

Registered number: 02373239

**National Grid Electricity Distribution Property Investments
Limited (formerly WPD Property Investments Limited)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 15 months ended 31 March 2022



nationalgrid

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Directors' report

For the 15 months ended 31 March 2022

The directors present their annual report and the audited financial statements of National Grid Electricity Distribution Property Investments Limited (formerly WPD Property Investments Limited) (the "Company") (registered number 02373239) for the 15 months ended 31 March 2022 (comparatives are for the 12 month period ended 31 December 2020).

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

Ownership

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

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

Principal activity and business review

The principal activity of the Company is to manage non-network properties of the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) 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.

To align with the financial year end of the ultimate parent company i.e. National Grid, the Company has changed its financial year end from 31 December to 31 March and this is the first financial reporting period adopting the new year end date. The financial statements are therefore for the 15 month period ended 31 March 2022 and the previous reporting period of 12 months is not fully comparable with the current reporting period of 15 months.

Future developments

There are no plans to change the principal activity of the Company in the foreseeable future. No other significant plans for the future are in place.

Profit and dividends

The profit for the financial period is stated after reflecting the movement in fair value of the Company's investment properties and amounts to £15.8m for the 15 months ended 31 March 2022 (12 months ended 31 December 2020: £7.8m). The gain on revaluation of investment properties during the financial period is £9.7m (12 months ended 31 December 2020: profit of £2.6m).

Dividends of £5,288,641 were paid in the 15 months ended 31 March 2022 (12 months ended 31 December 2020: £13,812,267).

Directors' report (continued)

For the 15 months ended 31 March 2022

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 £9,669,000 (12 months ended 31 December 2020: increase of £2,565,000) in the period, which has been incorporated in the financial statements in the profit and loss account.

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

Events after the balance sheet date

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 Property Investments Limited to National Grid Electricity Distribution Property Investments Limited.

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 the reliance on one sector or region for rental income or property value. The senior management of the Company includes chartered surveyors who manage the property portfolio, further mitigating the risk.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £5.2m (31 December 2020: £3.3m). The company generates consistent revenue from its investment property portfolio. Confirmation has also been obtained from a parent undertaking that it will provide financial support to the Company for not less than 12 months from the date of approval of the financial statements.

After consideration, the directors of the Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future and at least for a period of 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements. This consideration included the overall balance sheet position, its portfolio of investments properties, its stable and consistent rental revenues and the ability of the parent to provide financial support.

Directors and their interest

The directors who period during the period and up to the date of signing the financial statements were:

IC Smith

GR Halladay (appointed on 10 October 2022)

IR Williams (resigned on 31 July 2022)

During and at the end of the financial period, no director was interested in any contract of significance in relation to the Company's business other than service contracts. Insurance in respect of directors and officers of the Company and other NGED Group companies is third party qualifying insurance and is now maintained by the NGED Group's ultimate parent, National Grid plc. The insurance is subject to the conditions set out in the Companies Acts and remains in force at the date of signing the Directors' report.

Directors' report (continued)

For the 15 months ended 31 March 2022

Statement of disclosure to independent auditor

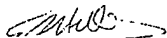
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office and their reappointment as auditors for the NGED Group was approved by the shareholders of National Grid Plc on 11 July 2022.

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



GR Halladay
Director

13 December 2022

National Grid Electricity Distribution Property Investments Limited (formerly 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 period. 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Opinion

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of National Grid Electricity Distribution 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

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

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

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

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

- Obtaining understanding of the process and controls relating to property valuation;
- Trace the current period's property value to valuation performed by entities external valuer;
- Engaging our internal real estate specialists to evaluate the external valuation reports used by management to determine fair value; and
- Review minutes of board meetings to identify any matters that could affect property valuation.

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report on these matters.

Use of our report

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



Suzanne Gallagher - FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor,
Reading, United Kingdom

13 December 2022

Profit and loss account

For the 15 months ended 31 March 2022

		15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
	Note		
Turnover	4	9,997	6,169
Operating costs		(994)	(986)
Increase in fair value of investment property	11	9,669	2,565
Increase in fair value of right-of-use asset	12	15	68
Profit on disposal of investment property	6	118	90
Operating profit	5	18,805	7,906
Interest (payable)/receivable (net)	7	(20)	7
Profit before tax		18,785	7,913
Tax	9	(3,013)	(126)
Profit for the financial period		15,772	7,787

All operations are continuing.

There is no other comprehensive income for the 15 months ended 31 March 2022 or 12 months ended 31 December 2020 and therefore no separate statement of comprehensive income has been prepared.

The accompanying notes 1 to 21 are an integral part of these financial statements.

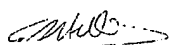
Balance sheet

At 31 March 2022

	Note	31 March 2022 £'000	31 December 2020 £'000
Non current assets			
Investment property	11	78,124	68,246
Right-of-use assets	12	1,383	1,368
		79,507	69,614
Current assets			
Debtors: amounts falling due within one year	13	7,107	5,180
Current liabilities			
Creditors: amounts falling due within one year	14	(1,859)	(1,873)
Lease liabilities	15	(28)	(28)
Net current assets		5,220	3,279
Total assets less current liabilities		84,727	72,893
Non current liabilities			
Creditors: amounts falling due after more than one year	14	(1,751)	(1,815)
Lease liabilities	15	(476)	(484)
Provision for liabilities	16	(1,566)	(143)
Net assets		80,934	70,451
Capital and reserves			
Share capital	18	41,781	41,781
Profit and loss account		39,153	28,670
Total shareholder's funds		80,934	70,451

The accompanying notes 1 to 21 are an integral part of these financial statements.

The financial statements of the Company (registered number 02373239) on pages 8 to 24 were approved and authorised for issue by the Board of Directors on 13 December 2022 and were signed on its behalf by:



GR Halladay
Director

Statement of changes in equity
For the 15 months ended 31 March 2022

	Note	Called-up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2020		41,781	34,695	76,476
Profit for the financial year		-	7,787	7,787
Total comprehensive income for the year		-	7,787	7,787
Dividend paid	10	-	(13,812)	(13,812)
At 31 December 2020		41,781	28,670	70,451
Profit for the financial period		-	15,772	15,772
Total comprehensive income for the financial period		-	15,772	15,772
Dividend paid	10	-	(5,289)	(5,289)
At 31 March 2022		41,781	39,153	80,934

Notes to the financial statements

For the 15 months ended 31 March 2022

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

The financial statements of National Grid Electricity Distribution Property Investments Limited (formerly WPD Property Investments Limited) (the "Company") for the 15 months ended 31 March 2022 (including the comparatives for the 12 month period ended 31 December 2020) were authorised for issue by the board of directors on 13 December 2022 and the balance sheet was signed on the board's behalf by GR Halladay. National Grid Electricity Distribution Property Investments Limited (formerly WPD Property Investments Limited) is a private limited company incorporated and registered in England and Wales. The registered address is included in Note 21.

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 the provisions of the UK Companies Act 2006.

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). These group financial statements are available to the public and can be obtained as set out in Note 21.

To align with the financial year end of the ultimate parent company i.e. National Grid, the Company has changed its financial year end from 31 December to 31 March and this is the first financial reporting period adopting the new year end date. The financial statements are therefore for the 15 month period ended 31 March 2022 and the previous reporting period of 12 months is not fully comparable with the current reporting period of 15 months.

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 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 thousand pounds (£'000) except when otherwise indicated.

The principal accounting policies adopted are set out below.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current assets of £5.2m (31 December 2020: £3.3m) The company generates consistent revenue from its investment property portfolio. Confirmation has also been obtained from a parent undertaking that it will provide financial support to the Company for not less than 12 months from the date of approval of the financial statements.

After consideration, the directors of the Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future and at least for a period of 12 months from the date of signing the accounts and have therefore continued to adopt the going concern basis in preparing the financial statements. This consideration included the overall balance sheet position, its portfolio of investments properties, its stable and consistent rental revenues and the ability of the parent to provide financial support.

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Impact of new financial reporting standards

The following new standards are effective for accounting periods beginning on or after 1 January 2021:

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

The Company has assessed the impact of these standards and concluded that there is no material change to the Company's financial statements.

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 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.

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.

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").

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 15 months 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.

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 9,667 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 National Grid Electricity Distribution (South West) plc (formerly Western Power Distribution (South West) plc) and National Grid Electricity Distribution (South Wales) plc (formerly 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

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets with purchase price less than \$5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the unpaid lease payments at the commencement date, discounted by using the Company's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment or exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Leases (continued)

The Company as a lessee (continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets that meet the definition of investment property under IAS 40 'Investment Property' are measured at fair value. All other right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the profit and loss account in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. The Company has no finance leases.

Assets leased out under operating leases are included in tangible fixed assets and depreciated over the estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the term of the lease. Lease termination fees are allocated to the profit and loss account upon termination. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

Financial assets

Financial assets are classified as debt instruments at amortised cost, debt instruments at fair value through other comprehensive income ('FVOCI'), financial assets at fair value through profit and loss ('FVTPL') or as equity instruments designated at FVOCI, as appropriate. The Company's financial assets include debtors. 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:

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

2. Significant accounting policies (continued)

Financial assets (continued)

Debt instruments at amortised cost

Debt instruments that meet the hold-to-collect business model test and sole payment principal and interest ('SPPI') contractual cash flow test are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the debt instruments are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade debtors, amounts owed by Group undertakings and accrued income.

Impairment of financial assets

The Company has the following financial assets that are subject to the IFRS 9 "Financial Instruments" expected credit loss model ('ECL'):

Debtors

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit losses, trade debtors and other receivables have been grouped based on the days past due. The expected credit loss rates are primarily based on historical credit losses experienced. The historical loss rates are then adjusted for forward-looking information, if any, on macroeconomic factors affecting the ability of the customers to pay.

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 liabilities includes trade creditors, amounts owed to Group undertakings and accruals.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the group currently has a legally enforceable right to set off the recognised amounts; and the Company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. A right of set off is the Company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

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 expenditure to which they relate.

Dividends

Dividend distribution to the Company's shareholder is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's directors.

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revaluation of investment properties

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

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

Where equivalent disclosures are not presented by National Grid Electricity Distribution plc (formerly Western Power Distribution plc), being in respect of properties leased to companies within NGED Group, the key assumptions used to determine the fair value of the investment properties are further explained in Note 11.

There are no judgements dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

4. Turnover

Turnover comprises of rental income from property operating leases, recognised on a straight-line basis over the term of the relevant lease.

Turnover related to NGED Group entities was £7.2m (2020: £4.1m).

Turnover from external customers was £2.8m (2020: £2.0m)

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

5. Operating profit

Operating profit is stated after charging/(crediting):

	31 March 2022 £'000	31 December 2020 £'000
Amortisation of Government grants	-	(33)
Increase in fair value of investment property	(9,669)	(2,565)
Profit on disposal of investment property	(118)	(90)

Net operating expenses include an allocation of £83,625 for the 15 months ended 31 March 2022 (12 months ended 31 December 2020: £50,767) in respect of Group central costs. This includes auditor's remuneration of £13,464 for the 15 months ended 31 March 2022 (12 months ended 31 December 2020: £8,462) for the audit of these financial statements. There were no non-audit fees in the current period or prior year.

6. Profit on disposal of investment property

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
Gross proceeds from the sale or transfer of investment properties	220	208
Fair value of assets disposed/transferred	(100)	(113)
Disposal costs	(2)	(5)
	118	90

The Company disposed/transferred two investment properties during the 15 months ended 31 March 2022 (12 months ended 2020: partly disposed of one).

7. Interest payable/ (receivable) (net)

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
Interest payable:		
On amounts owed to Group undertakings	-	2
Interest payable on lease liabilities	27	22
	27	24
Interest receivable:		
On amounts owed by Group undertakings	(7)	(31)
	20	(7)

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

8. Employees and directors

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

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
Wages and salaries	182	168
Pension costs	14	21
Social security costs	22	21
	218	210

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

	15 months to 31 March 2022 Number	12 months to 31 December 2020 Number
Management and administration	3	3

The above employees are employed under contracts of service with National Grid Electricity Distribution (South West) plc (formerly Western Power Distribution (South West) plc), however, their time is substantially devoted to the Company.

(c) Directors' emoluments

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
Emoluments in respect of director (31 December 2020: one)	-	76
Pension contributions in respect of director (31 December 2020: one)	-	14

The above director resigned during the prior year. They were a member of the defined benefit pension scheme up to the date of resignation. Both their successor and the other director did not receive remuneration in either the current or prior period for their services as director of the Company as they are incidental to their roles elsewhere in the Group.

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

9. Tax

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
a) Analysis of charge in the period:		
Current tax:		
Group tax relief payable on profits for the period	1,606	895
Adjustment in respect of prior periods	(16)	(173)
Total current tax charge	1,590	722
Deferred tax (Note 16):		
Origination and reversal of temporary differences	1,387	339
Impact of change in corporation tax rate	46	87
Adjustment in respect of prior periods	(10)	(1,022)
Total deferred tax charge/(credit)	1,423	(596)
Tax charge	3,013	126

b) Reconciliation of the total tax charge

The total tax assessed for the period is different to the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	15 months to 31 March 2022 £'000	12 months to 31 December 2020 £'000
Profit before tax	18,785	7,913
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	3,569	1,503
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(590)	(293)
Chargeable gains	18	24
Impact of change in corporation tax rate	42	87
Adjustment to tax charge in respect of prior years	(26)	(1,195)
Tax charge	3,013	126

c) Change in corporation tax rate

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

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

10. Dividends

	15 months to 31 March £'000 2022 £'000	12 months to 31 December £'000 2020 £'000
Amounts recognised as distributions to equity holders in the period:		
Dividends (15 months ended 31 March 2022: 12.7 pence per share, 12 months ended 31 December 2020: 33.1 pence per share)	5,289	13,812

11. Investment property

	Leased externally			Leased to other companies in the NGED Group		Total
	Retail £'000	Office £'000	Industrial £'000	Subtotal £'000	£'000	£'000
Cost or valuation						
At 31 December 2020	3,145	3,104	5,517	11,766	56,480	68,246
Additions	220	3		223	144	367
Disposals	(100)	-		(100)	-	(100)
Transfers	-	-	(58)	(58)	-	(58)
Revaluations	20	1,928	485	2,433	7,236	9,669
At 31 March 2022	3,285	5,035	5,944	14,264	63,860	78,124

The fair value of investment property comprises:

	Leased to other companies in the NGED Group			Leased to other companies in the NGED Group		
	Leased externally	31 March 2022 £'000	Total 31 March 2022 £'000	Leased externally	31 December 2020 £'000	Total 31 December 2020 £'000
Freehold	14,264	63,860	78,124	11,766	56,480	68,246

The fair value of the Company's investment properties at 31 March 2022 and 31 December 2020 has been arrived at on the basis of a valuation carried out at those dates by external independent valuers. The valuers for both dates are duly accredited and regulated by the Royal Institution of Chartered Surveyors ('RICS') and follow the rules, codes, and guidance in the RICS Rules of Conduct for Firms. The valuations have been prepared in accordance with IFRS 13 Fair Value Measurements and represent the 'highest and best use' of the property.

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

11. Investment property (continued)

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

Details in respect of the fair value of investment properties occupied by third parties are included in the financial statements of the Group, which are available as disclosed in Note 21.

The total property rental income earned by the Company from its investment properties, all of which are leased out under operating leases, amounted to £9,997,000 for 15 months ended 31 March 2022 (for 12 months ended 31 December 2020 £6,169,000). Direct operating expenses arising on the investment properties, all of which generated rental income in the period, amounted to £741,000 for 15 months ended 31 March 2020 (for 12 months ended 31 December 2020: £661,000).

The historical cost of the investment properties is £76.1m.

12. Right-of-use assets

	31 March 2022 £'000	31 December 2020 £'000
Land and buildings		
At 1 January	1,368	515
Transfer from investment properties*	-	785
Gain on remeasurement of right-of-use asset from cost to fair value**	15	68
At 31 March 2022 and 31 December 2020	1,383	1,368

* Leasehold investment property classified under right-of-use asset.

** Fair value measurement model applied to the right-of-use asset in relation to an investment property.

The fair value has been arrived on the basis of expected profit rent in relation to the property. In calculating the expected profit rent, the market rent and the yield has been based on the valuation report of the property by an external independent valuer. The external valuation has been prepared in accordance with IFRS 13 Fair Value Measurements and represent the 'highest and best use' of the property. The fair value of the right-of-use asset falls within Level 3 of the fair value hierarchy.

13. Debtors - amounts falling due within one year

	31 March 2022 £'000	31 December 2020 £'000
Trade debtors	142	89
Amounts owed by Group undertakings	6,861	4,980
Prepayments and accrued income	104	111
	7,107	5,180

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

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

14. Creditors

	31 March 2022 £'000	31 December 2020 £'000
Amounts falling due within one year:		
Trade creditors	30	48
Amounts owed to Group undertakings*	-	-
Group tax relief payable	1,397	1,407
Accruals and deferred income	367	379
VAT payable	65	39
	1,859	1,873
Amounts falling due after more than one year:		
Accruals and deferred income**	1,751	1,815
	3,610	3,688

* Amounts owed to Group undertakings accrue interest at the Bank of England base rate and are unsecured and repayable on demand. The Bank of England rate has fluctuated throughout the period.

** This includes £1.8m (2020: £1.8m) of government grants in respect of capital expenditure that are released as income by equal annual amounts over the expected useful lives of the relevant assets.

15. Lease liabilities

	31 March 2022 £'000	31 December 2020 £'000
At 1 January	512	518
Payments during the financial period	(35)	(28)
Interest expense	27	22
At 31 March 2022 and 31 December 2020	504	512
of which:		
Current	28	28
Non-current	476	484

The Company leases land and buildings at the Bristol Airport. Lease term and rentals to be paid are defined within the agreement. The rental is subject to a rent review on a 5 year cycle based on prevailing market conditions.

16. Provision for liabilities

	<u>Deferred tax</u> Investment Property 2022 £'000	2020 £'000
At 1 January	143	739
Charge to profit and loss (note 9a)	1,423	(596)
At 31 March and 31 December	1,566	143

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

16. Provision for liabilities (continued)

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

17. Pension commitments

Defined benefit scheme

For the 12 months ended 31 December 2020, for its one director, the Company participated 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 10,000 members. The ESPS is closed to new members. After resignation of the director, the company no longer participates in any defined benefit pension scheme.

There was no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, NGED (South West) and NGED (South Wales), fellow subsidiaries of the Company that are jointly responsible for the scheme, recognise the whole of the scheme surplus or deficit in their financial statements, allocated in accordance with pensionable salaries. In accordance with IAS 19 (Revised 2011), the Company recognised a cost equal to its contribution payable for the period, which in the 15 months ended 31 March 2022 was £nil (12 months ended 31 December 2020: £14,000).

Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc), which are available as disclosed in Note 21 below.

Defined contribution scheme

The Company also participates in a defined contribution scheme, the Western Power Pension Scheme. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The total cost charged to income of £14,000 for the 15 months ended 31 March 2022 (12 months ended 2020: £7,000) represents contributions payable to this scheme by the Company at rates specified in the rules of the plan.

18. Share capital

	31 March 2022 £	31 December 2020 £
Issued and fully paid:		
41,780,608 Ordinary shares of £1 each (2020: 41,780,608)	41,780,608	41,780,608

The shares entitle the holders thereof to one vote per share held. Each share ranks equally for any dividend declared and any distribution made on a winding up. The shares are not redeemable.

All shares are held by National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited).

19. Capital and other commitments

Capital commitments

There was no capital expenditure contracted for at the balance sheet date that was not recognised in the financial statements (31 December 2020: £nil).

Operating lease commitments - Company as lessor

Operating leases, in which the Company is the lessor, relate to investment properties owned by the Company with lease terms of between 3 to 99 years. The leases have various terms, escalation clauses and renewable rights. The leases include a clause to enable upward revision of the rental charge on a review cycle set on lease inception according to prevailing market conditions. The lessee does not have an option to purchase the property at the expiry of the lease period.

Notes to the financial statements (continued)

For the 15 months ended 31 March 2022

19. Capital and other commitments (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 NGED Group:

	2022 £'000	2020 £'000
Year 1	897	1,189
Year 2	801	862
Year 3	489	784
Year 4	345	624
Year 5	257	352
Year 6 and onwards	1,465	1,679
	4,254	5,490

20. 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 Property Investments Limited to National Grid Electricity Distribution Property Investments Limited.

21. Ultimate parent undertaking

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

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

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