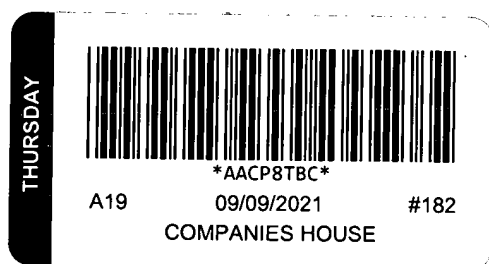


Registered number: 02373239

# **WPD PROPERTY INVESTMENTS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**



**WESTERN POWER**   
**DISTRIBUTION**  
*Serving the Midlands, South West and Wales*

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## **Directors' report**

For the year ended 31 December 2020

The directors present their annual report and the audited financial statements of WPD Property Investments Limited (the "Company") (registered number 02373239) for the year ended 31 December 2020. It is a member of the Western Power Distribution plc Group (the "WPD Group" or "Group"), whose principal activity is the ownership and operation of the electricity distribution network in South Wales and across the South West and Midlands areas of England.

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 Western Power Distribution plc, which is owned indirectly by PPL Corporation, an electricity utility of Allentown, Pennsylvania, USA. PPL Corporation trades in the United Kingdom as Western Power Distribution plc ("WPD"). The principal activity of Western Power Distribution plc and its subsidiaries (the "WPD Group") is the distribution of electricity in the South West and Midlands regions in England and in South Wales.

On 18 March 2021, PPL announced that it had reached an agreement to sell its UK investment, which includes Western Power Distribution plc, to National Grid Plc. This announcement followed the decision by PPL's Board of Directors to strategically reposition PPL as a U.S.-focused energy business. The transaction required National Grid Plc investor approval, which was received on 22 April 2021; following Guernsey Financial Services Commission and Financial Conduct Authority approval the transaction completed on 14 June 2021. As National Grid voluntarily referred the acquisition of the WPD Group to the Competition and Markets Authority ("CMA"), the CMA is currently undertaking a merger review which may take several months to complete.

### **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.

### **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 year is stated after reflecting the movement in fair value of the Company's investment properties and amounts to £7.7m (2019: £3.3). The increase in profit during the year is due to gain on the revaluation of investment properties amounting to £2.6m (2019: loss of £1.0m)

Dividends of £13,812,267 were paid in the year (2019: £5,784,406).

### **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 £2,565,000 (2019: £960,000 decrease in value) in the year, which has been incorporated in the financial statements in the profit and loss account. Refer above for details on the variance.

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.

## **Directors' report (continued)**

For the year ended 31 December 2020

### **Events after the balance sheet date**

Subsequent to the year end, on 23 March 2021, the Company paid an interim dividend of £5,288,640.60 to WPD Distribution Network Holdings Limited.

On 18 March 2021, PPL announced that it had reached an agreement to sell its UK investment, which includes Western Power Distribution plc, to National Grid Plc. This announcement followed the decision by PPL's Board of Directors to strategically reposition PPL as a U.S.-focused energy business. The transaction required National Grid Plc investor approval, which was received on 22 April 2021; following Guernsey Financial Services Commission and Financial Conduct Authority approval the transaction completed on 14 June 2021. As National Grid voluntarily referred the acquisition of the WPD Group to the Competition and Markets Authority ("CMA"), the CMA is currently undertaking a merger review which may take several months to complete.

### **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.

### **Impact of Coronavirus ("COVID-19")**

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic. Since then, the COVID-19 crisis has presented unprecedented challenges globally and disrupted the world economies. In the past twelve months, the UK has had three separate periods of national lockdown and even in periods without lockdown some form of restrictions have been in place throughout the year, impacting businesses, communities, workforces and markets.

The Company has assessed the financial impacts of COVID-19 and considers them to not be material for the Company. The Company generates revenue through the rental of investment properties and 67% of the Company's revenue arises from properties rented internally to the Distribution Network Operators ("DNOs") within the WPD Group. The DNOs are essential in keeping critical infrastructure assets operating safely and in making sure that homes and businesses across the licensed regions have continued access to electricity supplies. Therefore, even in these challenging times, whereby many business sectors are impacted severely, the DNOs within the WPD Group have a continuing licence obligation to be a sustainable business and to continue to provide essential services to society. Thus, the Company does not expect its internal rental revenues and related cash flows to be impacted significantly in the foreseeable future.

With regards to the externally rented investment properties, no material rent concessions or termination of leases have been requested. However, there have been some requests for rent deferrals but the cash flow impact in relation to this is not material. As at 31 December 2020, external rent receivables, net of any provision for bad debts, amounts to £89k (2019: £44k).

COVID-19 continues to impact real estate markets globally. Nevertheless, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists. For the year ended 31 December 2020, the investment properties of the Company have been valued externally by independent valuers. The valuation reports include detailed analysis of a market review including impacts of COVID-19, where applicable. COVID-19 has impacted the valuation of some externally rented retail shops, however the total investment property portfolio of the Company has not suffered a decline. Unlike previous year, the valuations in the current year have not been reported to subject to "material valuation uncertainty" clause. Thus the COVID-19 related uncertainty in relation to the value of the Company's investment property portfolio has been minimised and the Company continues to reflect a strong net asset position. Refer to the Directors' report (page 1) and Note 11 for further details in relation to the fair valuation of investment properties.

### **Impact of Brexit**

Following the European Union referendum vote on 23 June 2016, the UK formally left the EU on 31 January 2020, with the transition period ending on 31 December 2020. Since the sole business of the Company is the rental of investment properties in the UK, the Company is not impacted by any uncertainty in connection with access to the EU markets.

## **Directors' report (continued)**

For the year ended 31 December 2020

### **Going concern**

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 which shows net current assets of £3.3m, its portfolio of investments properties and its stable and consistent rental revenues and associated cash flows.

The impacts of COVID-19 have also been taken into consideration in arriving at the going concern assumption for preparation of the financial statements. Since the WPD Group is a sustainable business, delivering an essential service, no impact is expected in relation to the Company's internal rent revenue and associated cash flows. Owing to the impact of COVID-19 on retail and offices, some uncertainty exists in relation to the external rent cash flows of the Company. However, currently no rent concessions or lease terminations have been requested. Rent deferment requests, if any, are not material. The Company expects to continue earning stable external rent revenue secured through long term lease contracts for a period of not less than 12 months from the date of approval of these financial statements. For further details in relation to COVID-19 impacts, refer to page 2.

### **Directors and their interest**

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

I R Williams

D A Withers (resigned on 29 May 2020)

I C Smith (appointed on 22 May 2020)

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 Group's 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.

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



I R Williams  
Director

3 September 2021

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 of WPD Property Investments Limited (the Company):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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 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 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 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 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](http://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, internal audit, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework 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 Companies Act 2006, FRS 101, 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.

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

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

- Obtaining understanding of the process and controls relating to property valuation;
- Trace the current year's property value to valuation performed by 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 and internal audit reports to identify any matters that could affect property valuation.



## **Independent auditors' report to the member of WPD 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, internal audit 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, and reviewing internal audit reports, and reviewing correspondence with HMRC.

### **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.

#### **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.

#### **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.



Suzanne Gallagher, Senior Statutory Auditor  
For and on behalf of Deloitte LLP,  
Statutory Auditor,  
Reading, United Kingdom  
3 September 2021

**Profit and loss account**

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Turnover</b>	4	<b>6,169</b>	6,057
Operating costs		<b>(986)</b>	(987)
Increase/(decrease) in fair value of investment property	11	<b>2,565</b>	(960)
Increase in fair value of right-of-use asset	12	<b>68</b>	
Profit on disposal of investment property	6	<b>90</b>	188
<b>Operating profit</b>	5	<b>7,906</b>	4,298
Interest receivable (net)	7	<b>7</b>	66
<b>Profit before tax</b>		<b>7,913</b>	4,364
Tax	9	<b>(126)</b>	(1,055)
<b>Profit for the financial year</b>		<b>7,787</b>	3,309

All operations are continuing.

There is no other comprehensive income for the year ended 31 December 2020 or 31 December 2019 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.

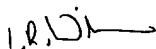
**Balance sheet**

At 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Non current assets</b>			
Investment property	11	68,246	66,568
Right-of-use assets	12	1,368	515
		<b>69,614</b>	<b>67,083</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	5,180	15,233
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(1,873)	(2,742)
Lease liabilities	15	(28)	(28)
<b>Net current assets</b>		<b>3,279</b>	<b>12,463</b>
<b>Total assets less current liabilities</b>		<b>72,893</b>	<b>79,546</b>
<b>Non current liabilities</b>			
Creditors: amounts falling due after more than one year	14	(1,815)	(1,841)
Lease liabilities	15	(484)	(490)
<b>Provision for liabilities</b>	16	<b>(143)</b>	<b>(739)</b>
<b>Net assets</b>		<b>70,451</b>	<b>76,476</b>
<b>Capital and reserves</b>			
Called-up share capital	18	41,781	41,781
Profit and loss account		28,670	34,695
<b>Total shareholder's funds</b>		<b>70,451</b>	<b>76,476</b>

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 3 September 2021 and were signed on its behalf by:



I R Williams  
Director

# Statement of changes in equity

For the year ended 31 December 2020

	Note	Called-up share capital £'000	Profit and loss account £'000	Total equity £'000
<b>At 1 January 2019</b>		<b>41,781</b>	<b>37,170</b>	<b>78,951</b>
Profit for the financial year		-	3,309	3,309
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>3,309</b>	<b>3,309</b>
Dividend paid	10	-	(5,784)	(5,784)
<b>At 31 December 2019</b>		<b>41,781</b>	<b>34,695</b>	<b>76,476</b>
Profit for the financial year		-	7,787	7,787
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>7,787</b>	<b>7,787</b>
Dividend paid	10	-	(13,812)	(13,812)
<b>At 31 December 2020</b>		<b>41,781</b>	<b>28,670</b>	<b>70,451</b>

## **Notes to the financial statements**

For the year ended 31 December 2020

### **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 2020 were authorised for issue by the board of directors on 3 September 2021 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 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 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 21.

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**

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 which shows net current assets of £3.3m, its portfolio of investments properties and its stable and consistent rental revenues and associated cash flows.

The impacts of COVID-19 have also been taken into consideration in arriving at the going concern assumption for preparation of the financial statements. Since the WPD Group is a sustainable business, delivering an essential service, no impact is expected in relation to the Company’s internal rent revenue and associated cash flows. Owing to the impact of COVID-19 on retail and offices, some uncertainty exists in relation to the external rent cash flows of the Company. However, currently no rent concessions or lease terminations have been requested. Rent deferment requests, if any, are not material. The Company expects to continue earning stable external rent revenue secured through long term lease contracts for a period of not less than 12 months from the date of approval of these financial statements. For further details in relation to COVID-19 impacts, refer to the Directors’ report (page 2).

## **Notes to the financial statements (continued)**

For the year ended 31 December 2020

### **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 2020:

- Definition of Material - amendments to IAS 1 and IAS 8;
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7;
- Definition of a Business - amendments to IFRS 3;
- Amendments to References to the Conceptual Framework in IFRS Standards.

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 year ended 31 December 2020

### 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 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

##### *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 year ended 31 December 2020

### 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 year ended 31 December 2020

### 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.

#### 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 distributions are recognised in the period in which the dividends are paid.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 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 Western Power Distribution plc, being in respect of properties leased to companies within WPD 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 WPD Group entities was £4.1m (2019: £4.1m).

Turnover from external customers was £2.0m (2019: £1.9m)

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**5. Operating profit**

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Amortisation of Government grants	(33)	(40)
(Increase)/decrease in fair value of investment property	(2,565)	960
Profit on disposal of investment property	(90)	(188)

Net operating expenses include an allocation of £50,767 (2019: £48,017) in respect of Group central costs. This includes auditor's remuneration of £8,462 (2019: £8,031) for the audit of these financial statements. There were no non-audit fees in the current or prior year.

**6. Profit on disposal of investment property**

	2020 £'000	2019 £'000
Gross proceeds from the sale or transfer of investment properties	208	5,877
Fair value of assets disposed/transferred	(113)	(5,599)
Disposal costs	(5)	(90)
	90	188

The Company partly disposed of one investment property during 2020 (2019: sold four and part disposed of two).

**7. Interest (receivable)/payable (net)**

	2020 £'000	2019 £'000
Interest payable:		
On amounts owed to Group undertakings	2	1
Interest payable on lease liabilities	22	22
	24	23
Interest receivable:		
On amounts owed by Group undertakings	(31)	(89)
	(7)	(66)

**8. Employees and directors**

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

	2020 £'000	2019 £'000
Wages and salaries	168	158
Pension costs	21	31
Social security costs	21	19
	210	208

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 8. Employees and directors (continued)

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 10,000 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.

Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of Western Power Distribution plc, which are available as disclosed in Note 21.

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

	2020 Number	2019 Number
Management and administration	3	3

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

(c) Directors' emoluments

	2020 £'000	2019 £'000
Emoluments in respect of one director (2019: one)	76	109
Pension contributions in respect of one director (2019: one)	14	28

The above director resigned during the 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 year 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 year ended 31 December 2020

### 9. Tax

	2020 £'000	2019 £'000
a) Analysis of charge in the year:		
Current tax:		
Group tax relief payable on profits for the year	895	1,028
Adjustment in respect of prior years	(173)	(24)
Total current tax charge	722	1,004
Deferred tax (Note 16):		
Origination and reversal of temporary differences	339	40
Impact of change in corporation tax rate	87	(4)
Adjustment in respect of prior years	(1,022)	15
Total deferred tax (credit)/charge	(596)	51
Tax charge	126	1,055

#### b) Reconciliation of the total tax charge

The total tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	7,913	4,364
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,503	829
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(293)	26
Chargeable gains	24	213
Impact of change in corporation tax rate	87	(4)
Adjustment to tax charge in respect of prior years	(1,195)	(9)
Tax charge	126	1,055

#### c) Change in corporation tax rate

The Finance Act 2016 reduced the standard rate of corporation tax to 17% effective from 1 April 2020 and as this rate was enacted prior to 31 December 2019 it was used in the calculations of deferred tax for the prior year, with respect to those temporary differences that were expected to reverse after the effective date. The Finance Act 2020 increased the standard rate of corporation tax to 19%, effective from 1 April 2020 and has been used in the calculations of deferred tax for the current year. The Finance (No.2) Bill 2021 published on 11 March 2021 increases the standard rate of corporation tax to 25% effective from 1 April 2023. As this rate increase was not substantively enacted at 31 December 2020, it will only affect calculations of deferred tax in future years.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 10. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
- Interim dividends (2020: 33.1 pence per share, 2019: 13.8 pence per share)	13,812	5,784

### 11. Investment property

	Leased externally			Leased to other companies in the WPD Group		Total
	Retail £'000	Office £'000	Industrial £'000	Subtotal £'000	£'000	£'000
<b>Cost or valuation</b>						
At 31 December 2019	4,166	3,100	5,342	12,608	53,960	66,568
Additions	-	4	-	4	7	11
Disposals	(113)	-	-	(113)	-	(113)
Transfer to right-of-use asset*					(785)	(785)
Revaluations	(908)	-	175	(733)	3,298	2,565
<b>At 31 December 2020</b>	<b>3,145</b>	<b>3,104</b>	<b>5,517</b>	<b>11,766</b>	<b>56,480</b>	<b>68,246</b>

The fair value of investment property comprises:

	Leased to other companies in the WPD Group			Leased to other companies in the WPD Group		
	Leased externally 2020 £'000	WPD Group 2020 £'000	Total 2020 £'000	Leased externally 2019 £'000	WPD Group 2019 £'000	Total 2019 £'000
Freehold	11,766	56,480	68,246	12,608	53,175	65,783
Long leasehold*	-	-	-	-	785	785
	<b>11,766</b>	<b>56,480</b>	<b>68,246</b>	<b>12,608</b>	<b>53,960</b>	<b>66,568</b>

\* The fair value of leasehold investment property has been transferred to right-of-use asset.

The fair value of the Company's investment properties at 31 December 2020 and 2019 has been arrived at on the basis of a valuation carried out at those dates by external independent valuers. The valuers for both years are 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 year ended 31 December 2020

### 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 building are also valued and analysed using the comparison method, with other capital value transactions, where applicable. Where land is held for development, a comparison method or a residual method of valuation technique is used. 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 £6,169,000 (2019: £6,057,000). Direct operating expenses arising on the investment properties, all of which generated rental income in the period, amounted to £661,000 (2019: £650,000).

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

### 12. Right-of-use assets

	2020 £'000	2019 £'000
<b>Land and buildings</b>		
At 1 January	515	529
Transfer from investment properties*	785	
Gain on remeasurement of right-of-use asset from cost to fair value**	68	
Depreciation	-	(14)
At 31 December	1,368	515

\* 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

	2020 £'000	2019 £'000
Trade debtors	89	44
Amounts owed by Group undertakings	4,980	14,981
Prepayments and accrued income	111	208
	5,180	15,233

Amounts owed by Group undertakings accrue interest at the Bank of England base rate of 0.10% and are unsecured and repayable on demand.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 14. Creditors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade creditors	48	48
Amounts owed to Group undertakings*	-	874
Group tax relief payable	1,407	1,436
Accruals and deferred income	379	369
VAT payable	39	15
	1,873	2,742
Amounts falling due after more than one year:		
Accruals and deferred income**	1,815	1,841
	1,815	1,841
	3,688	4,583

\* Amounts owed to Group undertakings accrue interest at the Bank of England base rate of 0.10% and are unsecured and repayable on demand.

\*\* This includes £1.8m (2019: £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

	2020 £'000	2019 £'000
At 1 January	518	524
Payments during the year	(28)	(28)
Interest expense	22	22
<b>At 31 December</b>	<b>512</b>	<b>518</b>
of which:		
Current	28	28
Non-current	484	490

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

	2020 £'000	2019 £'000
At 1 January	739	688
Charge to profit and loss (note 9a)	(596)	51
At 31 December	143	739



## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 16. Provision for liabilities (continued)

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

During 2019 the Company did not recognise deferred tax assets of £821,000 (2020: nil) in respect of unrealised capital losses that would arise if the investment property portfolio was sold for its value stated in Note 11 as there was not expected to be future taxable profits against which such losses would be deducted.

### 17. Pension commitments

#### Defined benefit scheme

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 10,000 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.

There is no contractual agreement or stated policy for charging the net defined benefit cost and, therefore, WPD (South West) and WPD (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 recognises a cost equal to its contribution payable for the period, which in the year ended 31 December 2020 was £14,000 (2019: £28,000).

Further details of the Group defined benefit scheme are disclosed in the consolidated financial statements of 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 £7,000 (2019: £3,000) represents contributions payable to this scheme by the Company at rates specified in the rules of the plan.

### 18. Called-up share capital

	2020 £	2019 £
<b>Allotted, called-up and fully paid</b>		
41,780,608 Ordinary shares of £1 each (2019: 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 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 (2019: £nil).

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 19. Capital and other commitments (continued)

#### *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.

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:

	2020 £'000	2019 £'000
Year 1	1,189	968
Year 2	862	744
Year 3	784	487
Year 4	624	406
Year 5	352	302
Year 6 and onwards	1,679	1,626
	5,490	4,533

### 20. Events after the reporting period

Subsequent to the year end, on 23 March 2021, the Company paid an interim dividend of £5,288,640.60 to WPD Distribution Network Holdings Limited.

On 18 March 2021, PPL announced that it had reached an agreement to sell its UK investment, which includes Western Power Distribution plc, to National Grid Plc. This announcement followed the decision by PPL's Board of Directors to strategically reposition PPL as a U.S.-focused energy business. The transaction required National Grid Plc investor approval, which was received on 22 April 2021; following Guernsey Financial Services Commission and Financial Conduct Authority approval the transaction completed on 14 June 2021. As National Grid voluntarily referred the acquisition of the WPD Group to the Competition and Markets Authority ("CMA"), the CMA is currently undertaking a merger review which may take several months to complete.

### 21. 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 its accounts may be obtained from their registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US.

#### **Registered office:**

WPD Property Investments Limited  
Avonbank, Feeder Road  
Bristol BS2 0TB

Telephone: 0117 933 2000  
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Registered number: 02373239