

Registered Number: 08857746

**National Grid Electricity Distribution Network Holdings Limited
(formerly WPD Distribution Network Holdings Limited)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
(Unaudited)
For the year ended 31 March 2022**

nationalgrid



**National Grid Electricity Distribution Network Holdings Limited
(formerly WPD Distribution Network Holdings Limited)**

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Strategic report

For the year ended 31 March 2022

The directors present their annual report and the financial statements of National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) (the "Company"), company number 08857746, for the year ended 31 March 2022.

Ownership

National Grid Electricity Distribution Investment Holdings Limited (formerly WPD Investment Holdings Limited) holds 1,214,454,018 ordinary shares of the Company and WPD WEM Limited holds 595,498,920 preferred ordinary shares and 2 ordinary shares of the Company. As a result almost 100% interest in the ordinary share capital of the Company is held by National Grid Electricity Distribution Investment Holdings Limited (formerly WPD Investment Holdings Limited).

Both National Grid Electricity Distribution Investment Holdings Limited (formerly WPD Investment Holdings Limited) and WPD WEM Limited are indirect subsidiaries of the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) group (the "Group", "NGED", the "NGED Group"). The principal activity of the NGED Group 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 is National Grid Plc, registered in England and Wales. National Grid is an energy company operating in the UK and United States of America.

Principal activities and business review

The principal activity of the Company is that of an investment holding company. This activity will continue.

Dividends of £98.4m were paid on preference ordinary shares during the year (2021: £98.5m) and dividends of £62.0m were paid on equity shares during the year (2021: £nil).

The Company's financial and non-financial key performance indicators during the periods were as follows:

	2022	2021
	£m	£m
Profit before tax (see profit and loss account, page 9)	170.7	79.2
Investments (see note 9, page 18)	3,901.3	3,966.6

The profit after tax for the financial year to 31 March 2022 was £173.2m (2021: £82.1m). The increase in the profit during the year is due to increase in the dividend income from £97.3m during the year ended 31 March 2021 to £250.6m during the year ended 31 March 2022. The increase in dividend income is partially offset by write down of £65.3m in the carrying value of investment in subsidiary undertakings. £59.5m of the write down pertained to the value of an investment in a subsidiary that was dissolved subsequent to the year end.

Strategic report (continued)

For the year ended 31 March 2022

Principal risks and uncertainties

Investment in non electricity subsidiaries

The principal risk is that the Company's investment in its non electricity subsidiaries will become impaired or that they will no longer be able to distribute dividends. The directors of this Company are involved with the management of its subsidiaries and this mitigates the risk. The principal risks and uncertainties for the NGED Group are included within the Strategic report of National Grid Electricity Distribution plc (formerly Western Power Distribution plc).

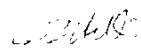
Future developments

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

Section 172 statement

Refer to page 3 below for our Section 172 statement.

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



GR Halladay
Director

12 December 2022

Section 172 statement

For the year ended 31 March 2022

The directors of all UK companies must act in accordance with their duties under the Companies Act 2006. This includes a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty has been central to the decision-making process of the directors of all the Companies within the NGED Group. The Board has well-established policies defining the Board's duties and responsibilities including those under section 172.

The information below describes how, in performing their duties during the year, the Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Act, and constitutes the Board's Section 172 Statement.

Strategy and long-term decision-making

As detailed above in the Strategic report, the principal purpose of the Company is to hold investment in the NGED Group and therefore the strategy of the Company is directly linked to the strategy and goals of the NGED Group. The Board is focused on ensuring that its investment in the NGED Group continues to generate a stable investment income for the ultimate shareholder of the Company.

The main business activity of the NGED Group is the distribution of electricity within the South West and Midlands regions in England and in South Wales and the Board is focused on ensuring that the NGED Group promotes the success of the business in a manner that is environmentally sustainable, provides long term stability and meets the needs of its key stakeholders.

The Board maintains an oversight of the Company's investment which is directly related to the performance of the distribution network businesses within the NGED Group. The directors devolve day-to-day management and decision-making to the senior management team of the NGED Group. Three directors of the Company are also executive directors of the NGED Group. This ensures adequate monitoring by the Board of the Company's investments in subsidiary entities.

Policies, applicable to all the companies operating within the NGED Group, are in place defining the powers of delegation by the Board, the matters reserved for the Board and the areas of responsibilities and accountability of the Directors. Policies have been established that define the framework within which the NGED Group expects managers and employees to operate. These policies represent one of the means through which decisions on stakeholder interests within the NGED Group are enacted.

Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Company's long-term stability.

Employee interests

The Company does not employ any staff. The responsibility of the activities of the Company lies with the staff of the NGED Group as it is incidental to their roles elsewhere in the NGED Group.

For details in relation to employee interests of the NGED Group, refer to the Strategic report and Corporate governance statement in the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual report and Consolidated Financial Statements, available at the below link:

<https://www.westernpower.co.uk/about-us/financial-information>

Section 172 statement (continued)

For the year ended 31 March 2022

Stakeholder engagement

Our key stakeholders are the customers, employees, regulators and suppliers of the NGED Group and our single shareholder, National Grid Electricity Distribution plc.

The Company actively engages with and is committed to providing long term, sustainable value for the NGED Group. Three directors of the Company are executive directors of the NGED Group. The NGED Group's senior management has regular contact and dialogue with the directors of the Company and regular financial and regulatory update meetings are conducted to provide updates on any key accounting, business, and legal issues. All key information is fed back to the NGED Board on a timely basis.

The engagement with the customers, employees, regulators and suppliers of the NGED Group is conducted by the directors of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) and the directors of each of the Distribution Network Operator ("DNO") companies within the NGED Group. Further details regarding these actions are provided within the National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

Impact on communities and environment

The service that the DNOs within the NGED Group provide, is critical to our communities and impacts the businesses and homes we serve on a daily basis. The directors believe that working closely with our communities is important in creating shared value for the business, the people we serve and the communities we operate in. During the year the directors directly, and indirectly through the senior management team, despite the restrictions on in-person events, engaged with over 44,000 (2021: 37,000) stakeholders via a range of methods and delivered 384 (2021: 356) improvement actions based on feedback received. These actions cover a variety of stakeholder groups including the important areas of vulnerable customers and smart networks, including engagement with all 130 local authorities in our region on local area energy plans. The NGED Group has supported over 25,000 fuel poor customers in making annual savings of £14.6 million.

Looking to the future, the electricity industry faces exciting challenges as the UK works towards achieving the Government's de-carbonisation target of net-zero carbon emissions by 2050. The NGED Group has long recognised the role that the electricity sector plays in contributing to the UK's ambitions towards carbon reduction and one of the NGED Group's commitments within RIIO-ED2 is reducing its internal carbon footprint to net zero by 2028 (excluding engineering network losses and scope 3 emissions), 22 years ahead of the Government's UK-wide target. The directors remain focused on fostering an environment that supports innovation and creativity for ensuring that technology is utilised to best effect to meet the changing demands placed upon our network.

Further details on corporate social responsibility and the environmental goals of the NGED Group are provided in the Strategic report of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

Section 172 statement (continued)

For the year ended 31 March 2022

Reputation for high standards of business conduct

The directors aspire for the NGED Group to develop a culture where management and the workforce is motivated to be successful for its shareholder by creating long term value and at the same time is committed to satisfying customer needs. The directors also aim for us to be a valued member of the community, which includes acting as a responsible steward of the environment. The NGED Group Board ensures that the strategy and goals of all the entities within the Group support this and engagement with all stakeholder groups reflects that this aim is embedded across the business and impacts the decision making taken throughout the NGED Group.

Details of the NGED Group's business conduct are provided in the Section 172 statement for National Grid Electricity Distribution plc (formerly Western Power Distribution plc) and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

Examples of key decisions made in the year

Declaration of Dividend

During the year the Company paid dividends of £160.4m (2021: £98.4m). In considering the capital distributions, the directors take account of the financial position of the Company, the strategic direction and the long-term sustainability for the NGED Group.

As part of the regulatory process, Ofgem sets the allowed rate of return within each price control period. Ofgem set NGED's cost of equity at 6.4% for RIIO-ED1. The DNOs within the NGED group reinvest a significant portion of their profits back into the network to ensure an efficient, reliable and environmentally sustainable network. The Board ensures that it understands and takes account of the views of our ultimate shareholder in order to preserve positive investor relations. The Board acts in the shareholder's best interests by proposing an amount of dividend in accordance with the financial parameters of our regulatory allowance whilst maintaining strong financial health metrics.

At the Company level, no other key decisions during the year were taken. Key decisions during the year pertaining to the NGED Group have been discussed in detail in the Section 172 statement for National Grid Electricity Distribution plc (formerly Western Power Distribution plc) Annual Report and Consolidated Financial Statements. These financial statements can be accessed at the link below:

<https://www.westernpower.co.uk/about-us/financial-information>

Directors' report

For the year ended 31 March 2022

The directors present their annual report and financial statements for the year ended 31 March 2021.

Directors and their interests

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

P Swift

AJ Sleightholm

GR Halladay

AW Elmore (resigned on 14 June 2021)

IR Williams (resigned on 31 July 2022)

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

Subsequent events

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 1 June 2022, the NGED Group concluded the sale of WPD Smart Metering Limited, a subsidiary business of the Company. The investment in WPD Smart Metering Limited is not accounted for as assets held for sale as at 31 March 2022 as there was no committed plan to sell the asset at that date.

On 20 September 2022, the name of the Company was changed from WPD Distribution Network Holdings Limited to National Grid Electricity Distribution Network Holdings Limited.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. The Company has net current liabilities of £333.1m, comprising mainly of amounts due to NGED Group undertakings. Taking this into account, confirmation has 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 and the directors have considered the ability of the parent undertaking to provide such financial support.

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.

Directors' report (continued)

For the year ended 31 March 2022

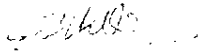
Future developments

Comment on future developments is included in the strategic report (page 2).

Financial risk management and principal risks and uncertainties

Comment on principal risks and uncertainties is included in the strategic report (page 2).

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



GR Halladay
Director

National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited)

Avonbank
Feeder Road
Bristol BS2 0TB

12 December 2022

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard ("FRS") 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

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

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

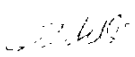
The Company is exempt from audit requirements under section 479A and all the conditions under Section 479A have been complied with. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. Accordingly, these financial statements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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

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


GR Halladay
Director
12 December 2022

Profit and loss account

For the year ended 31 March 2022

	Note	2022 £m	2021 £m
Income from investments	5	250.6	97.3
Write-down of investment carrying amount	9	(65.3)	-
Profit before interest and tax		185.3	97.3
Interest payable and similar charges	4	(14.6)	(18.1)
Profit before tax		170.7	79.2
Tax on profit	7	2.5	2.9
Profit for the financial year		173.2	82.1

All activities relate to continuing operations.

There is no other comprehensive income for the year ended 31 March 2022 or 31 March 2021 and therefore no separate statement of comprehensive income has been prepared.

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

Balance sheet

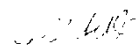
As at 31 March 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	9	3,901.3	3,966.6
Current assets			
Cash at Bank		4.0	-
Debtors	10	1.9	2.4
Creditors: amounts falling due within one year	11	(339.0)	(413.6)
Net current liabilities		(333.1)	(411.2)
Net assets		3,568.2	3,555.4
Capital and reserves			
Share capital	12	1,810.0	1,810.0
Share premium reserve		1,071.9	1,071.9
Profit and loss account		686.3	673.5
Total shareholders' funds		3,568.2	3,555.4

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

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

The financial statements of the Company (registered number 08857746) on pages 9 to 21 were approved and authorised for issue by the board of directors on 12 December 2022 and were signed on its behalf by:



GR Halladay
Director

Statement of changes in equity

For the year ended 31 March 2022

	Note	Share capital £m	Share premium reserve £m	Profit and loss account £m	Total £m
At 31 March 2020		1,810.0	1,071.9	689.9	3,571.8
Profit for the financial year		-	-	82.1	82.1
Total comprehensive income for the year		-	-	82.1	82.1
Dividends paid	8	-	-	(98.5)	(98.5)
At 31 March 2021		1,810.0	1,071.9	673.5	3,555.4
Profit for the financial year		-	-	173.2	173.2
Total comprehensive income for the year		-	-	173.2	173.2
Dividends paid	8	-	-	(160.4)	(160.4)
At 31 March 2022		1,810.0	1,071.9	686.3	3,568.2

Notes to the financial statements

For the year ended 31 March 2022

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

The financial statements of National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) (the 'Company') for the year ended 31 March 2022 were authorised for issue by the board of directors on 12 December 2022 and the balance sheet was signed on the board's behalf by GR Halladay. National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) is a private company limited by shares incorporated in the UK and registered in England and Wales. The registered address is included in note 14.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial reporting Requirements' issued by the FRC.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards.

2. Significant accounting policies

Basis of preparation

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc). The group accounts of National Grid Electricity Distribution plc (formerly Western Power Distribution plc) are available to the public and can be obtained as set out in note 14.

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

The Company's financial statements are presented in Sterling as this is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest hundred thousand pounds except when otherwise indicated.

Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This is discussed further within the Directors' report.

Group financial statements

Group financial statements have not been prepared as the Company has taken advantage of the relief under s400 of the Companies Act 2006. The results of the Company are consolidated in the financial statements of National Grid Electricity Distribution plc (formerly Western Power Distribution plc). These financial statements therefore present information about the Company and not the National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited) group.

Notes to the financial statements (continued)

For the year 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.

Investment income

Investment income, in the form of dividends, is included in the profit and loss account when the shareholders' right to receive payment is established.

Interest income

Interest income comprises interest receivable on financial assets at amortised cost and is recognised in the profit and loss account as it accrues, on an effective rate basis.

Financial assets

Financial assets are classified as debt instruments at amortised cost; debt instruments at fair value through other comprehensive income ("FVOCI"); financial assets at fair value through profit and loss ("FVTPL"); derivatives designated as hedging instruments in an effective hedge; or as equity instruments designated at FVOCI, as appropriate. Financial assets include investments and debtors. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. For financial assets at FVTPL, transaction costs are immediately recognised in the profit and loss account.

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

Debt instruments at amortised cost

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

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Impairment of financial assets

The Company recognises impairment on financial assets following the expected credit loss ("ECL") model in IFRS 9.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL, as default is a component of the probability of default ("PD") which affects the measurements of ECLs. NGED constitutes the following as an event of default:

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

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

Debtors

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. The Company's financial liabilities include interest-bearing intercompany loans. The Company determines the classification of its financial liabilities at initial recognition.

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.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Investments

Investments are shown at cost less any provisions for impairment. Investments are reviewed for impairment if there are indications that the carrying value may not be recoverable. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying value and recoverable amount being the higher of fair value less costs to sell and value in use. The impairment, if any, is charged to the profit and loss account.

Interest expense

Interest expenses comprises interest payable on financial liabilities at amortised cost and is recognised in the profit and loss account as it accrues, on an effective rate basis.

Taxation

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to HMRC. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- 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;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Preference shares are classified as equity and are recorded at the par value of proceeds received.

Dividends

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

There are no critical accounting judgements.

4. Net interest expense

	2022 £m	2021 £m
Interest payable		
On loans from group companies	14.6	18.2
Interest receivable		
On loans to group companies	-	(0.1)
Net interest expense	14.6	18.1

Notes to the financial statements (continued)

For the year ended 31 March 2022

5. Income from investments

The Company received cash dividends of £250.6m in the year (2021: £97.3m cash dividends).

6. Directors and employees

The Company did not employ any staff during either period. The directors did not receive remuneration in either period for their services as directors of the Company as they are incidental to their roles elsewhere in the Group.

7. Tax

a) Analysis of charge in the period:

	2022 £m	2021 £m
Current tax credit on profit for the period	(2.5)	(2.9)
Tax credit	(2.5)	(2.9)

(b) Reconciliation of the total tax credit

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit before tax	170.7	79.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	32.5	15.0
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(35.0)	(17.9)
Tax credit	(2.5)	(2.9)

Notes to the financial statements (continued)

For the year ended 31 March 2022

7. Tax (continued)

c) Change in corporation tax rate

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and will only affect tax expense in future years as a provision for deferred tax is not needed in these financial statements.

8. Dividends

	2022 £m	2021 £m
Dividends on equity shares:		
0.05 pence per share (2021: nil pence per share)	62.0	-
Dividends on preference shares:		
0.17 pence per share (2021: 0.17 pence per share)	98.4	98.5
	160.4	98.5

9. Investments

	Shares in subsidiary undertakings £m
Cost or valuation	
At 1 April 2021 and 31 March 2022	4,675.4
Provision for impairment	
At 1 April 2021	708.8
Impairment*	65.3
At 31 March 2022	774.1
Net book value	
At 31 March 2022	3,901.3
At 31 March 2021	3,966.6

*The investment in WPD Islands Limited was impaired fully in the year as the Company was dissolved on 12 July 2022. The impairment expense amounted to £59.5m. The investment in National Grid Telecoms Limited (formerly WPD Telecoms Limited) was impaired by £5.8m due to reduction in its net assets.

Notes to the financial statements (continued)

For the year ended 31 March 2022

9. Investments (continued)

Details of the Company's subsidiary undertakings are as follows:

Name	Principal activity	Proportion held %
<u>Direct subsidiaries (continued):</u>		
Aztec Insurance Limited ^	Insurance	100%
WPD Island Limited (dissolved on 12 July 2022)	Investment company	100%
National Grid Helicopters Limited (formerly South Western Helicopters Limited)	Helicopter operator	100%
National Grid Telecoms Limited (formerly WPD Telecoms Limited)	Telecommunications	100%
National Grid Electricity Distribution (East Midlands) plc (formerly Western Power Distribution (East Midlands) plc)	Electricity distribution	100%
National Grid Electricity Distribution (South Wales) plc (formerly Western Power Distribution (South Wales) plc)	Electricity distribution	100%
National Grid Electricity Distribution (South West) plc (formerly Western Power Distribution (South West) plc)	Electricity distribution	100%
National Grid Electricity Distribution (West Midlands) plc (formerly Western Power Distribution (West Midlands) plc)	Electricity distribution	100%
National Grid Electricity Distribution Investments Limited (formerly Western Power Distribution Investments Limited)	Investment company	100%
National Grid Electricity Distribution Limited (formerly WPD Limited) ^	Property management	100%
WPD Smart Metering Limited (disposed subsequent to the year end on 1 June 2022)	Electricity metering	100%
National Grid Electricity Distribution Property Investments Limited (formerly WPD Property Investments Limited)	Property management	100%
<u>Indirect subsidiaries:</u>		
Kelston Properties 2 Limited	Property management	100%
National Grid Electricity Distribution Generation Limited (formerly Western Power Generation Limited)	Power generation	100%
Sheet Road Management Company Limited	Property management	51%
South Wales Electricity Share Scheme Trustees Limited	Trustee company	100%
<u>Indirect dormant entities:</u>		
Central Networks Trustees Limited	Dormant	100%
Hyder Profit Sharing Trustees Limited	Dormant	100%
Meter Operator Services Limited (dissolved on 17 May 2022)	Dormant	100%
Meter Reading Services Limited (dissolved on 17 May 2022)	Dormant	100%
Western Power Pension Trustee Limited	Dormant	100%
WPD Limited	Dormant	100%
WPD Share Scheme Trustees Limited	Dormant	100%
WW Share Scheme Trustees Limited	Dormant	100%

^ Incorporated in Guernsey

Notes to the financial statements (continued)

For the year ended 31 March 2022

9. Investments (continued)

All undertakings are registered in England and Wales unless stated.

Except for Aztec Insurance Limited and National Grid Electricity Distribution Limited (formerly WPD Limited), the registered office of all subsidiary undertakings is Avonbank, Feeder Road, Bristol BS2 0TB. The registered office for Aztec Insurance Limited is Marsh Management Services Limited, PO Box 34, St Martins House, Le Bordage, St Peters Port, Guernsey, GY1 4AU and for National Grid Electricity Distribution Limited (formerly WPD Limited) is Elizabeth House, Les Ruettes Brayes, St Peters Port, Guernsey, GY1 1EW.

All holdings are in ordinary shares.

10. Debtors - amounts falling due within one year

	2022 £m	2021 £m
Group tax relief payable	1.5	2.4
Amounts owed by NGED undertakings	0.4	-
	1.9	2.4

11. Creditors - amounts falling due within one year

	2022 £m	2021 £m
Amounts owed to NGED undertakings	339.0	413.6

Amounts owed to NGED undertakings include intercompany notes of £334.8m (2021: £408.3m) due to WPD WEM Limited together with accrued interest of £4.2m (2021: £5.3m) thereon. This note accrues interest at a fixed rate of 4.25% per annum, is unsecured and is repayable on demand.

12. Share capital

Issued and fully paid:

Ordinary shares of £1 each

	Number	£m
At 1 April 2021 and 31 March 2022	1,214,454,020	1,214.5

Preferred ordinary shares of £1 each

	Number	£m
At 1 April 2021 and 31 March 2022	595,498,920	595.5

Notes to the financial statements (continued)

For the year ended 31 March 2022

12. Share capital (continued)

The preferred ordinary shares have at least 10% of voting rights.

The preferred ordinary shares, subject to approval of the directors, are entitled to a preferred ordinary dividend of £0.1653 per share.

On liquidation or other distribution of assets, after payment of all liabilities, the preferred ordinary shares are entitled to an amount equal to £2.8749 on each preferred ordinary share.

13. Events after the reporting period

Subsequent to the year end, no dividend has been paid or proposed by the directors.

On 1 June 2022, the NGED Group concluded the sale of WPD Smart Metering Limited, a subsidiary business of the Company. The investment in WPD Smart Metering Limited is not accounted for as assets held for sale as at 31 March 2022 as there was no committed plan to sell the asset at that date.

On 20 September 2022, the name of the Company was changed from WPD Distribution Network Holdings Limited to National Grid Electricity Distribution Network Holdings Limited.

14. Parent undertakings

The immediate parent undertakings of the Company is National Grid Electricity Distribution Investment Holdings Limited (formerly WPD Investment 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:

National Grid Electricity Distribution Network Holdings Limited (formerly WPD Distribution Network Holdings Limited)

Avonbank
Feeder Road
Bristol BS2 0TB

Registered number 08857746

Telephone: 0117 933 2000
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