Registered Number: 09172857

PPL WPD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2020

PPL WPD Limited

Contents

Strategic report

For the year ended 31 March 2020

The directors present their annual report and the audited financial statements of PPL WPD Limited (the 'Company'), company number 09172857, for the year ended 31 March 2020.

Ownership

PPL WPD Limited (the 'Company') is a wholly-owned subsidiary of PPL UK Resources Limited which is owned by PPL Corporation, an electricity utility holding company of Allentown, Pennsylvania, the United States of America ('USA'). The principal activity of PPL UK Resources Limited and its subsidiaries (the 'WPD Group') is the distribution of electricity in the South West and Midlands regions in England and in South Wales.

Principal activities and business review

The principal activities of the Company are:

- to make and hold investments; and,
- to take full financial responsibility for the Western Power Utilities Pension Scheme ('WPUPS'), a UK self-administered defined benefit scheme. Western Power Distribution (South Wales) plc ('WPD South Wales') is the principal employer for WPUPS and the Company reimburses WPD South Wales for the contributions it pays to WPUPS. The value of the reimbursement agreement is stated in the balance sheet under fixed assets and matches the surplus in the scheme recorded in WPD South Wales. As a result the Company accounts for the reimbursement asset under International Accounting Standard 19 - Employee Benefits ('IAS 19').

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

	2020	2019
	£m	£m
Profit before tax (page 13)	**201.7**	297.4
Investments (note 9)	**2,716.1**	2,716.1
Number of active subsidiary companies (note 9)	**22**	23

Profit during the year decreased by £95.7m due to decline in investment income. The Company received dividend income of £200.1m from PPL WPD Investments Limited during the current year as compared to £300.2m in prior year.

One indirect subsidiary, WPD Investments Limited, was liquidated in the current year, thus the number of active subsidiaries during the year reduced from 23 to 22. The carrying value of investments mainly pertains to the trading subsidiaries and therefore remained consistent with previous year.

Principal risks and uncertainties

The principal risk is that the Company's investments in its 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 these businesses are included within the Strategic report of the WPD Group.

In addition, through its defined benefit pension plan, the Company is exposed to a number of risks, which are detailed in note 13 on page 27

Impact of Brexit

Following the European Union referendum vote on 23 June 2016, the UK formally left the EU on 31 January 2020 and is currently in the transition period which ends on 31 December 2020. During the transition period there is continued uncertainty surrounding the outlook for the UK economy, which may potentially impact the Company's direct and indirect investment in WPD Group entities. A detailed Brexit assessment impact has been done at the WPD Group level and no significant risks have been identified. Disclosure in relation to this has been provided in the WPD Group consolidated financial statements. The Company will continue to carefully monitor the value of its investment.

Strategic report (continued)
For the year ended 31 March 2020

Principal risks and uncertainties (continued)

Impact of Brexit (continued)
Since all of the Company's revenue pertains to dividend income from WPD Group entities based within the UK, the Company's exposure to any financial risks and to risks from the EU market place is considered minimal.

Impact of Coronavirus 2019
Coronavirus 2019 ('COVID-19') is an infectious disease that was first identified in December 2019 in Wuhan, China. It has since spread globally, impacting the world economies and global financial markets.

The impact of the economic disruption due to COVID-19 on the Company's revenue is expected to be minimal as revenue solely pertains to dividend income from WPD Group entities. Since the primary business of the WPD Group is the distribution of electricity, the business of the Group is essential in keeping critical infrastructure assets operating safely and securely 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 operating companies within the WPD Group have a continuing licence obligation to be a sustainable business and provide essential services to society. Based on licence conditions and price control allowances, the Company is expected to have a continuing, stable stream of revenue.

In light of the COVID-19 pandemic, the valuation of certain pension assets has been identified as an additional area of estimation uncertainty that impacts the businesses. Due to uncertainty in the markets, property valuations by independent valuers have been reported on the basis of material valuation. However the Company does not have any pension assets invested in property/real estate. Majority of the Company's pension assets are invested in government bonds.

In valuation of pension liabilities, the discount rate used is based on interest rates of relevant high quality corporate bonds. The increase in discount rates due to the global COVID-19 outbreak has been accompanied by a fall in inflation expectations, thus resulting in an overall surplus on the Company's defined benefit scheme of £149.4m.

The long term mortality rates may also be impacted to some extent by COVID-19 but due to uncertainty surrounding the outbreak, the impact is currently unclear and therefore has been excluded from life expectancy assumptions used in the valuation of pension liabilities.

See Note 13 on page 27 for further details and information on sensitivities in relation to discount rate and mortality rate.

Further, a detailed risk assessment of COVID-19 has been performed at the WPD Group level and disclosure in relation to this has been provided in the WPD Group consolidated financial statements

Future developments
There are no plans to change the principal activities of the Company in the foreseeable future.

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

Section 172 statement
Refer to page 3 below for our Section 172 statement.

I.R.Wi

IR Williams
Director

4 December 2020

Section 172 statement

For the year ended 31 March 2020

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 WPD 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 WPD Group and therefore the strategy of the Company is directly linked to the strategy and goals of the WPD Group. The Board is focused on ensuring that its investment in the WPD Group continues to generate a stable investment income for the ultimate shareholder i.e. PPL Corporation.

The main business activity of the WPD Group is distribution of electricity within the South West, South Wales and the Midlands and the Board is focused on ensuring that the WPD 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 WPD Group. The directors devolve day-to-day management and decision-making to the senior management team of the WPD Group. Two directors of the Company are also executive directors of the WPD 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 WPD 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 WPD Group expects managers and employees to operate. These policies represent one of the means through which decisions on stakeholder interests within WPD 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 WPD Group as it is incidental to their roles elsewhere in the WPD Group.

For details in relation to employee interests of the WPD Group, refer to the Strategic report and Corporate governance statement in the Western Power Distribution Plc Annual report and Consolidated Financial Statements, available at the below link:

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

Stakeholder engagement

Our key stakeholders are the customers, employees, regulators and suppliers of the WPD Group and our ultimate single shareholder, PPL Corporation.

The Company actively engages with and is committed to providing long term, sustainable value for PPL.

Stakeholder engagement (continued)
One director of the Company is part of PPL's senior management team and two directors of the Company are executive directors of the Western Power Distribution Plc Group. PPL's senior management has regular contact and dialogue with the directors of the Company and also with Board and senior management of the WPD Group. All key information is fed back to the PPL Board on a timely basis. Regular financial and regulatory update meetings are conducted with PPL's management team to provide updates on any key accounting, business, and legal issues.

The engagement with the customers, employees, regulators and suppliers of the WPD Group is conducted by the directors of Western Power Distribution Plc and the directors of each of the Distribution Network Operator ("DNO") companies within the WPD Group. Further details regarding these actions are provided within the 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 WPD 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 of WPD Group, engaged with over 40,000 stakeholders via a range of methods and delivered 300 improvement actions based on feedback received. These actions cover a variety of stakeholder groups including the important areas of vulnerable customers and smart networks. WPD Group has supported over 18,000 fuel poor customers in making annual savings of £6 million and proactively made contact over 1 million customers during power cuts.

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 directors are 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. The directors recognise the WPD Group's responsibility to operate in a way that minimises our impact on the environment, evident from the fact that environmental sustainability is one of the key goals of WPD Group.

Further details on corporate social responsibility and the environmental goals of the WPD Group are provided in the Strategic report of 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

Reputation for high standards of business conduct
The directors aspire for the WPD 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 WPD 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 WPD Group.

Details of the WPD Group's business conduct are provided in the Section 172 statement for 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 2020

Examples of key decisions during the year

During the year the Company paid a dividend of £200.0m (2019: $300.0m). In considering the capital distributions, the directors take account of the financial position of the Company, the strategic direction of the WPD Group and the interests of our ultimate shareholder i.e. PPL.

As part of the regulatory process for DNOs, the allowed rate of return is set by the regulator within each price control period; this is set at 6.4% in the current price control (April 2015 – March 2023). The DNOs within the WPD group reinvest a significant portion of their profits back into the network to ensure an efficient, reliable and environmentally sustainable network. In declaring the dividends, the directors, take into consideration any additional investment needs within the WPD Group along with the need to preserve a positive investor relationship by taking account of the views of the Company's ultimate shareholder i.e. PPL.

At the Company level, no key decisions during the year were taken. Key decisions during the year pertaining to the WPD Group have been discussed in detail in the Section 172 statement for 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 2020

The directors present their annual report and audited financial statements for the year ended 31 March 2020.

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:

IR Williams
V Sorgi (resigned 30 June 2019)
AJ Torok (appointed 1 July 2019 and resigned on 31 August 2020)
AW Elmore (appointed on 1 September 2020)

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 maintained by the WPD Group's ultimate parent, PPL Corporation. The insurance, which is third party qualifying indemnity 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.

Profits and dividends

The profit for the year ended 31 March 2020 was £201.7m (2019: £297.4m).

Dividends of £200.0m were paid during the year (2019: £300.0m).

Going concern

The directors have considered the appropriateness of adopting the going concern principle. This consideration included the overall position of the balance sheet which shows net current assets of £0.2m. The company has no current liabilities, and no liabilities due within 12 months of approval of the financial statements.

The Company is responsible for the Western Power Utilities Pension Scheme ('WPUPS'), a UK self-administered defined benefit scheme. WPD South Wales is the principal employer for WPUPS and the Company reimburses WPD South Wales for contributions it pays to WPUPS. The directors have taken into consideration the WPUPS reimbursement agreement in determining the going concern principle and concluded that this does not have an impact as no reimbursement payments are due within 12 months of approval of the financial statements, due to ongoing surplus on the scheme.

Impacts of COVID-19 have also been taken into consideration in arriving at this conclusion. For further details refer to the disclosure of impacts of COVID-19 as included in the Strategic report (page 2).

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.

Financial risk management

The principal risks relate to the WPUPS reimbursement agreement. Although currently in an asset position the Company must ensure that it has adequate financing available to meet any required obligations. This is achieved through planning with related parties and in particular WPD South Wales in relation to the reimbursement agreement.

Principal risks and uncertainties

Comments on the principal risks and uncertainties are included in the Strategic report (pages 1 and 2).

Future developments

Comment on future development is included in the Strategic report (page 2).

Directors' report (continued)
For the year ended 31 March 2020

Streamline energy and carbon reporting ('SECR')

The information below pertains to the WPD Group:

Total annual quantity of emissions using equivalent tonnes of carbon dioxide ("tCO_2e") - including own use

	tCO_2e		tCO_2e per employee	
	2020	2019	**2020**	2019
Scope 1 (direct emissions)				
Operational transport	**37,621**	32,215	**5.72**	4.85
SF6 gas	**9,005**	10,934	**1.37**	1.65
Fuel combustion (diesel / gas oil)	**9,249**	9,218	**1.41**	1.39
Buildings	**211**	246	**0.03**	0.04
	56,086	52,613	**8.53**	7.93
Scope 2 (energy indirect emissions)				
Buildings electricity	**5,289**	5,877	**0.80**	0.88
Substation electricity	**12,129**	17,260	**1.84**	2.60
WPD Telecoms	**804**	577	**0.12**	0.09
	18,222	23,714	**2.76**	3.57
Total scope 1 & 2	**74,308**	76,327	**11.29**	11.50
Scope 3 (other indirect emissions)				
Business transport	**3,606**	3,437	**0.55**	0.52
Total scope 1, 2 & 3	**77,914**	79,764	**11.84**	12.02

The WPD Group's chosen intensity measurement is tonnes of carbon dioxide equivalent per employee.

Aggregate in kWH of annual quantity of energy consumed for business activities and own use
Electricity energy consumed for the year to 31 March 2020 is kWH 23,259,982 (2019: kWH 22,800,569).

Gas energy consumed for the year to 31 March 2020 is kWH 1,150,183 (2019: kWH 1,149,182).

Energy consumed for helicopters for the year to 31 March 2020 is kWH 4,478,197 (2019: kWH 6,700,983).

Methodologies used in calculating energy and carbon reporting data
Our BCF details the impact that our operational activities have on the environment in terms of tCO2e emissions and takes account of our energy usage from offices, transport emissions (operational and business), fuel combustion and the release of greenhouse gases (SF6). The reported data for operational transport (road) and fuel combustion also takes account of a number of our larger contractor emissions as required under the Ofgem reporting requirements.

The data compiled and reported by the WPD Group follows a recognised methodology as described within international business carbon footprint standards, the Greenhouse Gas ("GHG") reporting protocol and ISO14064-1. ISO14064-1 specifies principles and requirements at the organisation level for quantification and reporting of GHG emissions and removals. Our published BCF data has been verified and data assured for accuracy and compliance with the standards detailed above.

Measures for increasing the WPD Group's efficiency during the year
During 2019/20, the WPD Group has implemented the following energy efficiency measures:

- replacement of older operational fleet vehicles with more fuel efficient alternatives and improving awareness of the impacts of driving style on fuel efficiency and vehicle emissions;
- continuing to trial and purchase electric operational fleet vehicles;

Streamline energy and carbon reporting ('SECR') (continued)

- installation of electric vehicle charging points at many of our non-operational depot sites for both fleet and employee owned electric vehicles;
- improvements to the reporting of SF6 gas leaks from our installed equipment and fully utilising the infrared SF6 detection cameras enabling us to quickly pinpoint the source of leaks;
- ensuring that all newly built WPD depots achieve the UK Building Research Establishment Environment Assessment Method ("BREEAM") standard of 'Excellent' as a minimum and that refurbished existing depots achieve the 'Very Good' standard;
- the on-going replacement with more modern and energy efficient heating and cooling systems throughout our property portfolio plus undertaking an energy efficiency review at many of our non-operational and operational sites including employee energy awareness campaigns.

Subsequent events

Subsequent to the year end, on 15 June 2020, the Company paid a dividend of £30.0m to PPL UK Resources Limited. The dividend paid is £1.2 pence per share.

On 10 August 2020, PPL publically announced its intention to sell its UK business (Western Power Distribution) and reposition PPL as a US focused utility. PPL aims to complete this process and announce a transaction in the first half of 2021.

Statement of disclosure to auditor

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

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

Independent auditor

Deloitte LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put before the Annual General Meeting.

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

IR Williams
Director

4 December 2020

PPL WPD 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 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.

Independent auditor's report to the member of PPL WPD Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of PPL WPD Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ('IASB'); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the member of PPL WPD Limited

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

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the member of PPL WPD Limited (continued)

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Delyth Jones.

Delyth Jones, (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor,
Bristol, United Kingdom

8 December 2020

Profit and loss account
For the year ended 31 March 2020

	Note	**2020 £m**	2019 £m
Operating expenses - pension costs	13	**(0.6)**	(4.6)
Operating loss		**(0.6)**	(4.6)
Income from investments	5	**200.1**	300.2
Net finance income relating to pensions and other post-retirement benefits	13	**2.2**	1.8
Profit before tax		**201.7**	297.4
Tax on profit	7	**-**	-
Profit for the financial year		**201.7**	**297.4**

All activities relate to continuing operations.

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

Statement of comprehensive income

For the year ended 31 March 2020

	Note	**2020** **£m**	2019 £m
Profit for the financial year		**201.7**	297.4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit pension plan			
Actuarial gain recognised in respect of the WPUPS reimbursement agreement	13	**49.8**	26.4
Actuarial gain recognised on the unfunded pension scheme	13	**0.2**	-
Other comprehensive income for the year, net of tax		**50.0**	26.4
Total comprehensive income for the year, net of tax attributable to equity holders of the parent		**251.7**	323.8

Balance sheet

As at 31 March 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investments:			
Shares in subsidiary undertakings	9	**2,716.1**	2,716.1
WPUPS reimbursement asset due after more than one year	10	**149.4**	97.9
Current assets			
Debtors	11	**0.2**	0.3
Net current assets		**0.2**	0.3
Total assets less current liabilities		**2,865.7**	2,814.3
Pension liability	13	**(2.9)**	(3.2)
Net assets		**2,862.8**	2,811.1
Capital and reserves			
Called-up share capital	12	**2,546.7**	2,546.7
Profit and loss account		**316.1**	264.4
Equity shareholder's funds		**2,862.8**	2,811.1

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

The financial statements of the Company (registered number 09172857) on pages 13 to 28 were approved and authorised for issue by the board of directors on 4 December 2020 and signed on its behalf by:

IR Williams
Director

Statement of changes in equity

For the year ended 31 March 2020

	Note	Called up share capital £m	Profit and loss account £m	Total £m
At 1 April 2018		**2,546.7**	**240.6**	**2,787.3**
Profit for the financial year		-	297.4	297.4
Other comprehensive income for the year		-	26.4	26.4
Total comprehensive income for the year		-	**323.8**	**323.8**
Dividends	8	-	(300.0)	(300.0)
At 31 March 2019		**2,546.7**	**264.4**	**2,811.1**
Profit for the financial year		-	201.7	201.7
Other comprehensive income for the year		-	50.0	50.0
Total comprehensive income for the year		-	**251.7**	**251.7**
Dividends	8	-	(200.0)	(200.0)
At 31 March 2020		**2,546.7**	**316.1**	**2,862.8**

Notes to the financial statements

For the year ended 31 March 2020

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

The financial statements of PPL WPD Limited (the 'Company') for the year ended 31 March 2020 were authorised for issue by the board of directors on 4 December 2020 and the balance sheet was signed on the board's behalf by IR Williams. PPL WPD Limited is a private company limited by shares incorporated in the UK and registered in England and Wales.

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

The financial statements have been 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 and related party transactions.

Where required, equivalent disclosures are given in the group financial statements of PPL Corporation, a company registered in USA. The group financial statements of PPL Corporation are available to the public and can be obtained as set out in Note 15.

The financial statements have been prepared on the historical cost basis. 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 million pounds (£m) except when otherwise indicated.

The principal accounting policies adopted are set out below.

Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This is discussed further within the Directors' report (page 6).

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 PPL Corporation. These financial statements therefore present information about the Company and not the PPL WPD Limited group.

Impact of new International Financial Reporting Standards

The following new standards are effective for accounting periods beginning on or after 1 January 2019:

<u>IFRS 16</u>

IFRS 16 "Leases" supersedes the current lease guidance including IAS 17 "Leases" and the related interpretations and is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 provides comprehensive guidance for the identification of lease arrangements for both lessee and lessor and a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, are accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset and unwinding of lease liability using an appropriate discount rate over the lease term.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. Significant accounting policies (continued)

Impact of new International Financial Reporting Standards (continued)

IFRS 16 (continued)

The Company has assessed the impact of this standard and concluded that there has been no material change to the Company's financial statements.

IFRIC 23

IFRIC 23 "Uncertainty over Income Tax Treatments" is effective for annual periods beginning on or after 1 January 2019 and aims to clarify the accounting for uncertainties in income taxes. IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 "Income Taxes".

The Company has assessed the impact of this standard and concluded that there has been 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 shareholder's 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.

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.

Deferred 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 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 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 tax assets is reviewed at each balance sheet date. Deferred 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 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.

2. Significant accounting policies (continued)

Financial assets
Financial assets are classified as debt instruments at amortised cost; debt instruments at 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 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 debtors.

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. WPD 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 WPD undertakings, repayable on demand and therefore 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.

Investments - shares
Investments in shares in subsidiary undertakings 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 cost to sell and value in use. The impairment, if any, is charged to the profit and loss account.

Pension reimbursement costs
The Company has taken full financial responsibility for the Western Power Utilities Pension Scheme ('WPUPS'), a UK self-administered defined benefit scheme. WPD South Wales is the principal employer for WPUPS and the Company reimburses WPD South Wales for contributions it pays to WPUPS. The value of the reimbursement agreement is stated in the balance sheet under fixed assets and matches the surplus in the scheme recorded in WPD South Wales under International Accounting Standard 19 - Employee Benefits ('IAS19'). In accordance with IAS19, past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognised immediately when the Company becomes committed to a change; there are no active members and thus no current service costs.

Notes to the financial statements (continued)
For the year ended 31 March 2020

2. Significant accounting policies (continued)

Pension reimbursement costs (continued)
Net interest expense related to pension benefits represents the net change in the present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year. Net interest expense relating to pension benefits is recognised in the profit and loss account.

Remeasurements of the net defined benefit liability or asset, comprising actuarial gains or losses, and the return on plan assets (excluding amounts included in net interest described above) are recognised within other comprehensive income in the year in which they occur. Further information on pension arrangements is set out in Note 13.

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.

Dividends
Dividend distributions are recognised as 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.

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.

Pension obligations
The Company has a commitment, through the Western Power Utilities Pension Scheme ('WPUPS'), to pay pension benefits. The cost of these benefits and the present value of the Company's pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees and the discount rate at which the future pension payments are discounted. Based on advice from external actuaries, the Company uses estimates for all these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and management's judgement regarding future expectations.

The discount rate used is based on interest rates of relevant high quality corporate bonds. The increase in discount rates due to the global COVID-19 outbreak has been accompanied by a fall in inflation expectations, thus resulting in an overall surplus on the Company's defined benefit scheme of £149.4m.

The long term mortality rates may also be impacted to some extent by COVID-19 but due to uncertainty surrounding the outbreak, the impact is currently unclear and therefore has been excluded from life expectancy assumptions used in the valuation of pension liabilities.

See Note 13 for further details and information on sensitivities.

Notes to the financial statements (continued)

For the year ended 31 March 2020

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

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. Operating expenses

Operating expenses comprise an allocation of a management charge from an affiliate. This includes an audit fee of £2,200 (2019: £2,100) for the audit of these financial statements. There were no non-audit fees in the current or prior year.

5. Income from investments

The Company received dividends of £200.1m from PPL WPD Investments Limited in the current year (2019: £300.2m from PPL WPD Investments Limited).

6. Employees and directors

The directors did not receive remuneration in either year for their services as directors of the Company as these are incidental to their roles elsewhere in the group. The Company did not employ any staff in the year.

7. Tax on profit

There was no current or deferred tax recognised in the profit and loss account in either year.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 19% (2019: 19%) as follows:

	2020 £m	2019 £m
Profit before tax	**201.7**	297.4
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**38.3**	56.5
Effects of:		
Group income	**(38.0)**	(57.0)
(Income)/expenses not deductible for tax purposes	**(0.3)**	0.5
Total tax expense	**-**	-

There was no tax recognised in other comprehensive income.

WPD South Wales is principal employer to the Western Power Utilities Pension Scheme ('WPUPS') and is entitled to claim tax relief on contributions to WPUPS. WPD South Wales is also entitled to claim tax relief on contributions to the unfunded scheme. Consequently, no deferred tax asset is recorded in these Company financial statements.

The Finance Act 2016 reduced the standard rate of corporation tax to 17% from 1 April 2020 and as this rate was enacted at 31 March 2019 it was used in the prior year to calculate the provision for deferred tax with respect to those temporary differences that were expected to reverse after the effective date. This rate reduction has been reversed by the Finance Bill 2020 and the rate will remain at 19% for the foreseeable future. This was substantively enacted on 17 March 2020 and the rate change has been reflected in the calculation of deferred tax for the current year.

Notes to the financial statements (continued)
For the year ended 31 March 2020

8. Dividends

	2020 £m	2019 £m
Dividends on equity shares:		
First interim - 4.9 (2019: 5.9) pence per share	**125.0**	150.0
Second interim - 2.9 (2019: 5.9) pence per share	**75.0**	150.0
Dividends paid	**200.0**	300.0

9. Investments

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2019 and 31 March 2020	**2,716.1**

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

Subsidiary undertakings	Principal activity	Proportion
Western Power Distribution (South West) plc	Electricity distribution	100%
Western Power Distribution (South Wales) plc	Electricity distribution	100%
Western Power Distribution (East Midlands) plc	Electricity distribution	100%
Western Power Distribution (West Midlands) plc	Electricity distribution	100%
Western Power Distribution plc	Investment company	100%
WPD Distribution Network Holdings Limited	Investment company	100%
PPL Island Limited	Investment company	100%
PPL WEM Limited	Investment company	100%
PPL Midlands Limited	Investment company	100%
PPL UK Investments Limited	Investment company	100%
Western Power Distribution Investments Limited	Investment company	100%
WPD Telecoms Limited	Telecommunications	100%
Western Power Generation Limited	Power generation	100%
WPD Property Investments Limited	Property management	100%
Kelston Properties 2 Limited	Property management	100%
Aztec Insurance Limited ^	Insurance	100%
South Western Helicopters Limited	Helicopter operator	100%
WPD Smart Metering Limited	Electricity metering	100%
WPD Midlands Properties Limited (in liquidation)	Investment company	100%
WPD Limited ^	Property management	100%
PPL WPD Investments Limited	Investment company	100%
WPD Investment Holdings Limited	Investment company	100%
Hyder Profit Sharing Trustees Limited	Dormant company	100%
WW Share Scheme Trustees Limited	Dormant company	100%
South Wales Electricity Share Scheme Trustees Limited	Dormant company	100%
Infralec 1992 Pension Trustee Limited	Dormant company	100%
WPD Midlands Networks Contracting Limited	Dormant company	100%
Central Networks Trustees Limited	Dormant company	100%
WPD Share Scheme Trustees Limited	Dormant company	100%
Western Power Pension Trustee Limited	Dormant company	100%
WPD Limited	Dormant company	100%

Notes to the financial statements (continued)
For the year ended 31 March 2020

9. Investments (continued)

Subsidiary undertakings	Principal activity	Proportion
Meter Reading Services Limited	Dormant company	100%
Meter Operator Services Limited	Dormant company	100%
Hyder Limited (in liquidation)	Dormant company	100%

^ Incorporated in Guernsey.

All undertakings are registered in England and Wales unless stated.

Except for Aztec Insurance Limited and 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 WPD Limited is Elizabeth House, Les Ruettes Brayes, St Peters Port, Guernsey, GY1 1EW.

Except for PPL WPD Investments Limited which is owned 100% directly, all shares are held by subsidiary undertakings. All holdings are in ordinary shares.

10. WPUPS reimbursement asset

	Reimbursement agreement re Western Power Utilities Pension Scheme ('WPUPS') (Note 13) £m
Asset as at 1 April 2019	97.9
Additional provision during the year	1.7
Remeasurements during the year	49.8
Asset as at 31 March 2020	**149.4**

11. Debtors

	2020 £m	2019 £m
Amounts owed by other WPD undertakings	**0.2**	0.3

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

12. Called-up share capital

	2020 £m	2019 £m
Allotted, called-up and fully paid:		
2,546,747,355 ordinary shares of £1 each	**2,546.7**	2,546.7

All shares are held by PPL UK Resources Limited.

Notes to the financial statements (continued)

For the year ended 31 March 2020

13. Western Power Utilities Pension Scheme reimbursement agreement and unfunded pension arrangement

The Company has taken full financial responsibility for the Western Power Utilities Pension Scheme ('WPUPS'), which is a defined benefit scheme providing benefits to previous employees of various Hyder group companies and was transferred from Hyder in April 2002. Hyder was acquired by an affiliate in 2000. WPD South Wales is the principal employer for WPUPS. The assets of the scheme are held separately from those of that company in trustee administered funds. Under the reimbursement agreement, the Company reimburses WPD South Wales for contributions it pays to WPUPS. The reimbursement agreement is presented in the balance sheet under non-current assets (Note 10) and is measured in accordance with International Accounting Standard 19 - Employee Benefits ('IAS 19') and therefore matches the net asset in the scheme recorded in WPD South Wales under IAS 19 as detailed below. WPUPS is closed to active members.

The Company also has an unfunded pension obligation which relates to previous executives of Hyder. The Company's liability under the unfunded arrangement is presented in the balance sheet as a pension liability.

The amounts recognised in the balance sheet of WPD South Wales for WPUPS and in the Company's balance sheet for the unfunded arrangement are as follows:

The amounts recognised in the balance sheet are determined as follows:

	2020 WPUPS £m	**2020 Unfunded £m**	**2020 Total £m**	2019 WPUPS £m	2019 Unfunded £m	2019 Total £m
Present value of obligations	**476.0**	**2.9**	**478.9**	525.3	3.2	528.5
Fair value of scheme assets	**(625.4)**	**-**	**(625.4)**	(623.2)	-	(623.2)
(Surplus)/deficit of funded plan and (asset)/ liability recognised in the balance sheet	**(149.4)**	**2.9**	**(146.5)**	(97.9)	3.2	(94.7)

Analysis of the amount charged to profit before taxation:

	2020 WPUPS £m	**2020 Unfunded £m**	**2020 Total £m**	2019 WPUPS £m	2019 Unfunded £m	2019 Total £m
Administrative costs	**0.6**	**-**	**0.6**	0.4	-	0.4
Past service cost and gains and losses on settlement*	**-**	**-**	**-**	4.2	-	4.2
Operating charge relating to defined benefit plans	**0.6**	**-**	**0.6**	4.6	-	4.6
Interest income on plan assets	**(14.4)**	**-**	**(14.4)**	(15.2)	-	(15.2)
Interest on plan liabilities	**12.1**	**0.1**	**12.2**	13.3	0.1	13.4
Other finance (income)/expense	**(2.3)**	**0.1**	**(2.2)**	(1.9)	0.1	(1.8)

* Following the High Court ruling in October 2018, a Guaranteed Minimum Pension ("GMP") equalisation is required and various methods are permissible for the same. £4.2m represents the Company's estimate of the likely additional pension liabilities using the default Method C2 for equalising for the effect of GMP.

Notes to the financial statements (continued)
For the year ended 31 March 2020

13. Western Power Utilities Pension Scheme reimbursement agreement and unfunded pension arrangement (continued)

Analysis of the amount recognised in other comprehensive income:

	2020 WPUPS £m	**2020 Unfunded £m**	**2020 Total £m**	2019 WPUPS £m	2019 Unfunded £m	2019 Total £m
Return on plan assets excluding amounts included in interest income	**(13.5)**	**-**	**(13.5)**	(33.6)	-	(33.6)
Loss/(gain) from change in demographic assumptions	**5.4**	**-**	**5.4**	(18.6)	-	(18.6)
(Gain)/loss from change in financial assumptions	**(22.6)**	**(0.2)**	**(22.8)**	26.6	-	26.6
Experience gains	**(19.1)**	**-**	**(19.1)**	(0.8)	-	(0.8)
Remeasurements recognised in other comprehensive (income)/loss	**(49.8)**	**(0.2)**	**(50.0)**	(26.4)	-	(26.4)

WPUPS	**Year ended 31 March 2020**			Year ended 31 March 2019		
	Present value of obligation £m	**Fair value of plan assets £m**	**Total £m**	Present value of obligation £m	Fair value of plan assets £m	Total £m
Liability/(asset) at 1 April	**525.3**	**(623.2)**	**(97.9)**	530.2	(604.4)	(74.2)
Administrative costs	**0.6**	**-**	**0.6**	0.4	-	0.4
Interest expense/(income)	**12.1**	**(14.4)**	**(2.3)**	13.3	(15.2)	(1.9)
Past service cost and gains and losses on settlement	**-**	**-**	**-**	4.2	-	4.2
	12.7	**(14.4)**	**(1.7)**	17.9	(15.2)	2.7
Remeasurements:						
Return on plan assets excluding amounts included in interest income	**-**	**(13.5)**	**(13.5)**	-	(33.6)	(33.6)
Loss/(gain) from change in demographic assumptions	**5.4**	**-**	**5.4**	(18.6)	-	(18.6)
Gain/(loss) from change in financial assumptions	**(22.6)**	**-**	**(22.6)**	26.6	-	26.6
Experience gains	**(19.1)**	**-**	**(19.1)**	(0.8)	-	(0.8)
	(36.3)	**(13.5)**	**(49.8)**	7.2	(33.6)	(26.4)
Payments from plan:						
Benefit payments	**(25.1)**	**25.1**	**-**	(29.6)	29.6	-
Administrative costs	**(0.6)**	**0.6**	**-**	(0.4)	0.4	-
	(25.7)	**25.7**	**-**	(30.0)	30.0	-
Liability/(asset) at 31 March	**476.0**	**(625.4)**	**(149.4)**	525.3	(623.2)	(97.9)

13. Western Power Utilities Pension Scheme reimbursement agreement and unfunded pension arrangement (continued)

The significant actuarial assumptions made were as follows:

	2020 WPUPS %	2019 WPUPS %
RPI inflation	**2.60**	3.15
CPI inflation	**2.00**	2.05
RPI-linked pension increases	**2.60**	3.15
CPI-linked pension increases	**2.00**	2.05
Post-88 GMP pension increases	**1.85**	1.90
Discount rate for scheme liabilities	**2.31**	2.36

Assumptions relating to future mortality are set based on actuarial advice in accordance with published statistics and experience. The impact of the COVID-19 outbreak on long term mortality trends is currently unclear and therefore has not been included in mortality assumptions. These assumptions translate into an average life expectancy in years for a member at age 60:

WPUPS

	31 March 2020	31 March 2019
Mortality table adopted	*** with CMI 2018 core projections and a 1.0% per annum long-term improvement rate**	Pensions <£25,500 pa at 31/3/16: 111% (else 78%) of S2NXA base tables with CMI 2018 core projections and a 1.0% per annum long-term improvement rate
Life expectancy for a male currently aged 60	**26.0**	25.3
Life expectancy for a female currently aged 60	**28.4**	27.9
Life expectancy at 60 for a male currently aged 40	**27**	26.4
Life expectancy at 60 for a female currently aged 40	**29.6**	28.7

* Male non-pensioners: 105% of S3PMA base tables, female non-pensioners: 97% of S3PFA_middle base tables, male pensioners: 103% of S3PMA base tables, female pensioners: 96% of S3PFA_middle base tables.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Change in assumption %	Impact on defined benefit obligation WPUPS £m
Discount rate	+/-0.50%	+32.6/-29.9
RPI inflation	+/-0.50%	+27.9/-23.7
Life expectancy	+ 1 year	+20.7

13. Western Power Utilities Pension Scheme reimbursement agreement and unfunded pension arrangement (continued)

The above sensitivity analysis on the discount rate is based on a change in that assumption while holding all other assumptions constant. The change in RPI inflation assumption impacts on the salary increases, CPI assumption, revaluation in deferment and pension increase assumptions. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the balance sheet.

WPUPS scheme assets are comprised as follows:	**31 March 2020**		31 March 2019	
	Total £m	**Of which not quoted in an active market £m**	Total £m	Of which not in an active market £m
Equities	**72.4**	**-**	226.5	-
Government bonds	**552.2**	**-**	395.6	-
Other	**0.8**	**-**	1.1	-
Total	**625.4**	**-**	623.2	-

There is nil self-investment in any of the schemes.

Through its defined benefit pension plans, the WPD Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of growth assets (e.g. equities) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The allocation to growth assets is monitored such that it is suitable with the schemes' long-term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the schemes' liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.
Life expectancy	The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The scheme uses government bonds and cash as matching assets. The remainder of assets are used as growth assets.

The results of the 31 March 2019 funding valuation showed that WPUPS was in surplus on the ongoing funding basis. As a result, no deficit contributions are required, and the expected employer contributions to the scheme for the year ending 31 March 2021 are nil.

The weighted average duration of the defined benefit obligation is around 13 years for WPUPS.

14. Events after the reporting period

Subsequent to the year end, on 15 June 2020, the Company paid a dividend of £30.0m to PPL UK Resources Limited. The dividend paid is £1.2 pence per share.

On 10 August 2020, PPL publically announced its intention to sell its UK business (Western Power Distribution) and reposition PPL as a US focused utility. PPL aims to complete this process and announce a transaction in the first half of 2021.

Subsequent to the year end the COVID-19 situation continues to unfold. We have outlined the details of the impacts of COVID-19 on the Company and its liquidity and going concern in the Strategic report (Page 2) and Directors' report (Page 6).

15. Ultimate parent undertaking

The immediate parent undertaking of the Company is PPL UK Resources Limited, which is registered in England and Wales.

The smallest and 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 financial statements may be obtained from their registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, USA.

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