

Registered Number: 02202625

**National Grid Electricity Distribution Investments Limited
(formerly Western Power Distribution Investments Limited)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2022



nationalgrid

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Directors' report

For the year ended 31 March 2022

The directors present their annual report and the audited financial statements of National Grid Electricity Distribution Investments Limited (formerly Western Power Distribution Investments Limited) (the 'Company'), company number 02202625, for the year ended 31 March 2022.

The Company has taken the small company exemption available under s.415A and s.414B of the Companies Act 2006.

Ownership

The Company is a wholly-owned subsidiary within the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) group (the "Group" or "NGED Group"). The primary business of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) and its subsidiaries ("NGED Group" or "NGED") is the distribution of electricity in the South West and Midlands regions in England and in South Wales.

On 14 June 2021, PPL Corporation completed the sale transaction of its UK investment in the NGED Group, which includes the Company, to National Grid Plc ("National Grid"). On completion of the sale the ultimate controlling parent of the NGED Group became National Grid Plc, registered in England and Wales. National Grid is an energy company operating in the UK and United States of America.

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. The valuation of investment properties indicated a net increase in value of £235,000 (2021: £2,191,000) in the year, which has been incorporated in the financial statements in the profit and loss account.

The Company carries its investment properties at fair value, with changes in fair value being recognised in the profit and loss account. The investment properties are revalued by independent valuation specialists every three years, and in the intervening years the properties are reviewed internally and through a desktop review by independent valuation specialists. The valuation of an investment property reflects the "highest and best" use in accordance with IFRS 13 Fair Value Measurements. Investment properties generating rental revenue are valued using an investment approach and vacant buildings are valued using the comparison method of valuation. Where land is being held for development, the valuation technique is based either on the comparison method or the residual method. For agricultural properties, the valuation is approached using the investment approach and the comparison method.

Results and dividends

The loss for the year was £0.1m (2021: profit for the year £5.9m). During the year the Company received dividends of £0.2m (2021: £3.3m).

The decrease in the profit during the year is due to a reduction of £(3.1)m in the dividend income received during the year, and a lower fair valuation gain on the investment properties of £0.2m in the current year versus £2.2m in the previous year. In addition, the Company booked an impairment loss of £1.3m in the current year versus £0.1m in the previous year. The impairment loss was due to a reduction in the fair value of the investment property held by Kelston Properties 2 Limited, a 100% owned subsidiary of the Company (refer to note 11).

Directors' report (continued)

For the year ended 31 March 2022

Results and dividends (continued)

The Company paid cash dividends of £0.2m (2021: £4.9m) during the year to National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited).

Subsequent events

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

On 20 September 2022, the name of the Company was changed from Western Power Distribution Investments Limited to National Grid Electricity Distribution Investments Limited.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £999,000 (2021: net current liabilities of £6,000). The company generates consistent revenue from its investment property portfolio. Confirmation has also 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.

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 balance sheet position, its portfolio of investments properties, its stable and consistent rental revenues and the ability of the parent to provide financial support.

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 National Grid Electricity Distribution plc (formerly 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 NGED Group; this is unlikely to change in the foreseeable future.

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:

AJ Sleightholm

GR Halladay (appointed on 14 October 2022)

IR Williams (resigned 31 July 2022)

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 of the Company and other NGED Group companies is third party qualifying insurance and is now maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Directors' report (continued)

For the year ended 31 March 2022

Statement of disclosure to independent

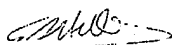
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information 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 their reappointment as auditors for the NGED Group was approved by the shareholders of National Grid Plc on 11 July 2022.

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



GR Halladay
Director

National Grid Electricity Distribution Investments Limited (formerly Western Power Distribution Investments Limited)
Avonbank
Feeder Road
Bristol BS2 0TB

13 December 2022

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of National Grid Electricity Distribution Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Grid Electricity Distribution Investments Limited (formerly Western Power Distribution Investments Limited) (the 'company'):

- give a true and fair view of the state of the company's affairs as of 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of National Grid Electricity Distribution Investments Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditor's report to the members of National Grid Electricity Distribution Investments Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection requirements, Anti-bribery and corruption policy and the Foreign Corrupt Practices Act.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in valuation of investment properties. Our specific procedures performed to address the risk are described below:

- Obtaining understanding of the process and controls relating to property valuation;
- Trace the current year's property value to valuation performed by the entities external valuer; and
- Review minutes of board meetings to identify any matters that could affect property valuation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 period 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 members of National Grid Electricity 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 take advantage of the small companies' exemptions in preparing the directors' report and 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

13 December 2022

Profit and loss account

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover		1,318	1,009
Cost of sales		(91)	(70)
Gross profit		1,227	939
Other operating expense	4	(69)	(77)
Increase in fair value of investment property	10	235	2,191
Operating profit		1,393	3,053
Impairment of investments	11	(1,346)	(130)
Income from investments	5	214	3,343
Interest income	6	1	1
Profit before tax		262	6,267
Tax on profit	8	(376)	(357)
(Loss)/profit for the financial year		(114)	5,910

All operations are continuing.

There is no other comprehensive income for the year ended 31 March 2022 or 31 March 2021 and therefore no separate statement of comprehensive income has been prepared.

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

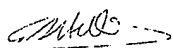
Balance sheet

As at 31 March 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investment property	10	13,365	13,130
Investments	11	15,562	16,908
		28,927	30,038
Current assets			
Debtors: amounts falling due within one year	12	1,258	177
		1,258	177
Current liabilities			
Creditors: amounts falling due within one year	13	(259)	(183)
Net current assets/(liabilities)		999	(6)
Total assets less current liabilities		29,926	30,032
Provisions for liabilities			
Deferred tax	14	(379)	(214)
Net assets		29,547	29,818
Capital and reserves			
Share capital	15	20,000	20,000
Profit and loss account		9,547	9,818
Total shareholder's funds		29,547	29,818

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

The financial statements of the Company (registered number 02202625) on pages 9 to 23 were approved and authorised for issue by the board of directors on 13 December 2022 and were signed on its behalf by:



GR Halladay
Director

Statement of changes in equity

For the year ended 31 March 2022

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2020		20,000	8,771	28,771
Profit for the financial year		-	5,910	5,910
Total comprehensive income for the year		-	5,910	5,910
Dividend paid	9	-	(4,863)	(4,863)
At 31 March 2021		20,000	9,818	29,818
Loss for the financial year		-	(114)	(114)
Total comprehensive loss for the year		-	(114)	(114)
Dividend paid	9	-	(157)	(157)
At 31 March 2022		20,000	9,547	29,547

Notes to the financial statements

For the year ended 31 March 2022

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

The financial statements of National Grid Electricity Distribution Investments Limited (formerly Western Power Distribution Investments Limited) (the “Company”) for the year ended 31 March 2022 were authorised for issue by the board of directors on 13 December 2022 and the Balance sheet was signed on the board’s behalf by GR Halladay. National Grid Electricity Distribution Investments Limited (formerly 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, revenue from contract with customers, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc). These group financial statements 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

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 IFRS 16, 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 2022

2. Significant accounting policies (continued)

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £999,000 (2021: net current liabilities of £6,000). The company generates consistent revenue from its investment property portfolio. Confirmation has also 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.

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 balance sheet position, its portfolio of investments properties, its stable and consistent rental revenues and the ability of the parent to provide financial support.

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 National Grid Electricity Distribution plc (formerly Western Power Distribution plc). These financial statements therefore present information about the Company and not the National Grid Electricity Distribution Investments Limited (formerly 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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - amendments in relation to Interest Rate Benchmark Reform, Phase 2. These amendments are effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 16 - amendments regarding COVID-19 related rent concessions, effective for annual periods beginning on or after 1 June 2020 and further extension effective for annual periods beginning on or after 1 April 2021.

The Company has assessed the impact of these standards and concluded that these standards do not have any material impact on 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.

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

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").

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to HMRC. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 2022

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. When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Company has no finance leases.

Assets leased out under operating leases are included in tangible fixed assets and depreciated over the estimated useful lives. 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

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. NGED 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 NGED 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 2022

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

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 value being recognised in the profit and loss account. The investment properties are revalued by independent valuation specialists every three years, and in the intervening years the properties are reviewed internally and through a desktop review by independent valuation specialists. The valuation of an investment property reflects the "highest and best" use in accordance with IFRS 13 Fair Value Measurements.

In arriving at the valuation, tenancy details and market evidence of transaction prices for similar properties are taken into consideration. Investment properties generating rental revenue are valued using an investment approach and vacant buildings are valued using the comparison method of valuation. Where land is being held for development, the valuation technique is based either on the comparison method or residual method. For agricultural properties, the valuation is approached using the investment approach and the comparison method. The valuation is most sensitive to the assumptions concerning yield and the long-term vacancy rate of the properties.

Where equivalent disclosures are not presented by National Grid Electricity Distribution plc (formerly Western Power Distribution plc), being in respect of properties leased to companies within the NGED Group, 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 £2,357 (2021: £2,268) 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 £213,602 from investments in the current year (2021: £3,342,715).

6. Interest income

	2022 £'000	2021 £'000
Interest on loans to other NGED undertakings	1	1

Notes to the financial statements (continued)

For the year ended 31 March 2022

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) Analysis of charge in the year :	2022 £'000	2021 £'000
Current tax charge on profit for the year	211	158
Total current tax charge	211	158
Deferred tax (Note 14):		
Origination and reversal of temporary differences	10	199
Adjustments in respect of prior years	64	-
Impact of change in corporation tax rate	91	-
Total deferred tax charge	165	199
Total tax charge	376	357

(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% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before tax	262	6,267
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%).	50	1,191
Effects of:		
Expenses not deductible and income not taxable for tax purposes	171	(834)
Adjustment in respect of prior years	64	-
Impact of change in corporation tax rate	91	-
Tax charge	376	357

(c) Change in corporation tax rate

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2022, that are expected to reverse after 1 April 2023, have been provided for at 25%.

Notes to the financial statements (continued)

For the year ended 31 March 2022

9. Dividends

	2022 £'000	2021 £'000
Dividends paid on equity shares - 2022: £0.008 per share (2021: £0.24 per share)	157	4,863

10. Investment property

	Leased externally £'000	Leased within NGED Group £'000	Total £'000
Cost or valuation			
At 1 April 2021	2,520	10,610	13,130
Revaluations	(30)	265	235
At 31 March 2022	2,490	10,875	13,365

The net book value of investment property comprises:

	Leased externally 2022 £'000	Leased within NGED Group 2022 £'000	Total 2022 £'000	2021 £'000
Freehold	2,490	9,270	11,760	11,465
Long leasehold	-	1,605	1,605	1,665
	2,490	10,875	13,365	13,130

The fair value of the Company's investment properties at 31 March 2022 and 31 March 2021 has been arrived at on the basis of a valuation carried out at those dates by external independent valuers. The valuers are duly accredited and regulated by the Royal Institution of Chartered Surveyors ('RICS') and follow the rules, codes, and guidance in the RICS Rules of Conduct for Firms. The valuations have been prepared in accordance with IFRS 13 Fair Value Measurements and represent the 'highest and best use' of the property.

All investment properties with enforceable rent contracts, are valued using the investment approach, where a capitalisation rate is applied as a multiplier against the current and, if any, reversionary income streams. Vacant building are also valued and analysed using the comparison method, with other capital value transactions, where applicable. Where land is held for development, a comparison method or a residual method of valuation technique is used. For agricultural properties, the valuation is approached using investment approach and comparison method. All these valuations fall within Level 3 of the fair value hierarchy.

Details in respect of the fair value of investment properties occupied by third parties are included in the financial statements of the Group, which are available as disclosed in Note 18.

Notes to the financial statements (continued)

For the year ended 31 March 2022

10. Investment property (continued)

The property rental income earned by the Company from its investment properties amounted to £1,301,000 (2021: £1,009,000). Direct operating expenses arising on the investment properties, all of which generated rental income in the year, amounted to £91,000 (2021: £70,000).

11. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2021 and 31 March 2022	21,504
Provision for impairment	
At 1 April 2021	4,596
Impairment charge during the year*	1,346
At March 2022	5,942
Net book value at 31 March 2022	15,562
Net book value at 31 March 2021	16,908

*Reductions in the fair value of the investment property held in Kelston Properties 2 Limited prompted an impairment review of the investment in this subsidiary, resulting in an impairment of £1.3m.

The subsidiary undertakings at 31 March 2022 were:

Name	Principal activity	Holding	Proportion
National Grid Electricity Distribution Generation Limited (formerly Western Power Generation Limited)	Power generation	Ordinary Shares	100%
Kelston Properties 2 Limited	Property investment	Ordinary Shares	100%
South Wales Electricity Share Scheme Trustees Limited	Trust company	Ordinary Shares	100%
Hyder Profit Sharing Trustee Limited	Dormant company	Ordinary Shares	100%
WW Share Scheme Trustees Limited	Dormant company	Ordinary Shares	100%

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 23.

Notes to the financial statements (continued)

For the year ended 31 March 2022

12. Debtors - amounts falling due within one year

	2022 £'000	2021 £'000
Trade debtors	-	4
VAT receivable	2	-
Amounts owed by other NGED undertakings	1,256	173
	1,258	177

The amounts owed by Group undertakings accrue interest at the Bank of England base rate applicable at the time and are unsecured and repayable on demand. The Bank of England rate has fluctuated throughout the year.

13. Creditors - amounts falling due within one year

	2022 £'000	2021 £'000
Accruals and deferred income	35	6
Trade creditors	13	18
VAT payable	-	1
Group tax relief payable	211	158
	259	183

14. Deferred tax

	Deferred taxation £'000
At 1 April 2020	15
Charge to profit and loss	199
At 31 March 2021	214
Charge to profit and loss (Note 8 (a))	165
At 31 March 2022	379

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

Notes to the financial statements (continued)

For the year ended 31 March 2022

15. Share capital

	2022 £'000	2021 £'000
Issued and fully paid:		
20,000,000 Ordinary shares of £1 each (2021: 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 National Grid Electricity Distribution Network Holdings Limited (formerly 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:

	2022 £'000	2021 £'000
Year 1	7	23
Year 2	5	21
Year 3	1	15
Year 4	1	11
Year 5	1	6
Year 6 and onwards	81	82
	96	158

17. Events after the reporting period

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

On 20 September 2022, the name of the Company was changed from Western Power Distribution Investments Limited to National Grid Electricity Distribution Investments Limited.

Notes to the financial statements (continued)

For the year ended 31 March 2022

18. Parent undertakings

The immediate parent undertaking of the Company is National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) which is registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by National Grid Electricity Distribution plc (formerly Western Power Distribution plc), which is registered in England and Wales. Copies of its financial statements may be obtained from the Company's registered office as stated

Until 13 June 2021, the largest group in which the results of the Company were consolidated was that headed by PPL Corporation, incorporated in the United States of America, which was the ultimate parent undertaking and controlling party. Copies of its accounts may be obtained from its registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US. On 14 June 2021, PPL completed the sale transaction of its UK investment in the Group to National Grid Plc. On completion of the sale, the ultimate controlling parent of the Company became National Grid Plc, registered in England and Wales.

As at 31 March 2022, the largest group which includes the Company and for which consolidated financial statements are prepared is National Grid plc, registered in England and Wales. Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid plc, 1-3 Strand, London WC2N 5EH.

Registered office:

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