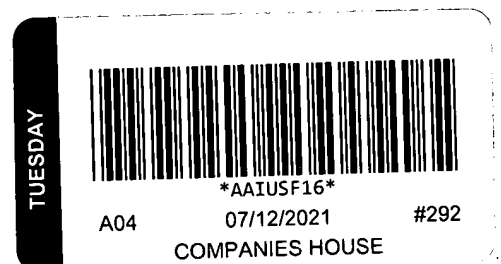


Registered Number: 10991462

WESTERN POWER DISTRIBUTION HOLDING COMPANY LIMITED
(formerly PPL WPD INVESTMENTS LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2021



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Strategic report

For the year ended 31 March 2021

The directors present their annual report and the audited financial statements of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited) (the "Company") (registered number 10991462) for the year ended 31 March 2021.

Ownership

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

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

Subsequent to the sale transaction on 14 June 2021, the Company is a wholly-owned subsidiary of National Grid Holdings One Plc.

Principal activity and business review

The principal activity of the Company is to make and hold investments.

During the year, the Company took on full financial responsibility, from PPL WPD (the parent undertaking), 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. 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 transfer from PPL WPD to the Company occurred on 10 March 2021. On the date of transfer, the pension scheme reflected a surplus position and thus the transfer of the pension asset from PPL WPD to the Company created a capital contribution reserve of £101.2m as at 31 March 2021.

As at 31 March 2021, the value of the reimbursement agreement is stated in the balance sheet under non-current assets and matches the surplus in the scheme recorded in WPD South Wales. The Company accounts for the reimbursement asset under International Accounting Standard 19 - Employee Benefits ("IAS 19").

During the year, the unfunded pension obligation relating to previous executives of Hyder, was also transferred from PPL WPD to the Company. The unfunded liability amounts to £3.1m as at 31 March 2021.

On 2 March 2021, the Company reduced its share capital from £2,716.1m to £2,616.1m by written resolution supported by a solvency statement, cancelling and extinguishing 100,000,000 ordinary shares of £1 each. The balance of £100.0m was credited to the profit and loss reserve.

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

	2021 £m	2020 £m
Investments	2,716.1	2,716.1
Number of active subsidiary companies	21	21

Strategic report (continued)

For the year ended 31 March 2020

Principal activity and business review (continued)

The profit for the year ended 31 March 2021 was £207.3m (2020: £200.1m).

The dividend income during the year increased by £21.1m from £200.1m during the year ended 31 March 2020 to £221.2m during the year ended 31 March 2021. This increase was offset by a foreign exchange loss of £14.2m in relation to the transfer of a USD denominated Eurobond from Western Power Distribution Plc, the Company's direct wholly-owned subsidiary, as a dividend in specie.

Cash dividends of £60.2m was paid during the year (2020: £200.1m).

A dividend in specie of £150.0m was paid during the year (2020: £nil).

Principal risks and uncertainties

Investment in subsidiaries

The principal risk is that the Company's investment 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 Western Power Distribution plc.

In addition, through its defined benefit pension plan, the Company is exposed to a number of risks, which are detailed in note 13 on pages 26 to 29.

Impact of Brexit

Following the European Union referendum vote on 23 June 2016, the UK formally left the EU on 31 January 2020, with the transition period ending on 31 December 2020. Brexit did not materially impact the Company. 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 ("COVID-19")

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

The impact of economic disruption on the Company's revenue is expected to be minimal. Revenue mainly consists of dividend income received from Western Power Distribution plc, which indirectly owns the WPD Group's operating companies. The WPD Group's operating companies are Distribution Network Operators ("DNOs") across four regions i.e. South West, South Wales, East Midlands and West Midlands. DNOs are 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 of the WPD Group, the Company is expected to have a continuing, stable stream of revenue.

A detailed risk assessment of COVID-19 has been done at the WPD Group level and disclosure in relation to this has been provided in the WPD Group consolidated financial statements.

Strategic report (continued)

For the year ended 31 March 2020

Future developments

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

Section 172 statement

Refer to page 4 below for our Section 172 statement.

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

A handwritten signature in black ink, appearing to read 'I.R. Williams', with a long horizontal stroke extending to the right.

IR Williams
Director

12 November 2021

Section 172 statement

For the year ended 31 March 2021

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.

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 the 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 single shareholder.

Section 172 statement (continued)

For the year ended 31 March 2021

Stakeholder engagement (continued)

The Company actively engages with and is committed to providing long term, sustainable value for the WPD Group. Two directors of the Company are executive directors of the WPD Group. WPD 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 WPD Board on a timely basis.

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, despite the restrictions on in-person events, engaged with over 37,000 (2020: 40,000) stakeholders via a range of methods and delivered 356 (2020: 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. The WPD Group has supported over 22,000 fuel poor customers in making annual savings of £10 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. WPD 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 WPD Group's commitments within RIIO-ED2 is reducing internal carbon footprint to net zero by 2028 (excluding network losses), 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 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 2021

Examples of key decisions during the year

During the year the Company paid cash dividends of £60.2m (2020: £200.1m). 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 WPD Group.

As part of the regulatory process, Ofgem sets the allowed rate of return within each price control period. Ofgem set WPD's cost of equity at 6.4% for RIIO-ED1. 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. 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 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 2021

The directors present their annual report and the audited 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 were:

IR Williams

P Swift (appointed on 14 June 2021)

AW Elmore (appointed on 1 September 2020 and resigned 14 June 2021)

AJ Torok (resigned on 31 August 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 third party qualifying insurance and is now maintained by the WPD 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.

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 assets of £2.8bn. 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

Comment on financial risk management is included in the Strategic report (page 2).

Principal risk and uncertainties

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

Future developments

Comment on future developments is included in the Strategic report (page 3).

Directors' report (continued)

For the year ended 31 March 2021

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 ("tCO₂e") - including own use

	tCO ₂ e		tCO ₂ e per	
	2021	2020	2021	2020
Scope 1 (direct emissions)				
Operational transport	18,041	21,233	2.75	3.23
SF6 gas	8,678	9,005	1.32	1.37
Fuel combustion (diesel / gas oil)	2,750	3,181	0.42	0.48
Buildings	216	211	0.03	0.03
	<u>29,685</u>	<u>33,630</u>	<u>4.53</u>	<u>5.13</u>
Scope 2 (energy indirect emissions)				
Buildings electricity	4,575	5,289	0.70	0.80
Substation electricity	14,198	12,129	2.17	1.84
WPD Telecoms	575	804	0.09	0.12
	<u>19,348</u>	<u>18,222</u>	<u>2.94</u>	<u>2.76</u>
Total scope 1 & 2	<u>49,033</u>	<u>51,852</u>	<u>7.47</u>	<u>7.88</u>
Scope 3 (other indirect emissions)				
Business transport	1,558	3,606	0.24	0.55
Operational transport (contractors)	8,427	16,388	1.29	2.49
Fuel combustion (diesel / gas oil) (contractor)	6,056	6,068	0.92	0.92
	<u>65,074</u>	<u>77,914</u>	<u>9.92</u>	<u>11.84</u>

The 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 2021 is kWh 22,093,087 (2020: kWh 23,259,982).

Gas energy consumed for the year to 31 March 2021 is kWh 1,177,215 (2020: kWh 1,150,183).

Energy consumed for helicopters for the year to 31 March 2021 is kWh 4,181,588 (2020: kWh 4,478,197).

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 tonnes of equivalent carbon dioxide ("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") carbon reporting guidance as provided by BEIS / DEFRA, the 2020 UK Government GHG Conversion Factors for company reporting and ISO14064-3. The emission-releasing activities are categorised into three groups known as scopes. Each activity is listed as either Scope 1, Scope 2 or Scope 3.

Directors' report (continued)

For the year ended 31 March 2021

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

Methodologies used in calculating energy and carbon reporting data (continued)

- Scope 1 (direct emissions) emissions are those from activities owned or controlled by the Group. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, generators and vehicles; and releases of fugitive emissions, for example SF6.
- Scope 2 (energy indirect) emissions are those released into the atmosphere that are associated with consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of the Group's energy use, but occur at sources that the Group do not own or control. Network losses are identified by Ofgem as being Scope 2 emissions (pending clarification from Ofgem).
- Scope 3 (other indirect) emissions are a consequence of the Group's activities that occur at sources that are not controlled by the Group and are not classed as Scope 2 emissions. Examples of Scope 3 emissions include business travel by means not owned or controlled by the Group, water supply and materials / services that the Group purchases.

Measures for increasing the Group's efficiency during the year

During 2020/21, the Company 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;
- 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; and
- 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 April 2021, the Company paid a dividend of £140.0m to PPL WPD Limited. The dividend per share was 5 pence and was funded by investment income.

On 18 March 2021, PPL announced that it had reached an agreement to sell its UK investment, which includes the Company and its direct and indirect subsidiary undertakings, to National Grid Plc. The transaction required National Grid Plc investor approval, which was received on 22 April 2021; following Guernsey Financial Services Commission and Financial Conduct Authority approval the transaction completed on 14 June 2021. As National Grid voluntarily referred the acquisition of the WPD Group to the Competition and Markets Authority ("CMA"), the CMA is currently undertaking a merger review which may take several months to complete.

Subsequent to the completion of transaction, on 14 June 2021, the name of the Company was changed from PPL WPD Investments Limited to Western Power Distribution Holding Company Limited.

Directors' report (continued)

For the year ended 31 March 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.

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:



Director.
IR Williams

12 November 2021

Western Power Distribution Holding Company Limited (formerly PPL WPD Investment Limited)

Avonbank
Feeder Road
Bristol
BS2 0TB

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.

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:



IR Williams
Director

12 November 2021

Independent auditor's report to the member of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited) (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (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 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 16.

The financial reporting framework that has been applied in their preparation is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

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

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

Other information

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

Independent auditor's report to the member of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited)

(continued)

Other information (continued)

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

We have nothing to report in 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.

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, Ofgem, HMR tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Independent auditor's report to the member of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited)
(continued)

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

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

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 Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited)

(continued)

Use of our report

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



Suzanne Gallagher, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

12 November 2021

Profit and loss account

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Other operating expenses		-	-
Operating loss		-	-
Income from investments		221.2	200.1
Foreign exchange loss	5	(14.2)	-
Profit before interest and tax		207.0	200.1
Net interest income relating to pensions and other post-retirement benefits	13	0.3	-
Profit before tax		207.3	200.1
Tax on profit	7	-	-
Profit for the year		207.3	200.1

All operations are continuing.

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

Statement of comprehensive income

For the year ended 31 March 2021

	Note	2021 £m	2020 £m
Profit for the financial year		207.3	200.1
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (loss)/gain on defined benefit pension plan			
Actuarial loss recognised in respect of the WPUPS reimbursement agreement	13	(3.1)	-
Actuarial gain recognised on the unfunded pension scheme	13	0.1	-
Other comprehensive loss for the year, net of tax		(3.0)	-
Total comprehensive income for the year, net of tax attributable to equity holders of the parent		204.3	200.1

Balance sheet
As at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Investments	9	2,716.1	2,716.1
WPUPS reimbursement asset due after more than one year	10	98.4	-
Total non-current assets		2,814.5	2,716.1
Reimbursement liability	13	(3.1)	-
Net assets		2,811.4	2,716.1
Capital and reserves			
Share capital	11	2,616.1	2,716.1
Capital contribution reserve	12	101.2	-
Profit and loss reserve		94.1	-
Equity shareholder's funds		2,811.4	2,716.1

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

The financial statements of the Company (registered number 10991462) on pages 16 to 31 were approved and authorised for issue by the Board of Directors on 12 November 2021 and were signed on its behalf by:



IR Williams
Director

Statement of changes in equity

For the year ended 31 March 2021

	Note	Capital contribution reserve £m	Share capital £m	Profit and loss reserve £m	Total £m
At 1 April 2019		-	2,716.1	-	2,716.1
Profit for the financial period		-	-	200.1	200.1
Total comprehensive income for the period		-	-	200.1	200.1
Dividends paid	8	-	-	(200.1)	(200.1)
At 31 March 2020		-	2,716.1	-	2,716.1
Profit for the financial year		-	-	207.3	207.3
Other comprehensive loss for the year	13	-	-	(3.0)	(3.0)
Total comprehensive income for the year		-	-	204.3	204.3
Share capital reduction	11	-	(100.0)	100.0	-
Capital contribution	12	101.2	-	-	101.2
Dividends paid	8	-	-	(210.2)	(210.2)
At 31 March 2021		101.2	2,616.1	94.1	2,811.4

Notes to the financial statements

For the year ended 31 March 2021

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

The financial statements of Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited) (the "Company") for the year ended 31 March 2021 were authorised for issue by the board of directors on 12 November 2021 and the balance sheet was signed on the board's behalf by IR Williams. The Company is a private company limited by shares, incorporated and registered in England and Wales. The registered address is included at Note 16.

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 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 the US. The group financial statements of PPL Corporation are available to the public and can be obtained as set out in Note 16.

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.

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 7).

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 Western Power Distribution Holding Company Limited (formerly PPL WPD Investments Limited) group.

Notes to the financial statements

For the year ended 31 March 2021

2. Significant accounting policies (continued)

Impact of New Financial Reporting Standards

The following new standards are effective for accounting periods beginning on or after 1 January 2020:

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

The Company has assessed the impact of these standards and concluded that these standards do not have any material impact on 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.

Taxation

The income tax expense (or credit) for the period comprises current and deferred tax. Income tax is recognised in the income statement unless it relates to an item that has been recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is measured at the amount expected to be payable (or recoverable) in respect of the taxable profit (or loss) for the period based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. This includes UK corporation tax payable to HM Revenue and Customs ("HMRC") and amounts payable to (or receivable from) other UK group companies for losses and other amounts transferred between them ("group relief").

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 tax is the tax expected to be payable (or recoverable) in future periods due to differences between the time when profits and losses are recognised in the financial statements and the time when those profits and losses are included in tax returns filed with HMRC. These temporary differences arise in the current period and then reverse in future periods. The temporary differences are calculated by comparing the carrying value of assets and liabilities at the balance sheet date with their corresponding tax bases included in tax returns.

Deferred tax is recognised on all temporary differences except:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the asset may be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the temporary differences will reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset only to the extent permitted by tax legislation.

Notes to the financial statements (continued)

For the year ended 31 March 2021

2. Significant accounting policies (continued)

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 costs 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 non-current 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.

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 have not been recorded following use of Group reconstruction relief.

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.

Notes to the financial statements (continued)

For the year ended 31 March 2021

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

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.

Despite the pandemic, the discount rate assumption during the current year has fallen from 2.31% to 2.01% and the RPI inflation rate assumption has increased from 2.60% to 3.20%. The discount rate as at 31 March 2020 was noticeably higher than the surrounding month ends, accompanied by a fall in inflation expectation. It is likely that this was as a result of the outset of the pandemic and early fears of corporate distress leading to higher credit spreads. As these fears reduced, the discount rates quickly reverted to the previous levels, resulting in an overall surplus on the Company's defined benefit schemes of £98.4m.

The long term mortality rates may also be impacted to some extent by COVID-19 but the future long term impact of COVID-19 on mortality trends is currently unclear and therefore has been excluded from life expectancy assumptions used in the valuation of pension liabilities. This is a conservative approach, as an increase in the mortality rate would reduce the pension liabilities and increase the surplus on the defined benefit plan.

See Note 13 for further details and information on sensitivities.

4. Audit fees

The operating costs include a management charge from an affiliate. This includes auditor's remuneration of £2,268 (2020: £2,200) for the audit of these financial statements. There were no non-audit fees in the current year.

5. Foreign exchange loss

During the year, the Company received a dividend in specie of £161.0m from its wholly-owned direct subsidiary, Western Power Distribution plc, comprising assignment of the benefit of \$200m loan note with PPL UK Resources. The Company transferred the USD denominated loan note to PPL WPD (the parent undertaking), as a dividend in specie of £146.8m and recorded an fx loss of £14.2m on transfer of the loan note.

6. Employees and directors

The directors did not receive remuneration in the 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

(a) Tax charged in the profit and loss account:

There was no tax charged in the profit and loss account in the current year or prior period.

Notes to the financial statements (continued)

For the year ended 31 March 2021

7. Tax (continued)

(b) Reconciliation of the total tax charge:

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2021 £m	2020 £m
Profit before tax	207.3	200.1
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	39.4	38.0
Effects of:		
Income not taxable for tax purposes	(39.4)	(38.0)
Current tax charge for the year	-	-

c) Change in Corporation Tax rate

The Finance (No.2) Bill 2021 published on 11 March 2021 increases the standard rate of corporation tax from 19% to 25% effective from 1 April 2023. This rate increase was not substantively enacted until 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

	2021 £m	2020 £m
Dividends on equity shares:		
Interim dividends: 2.2 pence per share (2020: 7.4 pence per share)	60.2	200.1
Dividends in specie: 5.5 pence per share (2020: nil)	150.0	-
	210.2	200.1

(i) The Company paid a dividend in specie of £146.8m during the year to PPL WPD, comprising assignment of the benefit of a \$200m loan note with PPL UK Resources Limited. The USD denominated loan note had been received during the year from a wholly-owned direct subsidiary, Western Power Distribution plc, as a dividend in specie of £161.0m. An fx loss of £14.2m was recorded on the transaction.

(ii) The Company paid a dividend in specie of £3.2m during the year to PPL WPD, comprising of the transfer of an unfunded pension obligation from PPL WPD to the Company.

Notes to the financial statements (continued)

For the year ended 31 March 2021

9. Investments

	Subsidiary undertakings £m
Cost and net book value	
At 31 March 2020 and 31 March 2021	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 Investment Holdings Limited	Investment company	100
WPD Distribution Network Holdings Limited	Investment company	100
WPD WEM Limited (formerly PPL WEM Limited)	Investment company	100
WPD Midlands Limited (formerly PPL Midlands Limited)	Investment company	100
WPD WEM Holdings Limited (formerly PPL UK Investments Limited)	Investment company	100
WPD Island Limited (formerly PPL Island limited)	Investment company	100
Western Power Distribution Investments Limited	Investment company	100
WPD Property Investments Limited	Property management	100
WPD Telecoms Limited	Telecommunications	100
South Western Helicopters Limited	Helicopter operator	100
WPD Smart Metering Limited	Electricity metering	100
Western Power Generation Limited	Power generation	100
Kelston Properties 2 Limited	Property management	100
Aztec Insurance Limited ^	Insurance	100
WPD Limited ^	Property management	100
Sheet Road Management Company Limited	Property management	51
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
Meter Reading Services Limited	Dormant company	100
Meter Operator Services Limited	Dormant company	100

^ Incorporated in Guernsey.

All undertakings are registered in England and Wales unless stated.

Except for Western Power Distribution plc, which is owned 100% directly, all shares are held by subsidiary undertakings. All holdings are in ordinary shares.

Notes to the financial statements (continued)

For the year ended 31 March 2021

9. Investments (continued)

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.

10. WPUPS reimbursement asset

	Reimbursement agreement re Western Power Utilities Pension Scheme ("WPUPS") (Note 13) £m
Transferred from parent undertaking*	101.2
Additional provision during the year	0.3
Remeasurements during the year	(3.1)
Asset as at 31 March 2021	98.4

*On 10 March 2021, as part of an intra-group reorganisation, the Company assumed the obligations under the WPUPS pension reimbursement agreement (see Note 13) from PPL WPD, the Company's parent, at a fair value of £101.2m.

11. Share capital

Issued and fully paid:

Ordinary shares of £1 each

	Number	£m
At April 1 2020	2,716,100,001	2,716.1
Capital reduction	(100,000,000)	(100.0)
At 31 March 2021	2,616,100,001	2,616.1

On 2 March 2021, the Company reduced its share capital from £2,716.1m to £2,616.1m by written resolution supported by a solvency statement, cancelling and extinguishing 100,000,000 ordinary shares of £1 each. The balance of £100.0m was credited to profit and loss reserve.

12. Capital contribution reserve

On 10 March 2021, the Company took on full financial responsibility, from PPL WPD (the parent undertaking), 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. 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. On the date of transfer from PPL WPD to the Company, the pension scheme reflected a surplus position and thus the transfer of the pension asset from PPL WPD to the Company created a non-cash capital contribution reserve of £101.2m as at 31 March 2021.

Notes to the financial statements (continued)

For the year ended 31 March 2021

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

The Company has taken full financial responsibility, from PPL WPD, 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 acquired an unfunded pension obligation from PPL WPD, which relates to previous executives of Hyder. The Company's liability under the unfunded arrangement is presented in the balance sheet as a reimbursement liability.

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

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

	2021 WPUPS £m	2021 Unfunded £m	2021 Total £m
Present value of obligations	509.9	3.1	513.0
Fair value of scheme assets	(608.3)	-	(608.3)
(Surplus)/deficit of funded plan and liability	(98.4)	3.1	(95.3)

Analysis of the amount charged to profit before taxation:

	2021 WPUPS £m	2021 Unfunded £m	2021 Total £m
Administrative costs	-	-	-
Past service cost and gains and losses on settlement	-	-	-
Operating charge relating to defined benefit plans	-	-	-
Interest income on plan assets	(2.1)	-	(2.1)
Interest on plan liabilities	1.8	-	1.8
Other finance income	(0.3)	-	(0.3)

Notes to the financial statements (continued)

For the year ended 31 March 2021

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

Analysis of the amount recognised in other comprehensive income:

	2021 WPUPS £m	2021 Unfunded £m	2021 Total £m
Loss on plan assets excluding amounts included in interest income	41.7	-	41.7
Loss from change in demographic assumptions	0.7	-	0.7
Gain from change in financial assumptions	(33.7)	(0.1)	(33.8)
Experience gains	(5.6)	-	(5.6)
Remeasurements recognised in other comprehensive loss/(income)	3.1	(0.1)	3.0

WPUPS

	Period ended 31 March 2021		
	Present value of obligation £m	Fair value of plan assets £m	Total £m
Opening liability/(asset) on date of transfer	552.9	(654.1)	(101.2)
Administrative costs	-	-	-
Interest expense/(income)	1.8	(2.1)	(0.3)
Past service cost & gains/losses on settlements	-	-	-
	1.8	(2.1)	(0.3)
Remeasurements:			
Loss on plan assets excluding amounts included in interest income	-	41.7	41.7
Loss from change in demographic assumptions	0.7	-	0.7
Gain from change in financial assumptions	(33.7)	-	(33.7)
Experience gains	(5.6)	-	(5.6)
	(38.6)	41.7	3.1
Payments from plan:			
Benefit payments	(6.1)	6.1	-
Administrative costs	(0.1)	0.1	-
	(6.2)	6.2	-
Liability/(asset) at 31 March	509.9	(608.3)	(98.4)

Notes to the financial statements (continued)

For the year ended 31 March 2021

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

The significant actuarial assumptions made were as follows:

	2021 WPUPS %
RPI inflation	3.20%
CPI inflation	2.70%
RPI-linked pension increases	3.20%
CPI-linked pension increases	2.70%
Post-88 GMP pension increases	2.30%
Discount rate for scheme liabilities	2.03%

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 2021
Mortality table adopted	* with CMI 2018 core projections and a 1.0% per annum long-term improvement rate
Life expectancy for a male currently aged 60	26.1
Life expectancy for a female currently aged 60	28.5
Life expectancy at 60 for a male currently aged 40	27.1
Life expectancy at 60 for a female currently aged 40	29.6

* 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%	+37.5/-33.3
RPI inflation	+/-0.50%	+31.1/-28.2
Life expectancy	+ 1 year	+26.0

Notes to the financial statements (continued)

For the year ended 31 March 2021

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 2021	
	Total	Of which not quoted in an active market
	£m	£m
Equities	123.9	-
Government bonds	484.2	-
Other	0.2	-
Total	608.3	-

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 2022 are nil.

The weighted average duration of the defined benefit obligation is around 14 years for WPUPS.

Notes to the financial statements (continued)

For the year ended 31 March 2021

14. Creditors

In December 2020 the Company became a co-obligor on the \$255m 7.375% notes due 15 December 2028 with fellow subsidiary Western Power Distribution plc ("WPD plc") issued by PPL UK Distribution Holdings Limited (the "PPLUK Bonds"). In accordance with the agreement, the Company and WPD Plc are jointly and severally, and fully and unconditionally, liable on the PPLUK Bonds. Under the terms of the agreement, where the Company has given notice of its intention to make payments to the holders of the PPLUK Bonds, WPD plc will make payments to the Company equal to such amounts. Having recognised its obligations under the PPLUK bonds in full, the Company has not recognised any amounts in respect of its obligations under the reimbursement agreement.

15. Events after the reporting period

Subsequent to the year end, on 15 April 2021, the Company paid an interim dividend of £140.0m to PPL WPD Limited. The dividend paid is 5 pence per share and was funded by investment income.

On 18 March 2021, PPL announced that it had reached an agreement to sell its UK investment, which includes the Company and its direct and indirect subsidiary undertakings, to National Grid Plc. The transaction required National Grid Plc investor approval, which was received on 22 April 2021; following Guernsey Financial Services Commission and Financial Conduct Authority approval the transaction completed on 14 June 2021. As National Grid voluntarily referred the acquisition of the WPD Group to the Competition and Markets Authority ("CMA"), the CMA is currently undertaking a merger review which may take several months to complete.

Subsequent to the completion of transaction, on 14 June 2021, the name of the Company was changed from PPL WPD Investments Limited to Western Power Distribution Holding Company Limited.

16. Ultimate parent undertaking

As at 31 March 2021, the immediate parent undertaking of the Company was PPL WPD Limited, which is registered in England and Wales.

As at 31 March 2021, the smallest and largest group in which the results of the Company were 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 its registered address at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US.

Subsequent to the sale transaction on 14 June 2021, the Company is a wholly-owned subsidiary of National Grid Holdings One Plc.

Registered office:

Western Power Distribution Holding Company Limited
Avonbank
Feeder Road
Bristol BS2 0TB

Telephone: 0117 933 2000

email: info@westernpower.co.uk
Registered number: 10991462