WESTERN POWER DISTRIBUTION PLC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the six months ended 30 September 2021

Contents

Interim management report

For the six months ended 30 September 2021

The directors present the interim condensed consolidated financial statements of Western Power Distribution plc and its subsidiary undertakings (the "WPD Group", "the Group" or "WPD"), for the six months ended 30 September 2021.

Group background

WPD Group mainly comprises the four Distribution Network Operators ("DNOs"): Western Power Distribution (South West) plc ("WPD South West"), Western Power Distribution (South Wales) plc ("WPD South Wales"), Western Power Distribution (East Midlands) plc ("WPD East Midlands"), and Western Power Distribution (West Midlands) plc ("WPD West Midlands").

In addition to the DNOs, the Group also consists of other smaller subsidiaries including WPD Smart Metering Limited, WPD Telecoms Limited and South Western Helicopters Limited. The primary purpose of these businesses is to support the DNO and network related activities of the Group. The Group also owns property companies, to facilitate the management of non-network and investment properties of the Group.

Ownership

The WPD Group is owned by Western Power Distribution Plc ("the Company"), which is a public limited company owned by one shareholder, National Grid Plc. National Grid is an energy company operating in the UK and US.

During the six month period ended 30 September 2021, the ultimate ownership of the Company changed from PPL Corporation to National Grid Plc. On 14 June 2021, PPL completed the sale transaction of its UK investment in the WPD Group, to National Grid Plc. On completion of the sale, the ultimate controlling parent is National Grid Plc, registered in England and Wales.

Business model and regulation

WPD is the electricity Distribution Network Operator for the Midlands, the South West and South Wales. Our combined network is the largest in the UK, with our four DNOs delivering electricity to approximately 7.9 million (2020: 7.9 million) customers. Our 7.9 million customers are registered with licensed electricity suppliers, who in turn pay the WPD Group for use of the network. Our costs are regulated and based on an agreed allowance by Office of Gas and Electricity Markets ("Ofgem").

The DNOs are natural monopolies and to ensure value for money for consumers are regulated by the Gas and Electricity Markets Authority, which operates through Ofgem. The operations are regulated under the distribution licence which sets the requirements that the DNOs needs to deliver for its customers.

Ofgem regulates how much revenue we can earn by setting an allowance over the price control period. Ofgem sets the revenues at a level that covers reasonable costs and allows a reasonable rate of return. In addition to the base level of revenue which the DNOs are allowed to earn, there are incentives to innovate and deliver various outputs relating to customer service, network performance, the environment, connections and efficiency. The achievement of targets in relation to these activities can result in rewards or penalties.

We are currently operating under an eight year electricity price control (known as RIIO-ED1). RIIO-ED2 covering the period April 2023 to March 2028, is the second price control to be set by Ofgem.

The profit for the six months ended 30 September 2021 is £44.7m (2020: £198.0m).

The tax for the six months ended 30 September 2021 is £289.4m as compared to £41.8m for the six months ended 30 September 2020. This increase is mainly due to the fact that the Finance (No.2) Bill 2021 published on 11 March 2021 increased the standard rate of corporation tax from 19% to 25% effective from 1 April 2023. This was enacted in May 2021 and therefore the increase is reflected in the deferred tax for the six months ended 30 September 2021.

The Group also reports other comprehensive income, which is posted directly to capital and reserves, of £171.6m (2020: £8.3m expense). This primarily relates to the defined benefit pension plan remeasurement, net of tax. Prior to the current interim period, the remeasurement of the defined benefit pension plan was performed annually as at each March year end. Subsequent to the acquisition by National Grid Plc, for the purposes of aligning with National Grid Plc reporting, the remeasurement of the defined benefit pension plan will be performed bi-annually as at September and March period ends. This has resulted in a defined benefit pension plan remeasurement gain of £251.9m (2020: £nil) for the six months ended 30 September 2021.

Interim management report (continued)
For the six months ended 30 September 2021

Results and dividends (continued)
Dividends of £140.0m were paid during the six months ended 30 September 2021 (2020: £30.0m).

Principal risks
The Group's principal risks continue to be the same as reported in the 31 March 2021 annual report. These are listed below:

Accident risk
Due to the nature of the business there is an inherent safety risk associated with unsafe working practices. The following are the mitigating actions in place:
- WPD has robust safety policies and procedures in place to ensure a safe working environment. There is a system for reporting near misses and incidents and policies are reviewed and amended accordingly to avoid any future recurrence.
- The safety team actively supports managers with their safety responsibilities and provides assistance to enable them to maintain a clear focus on safety. Safety team consistently provided information for managers to use in their team meetings with their staff, which supports core areas of the safety action plan which are Safety, Health, Competence and Communication and also to keep staff informed about the measures required to prevent the spread of Covid-19 within the workplace.
- Regular safety site visits are undertaken to ensure that all safety policies and procedures are being followed and implemented.

Network disruptions
Events such as weather conditions, third party damage etc. may cause disruptions, which in turn can impact results both directly through the timing of recovery relating to lower units delivered on which income is charged, and also through the system of penalties and rewards that Ofgem has in place relating to customer service levels. The following are the mitigating actions in place:
- WPD has comprehensive emergency plans for network emergencies such as the recovery from a partial or country wide loss of electricity supply, referred to as the System Restoration Plan.
- WPD is committed to regular training sessions with its Network Control Centre Engineers to exercise a response to a System Emergency.
- WPD maintains a suite of Control Room Disaster Recovery sites that have played an instrumental part in our response to COVID-19. These have allowed WPD to split control rooms, limiting interaction between teams/individuals and allowing for segregation through working “bubbles” as part of our pandemic planning.
- Diligent and extensive routine maintenance for network assets including tree cutting costs is conducted.
- WPD has a resilient IT infrastructure with multi-site running with fault tolerant/mirrored systems with the ability to quickly shift to home working when required.
- Flood resilience plans are in place for major substations and other critical sites.

Cyber breach threat
There is a risk of unauthorised access to our key networks and systems. The following are the mitigating actions in place:
- Stringent policies and procedures are in place to provide controls around network security, proactive threat intelligence gathering, asset management, data backups and incident response.
- WPD limits direct connection of WPD’s corporate network to the internet, direct cloud based services and personal devices.
- Regular security drills are performed involving the Information Resources department and business teams.
- All servers are backed up for both operational and disaster recovery purposes and the data is secured off-site. This facilitates full recovery of each system once the appropriate replacement hardware or hosting capacity has been sourced. Disaster recovery testing is performed on a regular basis.
- Network segmentation of sensitive environments is either in place or currently being introduced to prevent unauthorised
- Distribution denial-of-service attacks ("DDOS") protection services on our key internet links have been introduced to prevent malicious disruption of our staff's connectivity to WPD systems whilst working from home continues.

Interest rate risk
WPD has had both short-term and long-term external debt during the period, at floating and fixed rates of interest, which exposes it to interest rate risk. WPD's interest rate risk management policy includes trying to achieve the lowest possible cost of debt financing, while managing volatility of interest rates, applying a prudent mix of fixed and floating debt, either directly or through the use of derivative financial instruments affecting a shift in interest rate exposures between fixed and floating, and also matching debt service requirements to projected cash flows.

Interim management report (continued)

For the six months ended 30 September 2021

Principal risks (continued)

Interest rate risk (continued)

An element of the long-term debt is index linked which creates a natural hedge against the Group's regulated income, which is also index linked. WPD also uses forward-starting interest rate swaps to minimise exposure to cash flow interest rate risk for future forecasted issuances of debt.

Credit rate risk

WPD has minimal credit risk in relation to debtors pertaining to revenue from providing distribution use of system services ("DUoS"). DUoS debtors are protected by Ofgem regulations, provided credit management for these receivables is performed in accordance with industry standards as set out by Ofgem and governed by the Distribution and Connection Use of System Agreement ("DCUSA").

WPD is exposed to credit risk on its billed and unbilled portion of customer contributions in relation to any capital work undertaken. The Group maintains credit policies and procedures with respect to counterparties. Depending on the creditworthiness of the counterparty, the Group may require collateral or other credit enhancements such as cash deposits or letters of credit and parent company guarantees.

Inflation risk

WPD's index-linked borrowings and interest liabilities are exposed to a risk of change in the carrying value due to changes in the UK RPI. This is mitigated by the fact that the WPD's regulated assets ("RAV") are linked to RPI due to the price setting mechanism imposed by the regulator, and also the allowed revenue is linked to RPI. By matching liabilities to assets, index-linked debt naturally hedges the exposure to changes in RPI and delivers a cash flow benefit, as compensation for the inflation risk is provided through adjustment to the principal rather than in cash.

Regulatory changes

There is a risk that changes in legislation relating to environmental and other matters are not adopted by WPD. The following are the mitigating actions in relation to this:

- WPD has a dedicated regulation and compliance department with skilled personnel who track any regulatory changes and provide advice in relation to interpretation and compliance of those changes.
- There is regular engagement with the WPD Board on political and regulatory developments which may impact the Group. The Board monitors management's progress in ensuring compliance with changes to legislation.

Regulatory risk

WPD's revenue is regulated and is subject to a review at the end of each price control period. Thus the Group is subject to a high degree of political, regulatory and legislative intervention, which can impact both the current RIIO-ED1 period, and the next, RIIO-ED2. The following are the mitigating actions in relation to this risk:

- WPD deploys significant resources in engaging with Ofgem on all new consultations and decisions.
- WPD's RIIO-ED2 business plan submitted in December 2021 is based on guidance from Ofgem and the core commitments within WPD's draft business plan are driven by Ofgem's output categories.
- WPD actively engages with Ofgem in relation to all industry initiatives such as the Green Recovery Initiative which involved unlocking investment for green projects.

Negative impact of our network assets on the environment

Due to the nature of the equipment used in the industry, there is a risk that the network assets may have a harmful impact on the environment. The following are the mitigating actions in relation to this:

- Use of best technology to minimise the impact of network assets on the environment, such as the use of Perfluorocarbon Trace ("PFT") technology within WPD, reduces the effect on the total annual fluid losses.
- Frequent assessment and careful monitoring of all its network assets, specifically assets like SF6 equipment, which produce SF6 gas linked to potential global warming. WPD carefully monitors its SF6 equipment and employs the external ENA Engineering recommendations for the reporting of SF6 banks, emissions and recoveries.
- Following best practices and complying with various guidelines in connection with environmental practices.

Principal risks (continued)

Customer dissatisfaction

There is a risk of failure to meet the required level of customer satisfaction performance. WPD mitigates this risk by annually hosting workshops to understand the needs of its stakeholders so that they are aligned with the strategic priorities of the group. In addition, WPD's Customer Panel ("CP") meets quarterly and expert members represent a wide range of customers and other key stakeholder groups. Through the panel, we proactively seek honest and challenging customer views about the way we operate and our future plans. The CP critically reviews our performance and, through extensive expert knowledge, provides strategic steer on our short and long term priorities. Members provide an external view to our business, acting as a sounding board for new ideas and initiatives as well as collaborating with WPD to create and influence future policy and processes.

Reliance on suppliers

WPD relies on a limited number of suppliers for cable laying and tree cutting services, and for the supply of cables, plant and machinery. However, there are sufficient alternative suppliers for cable laying, tree cutting etc. such that, should an existing contractor or supplier be unable to undertake the activity or to make supplies, there will be no significant long-term impact on WPD's ability to operate the network.

Further, most of the electricity which enters WPD's network is carried on the National Grid's network and connects with the WPD network at grid supply points. WPD is dependent on National Grid. National Grid is the electricity transmission and electricity system operator ("ESO") regulated by Ofgem and thus the risk of a major failure is considered very remote.

All strategic contracts are regularly reviewed by the purchasing team to ensure business continuity.

Lack of skilled employees

There is a risk of failure to attract, retain and develop our employees. To mitigate this risk, WPD ensures to maintain good practices and safe working conditions. Mitigating actions in relation to this are:
- Employee surveys are conducted to seek feedback and to ensure engagement across the workforce.
- WPD has benchmarked terms and conditions for all employees.
- WPD's employees have access to pension schemes (Defined Contribution schemes for the new members).
- Various training programmes are offered under the Trainee Development Scheme and Technical Apprentice Scheme.
- Succession plans are in place for key roles within the organisation.
- Employees are kept informed of WPD Group's goals, objectives, performance and plans, and their effect on them as employees through monthly business updates, regular team briefings, as well as through WPD Group's in-house journal. Formal meetings are held regularly between senior managers and representatives of staff and their unions to discuss matters of common interest.

Liquidity and going concern

WPD is supported by its credit facilities; it has borrowing arrangements in place with a range of third parties with high credit ratings. At 30 September 2021, WPD had committed borrowing facilities of £1,055.0m available, maturing in May 2023, of which £306.0m was drawn. Subsequent to the period ending 30 September 2021, the drawn amount of £306.0m was repaid. The repayment was financed through funds received from the parent company, National Grid Plc, under a two-way loan agreement.

The Group has net current liabilities of £887.6m (31 March 2021: £744.1m). The Group's net current liabilities will be settled with a combination of cash flows from operating activities, borrowings from National Grid Plc two-way loan agreement and use of existing facilities. The Group has sufficient head room available, under existing committed facilities, to meet its cash flow needs.

The directors have considered the availability of facilities as set out above, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Group, the existing and future forecasted covenant compliance of the Group, which includes the gearing ratio and the anticipated ability of the Group to be able to raise additional long term debt in the future. The directors have also assessed the principal risks and have taken the impacts of COVID-19 and related uncertainties into consideration in arriving at the going concern assumption for the preparation of the financial statements.

Liquidity and going concern (continued)

DNOs are essential in keeping critical infrastructure assets operating safely and securely and in making sure that homes and businesses across the country are receiving the energy needed. The work of the Group was an essential part of the country's response to COVID-19, as what we do is crucial for the continuation of existing essential services, the establishment of new critical infrastructures and for keeping the public, including the most vulnerable in our society, safe. Therefore, even in these unprecedented times, where many business sectors were impacted severely, the Group had a continuing licence obligation to be a sustainable business and to continue to provide essential services to our customers. Thus COVID-19 has not materially impacted the liquidity position of the WPD Group.

Due to the global energy crises, there have been significant supplier failures in the UK during and subsequent to the six months ended 30 September 2021. Subsequent to the six months ended 30 September 2021, this has resulted in bad debts on DUoS debtors. The Group is not exposed to any credit risk in relation to these receivables, as the DNOs have protection from Ofgem under the licence conditions, to be able to recover any bad debts through increased DUoS charges in three years' time, provided credit management for these receivables is performed in accordance with industry standards as set out by Ofgem and governed by the DCUSA. In terms of liquidity risk, the Group has sufficient headroom available under its existing committed facilities and is not materially impacted by the delayed recovery of these DUoS debtors.

Due to the licensed regulatory obligations of the business, the necessity of continued operations even in times of economic uncertainties and having access to sufficient liquidity, under a variety of scenarios, the Group does not consider that there is material uncertainty over the entity's ability to continue as a going concern.

Thus, the directors of the Group have concluded that the Group has sufficient resources available to enable it to continue in existence for the foreseeable future.

Events after the interim period

Dividend

Subsequent to the interim period end, no dividend has been paid.

Supplier of Last Resort ("SoLR") claims

It is Ofgem's statutory duty to protect customers' interests in light of supplier failure. When a supplier fails, Ofgem's focus is to ensure continuity of supply for its customers and to minimise wider negative impacts on the market. Thus, Ofgem ensures continuity of supply to the failed supplier's customers and seeks to minimise these wider negative effects by appointing a Supplier of Last resort ("SoLR") to supply the failed supplier's customers at short notice. The SoLR may then recover certain costs from the DNOs via a Last Resort Supply Payment ("LRSP") claim. Each DNO is then able to recover those costs via its DUoS charges in two year's time, which are levied across all suppliers. There is an exception, whereby DNOs can recover LRSP claims that breach the relevant materiality threshold set out in the distribution licence during the same regulatory year, instead of recovering it after a two year lag.

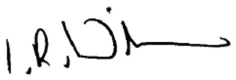
Subsequent to the interim period ended 30 September 2021, due to the global energy crises, there occurred a significant increase in the number of supplier failures, resulting in material SoLR claims. For material claims above the materiality threshold, Ofgem have provided a supplementary letter clearly stating that the liability for the DNOs does not crystallise until the relevant regulatory year at such time as the corresponding increase to the distribution use of system charges are invoiced by the licensee. Thus for all such LRSP claims that exceed the materiality threshold and become billable in 2022/23, the DNOs will recognise the cost of LRSP claims only at such a time as the related DUoS revenue becomes billable. This will ensure that there is no impact on the profit and loss or the liquidity of the WPD Group. The claims that are below the materiality threshold and payable from March 2022 to February 2023, will be recovered through DUoS in two years' time. Thus there will be a mismatch between the cost and revenue recognition of these claims in the profit and loss of the WPD Group.

Interim management report (continued)

For the six months ended 30 September 2021

Loan agreement with National Grid Plc

In December 2021, the four DNOs of the WPD Group and the Company entered into uncommitted two-way loan agreements with National Grid Plc. The loan agreements do not have a maturity date or a borrowing limit defined. These are uncommitted facilities. The RCF balance drawn as at 30 September 2021, amounting to £306.0m, was repaid through funding under this loan



IR Williams
Finance Director

5 April 2022

Western Power Distribution plc
Avonbank
Feeder Road
Bristol BS2 0TB

Directors' responsibilities

The directors are responsible for preparing the interim condensed consolidated financial statements in accordance with applicable law and regulations. Under the 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the period and up to the date of signing the condensed interim financial statements were as

P Swift, Chief Executive
GR Halladay, Operations Director
IR Williams, Finance Director
AJ Sleightholm, Resources and External Affairs Director
V Sorgi, Non-executive Director, PPL (resigned 15 June 2021)
GN Dudkin, Non-executive Director, PPL (resigned 14 June 2021)
JH Raphael, Non-executive Director, PPL (resigned 31 May 2021)
JP Bergstein Jr, Non-executive Director, PPL (resigned 14 June 2021)
AW Elmore, Non-executive Director, PPL (resigned 14 June 2021)
LSS Barbrook, Non-executive Director (appointed on 31 January 2022)
J Campbell, Non-executive Director (appointed on 31 January 2022)

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the interim condensed consolidated financial statements, prepared in accordance with IAS 34 Interim Financial Reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the interim management report includes a fair review of the development and performance of the business, the position of the Group and an indication of important events including their impact on the interim condensed consolidated financial statements, during the six months ended 30 September 2021, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole and when read in conjunction with the annual report, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group'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:

I.R.Wi

IR Williams
Finance Director
5 April 2022

Western Power Distribution plc
Avonbank
Feeder Road
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Interim condensed consolidated income statement

For the six months ended 30 September

	2021	2020
	Unaudited	
	£m	£m
Revenue*	**878.7**	769.9
Operating costs*	**(389.4)**	(388.8)
Other operating income	**0.3**	0.3
Operating profit	**489.6**	381.4
Finance income	**0.1**	5.3
Finance costs	**(158.5)**	(152.9)
Net finance income relating to pensions and other post-retirement benefits	**2.9**	6.0
Profit before income tax	**334.1**	239.8
Income tax expense	**(289.4)**	(41.8)
Profit for the period attributable to equity holders of the parent	**44.7**	198.0

* Revenue has been adjusted to include the amortisation of customer contributions which was previously netted from operating costs. The comparatives have also been adjusted to reflect this change. This reclassification is to align with the new ultimate parent company. Refer to note 2 for more detail (page 13).

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September

	2021	2020
	Unaudited	
	£m	£m
Profit for the period	**44.7**	198.0
Other comprehensive income:		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Gain/(loss) arising on cash flow hedges during the year	**9.9**	(29.9)
Reclassification adjustments for gains on cash flow hedges included in profit or loss (finance costs)	**(3.3)**	19.7
Income tax effect	**(0.3)**	1.9
	6.3	(8.3)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Re-measurement gains on defined benefit pensions plan	**251.9**	-
Income tax effect	**(63.0)**	-
Income tax effect (tax rate change)	**(23.6)**	-
	165.3	-
Other comprehensive income/(expense) for the period, net of tax	**171.6**	(8.3)
Total comprehensive income for period, net of tax, attributable to equity holders of the parent	**216.3**	189.7

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2021

	Share Capital £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	1,057.6	(963.1)	(16.9)	5,301.6	5,379.2
Profit for the period	-	-	-	44.7	44.7
Other comprehensive income	-	-	6.3	165.3	171.6
Total comprehensive income for the period	-	-	6.3	210.0	216.3
Equity dividends paid	-	-	-	(140.0)	(140.0)
At 30 September 2021	1,057.6	(963.1)	(10.6)	5,371.6	5,455.5

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2020

	Share Capital £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 April 2020	1,657.6	(963.1)	1.2	4,590.1	5,285.8
Profit for the period	-	-	-	198.0	198.0
Other comprehensive expense	-	-	(8.3)	-	(8.3)
Total comprehensive income for the period	-	-	(8.3)	198.0	189.7
Share capital reduction	(600.0)	-	-	600.0	-
Equity dividends paid	-	-	-	(30.0)	(30.0)
At September 2020	1,057.6	(963.1)	(7.1)	5,358.1	5,445.5

Interim condensed consolidated balance sheet

As at

	30 September 2021 Unaudited £m	31 March 2021 £m
ASSETS		
Property, plant and equipment	**14,283.2**	13,930.2
Right-of-use asset	**8.9**	9.3
Investment property	**29.9**	29.9
Intangible assets	**1,302.5**	1,300.8
Trade and other receivables	**5.2**	5.2
Derivative financial instruments	**35.0**	26.2
Retirement benefit assets	**672.3**	402.8
Non-current assets	**16,337.0**	15,704.4
Inventories	**34.9**	46.7
Trade and other receivables	**310.8**	326.8
Derivative financial instruments	**2.1**	1.8
Cash and cash equivalents*	**102.5**	116.6
Current assets	**450.3**	491.9
Total assets	**16,787.3**	16,196.3
LIABILITIES		
Loans and other borrowings	**656.3**	568.1
Trade and other payables	**657.5**	650.6
Lease liabilities	**1.5**	1.5
Current tax liabilities	**8.0**	5.3
Provisions	**14.6**	10.5
Current liabilities	**1,337.9**	1,236.0
Net current liabilities	**(887.6)**	**(744.1)**
Loans and other borrowings	**5,985.9**	5,949.7
Deferred income tax liabilities	**1,104.6**	766.8
Trade and other payables	**2,739.7**	2,687.4
Lease liabilities	**7.5**	7.9
Retirement benefit liabilities	**7.5**	7.6
Provisions	**148.7**	161.7
Non-current liabilities	**9,993.9**	9,581.1
Total liabilities	**11,331.8**	10,817.1
Net assets	**5,455.5**	5,379.2
EQUITY		
Share capital	**1,057.6**	1,057.6
Merger reserve	**(963.1)**	(963.1)
Hedging reserve	**(10.6)**	(16.9)
Retained earnings	**5,371.6**	5,301.6
Total equity	**5,455.5**	5,379.2

The financial statements on pages 8 to 14 were approved and authorised for issue by the Board of Directors on 5 April 2022 and were signed on its behalf by:

IR Williams
Finance Director

Interim condensed consolidated cash flow statement

For the six months ended 30 September 2020

	2021	2020
	Unaudited	
	£m	£m
Operating activities		
Cash generated from operations	**552.3**	430.1
Interest paid	**(83.4)**	(104.6)
Interest received	**0.1**	5.9
Customers' contributions received	**96.9**	78.0
Income taxes paid	**(36.1)**	(32.8)
Net cash from operating activities	**529.8**	376.6
Investing activities		
Purchase of property, plant and equipment	**(485.7)**	(426.5)
Proceeds from sale of property, plant and equipment	**0.5**	0.3
Purchase of intangible assets	**(6.0)**	(6.3)
Net cash used in investing activities	**(491.2)**	(432.5)
Financing activities		
Net movement in short-term borrowings	**88.0**	66.0
Payment of lease liabilities	**(0.7)**	(0.8)
Dividends paid	**(140.0)**	(30.0)
Net cash (used in)/from financing activities	**(52.7)**	35.2
Net decrease in cash and cash equivalents	**(14.1)**	(20.7)
Cash and cash equivalents at beginning of period	**116.6**	187.5
Cash and cash equivalents at end of period	**102.5**	166.8

Notes to the interim condensed consolidated financial statements
For the six months ended 30 September 2021

1. General information

The interim condensed consolidated financial statements of Western Power Distribution plc ("the Company") and its subsidiaries (the "WPD Group") for the six months ended 30 September 2021 were authorised for issue by the Board of Directors on 5 April 2022. The Company is a public limited company incorporated and registered in England and Wales.

2. Significant accounting policies

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. These financial statements should be read in conjunction with the annual financial statements of the Group for the year to 31 March 2021. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the WPD Group's financial position and performance since the last annual financial statements as at and for the year ended 31 March 2021.

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

Except as noted in the note below, the interim financial statements have been prepared in accordance with the accounting policies adopted in the WPD Group's most recent annual financial statements for the year to 31 March 2021.

Changes in accounting policies

On 14 June 2021, PPL completed the sale transaction of its UK investment in WPD Group to National Grid Plc. On completion of the sale, the ultimate controlling parent is National Grid Plc, registered in England and Wales. As a result of the acquisition, some of the accounting policies of the WPD Group were amended to align with the ultimate parent. All such changes to accounting policies are listed below:

Customer contributions

Customer contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the income statement over the estimated weighted life of the related assets of 69 years. For the year ended 31 March 2021, customer contributions were credited to the income statement within the operating costs. For the period ended 30 September 2021, as a result of alignment of the accounting policy with the parent, customer contributions amounting to £25.1m (2020: £19.6m) have been credit to the income statement within revenue instead of within operating costs.

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the change in accounting policy has been applied retrospectively. The comparatives have been adjusted to reflect this reclassification.

Bank Overdrafts

borrowings. As a result of alignment of the accounting policy with the parent, as at 30 September 2021, unpresented payments amounting to £14.9m (31 March 2021: £22.6m) have been classified within cash at bank and in hand instead of within loans and borrowings.

In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the change in accounting policy has been applied retrospectively. The comparatives have been adjusted to reflect this reclassification.

Going concern

The directors have considered the appropriateness of adopting the going concern principle. This consideration included the availability of headroom under committed facilities, the relatively stable and regulated nature of the business, the forecast long term business plan, the consistent credit ratings of the Company, the existing and future forecasted covenant compliance of the Company, which includes the gearing ratio and the anticipated ability of the Company and the WPD Group to be able to raise additional long term debt in the future.

After consideration, the directors of the WPD Group have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future.

Notes to the interim condensed consolidated financial statements (continued)
For the six months ended 30 September 2021

3. Property, plant and equipment

	Generation £m	Distribution network £m	Non-network land & buildings £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total £m
Cost						
At 1 April 2021	0.5	16,485.1	174.0	299.0	153.4	17,112.0
Additions	-	483.9	0.6	16.6	3.1	504.2
Transfers	-	-	(0.9)	-	-	(0.9)
Disposals and retirements	-	(0.8)	-	(7.3)	(2.8)	(10.9)
At 30 September 2021	0.5	16,968.2	173.7	308.3	153.7	17,604.4
Accumulated depreciation						
At 1 April 2021	0.1	2,928.4	22.4	148.8	82.1	3,181.8
Depreciation charge for the year	-	122.2	1.3	20.7	6.3	150.5
Transfers	-	-	(0.3)	-	-	(0.3)
Disposals and retirements	-	(0.8)	-	(7.2)	(2.8)	(10.8)
At 30 September 2021	0.1	3,049.8	23.4	162.3	85.6	3,321.2
Net book value						
At 30 September 2021	0.4	13,918.4	150.3	146.0	68.1	14,283.2