Registered number: 02373239

WPD PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

WESTERN POWER DISTRIBUTION

Serving the Midlands, South West and Wales

Contents

Directors' report

For the year ended 31 December 2017

The directors present their annual report on the affairs of WPD Property Investments Limited (the "Company") (registered number 02373239) together with the audited financial statements and auditor's report for the year ended 31 December 2017.

Principal activity and business review

The principal activity of the Company is to manage non-network properties of the Western Power Distribution plc 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.

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

On 10 August 2017 the Company issued 10,679,934 shares of £1 each to Western Power Distribution Investments Limited in exchange for reduction of the intercompany loan balance with Western Power Distribution Investments by £10,679,934.

Profit and dividend

The profit for the year is stated after reflecting the movement in fair value of the Company's investment property, amounted to £6,267,000 (2016: £3,820,000). No dividends were paid in the year (2016: nil).

Investment properties

Investment properties are properties not used by the Company but leased to other parties, including other companies within the Group. The valuation of investment properties indicated a net increase in value of £3,079,000 (2016: £1,108,000 increase in value) 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 Company engaged independent valuation specialists to assist in determining the fair value as at 31 December 2017. For the key investment properties leased outside the WPD Group, the external valuer used a valuation technique based either on income approach or comparable method of valuation. Investment property leased within the Group are valued externally on a rotational basis. In the intervening years the value is reviewed internally, with a sample assessed by an external valuer using the existing use basis.

Subsequent event

Subsequent to the year end, on 28 March 2018, the Company paid an interim dividend of £1,129,310 to WPD Distribution Network Holdings Limited.

Going concern

The Directors have considered the principal risks and uncertainties facing the Company, and the mitigations in place to respond to these risks. Having considered these risks, the Directors have prepared the financial statements on the going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future due to the balance sheet position which shows net current assets of £4.1m and the expected future performance of the Company.

Financial risk management

The principal risk is that the Company's investment properties will become impaired, or will become vacant. The Company's investment properties vary in type and location, thus limiting reliance on one sector or region for rental income or property value. The directors in this Company include a chartered surveyor who manages the property portfolio further mitigating the risk.

Directors' report (continued)

For the year ended 31 December 2017

Directors

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

D C S Oosthuizen (resigned 31 March 2018)
I R Williams (appointed 1 April 2018)
D A Withers

There were no significant contracts existing during or at the end of the year with the Company in which any director is or was materially interested other than, for one director, his service contract.

Insurance in respect of directors and officers is third party qualifying insurance and is maintained by the Groups ultimate parent, PPL Corporation. The insurance is subject to the conditions set out in the Companies Act 2006 and remains in force at the date of signing the Directors' report.

Independent auditor

Elective resolutions to dispense with the holding of annual general meetings, the laying of financial statements before the Company and the appointment of an auditor annually are currently in force. The auditor, Deloitte 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 members.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, 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 himself 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.

Future developments

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

By order of the Board

I R Williams
Director

24 July 2018

WPD Property Investments Limited
Avonbank
Feeder Road
Bristol
BS2 0TB

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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.

Independent auditors' report to the member of WPD Property Investments Limited

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosed Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of WPD Property Investments Limited which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

Independent auditors' report to the member of WPD Property Investments Limited (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Independent auditors' report to the member of WPD Property 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' exemption from the requirement to prepare a strategic report.

We have nothing to report on these matters.

Delyth Jones

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

24 July 2018

Profit and loss account

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover		**5,008**	4,506
Operating costs		**(1,301)**	(1,196)
Increase in fair value of investment property	9	**3,079**	1,108
Operating profit	4	**6,786**	4,418
Profit on disposal of tangible fixed assets	5	**507**	-
Profit before interest		**7,293**	4,418
Interest payable (net)	6	**(9)**	(46)
Profit before tax		**7,284**	4,372
Tax	8	**(1,017)**	(552)
Profit for the financial year		**6,267**	3,820

All operations are continuing.

There is no other comprehensive income for the year ending 31 December 2017 or 31 December 2016 and therefore no separate statement of comprehensive income has been prepared.

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

Balance sheet
At 31 December 2017

	Note	2017 £'000	2016 £'000
Non current assets			
Investment property	9	**42,663**	40,145
Current assets			
Debtors: amounts falling due within one year	10	**6,376**	909
Current liabilities			
Creditors: amounts falling due within one year	11	**(2,314)**	(11,675)
Net current assets/(liabilities)		**4,062**	(10,766)
Total assets less current assets/(liabilities)		**46,725**	29,379
Non current liabilities			
Creditors: amounts falling due after more than one year	11	**(1,914)**	(1,910)
Provisions for liabilities	12	**(477)**	(82)
Net assets		**44,334**	27,387
Capital and Reserves			
Called up share capital	13	**10,680**	-
Profit and loss account		**33,654**	27,387
Total shareholder's funds		**44,334**	27,387

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

The financial statements of the Company (registered number 02373239) on pages 7 to 19 were approved and authorised for issued by the Board of Directors on 24 July 2018 and were signed on its behalf by:

I.R. Williams
Director

Statement of changes in equity

For the year ended 31 December 2017

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2016		**-**	**23,567**	**23,567**
Profit for the financial year		-	3,820	3,820
Total comprehensive income for the year		**-**	**3,820**	**3,820**
At 31 December 2016		**-**	**27,387**	**27,387**
Profit for the financial year		-	6,267	6,267
Total comprehensive income for the year		**-**	**6,267**	**6,267**
Share issue	13	10,680	-	10,680
At 31 December 2017		**10,680**	**33,654**	**44,334**

Notes to the financial statements

For the year ended 31 December 2017

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

The financial statements of WPD Property Investments Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 24 July 2018 and the balance sheet was signed on the Board's behalf by I R Williams. WPD Property Investments Limited is a private limited company incorporated and registered in England and Wales. The registered address is included in note 15.

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.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

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 accounts of Western Power Distribution plc. The group accounts of Western Power Distribution plc are available to the public and can be obtained as set out in Note 15.

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 period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 due to the balance sheet position. This is discussed further within the Directors' report.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the value of rents receivable for properties owned or leased, recovery of property service costs from tenants and professional services supplied provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Turnover is all in respect of sales to customers in the United Kingdom.

Rental income

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

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.

2. Significant accounting policies (continued)

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Pension costs
The Company participates in one defined benefit pension scheme, a section of the Electricity Supply Pension Scheme ('ESPS'), to which most employees in the Group in the South West of England and South Wales belong, and which has approximately 12,000 members. The ESPS is a group defined benefit pension plan that shares risks between entities under common control. In accordance with International Accounting standard ('IAS') 19, Employee Benefits, the scheme has been accounted for as a defined benefit scheme by Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as these businesses have legal responsibility for the plan. As there is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan to individual group entities, the Company accounts for its ongoing contributions to the scheme as if it were a defined contribution scheme, and charges contributions to the profit and loss account as they become payable in accordance with the rules of the scheme.

The ESPS is closed to new members. The Company also participates in a defined contribution scheme, the Western Power Pension Scheme. Contributions to this scheme are charged to the profit and loss account as they become due.

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

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

The Company as lessee
Rentals payable are charged on a straight line basis over the lease term.

2. Significant accounting policies (continued)

Financial assets
Financial assets are classified as loans and receivables, financial assets at fair value through profit or loss, held-to-maturity financial assets or as available-for-sale financial assets, as appropriate. The Company's financial assets include trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus directly attributable transaction costs.

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

Loans and receivables
Loans and receivables 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 loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables.

Impairment of loans and receivables
The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

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.

Deferred government grants
Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expediture to which they relate.

Dividends
Dividend distributions are recognised in the period in which the dividends are paid.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There were no critical accounting judgements. The key source of estimation uncertainty is:

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

Revaluation of investment properties

The Company carries its investment properties at fair value, with changes in fair values being recognised in the profit and loss account. The Company engaged independent valuation specialists to assist in determining the fair value as at 31 December 2017. For the key investment properties leased outside of the WPD Group, the external valuer used a valuation technique based either on income approach or comparable method of valuation. Investment property leased within the Group are valued externally on a rotational basis. In the intervening years the value is reviewed internally, with a sample assessed by an external valuer using the existing use basis.

The fair value of investment properties is most sensitive to the assumptions concerning discount rate and the long term vacancy rate. Where equivalent disclosures are not presented by Western Power Distribution plc, being in respect of properties leased to other Group companies, the key assumptions used to determine the fair value of the investment property are further explained in Note 9.

4. Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Operating lease rentals payable - land and buildings	**21**	21
Amortisation of Government grants	**(34)**	(34)
Increase in fair value of investment property	**(3,079)**	(1,108)

Net operating expenses include an allocation of £39,633 (2016: £39,100) in respect of Group central costs. This includes auditor's remuneration of £3,754 (2016: £3,643) for the audit of these financial statements. There were no non-audit fees in the current or prior year.

5. Profit on disposal of tangible fixed assets

	2017	2016
	£'000	£'000
Gross proceeds from the sale or transfer of investment properties	**1,231**	3,599
Fair value of assets disposed / transferred	**(724)**	(3,599)
	507	-

The Company sold or transferred five investment property during 2017 (2016: three).

6. Interest payable (net)

	2017	2016
	£'000	£'000
Interest payable:		
On amounts owed to Group undertakings	**18**	56
Interest receivable:		
On amounts owed by Group undertakings	**(9)**	(10)
	9	46

7. Employees and directors

(a) Total employee costs during the year amounted to:

	2017 £'000	2016 £'000
Wages and salaries	**180**	176
Pension costs	**45**	51
Social security costs	**21**	20
	246	247

The Company participates in one defined benefit pension scheme, a section of the ESPS, to which most employees in the Group in the South West of England and South Wales belong, and which has approximately 12,000 members. The ESPS is a group defined benefit pension plan that shares risks between entities under common control. The ESPS is closed to new members. In accordance with International Accounting standard ('IAS') 19, Employee Benefits, the scheme has been accounted for as a defined benefit scheme by Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as these businesses have legal responsibility for the plan. As there is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan to individual Group entities, the Company accounts for its ongoing contributions to the scheme as if it were a defined contribution scheme, and charges 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 one executive director, during the year was:

	2017 Number	2016 Number
Management and administration	**4**	4

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

	2017 £'000	2016 £'000
Emoluments in respect of one director (2016: one)	**101**	99

The above director was a member of a defined benefit pension scheme throughout both years. The other director did not receive remuneration in either the current or prior year for his services as director of the Company as they are incidental to his roles elsewhere in the Group.

8. Tax

a) Tax	**2017 £'000**	2016 £'000
Current tax:		
UK corporation tax on profits for the year	**647**	543
Adjustment in respect of prior years	**(25)**	5
Total current tax charge	**622**	548
Deferred tax:		
Origination and reversal of temporary differences	**394**	14
Adjustment in respect of prior years	**22**	(4)
Impact of tax rate change	**(21)**	(6)
Total deferred tax charge	**395**	4
Tax charge	**1,017**	552

b) Reconciliation of the total tax charge

The total tax assessed for the year is different to the standard blended rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	**7,284**	4,372
Profit multiplied by the standard blended rate of corporation tax in the UK of 19.25% (2016: 20%)	**1,402**	874
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**(470)**	(317)
Chargeable gains	**137**	-
Adjustments to tax charge in respect of prior years	**(3)**	1
Impact of tax rate change	**(49)**	(6)
Total tax charge for the year	**1,017**	552

c) Factors which will affect future tax charges:

The Finance Act 2016 reduced the standard rate of corporation tax from 19% to 17% with effect from 1 April 2020. This change has been enacted and the impact included in these financial statements.

9. Investment property

	Leased externally				Leased to other companies in the WPD Group	
	Retail £'000	Office £'000	Industrial £'000	Subtotal £'000	WPD Group £'000	Total £'000
Cost or valuation						
At 1 January 2017	**5,959**	**4,748**	**4,760**	**15,467**	**24,678**	**40,145**
Additions	**-**	**40**	**-**	**40**	**554**	**594**
Inter group transfers	**-**	**-**	**(450)**	**(450)**	**-**	**(450)**
Disposals	**(485)**	**-**	**-**	**(485)**	**(220)**	**(705)**
Revaluations	**216**	**362**	**885**	**1,463**	**1,616**	**3,079**
At 31 December 2017	**5,690**	**5,150**	**5,195**	**16,035**	**26,628**	**42,663**

The fair value of investment property comprises:

	Leased externally 2017 £'000	Leased to other companies in the WPD Group 2017 £'000	Total 2017 £'000	Leased externally 2016 £'000	Leased to other companies in the WPD Group 2016 £'000	Total 2016 £'000
Freehold	**16,035**	**26,053**	**42,088**	15,467	24,168	39,635
Long leasehold	**-**	**575**	**575**	-	510	510
	16,035	**26,628**	**42,663**	15,467	24,678	40,145

Details in respect of the fair value of investment properties occupied by third parties are included in the financial statements of the Group (See Note 15).

The fair values of investment property occupied by fellow Group companies, which comprise office space, storage facilities and depots, are based predominantly on valuations by external valuers; either Jones Lang La Salle Limited, Hartnell Taylor Cook or Cooke and Arkwright, with the remaining valuations carried out by a qualified surveyor who is a director of the Company (the "internal valuer"). All valuers are either members of the Royal institution of Chartered Surveyors (MRICS) or Fellows of the Royal institution of Chartered Surveyors (FRICS).

Where external valuations have not been obtained at the year end date but have been obtained in prior years, these valuations have been updated by the internal valuer using appropriate indices. Additions in the period have been valued at cost. The properties have been valued on an open market basis in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The rental received from these assets is considered to be an arm's length rental and as such their current use is considered to be their highest and best use.

9. Investment property (continued)

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

The total property rental income earned by the Company from its investment property, all of which are leased out under operating leases, amounted to £5,008,000 (2016: £4,506,000). Direct operating expenses arising on the investment property, all of which generated rental income in the period, amounted to £719,000 (2016: £579,000).

10. Debtors - amounts falling due within one year

	2017 £'000	2016 £'000
Trade debtors	**117**	236
Amounts owed by Group undertakings	**5,726**	410
Prepayments and accrued income	**533**	263
	6,376	909

Amounts owed by Group undertakings are unsecured and are repayable on demand.

11. Creditors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade creditors	**12**	22
Amounts owed to Group undertakings	**172**	10,079
Group relief payable	**1,489**	956
Accruals and deferred income	**598**	569
VAT payable	**43**	49
	2,314	11,675
Amounts falling due after more than one year:		
Accruals and deferred income	**1,914**	1,910
	4,228	13,585

Amounts owed to Group undertakings are unsecured and are repayable on demand.

12. Provisions for liabilities

	Deferred tax Investment Property 2017 £'000	2016 £'000
At 1 January	**82**	78
Charge to profit and loss (note 8a)	**395**	4
At 31 December	**477**	82

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

The Company has no unrecognised deferred tax assets in respect of investment property capital losses (2016: £208,000).

13. Called up share capital

	2017 £	2016 £
Authorised, allotted, called up and fully paid		
10,679,936 Ordinary shares of £1 each (2016: 2)	**10,679,936**	2

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.

On 10 August 2017 the Company issued 10,679,934 shares of £1 each to Western Power Distribution Investments Limited in exchange for reduction of the intercompany loan balance with Western Power Distribution Investments by £10,679,934.

14. Capital and other commitments

The Company as lessor

The Company has entered into commercial property leases on its investment property portfolio, consisting of the Company's offices, shops remaining from a discontinued business, radio sites, telecom fibres and land. The leases have various terms, escalation clauses and renewable rights. The leases include a clause to enable upward revision of rental charge on a review cycle set on lease inception according to prevailing market conditions.

14. Capital and other commitments (continued)

The Company as lessor (continued)

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

	2017	2016
	£'000	£'000
Within one year	**1,672**	1,453
In the second to fifth years inclusive	**3,720**	2,852
After five years	**3,100**	2,045
	8,492	6,350

15. Ultimate parent undertaking

The immediate parent undertaking of WPD Property Investments Limited at the year end date was 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 Western Power Distribution plc, incorporated in England and Wales. Copies of these accounts may be obtained from Companies House or from the Company's registered office as stated below.

The largest group in which the results of the Company are consolidated is that headed by PPL Corporation, incorporated in the United States of America, which is the ultimate parent undertaking and controlling party. Copies of their accounts may be obtained from their registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US.

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