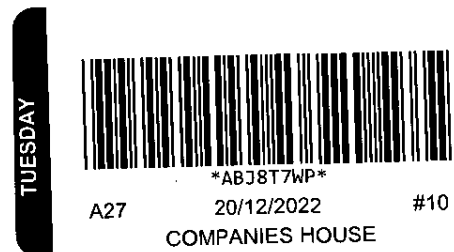


Registered Number: 02366928

NATIONAL GRID ELECTRICITY DISTRIBUTION MIDLANDS LIMITED
(formerly WPD MIDLANDS LIMITED)
(unaudited)
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2022



nationalgrid

**National Grid Electricity Distribution Midlands Limited
(formerly WPD Midlands Limited)**

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Directors' report

For the year ended 31 March 2022

The directors present their annual report and the financial statements of National Grid Electricity Distribution Midlands Limited (formerly WPD Midlands Limited) (the "Company"), company number 02366928, 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 ("the Act").

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 (the "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 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 is National Grid Plc, registered in England and Wales. National Grid is an energy company operating in the UK and United States of America.

Principal activity and business review

The Company's principal activity during the year to 31 March 2022 was to provide group financing.

Future developments

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

Profit and dividends

The profit for the year after tax amounted to £589,000 (2021: £804,000).

The decline in the profit is mainly due to a decline in interest income by £235,000, due to a reduction in the loan receivable from WPD WEM Holdings Limited. Refer to note 10.

Dividends of £33,925,000 were paid by the Company during the year (2021: £2,650,000).

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 WPD Midlands Limited to National Grid Electricity Distribution Midlands Limited.

Directors' report (continued)

For the year ended 31 March 2022

Going concern

The directors have considered the appropriateness of adopting the going concern principle. This consideration included the overall position of the balance sheet which shows net assets of £0.8m. The Company's debtors solely pertain to amounts due from NGED Group undertakings. These balances are repayable on demand. The Company has no liabilities.

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 risks relate to the intercompany loan debtor. The Company engages in dividend and financing planning with the related party to ensure that obligations are met or refinanced when due.

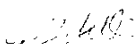
Directors and their interests

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

AJ Sleightholm (appointed on 14 June 2021)
GR Halladay (appointed on 14 October 2022)
IR Williams (resigned on 31 July 2022)
AW Elmore (resigned on 14 June 2021)

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 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.

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



GR Halladay
Director
12 December 2022

National Grid Electricity Distribution Midlands Limited (formerly WPD Midlands Limited)

Avonbank
Feeder Road
Bristol
BS2 0TB

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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors 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.

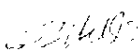
The Company is exempt from audit requirements under section 479A and all the conditions under Section 479A have been complied with. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. Accordingly, these financial statements have not been audited.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors and is signed on its behalf by:



GR Halladay
Director
12 December 2022

Profit and loss account

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Operating costs	4	10	(10)
Operating profit/(loss)		10	(10)
Interest receivable and similar income	6	579	814
Profit before tax		589	804
Tax on profit	7	-	-
Profit for the financial year		589	804

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

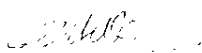
As at 31 March 2022

	Note	2022 £'000	2021 £'000
Current assets			
Debtors: amounts falling due within one year	10	760	34,057
Cash at bank		18	79
		778	34,136
Creditors			
Amounts falling due within one year	11	-	(22)
Net assets		778	34,114
Capital and reserves			
Share capital	12	500	500
Profit and loss account		278	33,614
Equity shareholder's funds		778	34,114

For the year ended 31 March 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 ("the Act") relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. Accordingly, these financial statements have not been audited. The directors acknowledge their responsibilities for complying with requirements of the Act with respect to accounting records and the preparation of accounts.

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

The financial statements of the Company (registered number 02366928) on pages 4 to 14 were approved and authorised for issue by the board of directors on 12 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	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2020		23,234	11,766	960	35,960
Profit for the financial year		-	-	804	804
Total comprehensive income for the year		-	-	804	804
Dividends paid	8			(2,650)	(2,650)
Share capital reduction	12	(22,734)	(11,766)	34,500	-
At 31 March 2021		500	-	33,614	34,114
Profit for the financial year		-	-	589	589
Total comprehensive income for the year		-	-	589	589
Dividends paid	8	-	-	(33,925)	(33,925)
At 31 March 2022		500	-	278	778

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 Midlands Limited (formerly WPD Midlands Limited) (the "Company") for the year ended 31 March 2022 were authorised for issue by the board of directors on 12 December 2022 and the balance sheet was signed on the board's behalf by GR Halladay. National Grid Electricity Distribution Midlands Limited (formerly WPD Midlands Limited) is a private company limited by shares incorporated in the UK and registered in England and Wales.

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 National Grid Electricity Distribution plc (formerly Western Power Distribution plc). The group financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) are available to the public and can be obtained as set out in Note 14.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

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 Directors' report.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2 Significant accounting policies (continued)

Impact of new International 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.

Revenue recognition

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

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.

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'); derivatives designated as hedging instruments in an effective hedge; or as equity instruments designated at FVOCI, as appropriate. Financial assets include debtors. 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, 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 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. The Company constitutes the following as an event of default:

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

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

Notes to the financial statements (continued)

For the year ended 31 March 2022

2 Significant accounting policies (continued)

Impairment of financial assets (continued)

Debtors

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Company's financial liabilities include creditors. 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 measured at amortised cost are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

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 assets 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 Company 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.

Taxation

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2 Significant accounting policies (continued)

Taxation (continued)

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;
- 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.

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.

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.

There are no estimates 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.

There are no critical accounting judgements.

4 Operating costs

Operating costs include a management charge from an affiliate of £10,000, which is net off with reversal of an expected credit loss of £20,000 on an intercompany loan.

5 Employees and directors

The directors did not receive remuneration in either year for their services as directors of the Company as these are incidental to their roles elsewhere in the group. The Company had no employees during either financial year.

Notes to the financial statements (continued)

For the year ended 31 March 2022

6 Interest

	2022 £'000	2021 £'000
Interest receivable and similar income:		
On loans to NGED group undertakings	579	814

7 Tax on profit

(a) Analysis of charge in the year:

There was no tax charged in the profit and loss account in the year.

(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 reconciled below:

	2022 £'000	2021 £'000
Profit before tax	589	804
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	112	153
Effects of:		
Income not taxable for tax purposes	(4)	-
Group relief surrendered at non-standard rates	(108)	(153)
Tax charge	-	-

Notes to the financial statements (continued)

For the year ended 31 March 2022

7 Tax on profit (continued)

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 and will only affect tax expense in future years as a provision for deferred tax is not needed in these financial statements.

8 Dividends

	2022 £'000	2021 £'000
Dividends paid on equity shares - 2022: 1,696.3 pence per share (2021: 132.5 pence per share)	33,925	2,650

9 Fixed asset investments

At 31 March 2022, the Company held the total issued share capital of WPD Midlands Networks Contracting Limited, which is registered in England and Wales, and dormant. The value of this company is nil.

All holdings are in ordinary shares.

The registered address for this undertakings is the same as the Company, as set out on page 14.

10 Debtors - amounts falling due within one year

	2022 £'000	2021 £'000
Amounts owed by NGED undertakings	760	34,057
	760	34,057

Amounts owed by NGED undertakings include a five year loan facility to WPD WEM Holdings Limited for £250,000,000 of which £750,000 (2021: £33,818,000) is drawn, with an interest receivable of £5,227 (2021: £238,000) thereon. The loan facility initially expired on 31 May 2017 and has been extended further to 30 October 2024. Interest was charged at 3.045% per annum until 31 May 2017 and is charged at 2.40% thereafter. The loan is unsecured and is repayable on demand.

The remaining balance relates to intercompany current accounts, which are unsecured and repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 March 2022

11 Creditors - amounts falling due within one year

	2022 £'000	2021 £'000
VAT payable	-	(1)
Other creditors	-	(21)
	-	(22)

12 Share capital

	2022 £'000	2021 £'000
Issued and fully paid:		
2,000,000 Ordinary share of £0.25 each (2021: 2,000,000)	500	500

On 29 October 2020, the Company cancelled and extinguished 90,937,770 ordinary shares of £0.25 each with a nominal value of £22,734,442.50. At the same time the sum standing on the share premium account of £11,765,557.63 was also fully cancelled and extinguished. The amount by which the issued share capital and share premium account were reduced, being £34,500,000.13, was credited to the profit and loss reserve of the Company.

13 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 WPD Midlands limited to National Grid Electricity Distribution Midlands Limited.

Notes to the financial statements (continued)

For the year ended 31 March 2022

14 Ultimate parent undertaking

The immediate parent undertaking of the Company is WPD WEM 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 these financial statements may be obtained from the Company's registered office as stated below.

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 is 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:

National Grid Electricity Distribution Midlands Limited
(formerly WPD Midlands Limited)
Avonbank
Feeder Road
Bristol BS2 0TB

Registered number 02366928

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