

Registered number: 2373239

WPD PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

WPD Property Investments Limited is an integral part of a larger UK group. The structure of the group is such that the financial statements of WPD Property Investments Limited must be read in conjunction with the group financial statements of Western Power Distribution Holdings Limited to gain a full understanding of the overall group results and the related cash flows, together with the financial position of the group.

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Directors' report

For the year ended 31 December 2007

The directors present their report on the affairs of WPD Property Investments Limited together with the financial statements and auditors' report for the year ended 31 December 2007.

Principal activity and business review

The principal activity of WPD Property Investments Limited (the "Company") is to manage non-network properties of the Western Power Distribution Holdings Limited group (the "Group")

The Company will continue to fulfil the current and anticipated property needs of the Group whilst also seeking to maximise the return from all property assets. Property which is currently vacant or under-utilised will either be brought to the market and let, possibly after further development, or will be sold.

Profit and dividend

The profit for the year after tax amounted to £4,077,000 (2006: £7,308,000). The directors declared and paid a dividend of £26,265,000 (2006: nil).

Fixed assets

The Company's current valuation of land and buildings (excluding investment properties) as of 31 December 2007 is £11,588,000 higher than the net book value. This valuation has not been incorporated in the financial statements.

Investment properties are properties not used by Group companies. The valuation of investment properties indicated an increase in value of £616,000 in the year, which has been incorporated in the financial statements.

The total property portfolio is valued by suitably qualified external valuers over a five year cycle in accordance with valuation guidelines produced by the Royal Institution of Chartered Surveyors. The remainder of the portfolio is valued each year by a qualified valuer employed by the Company, based upon trends in values identified in the external valuations.

Directors

The directors who served during the year were -

D C S Oosthuizen

D A Withers

There were no significant contracts subsisting during or at the end of the year with the Company in which any director is or was materially interested.

Insurance in respect of directors and officers is maintained by the Group parent, PPL Corporation. 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.

Auditors

Elective resolutions to dispense with the holding of annual general meetings, the laying of financial statements before the Company and the appointment of auditors annually are currently in force. The auditors, Ernst & Young LLP, will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and financial statements are sent to the member.

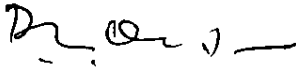
Directors' report (continued)

For the year ended 31 December 2007

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make him aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board



D C S Oosthuizen
Director

WPD Property Investments Limited
Avonbank
Feeder Road
Bristol
BS2 0TB

13 May 2008

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which 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 1985. 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 auditors' report to the Member of WPD Property Investment Limited

We have audited the financial statements of WPD Property Investments Limited for the period ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion,

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP, Registered auditor, Bristol

14 May 2008

Profit and loss account

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	1	3,834	3,551
Operating costs		(991)	(1,175)
Operating profit	2	2,843	2,376
Profit on disposal of tangible fixed assets	3	70	2,606
Profit on ordinary activities before interest		2,913	4,982
Interest receivable (net)	4	2,769	2,159
Profit on ordinary activities before tax		5,682	7,141
Tax (charge)/credit on profit on ordinary activities	6	(1,605)	167
Profit for the financial year	15	4,077	7,308

All operations are continuing.

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

There is no difference between the profit on ordinary activities before tax and the profit for the financial year stated above, and their historical cost equivalents

Statement of total recognised gains and losses

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		4,077	7,308
Unrealised surplus on revaluation of investment properties	15	616	5,233
Total gains and losses recognised in the year		4,693	12,541

The accompanying notes are an integral part of these financial statements

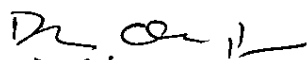
Balance sheet

At 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	33,459	33,251
Current assets			
Debtors amounts falling due within one year	9	26,719	56,290
Creditors: amounts falling due within one year	10	(22,154)	(29,700)
Net current assets		4,565	26,590
Total assets less current liabilities		38,024	59,841
Provisions for liabilities and charges	11	(806)	(1,051)
Net assets		37,218	58,790
Capital and Reserves			
Called up share capital	14	-	-
Profit and loss account	15	21,311	43,029
Revaluation reserve	15	15,907	15,761
Equity shareholder's funds	16	37,218	58,790

The accompanying notes are an integral part of these financial statements

The financial statements on pages 5 to 17 were approved by the Board of Directors on 13 May 2008 and were signed on its behalf by:



D.C.S. Oosthuizen
Director

Notes to the financial statements

For the year ended 31 December 2007

1. Accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. They are prepared under United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). The policies have been applied consistently throughout the year and the preceding year except where changes have been made to previous policies on adoption of new accounting standards.

Changes in accounting policy

There were no new accounting standards which had an impact on the Company.

Turnover

Turnover, which excludes value added tax, represents the value of rents receivable for properties owned or leased, recovery of property service costs from tenants and professional services supplied.

Tangible fixed assets

Tangible fixed assets (other than investment properties) are stated at the lower of cost or valuation, net of depreciation and any provision for impairment.

Depreciation

The charge for depreciation is calculated to write off the cost of tangible fixed assets used by the Group less anticipated residual values over their useful economic lives, which are as follows:

	<u>Years</u>
Buildings - freehold	Up to 60
- leasehold	Lower of lease period and 60 years

Investment properties

Certain properties of the Company are classified as investment properties as they are rented to third parties outside the Group. These properties are included in the balance sheet at their open market value. Such properties are revalued annually, with surpluses or deficits on individual properties transferred to an investment revaluation reserve, with the exception of a deficit (or its reversal) which is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. Expenditure that enhances the value of the property is charged to the balance sheet.

In accordance with Statement of Standard Accounting Practice No 19 Accounting for Investment Properties, no depreciation is provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term is more than 20 years. This is a departure from the Companies Act 1985, which requires all properties to be depreciated. Such properties are not held for use by the Group but for investment, and directors consider that to depreciate them would not give a true and fair view. The impact of not depreciating the properties is set out in Note 8. The directors consider that this accounting policy is necessary to provide a true and fair view.

Notes to the financial statements (continued)

For the year ended 31 December 2007

1. Accounting policies (continued)

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements. The tax rate applied to deferred tax uses the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Pension costs

The Company participates in one defined benefit pension scheme, the Electricity Supply Pension Scheme ("ESPS"), to which most employees in the Group belong. Under the guidance of Financial Reporting Standard ("FRS") 17, where an entity cannot separate out its share of the scheme's assets and liabilities on a reasonable and consistent basis, the relevant entity should account for pensions as if the scheme were a defined contribution scheme, and charge contributions to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

Rentals for operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

Cash flow statement

There is no statement of cash flows as the Company is an indirect, wholly-owned subsidiary of Western Power Distribution Holdings Limited, which is registered in England and Wales and which includes a consolidated cash flow statement in its financial statements. This treatment is permitted by FRS 1 (Revised 1996).

Notes to the financial statements (continued)

For the year ended 31 December 2007

2. Operating profit

Operating profit is stated after charging

	2007 £'000	2006 £'000
Depreciation charge for the year		
Tangible owned fixed assets used within the Group	241	244
Operating lease rentals payable - land and buildings	76	144
Provision for leasehold building disposals (released)/charged (Note 11)	(29)	176

Audit fees were borne by another Group company

3. Profit on disposal of tangible fixed assets

	2007 £'000	2006 £'000
Gross proceeds from the sale of tangible fixed assets	640	5,625
Direct costs	(570)	(3,019)
	70	2,606

The Company sold two properties during 2007 (2006 : two)

4. Interest receivable (net)

	2007 £'000	2006 £'000
Interest payable		
On loans from other Group undertakings	(1,530)	(1,375)
Interest receivable		
On loans to other Group undertakings	4,292	3,529
Other	7	5
	2,769	2,159

Notes to the financial statements (continued)

For the year ended 31 December 2007

5. Employees and directors

(a) Total employee costs during the year amounted to

	2007 £'000	2006 £'000
Wages and salaries	104	99
Pension costs	17	14
Social Security costs	9	9
	130	122

The Company participates in one defined benefit pension scheme, the Electricity Supply Pension Scheme ("ESPS"), to which most employees in the Group belong. Under the guidance of FRS 17, where an entity cannot separate out its share of the scheme's assets and liabilities on a reasonable and consistent basis, the relevant entity should account for pensions as if the scheme were a defined contribution scheme, and charge contributions to the profit and loss account as they become payable in accordance with the rules of the scheme.

(b) The average monthly number of employees, including the executive director, during the year was

	2007 Number	2006 Number
Management and administration	3	3

The above employees are employed under contracts of service with Western Power Distribution (South West) plc. However, their time is substantially devoted to WPD Property Investments Limited.

(c) Directors' emoluments

	2007 £'000	2006 £'000
Emoluments were in respect of one director	61	59

The above director was a member of a defined benefit pension scheme throughout both years.

Notes to the financial statements (continued)

For the year ended 31 December 2007

6. Tax on profit on ordinary activities

	2007 £'000	2006 £'000
a) Analysis of charge/(credit) in the year:		
Current tax:		
UK corporation tax on profits for the year	1,710	1,435
Adjustment in respect of prior years	111	5
Total current tax (Note 6(b))	1,821	1,440
Deferred tax (Note 12)		
Origination and reversal of timing differences	(169)	(287)
Adjustment in respect of prior years	1	(1,320)
Impact of change in corporation tax rate	(48)	-
Tax charge/(credit) on profit on ordinary activities	1,605	(167)

b) Factors affecting current tax charge for the year:

The current tax assessed for the year is different to the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	5,682	7,141
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	1,705	2,142
Effects of		
Expenses not deductible and income not taxable for tax purposes	(164)	(993)
Notional intra-group recharges required under UK tax legislation	-	(1)
Capital allowances in excess of depreciation	178	234
Other timing differences	(9)	53
Adjustments to tax charge in respect of prior years	111	5
Current tax charge for the year (Note 6 (a))	1,821	1,440

c) Factor which will effect future tax charges

The standard rate of corporation tax changes to 28% with effect from 1 April 2008.

7. Dividend

	2007 £'000	2006 £'000
Interim dividend on equity shares - £13 1m per share (2006: nil)	26,265	-

Notes to the financial statements (continued)

For the year ended 31 December 2007

8. Tangible fixed assets

	Investment properties £'000	Other land and buildings £'000	Total £'000
Cost or valuation			
At 1 January 2007	22,870	15,443	38,313
Additions	394	-	394
Disposals	(475)	(13)	(488)
Transfers between Group undertakings	(73)	-	(73)
Revaluation surplus	616	-	616
At 31 December 2007	23,332	15,430	38,762
Depreciation			
At 1 January 2007	-	5,062	5,062
Charge for the year	-	241	241
At 31 December 2007	-	5,303	5,303
Net Book Value			
At 31 December 2007	23,332	10,127	33,459
At 1 January 2007	22,870	10,381	33,251

The net book value of land and buildings comprises.

	Investment properties 2007 £'000	Other land and buildings 2007 £'000	Total 2007 £'000	Total 2006 £'000
Freehold	23,332	9,861	33,193	33,050
Long leasehold	-	266	266	201
	23,332	10,127	33,459	33,251

Notes to the financial statements (continued)

For the year ended 31 December 2007

8. Tangible fixed assets (continued)

Investment properties were valued on an open market existing use basis at 31 December 2007. Most of the valuations were performed by a qualified surveyor who is an employee of the Company, with the remainder carried out by either Chris Cowley, or Hartnell Taylor Cook LLP, or Needham Hadrell Limited, Chartered Surveyors. Such properties are not depreciated. The depreciation which would otherwise have been charged in the year amounts to £116,000 (2006: £99,000).

If investment properties had not been classified as investment properties, they would have been included at the following amounts:

	2007 £'000	2006 £'000
Cost	8,427	8,128
Depreciation	(1,606)	(1,512)
	6,821	6,616

9. Debtors - amounts falling due within one year

	2007 £'000	2006 £'000
Trade debtors	253	292
Amounts owed by Group undertakings	26,311	55,718
Prepayments and accrued income	155	246
VAT	-	34
	26,719	56,290

10. Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	12	76
Amounts owed to Group undertakings	18,863	21,573
UK corporation tax	2,593	7,507
Accruals and deferred income	595	528
Other creditors	91	16
	22,154	29,700

Notes to the financial statements (continued)

For the year ended 31 December 2007

11. Provisions for liabilities and charges

	Shops disposal programme £'000	Deferred tax (Note 12) £'000	Total £'000
At 1 January 2007	176	875	1,051
Released during the year	(29)	(217)	(246)
Adjustment in respect of prior years	-	1	1
At 31 December 2007	147	659	806

The shops disposal provision relates to a programme for disposing of a number of leased shops previously sub-let to SWEB Retail Limited (a former fellow subsidiary undertaking). The costs include reverse premiums, dilapidations and fees arising from the disposal of the shops.

12. Deferred tax

	2007 £'000	2006 £'000
Accelerated capital allowances	700	928
Short-term timing differences on general provisions	(41)	(53)
Provision for deferred tax	659	875

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold. After taking into account indexation allowances accrued from the date of acquisition to the balance sheet date, the total amount unprovided for at 28% is £1,531,000.

13. Pension commitments

Eligible employees are entitled to join the ESPS. This scheme covers the whole of the WPD Group, has approximately 13,000 members, and has a valuation date of 31 March. The cost of preparing a separate valuation at 31 December for disclosure in these financial statements is disproportionate to the benefit. Details of the valuation as at 31 March are given in the financial statements of Western Power Distribution Holdings Limited.

14. Called up share capital

	2007 £	2006 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

Notes to the financial statements (continued)

For the year ended 31 December 2007

15. Reserves

	Investment properties revaluation reserve £'000	Profit & loss account £'000	Total £'000
Balance at 1 January 2007	15,761	43,029	58,790
Profit for the financial year	-	4,077	4,077
Dividend paid	-	(26,265)	(26,265)
Investment property revaluation surplus for the year	616	-	616
Realised revaluation surplus	(470)	470	-
Balance at 31 December 2007	15,907	21,311	37,218

16. Reconciliation of movements in equity shareholder's funds

	2007 £'000	2006 £'000
Profit for the financial year	4,077	7,308
Dividend paid	(26,265)	-
Investment property revaluation reserve surplus for the year	616	5,233
Net (reduction)/addition to equity shareholder's funds	(21,572)	12,541
Opening equity shareholder's funds	58,790	46,249
Closing equity shareholder's funds	37,218	58,790

Notes to the financial statements (continued)

For the year ended 31 December 2007

17. Capital and other commitments

(a) There are annual commitments for land and buildings under operating leases which expire

	2007 £'000	2006 £'000
Within one year	-	24
Between one and five years	-	-
After five years	69	65
	69	89

(b) Fixed asset expenditure contracted for but not provided at 31 December 2007 was nil (2006 nil).

18. Related party disclosures

The Company, a wholly owned subsidiary undertaking, has taken the exemption available from related party transaction disclosure requirements of FRS 8 as the financial statements of the parent company are available to the public (Note 19)

19. Ultimate parent undertaking

The immediate parent undertaking of WPD Property Investments Limited is Western Power Distribution LLP.

The ultimate parent undertaking is PPL Corporation, which is registered in the United States of America. Copies of their accounts may be obtained from Two North Ninth Street, Allentown, Pennsylvania, PA 18101-1179, USA.

The smallest group in which the results of WPD Property Investments Limited are consolidated is that headed by Western Power Distribution Holdings Limited, which is registered in England and Wales. Copies of their financial statements may be obtained from Companies House or from Avonbank, Feeder Road, Bristol, BS2 0TB. The largest group in which the results of WPD Property Investments Limited are consolidated is headed by PPL Corporation, the details of which are set out above.

Registered office:

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