identified in December 2019 in Wuhan, China. It has since spread globally, impacting the world economies and global financial markets.

The impact of the economic disruption due to COVID-19 on the Company's revenue and cash flows is expected to be minimal as the majority of revenue is generated from WPD Group entities. Since the primary business of the WPD Group is the distribution of electricity, the business of the Group is essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the licensed regions have continued access to electricity supplies. Therefore, even in these challenging times, whereby many business sectors are impacted severely, the operating companies within the WPD Group have a continuing licence obligation to be a sustainable business and provide essential services to society. Based on licence conditions and price control allowances, the Company is expected to have a continuing, stable stream of revenue.

Further, a detailed risk assessment of COVID-19 has been done at the WPD Group level and disclosure in relation to this has been provided in the WPD Group consolidated financial statements.

### **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 (resigned 29 May 2020)

IR Williams

AJ Sleightholm (appointed 22 May 2020)

**Director's report (continued)**

For the year ended 31 March 2020

**Directors and their interests (continued)**

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**

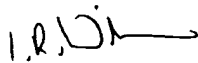
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information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

**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

4 December 2020

## **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 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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

#### **Basis for opinion**

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

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

#### **Emphasis of matter - material uncertainty related to investment property valuation**

We draw attention to note 10, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the company's investment property portfolio. As noted by Company's external valuers, the outbreak has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

#### **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.

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

### **Other information**

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

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

We have nothing to report in respect of these matters.

### **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](http://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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' 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.



**Independent auditor's report to the member of Western Power Distribution Investments 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

**Use of our report**

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



**Suzanne Gallagher FCA (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**

Statutory Auditor  
Reading, United Kingdom  
4 December 2020

**Profit and loss account**

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Turnover</b>		<b>1,002</b>	<b>1,002</b>
Cost of sales		(90)	(73)
<b>Gross profit</b>		<b>912</b>	<b>929</b>
Other operating expense	4	(63)	(33)
<b>Operating profit</b>		<b>849</b>	<b>896</b>
Income from investments	5	1,345	1,200
Interest income	6	9	7
<b>Profit before tax</b>		<b>2,203</b>	<b>2,103</b>
Tax on profit	8	(161)	(113)
<b>Profit for the financial year</b>		<b>2,042</b>	<b>1,990</b>

All operations are continuing.

There is no other comprehensive income for the year ended 31 March 2020 or 31 March 2019 and therefore no separate statement of comprehensive income has been prepared.

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

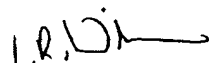
**Balance sheet**

As at 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investment property	10	10,939	10,937
Investments	11	17,038	17,038
		<b>27,977</b>	<b>27,975</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	1,047	926
		<b>1,047</b>	<b>926</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	13	(238)	(296)
<b>Net current assets</b>		<b>809</b>	<b>630</b>
<b>Total assets less current liabilities</b>		<b>28,786</b>	<b>28,605</b>
<b>Provisions for liabilities</b>			
Deferred tax	14	(15)	(7)
<b>Net assets</b>		<b>28,771</b>	<b>28,598</b>
<b>Capital and reserves</b>			
Called-up share capital	15	20,000	20,000
Profit and loss account		8,771	8,598
<b>Total shareholder's funds</b>		<b>28,771</b>	<b>28,598</b>

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 4 December 2020 and were signed on its behalf by:



IR Williams  
Director

# Statement of changes in equity

For the year ended 31 March 2020

	Note	Called-up share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2018</b>		<b>20,000</b>	<b>8,293</b>	<b>28,293</b>
Profit for the financial year		-	1,990	1,990
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>1,990</b>	<b>1,990</b>
Dividend paid	9	-	(1,685)	(1,685)
<b>At 31 March 2019</b>		<b>20,000</b>	<b>8,598</b>	<b>28,598</b>
Profit for the financial year		-	2,042	2,042
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>2,042</b>	<b>2,042</b>
Dividend paid	9	-	(1,869)	(1,869)
<b>At 31 March 2020</b>		<b>20,000</b>	<b>8,771</b>	<b>28,771</b>

## Notes to the financial statements

For the year ended 31 March 2020

### 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 2020 were authorised for issue by the board of directors on 4 December 2020 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 18.

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 18.

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 2020

### **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 2019:

##### **IFRS 16**

IFRS 16 "Leases" supersedes the previous lease guidance IAS 17 "Leases" and the related interpretations and is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 provides comprehensive guidance for the identification of lease arrangements for both lessee and lessor and a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, are accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset and unwinding of the lease liability using an appropriate discount rate over the lease term.

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

##### **IFRIC 23**

IFRIC 23 "Uncertainty over Income Tax Treatments" is effective for annual periods beginning on or after 1 January 2019 and aims to clarify the accounting for uncertainties in income taxes. IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 "Income Taxes".

The Company has assessed the impact of this standard and concluded that there has been 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 2020

### 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*

The income tax expense (or credit) for the period comprises current and deferred tax. Income tax is recognised in the income statement unless it relates to an item that has been recognised in other comprehensive income, in which case it is also be recognised in other comprehensive income.

Current tax is measured at the amount expected to be payable (or recoverable) in respect of the taxable profit (or loss) for the period based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. This includes UK corporation tax payable to HM Revenue and Customs ("HMRC") and amounts payable to (or receivable from) other UK group companies for losses and other amounts transferred between them ("group relief").

Deferred tax is the tax expected to be payable (or recoverable) in future periods due to differences between the time when profits and losses are recognised in the financial statements and the time when those profits and losses are included in tax returns filed with HMRC. These temporary differences arise in the current period and then reverse in future periods. The temporary differences are calculated by comparing the carrying value of assets and liabilities at the balance sheet date with their corresponding tax bases included in tax returns.

Deferred tax is recognised on all temporary differences except:

- 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; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the asset may be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the temporary differences will reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset only to the extent permitted by tax legislation.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 2. Significant accounting policies (continued)

#### *Leases*

##### *The Company as lessor*

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 Company has no finance leases.

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

#### *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:

##### *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.



## **Notes to the financial statements (continued)**

For the year ended 31 March 2020

### **2. Significant accounting policies (continued)**

#### ***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 as liability in the Company's financial statements in the year in which the dividends are approved by the Company's directors.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 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 the fair value as at 31 March 2020. The valuer uses 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. Where equivalent disclosures are not presented by Western Power Distribution plc, being in respect of properties leased to other Group companies, the key assumptions used to determine the fair value of the investment properties are further explained in note 10.

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

Operating expenses include a management charge from an affiliate. This includes an audit fee of £2,200 (2019: £2,136) 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 £1,344,754 from investments in the current year (2019: £1,199,778).

6. Interest income	2020 £'000	2019 £'000
Interest on loans to other WPD undertakings	9	7

### 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.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 8. Tax

(a) Tax charge in the profit and loss account:	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profit for the year	153	160
Adjustment in respect of prior years	-	(5)
<b>Total current tax charge</b>	<b>153</b>	<b>155</b>
Deferred tax:		
Origination and reversal of temporary differences	7	11
Adjustment in respect of prior years	-	(53)
Impact of tax rate change	1	-
<b>Total deferred tax credit</b>	<b>8</b>	<b>(42)</b>
<b>Total tax charge</b>	<b>161</b>	<b>113</b>

#### (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% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	2,203	2,103
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%).	419	400
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(259)	(228)
Adjustments to tax charge in respect of prior years	-	(58)
Impact of tax rate change	1	(1)
<b>Total tax charge</b>	<b>161</b>	<b>113</b>

#### c) Factors which will affect future tax charges

The Finance Act 2016 reduced the standard rate of corporation tax to 17% from 1 April 2020 and as this rate was enacted at 31 March 2019 it was used in the prior year to calculate the provision for deferred tax with respect to those temporary differences that were expected to reverse after the effective date. This rate reduction has been reversed by the Finance Bill 2020 and the rate will remain at 19% for the foreseeable future. This was substantively enacted on 17 March 2020 and the rate change has been reflected in the calculation of deferred tax for the current year.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 9. Dividends

	2020 £'000	2019 £'000
Dividends on equity shares:		
First interim £0.09 per share (2019: £0.001 per share)	1,869	23
Second interim (2019: £0.08 per share)	-	1,662
	1,869	1,685

### 10. Investment property

	Leased externally £'000	Leased within WPD Group £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2019	1,023	9,914	10,937
Additions	-	2	2
At 31 March 2020	1,023	9,916	10,939

The net book value of investment property comprises:

	Leased externally 2020 £'000	Leased within WPD Group 2020 £'000	Total 2020 £'000	2019 £'000
Freehold	1,023	6,991	8,014	8,012
Long leasehold	-	2,925	2,925	2,925
	1,023	9,916	10,939	10,937

Details in respect of the fair value of investment properties occupied by third parties are included in the financial statements of the Group. 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.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 10. Investment property (continued)

The outbreak of the COVID-19 pandemic has led to global economic disruption and volatility in all business sectors, including real estate. The future impact of COVID-19 on the real estate market is currently unknown but the continued spread of and efforts to contain the virus such as quarantines and extended closures of businesses can adversely impact the fair values of investment properties. Consequently, our valuers have reported fair values on the basis of "material valuation uncertainty" as per the Royal Institution of Chartered Surveyors ("RICS") Red Book Global. Material valuation uncertainty does not imply that the valuation cannot be relied upon but indicates that due to extraordinary circumstances less certainty could be attached to the valuation.

There has been no material changes to the Company's existing leasing arrangements. Management will continue to closely monitor the implications of COVID-19 on the fair values of investment properties.

Sensitivity information on valuation of investment properties is as below:

	2020	2019
	Income statement (before tax)	Income statement (before tax)
	+/- £'000	+/- £'000
Change in rate +/- 10%	1,094	1,094

The property rental income earned by the Company from its investment properties amounted to £1,002,000 (2019: £1,002,000). Direct operating expenses arising on the investment properties, all of which generated rental income in the year, amounted to £90,000 (2019: £73,000).

### 11. Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 April 2019	21,545
Disposal	(41)
<b>At 31 March 2020</b>	<b>21,504</b>
<b>Provision for impairment</b>	
At 1 April 2019	4,507
Disposal	(41)
<b>At 31 March 2020</b>	<b>4,466</b>
<b>Net book value at 1 April 2019 and 31 March 2020</b>	<b>17,038</b>

During the current year there was a disposal relating to WPD Investments Limited which was dissolved on 15 November 2019.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 11. Investments (continued)

The subsidiary undertakings at 31 March 2020 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%
Kelston Properties 2 Limited*	Property investment	Ordinary Shares	100%

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

	2020 £'000	2019 £'000
Trade debtors	12	2
VAT receivable	1	2
Amounts owed by other WPD undertakings	1,034	922
	1,047	926

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

### 13. Creditors - amounts falling due within one year

	2020 £'000	2019 £'000
Accruals and deferred income	13	10
Trade creditors	18	42
Amounts owed to other WPD undertakings	54	84
Group relief payable	153	160
	238	296

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 2020

### 14. Deferred tax

	Deferred taxation £'000
At 1 April 2018	49
Credit to profit and loss	(42)
At 31 March 2019	7
Credit to profit and loss	8
<b>At 31 March 2020</b>	<b>15</b>

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

### 15. Called-up share capital

	2020 £'000	2019 £'000
Allotted, called-up and fully paid:		
20,000,000 Ordinary shares of £1 each (2019: 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.

Maturity analysis of operating leases at 31 March as is follows:

	2020 £'000	2019 £'000
Year 1	7	1
Year 2	7	1
Year 3	7	1
Year 4	5	1
Year 5	1	1
Year 6 and onwards	86	88
	<b>113</b>	<b>93</b>

## **Notes to the financial statements (continued)**

For the year ended 31 March 2020

### **17. Events after the reporting period**

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 10 August 2020, PPL publically announced its intention to sell its UK business (Western Power Distribution) and reposition PPL as a US focused utility. PPL aims to complete this process and announce a transaction in the first half of 2021.

Subsequent to the year end the COVID-19 situation continues to unfold. We have outlined the details of the impacts of COVID-19 on the Company and its liquidity and going concern in the Directors' report (Page 1 and 2).

### **18. 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 its registered address at Two North Ninth Street, Allentown, Pennsylvania, PA 18101-1179, USA.

Registered office:

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

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Registered number 02202625