

WESTERN POWER DISTRIBUTION (SOUTH WEST) plc

INTERIM CONDENSED FINANCIAL STATEMENTS

(Unaudited)

For the six months ended 30 September 2021

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Interim condensed profit and loss account

For the six months ended 30 September

| | 2021 | 2020 |
|--|---------------|--------|
| | Unaudited | |
| | £m | £m |
| Turnover* | 190.6 | 163.4 |
| Operating expenses* | (90.0) | (84.2) |
| Operating profit | 100.6 | 79.2 |
| Income/(expense) from fixed asset investments | 0.9 | (1.8) |
| Profit on sale of fixed assets | - | 0.1 |
| Profit before interest and taxation | 101.5 | 77.5 |
| Interest receivable and similar income | 1.4 | 1.5 |
| Interest payable and similar charges | (31.2) | (23.9) |
| Net finance income relating to pensions and other post-retirement benefits | 0.2 | 1.2 |
| Profit before taxation | 71.9 | 56.3 |
| Tax on profit | (66.7) | (8.3) |
| Profit for the financial period | 5.2 | 48.0 |

*Turnover has been adjusted to include the amortisation of customer contributions which was previously netted from operating expenses. The comparatives have also been adjusted to reflect this change. This reclassification is to align with the new ultimate parent company. Refer note 2 for detail (page 7).

Interim condensed statement of comprehensive income

For the six months ended 30 September

| | 2021 | 2020 |
|---|-------------|-------|
| | Unaudited | |
| | £m | £m |
| Profit for the period | 5.2 | 48.0 |
| Other comprehensive gain/(loss): | | |
| <i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i> | | |
| Reclassification adjustments for losses on cash flow hedges included in profit or loss (finance costs) | (0.1) | (0.1) |
| <i>Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods:</i> | | |
| Re-measurement gains on defined benefit pension plan | 55.7 | - |
| Income tax effect | (13.8) | - |
| Income tax effect - tax rate change | (1.2) | - |
| Other comprehensive gain/(loss) for the period, net of tax | 40.6 | (0.1) |
| Total comprehensive income for the period, net of tax attributable to equity holders of the parent | 45.8 | 47.9 |

Interim condensed statement of changes in equity

For the six months ended 30 September 2021

| | Share capital £m | Share premium £m | Capital contribution £m | Hedging reserve £m | Retained earnings £m | Total equity £m |
|--|------------------------|------------------------|-------------------------------|--------------------------|----------------------------|-----------------------|
| At 1 April 2021 | 438.2 | 4.1 | 6.2 | 1.3 | 772.7 | 1,222.5 |
| Profit for the period | - | - | - | - | 5.2 | 5.2 |
| Other comprehensive loss/(income) | - | - | - | (0.1) | 40.7 | 40.6 |
| Total comprehensive income for the period | - | - | - | (0.1) | 45.9 | 45.8 |
| At 30 September 2021 | 438.2 | 4.1 | 6.2 | 1.2 | 818.6 | 1,268.3 |

Interim condensed statement of changes in equity

For the six months ended 30 September 2021

| | Share capital £m | Share premium £m | Capital contribution £m | Hedging reserve £m | Retained earnings £m | Total equity £m |
|--|------------------------|------------------------|-------------------------------|--------------------------|----------------------------|-----------------------|
| At 1 April 2020 | 438.2 | 4.1 | 6.2 | 1.5 | 733.2 | 1,183.2 |
| Profit for the period | - | - | - | - | 48.0 | 48.0 |
| Other comprehensive loss | - | - | - | (0.1) | - | (0.1) |
| Total comprehensive income for the period | - | - | - | (0.1) | 48.0 | 47.9 |
| At 30 September 2020 | 438.2 | 4.1 | 6.2 | 1.4 | 781.2 | 1,231.1 |

Interim condensed balance sheet

As at

| | | 30 September 2021 | 31 March 2021 |
|--|------|-------------------|----------------|
| | | Unaudited | |
| | Note | £m | £m |
| Non-current assets | | | |
| Tangible fixed assets | 3 | 3,146.2 | 3,072.3 |
| Right-of-use asset | | 1.1 | 0.9 |
| Intangible assets | | 21.2 | 19.9 |
| Investments | | 39.4 | 38.5 |
| Pension asset | | 77.3 | 19.6 |
| Trade and other receivables | | 0.8 | 1.7 |
| | | 3,286.0 | 3,152.9 |
| Current assets | | | |
| Stocks | | 11.7 | 17.0 |
| Trade and other receivables | | 106.9 | 95.8 |
| Cash at bank and in hand* | | 4.6 | 4.0 |
| | | 123.2 | 116.8 |
| Creditors | | | |
| Amounts falling due within one year* | | (273.7) | (274.4) |
| Lease liabilities | | (0.1) | (0.1) |
| | | (150.6) | (157.7) |
| Net current liabilities | | (150.6) | (157.7) |
| Total assets less current liabilities | | 3,135.4 | 2,995.2 |
| Creditors | | | |
| Amounts falling due after more than one year | | (1,615.4) | (1,592.1) |
| Lease liabilities | | (1.0) | (0.9) |
| Provisions for liabilities | | | |
| Deferred tax | | (242.0) | (167.9) |
| Other | | (8.7) | (11.8) |
| Net assets | | 1,268.3 | 1,222.5 |
| Capital and reserves | | | |
| Share capital | | 438.2 | 438.2 |
| Share premium account | | 4.1 | 4.1 |
| Capital redemption reserves | | 6.2 | 6.2 |
| Hedging reserve | | 1.2 | 1.3 |
| Profit and loss account | | 818.6 | 772.7 |
| Equity shareholder's funds | | 1,268.3 | 1,222.5 |

* Cash at bank and in hand includes the balance for bank overdraft which was previously classified within creditors. This represents unrepresented payments and has been reclassified in the current and prior period. This is to align presentation with the new ultimate parent company. Refer note 2 for detail (page 7).

The financial statements on pages 1 to 7 were approved and authorised for issue by the Board of Directors on 13 December 2021 and were signed on its behalf by:



IR Williams
Finance Director

Interim condensed cash flow statement

For the six months ended 30 September

| | 2021 | 2020 |
|---|----------------|---------------|
| | Unaudited | |
| | £m | £m |
| Operating activities | | |
| Profit for the period | 5.2 | 48.0 |
| Adjustments to reconcile profit for the period to net cash flow from operating activities: | | |
| Tax expense | 66.7 | 8.3 |
| Interest payable | 31.2 | 23.9 |
| Interest receivable | (1.6) | (2.7) |
| Depreciation of tangible fixed assets | 28.3 | 26.2 |
| Amortisation of customer contributions | (5.2) | (4.9) |
| Amortisation of intangible assets | 2.1 | 2.0 |
| Gain on disposal of tangible fixed assets | - | (0.1) |
| Difference between pension contributions paid and amounts recognised in the profit and loss account | (1.8) | (23.5) |
| Decrease in provisions | (3.1) | (0.1) |
| Foreign exchange (gain)/loss on fixed asset investment | (0.9) | 1.7 |
| Working capital adjustments: | | |
| Decrease/(increase) in inventories | 5.3 | (3.2) |
| Increase in trade and other receivables | (10.1) | (11.2) |
| (Decrease)/increase in trade and other payables | (49.5) | 2.3 |
| Interest paid | (8.3) | (9.4) |
| Interest received | 1.4 | 1.5 |
| Customers' contributions received | 19.3 | 13.8 |
| Income taxes paid | (7.6) | (4.8) |
| Net cash from operating activities | 71.4 | 67.8 |
| Investing activities | | |
| Purchase of tangible fixed assets | (102.4) | (95.3) |
| Proceeds from sale of tangible fixed assets | - | 0.1 |
| Purchase of intangible assets | (3.3) | (1.3) |
| Net cash used in investing activities | (105.7) | (96.5) |
| Financing activities | | |
| Net increase in short-term borrowings | 35.0 | 5.0 |
| Payment of lease liabilities | (0.1) | - |
| Net cash from financing activities | 34.9 | 5.0 |
| Net increase /(decrease) in cash at bank and in hand | 0.6 | (23.7) |
| Cash at bank and in hand at beginning of period | 4.0 | 28.3 |
| Cash at bank and in hand at end of period | 4.6 | 4.6 |

Notes to the interim condensed financial statements

For the six months ended 30 September 2021

1. General information

The interim condensed financial statements of Western Power Distribution (South West) plc ("the Company") for the six months ended 30 September 2021 were authorised for issue by the Board of Directors on 13 December 2021. 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 Company 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 Company's financial position and performance since the last annual financial statements as at and for the year ended 31 March 2021.

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.

Except as noted in the note below, the interim financial statements have been prepared in accordance with the accounting policies adopted in the Company'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 Western Power Distribution Plc Group ('WPD Group'), which includes the Company, 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, including the Company, 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 profit and loss account 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 profit and loss account within the operating expenses. For the year ended 30 September 2021, as a result of alignment of the accounting policy with the parent, customer contributions amounting to £5.1m (2020: £4.9m) have been credit to the profit and loss within the turnover instead of within operating expenses.

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

As at 31 March 2021, any unrepresented payments were presented in the financial statements as bank overdraft within creditors. As a result of alignment of the accounting policy with the parent, as at 30 September 2021, unrepresented payments amounting to £14.9m (31 March 2021: £22.6m) have been classified within Cash at bank and in hand instead of within creditors.

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.

Notes to the interim condensed financial statements

For the six months ended 30 September 2021

2. Significant accounting policies (continued)

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 Company have concluded that the Company has sufficient resources available to enable it to continue in existence for the foreseeable future.

3. Tangible fixed assets

| | Non network land & buildings £m | Distribution network £m | Fixtures & equipment £m | Vehicles & mobile plant £m | Total £m |
|---------------------------|--|-------------------------------|-------------------------------|----------------------------------|-------------|
| Cost | | | | | |
| At 1 April 2021 | 11.9 | 4,037.2 | 57.9 | 39.2 | 4,146.2 |
| Additions | - | 103.2 | 4.5 | 0.7 | 108.4 |
| Disposals and retirements | - | (0.3) | (1.3) | (0.7) | (2.3) |
| At 30 September 2021 | 11.9 | 4,140.1 | 61.1 | 39.2 | 4,252.3 |
| Depreciation | | | | | |
| At 1 April 2021 | 2.1 | 1,025.3 | 25.8 | 20.7 | 1,073.9 |
| Charge for the period | 0.1 | 27.4 | 5.2 | 1.7 | 34.4 |
| Disposals and retirements | - | (0.3) | (1.3) | (0.6) | (2.2) |
| At 30 September 2021 | 2.2 | 1,052.4 | 29.7 | 21.8 | 1,106.1 |
| Net book value | | | | | |
| At 30 September 2021 | 9.7 | 3,087.7 | 31.4 | 17.4 | 3,146.2 |
| At 1 April 2021 | 9.8 | 3,011.9 | 32.1 | 18.5 | 3,072.3 |