Registered Number: 2366985

WESTERN POWER DISTRIBUTION (SOUTH WALES) plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2005

Western Power Distribution (South Wales) plc is an integral part of a larger UK group. The structure of the group is such that the financial statements of Western Power Distribution (South Wales) plc must be read in conjunction with the group financial statements of Western Power Distribution Holdings Limited to gain a full understanding of the group results for the year and the related cash flows, together with the financial position of the group as at 31 March 2005.

WESTERN POWER DISTRIBUTION

Serving the South West and Wales

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For the year ended 31 March 2005

Western Power Distribution (South Wales) plc (the "Company" or "WPD South Wales"), trading as Western Power Distribution, is an integral part of a larger UK group. The structure of the group is such that the financial statements of the Company must be read in conjunction with the group financial statements of Western Power Distribution Holdings Limited to gain a full understanding of the group results for the year and the related cash flows, together with the financial position of the group as at 31 March.

Background

The principal activity of the Western Power Distribution Holdings Limited group ("WPD" or the "WPD Group") is the distribution of electricity across its networks in South West England and South Wales. The WPD Group is structured so as to minimise the costs of debt. Interest payments on the debt held by WPD Group companies other than WPD South Wales and Western Power Distribution (South West) plc ("WPD South West"), together with certain other items, are funded primarily through dividend payments from WPD South Wales and WPD South West. Dividends within the WPD Group are eliminated for WPD Group reporting purposes with the exception of those declared in favour of the US based owners.

WPD South Wales owns and operates the electricity distribution network in South Wales.

The Annual Report and Financial Statements of Western Power Distribution Holdings Limited are thus the only financial statements to give an overall picture of the operations and results of the WPD Group.

Reconciliation to WPD Group results

In accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), the results of WPD South Wales have been consolidated into the results of the WPD Group for the year ended 31 March 2005 as detailed below:

		2005	2004
		£m	£m
Profit for WPD South Wales (as shown on page 11)		**44.5**	59.7
Profit for WPD South West	- profit on inter-group sale of subsidiaries	**46.6**	-
	- other	**75.0**	79.0
Other - largely interest expense in holding companies, reversal of gains on WPD Group restructuring, and profit in other subsidiaries		**(98.9)**	(41.7)
WPD Group profit for the financial year		**67.2**	97.0
Dividends declared to the WPD Group's shareholder		**(15.1)**	(18.3)
WPD Group retained profit for the financial year		**52.1**	78.7

Intra-group dividends are excluded from the above as, under UK GAAP, they are eliminated on group consolidation.

Directors' report

For the year ended 31 March 2005

The directors present their annual report and the audited financial statements of Western Power Distribution (South Wales) plc (the "Company" or "WPD South Wales") for the year ended 31 March 2005.

Principal activities

WPD South Wales' principal activity is the distribution of electricity. Distribution involves the delivery of electricity across the distribution network within its authorised area covering South Wales. The management of the WPD Group is involved in the management of the network in both South Wales and South West England, and where appropriate the South Wales and South West networks share engineering control and other systems.

Ownership

WPD South Wales is an indirect, wholly-owned subsidiary of Western Power Distribution Holdings Limited which is owned by PPL Corporation, an electricity utility of Allentown, Pennsylvania, United States of America ("US").

Business review

WPD South Wales operates under a price control regime which is effective for a five-year period. 2004/05 was the final year of a five-year price control period. WPD South Wales was required to reduce its regulated prices by 26% from 1 April 2000 (known as P0), with further price reductions of 3% (known as X) below the retail price index for 2001/02 and for each of the following three years.

The next price control period commenced 1 April 2005 and the regulatory body the Gas and Electricity Markets Authority (known as "Ofgem") concluded the price review process during the year. Ofgem published its final proposals in November 2004 and confirmed its intention to continue with the RPI - X form of price control for a period of 5 years (i.e. from 1 April 2005 to 31 March 2010). WPD South Wales will be allowed to increase its prices by 6.2% from 1 April 2005 and in each of the subsequent four years prices will be allowed to increase by inflation (i.e. X = 0). The allowed increase in revenue is in recognition of a number of additional cost challenges that distribution businesses will face in the next five years and WPD has been allowed the second highest aggregate P0 rise in the sector. Many of these additional cost pressures are "pass through" costs which fall on WPD and which Ofgem has allowed WPD to recover; if these are excluded, then WPD has effectively suffered an underlying P0 price reduction of approximately 3%.

The final proposals also place a greater emphasis on performance than previous reviews and incorporate incentive mechanisms to encourage the reduction of electrical losses and improve the quality of service for customers particularly in relation to the number and duration of interruptions and the quality of telephone response. WPD have confirmed their acceptance of Ofgem's final proposals.

The focus for the business during the year has been to continue to concentrate on the three key goals of customer service, network reliability and business efficiency. Continued pressure on overheads, particularly at corporate level, with minimal impact on field staff, has ensured that customer service is not affected, and customer performance measures are currently at an all time high. Operationally, the WPD Group has completed another successful year and demonstrated that it is a frontier performer in terms of network reliability, customer service, and safety. Ofgem acknowledged WPD's exceptional operating performance during the price control review process and in recognition of WPD's strong performance within the sector has rewarded WPD with a 1% P0 increase as part of the price control mechanism and this is included in the P0 figure discussed above.

Business review (continued)
A combination of targeted investment and close monitoring of performance has ensured that we have out-performed in all areas of the business. During the year we exceeded all of Ofgem's National Customer Guarantee Service Standards and met all of our targets under the Quality of Service incentive scheme by a significant margin. A series of road show presentations by the directors each year ensure that all staff within the WPD Group are aware of, and can contribute to, the corporate goals of safety, network reliability and customer service. Every member of staff also receives details of the top priorities for the year.

Safety
WPD continues to place a strong emphasis on the safety culture within the business and safety performance across WPD South West and WPD South Wales remains high with current figures for lost time accidents down by 95% on levels in the mid 1990s.

The number of lost time accidents for WPD South Wales was 3 in 2004/05, compared to 1 in 2003/04. A major achievement for WPD South West and South Wales is that the final six months of the year were entirely free of lost time accidents.

A number of key initiatives have been instigated across the WPD Group in the last three years which have helped establish safety at the forefront of operational activity. These include implementation of a new WPD safety policy, a three year safety plan, and also formulation of new policies covering risk assessment and safety management. Specific areas such as transport safety and health and safety in our contact centre have also been reviewed.

To ensure that everyone in WPD is able to contribute to maintaining our safety record and to encourage new initiatives, we have introduced an annual safety competition. In this year's competition, the five successful teams delivered some useful innovations which, as well as enhancing daily working practices, realised some valuable funds for charity. WPD also continues to support initiatives which support public safety including a programme of "Crucial Crew" school events where safety issues are presented in a proactive manner to school pupils.

WPD also conforms to OHSAS 18001 Occupational Health and Safety Management Systems, which is similar to the more widely recognised ISO 9001 quality standard. This is an indication that WPD Health and Safety management systems meet the standards expected by law and by the Health and Safety Executive.

Network performance
Performance of the distribution network is measured in two key ways:

Security - the number of supply interruptions recorded per 100 connected customers (CI); and

Availability - the number of customer minutes lost per connected customer (CML).

All licensees who operate a distribution system are required to report annually to Ofgem on their performance in maintaining system Security and Availability. The Quality of Service incentive scheme, also known as the Information and Incentives Project ("IIP") which was introduced by Ofgem in April 2002, financially incentivises all licensees including WPD with respect to both the Security and Availability of supply delivered to customers. In addition Ofgem incentivise the quality of telephone response customers receive when they contact the licensees. This is assessed by a customer survey carried out on a monthly basis.

Business review (continued)

Network performance (continued)
Network performance reported to Ofgem for the year is as follows:

	Total	Target
Minutes lost per customer 2004/05	56.6	
Excluded events	-	
IIP Performance 2004/05	56.6	129.2
IIP Performance 2003/04	76.4	129.2
Interruptions per 100 customers 2004/05	102.4	
Excluded events	-	
IIP Performance 2004/05	102.4	152.8
IIP Performance 2003/04	101.1	152.8

The figures above cover all interruptions to the WPD South Wales network including those caused by bad weather, faults and pre-arranged shutdowns for maintenance and construction. The 11kV network is the principal driver of customer minutes lost, with faults on overhead lines being the major contributor and almost one third of these incidents were due to weather related causes. In addition to the above, 87.1% of customers off supply in South Wales as the result of an HV fault were restored within one hour of a fault occurring. We believe that the WPD Group has the best performance of any UK Distribution Network Operator ("DNO").

Under the IIP scheme, performance is targeted at an underlying level of improvement and DNOs are permitted to claim an adjustment for events during the year which they believe were exceptional and had a significant impact on the total reported performance. Although the WPD South Wales network was affected by high winds in both June and July 2004, the impact of these in terms of the number and magnitude of faults was below the thresholds to trigger an exclusion under the IIP scheme. Therefore there were no exceptional events reported to Ofgem during the year in respect of WPD South Wales.

During 2005, the WPD Group will continue with those initiatives that have clearly demonstrated good improvements to quality of supply to date, and will seek new opportunities and initiatives for the future. Our focus for 2005/06 and beyond will be to further reduce interruptions by instigating a programme to increase the automation of the high voltage network. This will ensure that, when an HV fault occurs, the maximum number of customers have their supplies restored within three minutes through automated sequence switching logic.

Customer service
We are committed to providing excellent customer service at all times and strongly believe that customer satisfaction is the key to the future success of the business. When dealing with customers our policy is to get it right "first time, every time". On the occasions when we fail to meet this standard staff are encouraged to take personal responsibility for customer issues, to follow the problem through to the end, and to adopt our golden rule – "treat customers the way that we would like to be treated".

Directors' report (continued)
For the year ended 31 March 2005

Business review (continued)

Customer service (continued)
If customers are not happy with our efforts to resolve the matter, they may ask the independent consumer body *energywatch* to review their complaint. We have developed a good working partnership with *energywatch* to identify potential customer issues and resolve them before they develop into customer complaints. Regular meetings between WPD and *energywatch* have resulted in a number of initiatives to improve our overall service to customers and drive standards up.

This focus on customer service and the commitment our staff have shown in following the golden rule has enabled the WPD Group to reduce distribution complaints to Ofgem/*energywatch* by over 90% in the last six years. In 2004/05, the WPD Group maintained its position as the best performing DNO in terms of the lowest number of complaints to *energywatch*. When compared on a national basis, for every complaint that the WPD Group received during the year, the average DNO received 69 complaints. For the second year in succession, *energywatch* received no complaints in respect of WPD South Wales, the only DNO to achieve this.

During 2004/05, Ofgem conducted a survey on the views of customers of the telephone response that they receive when they contact a DNO. Results published by Ofgem for the year show that the WPD Group performed above the national average and hence gains a regulatory incentive in this area. WPD South Wales was ranked second in the league table of all DNOs for the quality of its call centre performance. Ofgem also compared the speed of response that a DNO call centre provides and WPD was identified as a top performer with an average speed of response below 3 seconds compared to a national average speed of response of 28 seconds.

WPD's excellent customer service was further recognised when it was awarded a Charter Mark for a record fifth time in 2005 - the only energy company to achieve this. The award, which is the Government's award for customer service excellence, identified that WPD was fully compliant in all six assessed areas of customer service and commended for best practice for eight criteria. We are very proud of this achievement and regard it as another dimension to our continuing commitment to providing a high quality of customer service.

Capital investment
Gross capital investment (before customers' contributions) during 2005 was £68.4m (2004: £63.8m) across the WPD South Wales region and included the replacement of overhead lines, replacement of switchgear and the introduction of new technology.

A number of significant engineering projects were tackled during the year:

- Over £750,000 was invested in three areas of the South Wales valleys during the year on a range of new equipment including radio telemetry which is capable of relaying information on faults back to a primary substation and then onto the central control room. Automated circuit breakers and isolators means that we are aware of what is happening on the network within fractions of a second and do not have to send crews to locations on the network to physically operate a switch where faults have occurred. Particularly effective in rural areas when it can take time to get engineers to the extremities, we have completed schemes at Cowbridge (£300,000), Pantyffynnon (£260,000) and at Ystradgynlais (£206,000).

- A major investment programme of over £5m on the electricity infrastructure in and around Swansea commenced during the year. The majority of the spending is associated with the construction of new electricity substations and power supplies to support the city's ambitious development plans. Investment is also targeted at renewing and improving the existing network.

Business review (continued)

Capital investment (continued)

- Growing commercial and industrial demands in Cardiff have resulted in the commencement of a £3.1m scheme to provide new power infrastructure to Wales' premier city. One notable project is the Andrews Building development in the heart of the city's shopping centre at Queen Street.

Regulatory issues

2004/05 was the final year of a five-year price control period. In November 2004, Ofgem confirmed in their final proposals that the RPI-X mechanism will remain and that X will be set at 0% with a one-off P0 increase in 2005/06 for WPD South Wales of +6.2%. The cost of capital has been set at 4.8% post-tax. The final proposals, along with the detailed modifications to our distribution licence, have been accepted by WPD and take effect from 1 April 2005.

In order to comply with requirements of our licence and the Competition Act, the WPD Group continued with its compliance programme to ensure that all our policies and procedures meet the legal requirements. As part of the programme, all staff have received an updated code of conduct on fair competition.

During the third full year of Ofgem's IIP, the WPD Group believes it has, at minimum, met its regulatory interim targets for each of the three key areas to which the incentive scheme applies, namely:

- the number of interruptions that customers experience
- the duration of those interruptions
- the quality of telephone response from the distribution business to the customer.

The incentive scheme can lead to an increase or a reduction in revenue of up to 2% depending on performance. Subject to confirmation of the declared year-end results by Ofgem's auditors, we have exceeded our interim targets for network performance and earned the maximum income uplift for the year.

We have been set new targets by Ofgem for customer minutes lost and customer interruptions for the next price control period which runs from April 2005 to March 2010.

Results and dividends

The profit for the financial year 2005 was £44.5m (2004: £59.7m). Profit for the year before tax was £67.0m (2004: £55.0m).

Dividends on equity shares totalling £17.9m (2004: £41.1m) have been declared by the Company during the year. The WPD Group is structured such that much of the debt outstanding is owed by its holding companies. Dividend payments from the Company include those used to enable the holding companies to make interest payments. Dividends totalling £3.5m (2004: £3.5m) were charged on non-equity preference shares.

Payment of creditors

The WPD Group's policy in respect of its suppliers (other than those providing electricity utility supplies and services) is to require suppliers to accept our terms which are displayed on our official orders unless alternative terms of mutual benefit can be agreed. The average length of time for the payment of creditors by the WPD Group during the year was 12 days (2004: 19 days).

Charitable donations

During the year ended 31 March 2005, donations of £98,000 were made by the Company to community organisations of which £15,000 was donated to charities. In addition, WPD South West established a charitable foundation in 1996 with a £1.0m donation and, in May 2001, an affiliate donated a further £1.0m to the foundation. The foundation made donations of £97,000 to organisations in South Wales in 2004/05.

Political donations and expenditure

The WPD Group is a politically neutral organisation and, during the year, made no political donations.

However, it is subject to rules governing political donations and expenditure by virtue of the Political Parties, Elections and Referendums Act 2000 (the "Act"), as well as US Legislation (the Foreign Corrupt Practises Act).

During 2004/05, WPD South Wales paid a total of £13,000 for activities which may be regarded as falling within the terms of the Act. These activities comprised holding and supporting briefings, receptions and fringe meetings at Liberal Democrat, Labour, Conservative and Plaid Cymru conferences, and support for other party functions. These occasions present an important opportunity for the WPD Group to present its views on a non-partisan basis to politicians from across the political spectrum. The payments made do not indicate support, and are not intended to influence support, for any particular political party. The Board believes that participation in these events is in the best interests of the WPD Group.

Equal opportunities

The WPD Group is committed to equality of opportunity in employment and this is reflected in its equal opportunities policy and employment practices. Employees are selected, treated, and promoted according to their abilities and merits and to the requirements of the job. Applications for employment by people with disabilities are fully considered, and in the event of members of staff suffering disabilities, every effort is made to ensure that their employment with the WPD Group continues with redeployment or retraining arranged as appropriate. It is the policy of the WPD Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The WPD Group places considerable value on the involvement of its employees in its affairs. Staff are kept informed of the WPD Group's aims, objectives, performance and plans, and their effect on them as employees through newsletters, regular team briefings and other meetings, as well as through the 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. A series of road show presentations by the directors each year ensure that all staff are aware of, and can contribute to, WPD's corporate goals.

Directors and their interests

The directors who served during the year were as follows :

RA Symons, Chief Executive
DCS Oosthuizen, Finance Director
DG Harris, Resources and External Affairs Director

During and at the end of the financial year, no director was materially interested in any contract of significance in relation to the Company's business. At 31 March 2005, no director had a beneficial interest in any of the WPD Group companies.

Directors' report (continued)

For the year ended 31 March 2005

Regulatory financial statements

As a condition of its Electricity Distribution Licence, the Company is required to prepare and publish separate financial statements for its distribution business for each year ending 31 March. The Company will publish information on its website and this information will also be available from the Company's registered office as shown below.

Auditors

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

By Order of the Board,

RA Symons
Chief Executive

Western Power Distribution (South Wales) plc
Avonbank
Feeder Road
Bristol BS2 0TB

22 July 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report
to the member of Western Power Distribution (South Wales) plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of cash flows, and the related notes which have been prepared under the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for, and only for, the Company's member in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 2005 and of the Company's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

22 July 2005

Profit and loss account

For the year ended 31 March 2005

	Note	2005 £m	2004 £m
Turnover	2	**164.3**	168.4
Operating expenses	3	**(83.7)**	(92.1)
Operating profit	3	**80.6**	76.3
Income from fixed asset investments		**0.2**	-
Profit on ordinary activities before interest and tax		**80.8**	76.3
Interest expense (net)	4	**(13.8)**	(21.3)
Profit on ordinary activities before tax		**67.0**	55.0
Tax on profit on ordinary activities	5	**(22.5)**	4.7
Profit for the financial year		**44.5**	59.7
Dividends	6	**(21.4)**	(44.6)
Retained profit for the year	19	**23.1**	15.1

All activities relate to continuing operations.

There are no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historical cost equivalents.

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

Balance sheet
31 March 2005

	Note	2005 £m	2004 £m
Fixed assets			
Tangible assets	10	**674.0**	648.7
Investments	11	**-**	-
		674.0	648.7
Current assets			
Stocks	12	**2.5**	2.2
Debtors	13	**203.3**	65.0
		205.8	67.2
Creditors			
Amounts falling due within one year	14	**(181.3)**	(55.5)
Net current assets		**24.5**	11.7
Total assets less current liabilities		**698.5**	660.4
Creditors			
Amounts falling due after more than one year	14	**(149.5)**	(149.4)
Provisions for liabilities and charges	15	**(110.9)**	(96.0)
Net assets		**438.1**	415.0
Capital and reserves			
Called-up share capital	17	**251.7**	251.7
Share premium account	19	**23.2**	23.2
Capital redemption reserve	19	**5.1**	5.1
Profit and loss account	19	**158.1**	135.0
Equity shareholders' funds		**388.1**	365.0
Non-equity shareholders' funds		**50.0**	50.0
Total shareholders' funds	18	**438.1**	415.0

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

The financial statements on pages 11 to 31 were approved by the Board of Directors on 22 July 2005 and were signed on its behalf by:

RA Symons
Chief Executive

DCS Oosthuizen
Finance Director

Statement of cash flows

For the year ended 31 March 2005

	Cash flow note		2005		2004
		£m	£m	£m	£m
Net cash inflow from operating activities	A		**120.9**		113.4
Returns on investments and servicing of finance					
Interest received		**0.2**		0.4	
Interest paid		**(14.5)**		(24.4)	
Dividends received		**0.2**		-	
Non-equity dividends paid		**(1.8)**		(3.5)	
Net cash outflow from returns on investments and servicing of finance			**(15.9)**		(27.5)
Taxation - group relief paid			**(5.0)**		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(67.5)**		(62.5)	
Customers' contributions received		**11.8**		12.2	
Net cash outflow from capital expenditure and financial investment			**(55.7)**		(50.3)
Equity dividends paid			**(17.9)**		(41.7)
Cash inflow/(outflow) before use of liquid resources and financing			**26.4**		(6.1)
Financing					
Movement in balances with group undertakings		**(26.4)**		5.9	
Issue of ordinary share capital		**-**		153.9	
Repayment of loan from group undertaking		**-**		(153.7)	
Net cash (outflow)/inflow from financing			**(26.4)**		6.1
Movement in cash in the year			**-**		-

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

Notes to the statement of cash flows

For the year ended 31 March 2005

A. Reconciliation of operating profit to net cash inflows from operating activities

	2005 £m	2004 £m
Operating profit	**80.6**	76.3
Depreciation and amortisation	**27.8**	27.6
Loss on disposal of tangible fixed assets	**2.6**	1.0
Increase in stocks	**(0.3)**	(1.3)
Increase in debtors	**(0.8)**	(1.8)
Increase in creditors	**3.9**	4.1
Increase in provisions	**7.1**	7.5
Net cash inflow from operating activities	**120.9**	113.4

B. Analysis of changes in net debt

	At 1 April 2004 £m	Cash flow £m	Other non-cash movements £m	**At 31 March 2005 £m**
Debt due after one year :				
£150m 9.25% Eurobonds 2020	(148.3)	-	(0.1)	**(148.4)**

C. Reconciliation of net cash flow to movement in net debt

	2005 £m	2004 £m
Cash outflow from decrease in debt being change in net debt resulting from cash flows	**-**	-
Amortisation of finance costs	**(0.1)**	(0.1)
Increase in net debt in year	**(0.1)**	(0.1)
Net debt at 1 April	**(148.3)**	(148.2)
Net debt at 31 March	**(148.4)**	(148.3)

Notes to the financial statements
For the year ended 31 March 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been consistently applied, is set out below.

Basis of preparation
The financial statements have been prepared under UK GAAP on the going concern basis, under the historical cost convention, and in accordance with applicable accounting standards.

Turnover
Turnover is stated net of value added tax. Sales relating to electricity distributed during the year include an estimate of the sales value of units distributed to customers but not billed by the year end. Remaining sales relate to the invoice value of other goods and services provided.

IT consultancy and software development costs
Significant IT consultancy and software development costs are capitalised when tangible benefits accrue and are amortised over their estimated useful economic life from the date of first use. Costs primarily relate to external suppliers; directly attributable internal costs are capitalised if significant. Other IT consultancy and development costs are charged to the profit and loss account in the year in which they are incurred.

Leases
Rentals for operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Research
Expenditure on research is written off to the profit and loss account in the year in which it is incurred.

Interest costs
Interest costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Pension costs
The Company operates two defined benefit pension schemes. Contributions are charged to the profit and loss account or capital expenditure so as to spread the cost of pensions over employees' working lives with the Company. Differences between amounts charged to the profit and loss account or capital expenditure and amounts funded are shown as either accruals or prepayments in the balance sheet. Any capital cost of ex gratia and supplementary pensions is charged to the profit and loss account in the accounting period in which it is granted.

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at their purchase or production cost net of customer contributions, less amounts provided to write off the cost less anticipated residual value of the assets over their useful economic lives, which are as follows:

	Years
Distribution assets	Up to 40
Buildings - freehold	Up to 60
Fixtures and equipment	Up to 20
Vehicles and mobile plant	Up to 10

Freehold land is not depreciated. Cost includes attributable overheads but excludes financing costs.

Depreciation on distribution network assets is charged at 3% for 20 years followed by 2% for the remaining 20 years. Other assets are depreciated on a straight line basis. Customers' contributions towards distribution network assets, which include capital grants, are credited to the profit and loss account over the life of the distribution network assets to which they relate. The unamortised amount of such contributions is shown as a deduction from fixed assets. This is a departure from the Companies Act 1985 requirements which require fixed assets to be included at their purchase price or production cost and hence the unamortised amount of contributions would be presented as deferred income. However, contributions relate directly to the cost of fixed assets used in the distribution network and it is the opinion of the directors that the treatment adopted is necessary to give a true and fair view. The value of contributions is shown in note 10.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Property

Properties surplus to operational requirements are stated at the lower of cost and net realisable value. Profits are recognised when properties are sold. Sales are accounted for when there is an unconditional exchange of contracts.

Investments

Investment income is included in the financial statements of the year in respect of which it is receivable.

Fixed asset investments are stated at cost less any provisions for impairment. Current asset investments are valued at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value which takes account of any provision necessary to recognise damage and obsolescence.

Notes to the financial statements
For the year ended 31 March 2005

1. Accounting policies (continued)

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse. The discount rates used reflect the post-tax yields to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

2. Segmental reporting

The Company's activity consists solely of the delivery of electricity across its distribution network in the United Kingdom.

Notes to the financial statements

For the year ended 31 March 2005

3. Operating expenses

The directors consider that the nature of the business is such that the analysis of expenses shown below is more informative than that set out in the formats specified by the Companies Act 1985.

	2005 £m	2004 £m
Cost of sales	**10.0**	12.8
Distribution network expenses	**61.5**	63.1
Other operating expenses	**12.2**	16.2
Operating expenses	**83.7**	92.1

Other operating expenses include certain pension costs, customer service, billing, and administration.

	2005 £m	2004 £m
Operating profit is stated after charging:		
Depreciation	**27.8**	27.6
Operating lease rentals:		
Plant, machinery and equipment	**0.2**	0.3
Other assets	**0.2**	0.2
Research and development	**0.1**	0.1
Auditors' remuneration:		
Audit fees and expenses - routine audits	**0.1**	0.1
Audit fees and expenses - US Sarbanes Oxley requirements	**0.3**	-

4. Interest expense (net)

	2005 £m	2004 £m
Interest payable and similar charges:		
On loans from group undertakings	**2.3**	7.7
Other	**14.0**	14.0
	16.3	21.7
Interest receivable:		
On loans to group undertakings	**(2.5)**	(0.3)
Other	**-**	(0.1)
Interest expense (net)	**13.8**	21.3

Notes to the financial statements

For the year ended 31 March 2005

5. Tax *on profit on ordinary activities*

(a) Analysis of charge/(credit) in the year

	2005 £m	2004 £m
Current tax:		
UK corporation tax on profits for the year	**16.4**	11.6
Adjustment in respect of prior years	**(1.7)**	(9.6)
Total current tax (note 5(b))	**14.7**	2.0
Deferred tax:		
Origination and reversal of timing differences	**4.0**	5.0
Decrease/(increase) in discount	**0.1**	(3.4)
Adjustment in respect of prior years	**3.7**	(8.3)
Total deferred tax (note 15)	**7.8**	(6.7)
Tax charge/(credit) on profit on ordinary activities	**22.5**	(4.7)

(b) Factors affecting current tax charge for the year

The current tax assessed for the year is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	**67.0**	55.0
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**20.1**	16.5
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**(0.4)**	0.1
Notional intra group recharge required under UK tax legislation	**0.7**	-
Capital allowances for the year in excess of depreciation	**(6.0)**	(8.0)
Other timing differences	**2.0**	3.0
Adjustment to tax charge in respect of prior years	**(1.7)**	(9.6)
Current tax charge for the year (note 5(a))	**14.7**	2.0

Notes to the financial statements
For the year ended 31 March 2005

6. Dividends

	2005 **£m**	2004 £m
Dividends declared on equity shares:		
Interim dividends declared (4.4 pence per share (2004: 10.2 pence))	**17.9**	41.1
Dividends declared on non-equity shares:		
Payable on 7% preference shares	**3.5**	3.5
	21.4	44.6

The WPD Group is structured such that debt is held by UK holding companies. Dividends from WPD South Wales and other operating companies fund the interest on this debt.

7. Employee costs and numbers

(a) Employee costs

	2005 **£m**	2004 £m
Total employee costs during the year amounted to:		
Wages and salaries	**20.7**	20.4
Severance	**0.3**	-
Social security costs	**1.7**	1.7
Pension costs - severance related	**1.1**	-
Pension costs - other	**7.9**	7.6
Total employee costs	**31.7**	29.7
Less allocated to capital expenditure	**(18.2)**	(17.8)
Charged to the profit and loss account	**13.5**	11.9

(b) The average number of employees during the year was 719 (2004: 721).

8. Pension commitments

Introduction

The Company participates in two defined benefit schemes, the Western Power Distribution Group segment of the Electricity Supply Pension Scheme ("ESPS") and the Infralec 1992 Pension Scheme ("Infralec 92"). The ESPS provides pension and other related defined benefits based on final pensionable pay to employees throughout the electricity supply industry. To 31 March 2002, there were separate funds for both WPD South West and WPD South Wales; these were merged effective 1 April 2002. The Infralec 92 provides benefits on both a money purchase and final salary basis and is operated by WPD South Wales. The assets of both schemes are held separately from those of the WPD Group in trustee administered funds.

8. Pension commitments (continued)

Introduction (continued)

WPD South Wales is the principal employer for the Western Power Utilities Pension Scheme ("WPUPS"), which is a defined benefit scheme providing benefits relating to previous employees of various Hyder group companies. WPD South Wales will fund the deficit. However, as another WPD Group company has taken financial responsibility for this scheme, WPD South Wales will be reimbursed for these payments. Details of WPUPS are shown in the financial statements of Western Power Distribution Holdings Limited.

A surplus recognised at the full actuarial valuation of the ESPS as at 1 March 2001 was utilised for benefit improvements, to fund a reduction of 1% in employees' contributions for the three years from 1 April 2002, to cover anticipated short term early retirement costs, and to continue the suspension of contributions to the ESPS from the WPD Group for a maximum period up to 31 March 2005. In November 2004, the WPD Group recommenced contributions in respect of future service liability. From 1 April 2005, the level of contributions increased and the WPD Group commenced contributions to reduce the deficit. Total employer contributions for 2005/06, excluding those relating to short term early retirement costs in the year, are anticipated to be approximately £21m. The deficit is being recognised in the financial statements over the average service lives of employees, as required under Statement of Standard Accounting Practice 24 ("SSAP 24").

Contributions paid by the WPD Group to the ESPS during the year amounted to £3.8m (2004: £0.4m). The portion attributable to WPD South Wales is estimated at £1.0m (2004: £0.2m). Contributions paid to the Infralec 92 scheme amounted to £0.1m (2004: £nil).

Disclosures under SSAP24

The Company has continued to account for pensions in accordance with SSAP 24. In addition, the Company provides the disclosures required under the transitional arrangements permitted for the adoption of Financial Reporting Standard 17 ("FRS17") "Retirement Benefits" (issued in November 2000).

Employees across the WPD Group belong to the ESPS. Pension costs in respect of the ESPS accounted for under SSAP24 are allocated to companies within the WPD Group based on pensionable salary for employees within those companies.

Full actuarial valuations of the ESPS and Infralec 1992 were carried out at 31 March 2004 and 31 March 2003, respectively, and updated to 31 March 2005 by Hewitt Bacon & Woodrow, consulting actuaries. The major assumptions used by the actuary were:

	ESPS Western Power Group		**Infralec 1992 Scheme**	
	2005	2004	**2005**	2004
Investment return - pre retirement	**6.7%**	5.6%	**6.6%**	6.6%
Investment return - post retirement	**5.7%**	5.1%	**5.6%**	5.6%
Rate of increase in salaries	**4.4%**	4.1%	**Not applicable**	
Rate of increase to pensions in payment	**3.0%**	2.5%	**2.5%**	2.5%
Discount rate - pre retirement	**6.7%**	5.6%	**6.6%**	6.6%
Discount rate - post retirement	**5.7%**	5.1%	**5.6%**	5.6%
Inflation assumption	**2.9%**	2.6%	**2.6%**	2.6%

Following discussion between the Trustees to the WPD Group segment of the ESPS and the consulting actuaries, the decision was made to change the actuarial method from projected unit to attained age as this better reflects the nature of this scheme. This change has also been reflected in the valuation method used for SSAP24 for 2005.

Notes to the financial statements

For the year ended 31 March 2005

8. Pension commitments (continued)

Disclosures under FRS17

The pension figures shown above comply with the current pension accounting standard, SSAP24. However, under the transitional arrangements of the new accounting standard, FRS17, the Company is required to disclose the following information about its pension schemes and the figures that would have been shown under FRS17 in the balance sheet if it had been fully adopted. The disclosures are based on actuarial valuations as at 31 March 2004 in respect of ESPS and at 31 March 2003 for Infralec 92.

The financial assumptions used in calculating the figures under FRS17 were :

	ESPS Western Power Group			Infralec 1992 Scheme		
	2005	2004	2003	**2005**	2004	2003
Rate of increase in salaries	**4.4%**	4.4%	4.0%		Not applicable	
Rate of increase to pensions in payment	**3.0%**	2.9%	2.5%	**2.9%**	2.9%	2.5%
Discount rate	**5.4%**	5.5%	5.5%	**5.4%**	5.5%	5.5%
Inflation assumption	**2.9%**	2.9%	2.5%	**2.9%**	2.9%	2.5%

The assets and liabilities of the schemes, along with expected rates of return on the schemes' assets at 31 March, were as follows:

	Long-term rate of return expected at 31 March 2005	**Value at 31 March 2005 £m**	Long-term rate of return expected at 31 March 2004	Value at 31 March 2004 £m	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £m
ESPS - WPD Group *						
Equities	**8.5%**	**728.6**	8.5%	720.3	8.8%	640.5
Corporate Bonds	**5.2%**	**78.6**	5.3%	67.2	5.5%	63.3
Gilts	**4.7%**	**139.6**	4.8%	143.7	4.8%	121.6
Property	**7.5%**	**21.0**	7.5%	18.9	7.8%	22.3
Cash and other	**4.8%**	**46.6**	4.0%	44.9	3.5%	14.6
Total market value of assets		**1,014.4**		995.0		862.3
Present value of scheme liabilities		**(1,311.0)**		(1,321.6)		(1,168.0)
Deficit in the scheme		**(296.6)**		(326.6)		(305.7)
Related deferred tax asset		**89.0**		98.0		91.7
Net pension liability		**(207.6)**		(228.6)		(214.0)

* The assets in the ESPS relating to the employees of WPD South Wales cannot be separately identified and therefore the disclosures relate to the ESPS members of the WPD Group as a whole.

8. Pension commitments (continued)

Disclosures under FRS17 (continued)

	Long-term rate of return expected at 31 March 2005	Value at 31 March 2005 £m	Long-term rate of return expected at 31 March 2004	Value at 31 March 2004 £m	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £m
Infralec 1992 Scheme						
Equities	**8.5%**	**4.9**	8.5%	4.5	8.8%	2.4
Corporate Bonds	**5.2%**	**0.1**	4.8%	0.1	5.0%	0.4
Gilts	**4.7%**	**0.4**	4.8%	0.5	5.0%	-
Cash and other	**4.8%**	**0.5**	4.0%	0.1	3.5%	0.2
Total market value of assets		**5.9**		5.2		3.0
Present value of scheme liabilities		**(8.4)**		(8.0)		(4.5)
Deficit in the scheme		**(2.5)**		(2.8)		(1.5)
Related deferred tax asset		**0.8**		0.8		0.5
Net pension liability		**(1.7)**		(2.0)		(1.0)

The amounts required to be disclosed by FRS17 in respect of the performance statements had FRS17 accounting been adopted are set out below (ESPS numbers shown are in respect of the whole WPD Group):

	ESPS WPD Group		**Infralec 1992 Scheme**	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Analysis of amount charged to operating profit or capital expenditure				
WPD Group service cost	**12.0**	8.6	-	-
Past service cost	**2.0**	2.2	-	-
Total charge to operating profit or capital expenditure	**14.0**	10.8	-	-
Analysis of amount credited to other finance income				
Expected return on scheme assets	**72.4**	64.9	**0.4**	0.2
Interest on scheme liabilities	**(71.3)**	(62.4)	**(0.4)**	(0.2)
Net return	**1.1**	2.5	-	-

Notes to the financial statements
For the year ended 31 March 2005

8. Pension commitments (continued)

Disclosures under FRS17 (continued)

	ESPS WPD Group		Infralec 1992 Scheme	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
Analysis of amounts that would have been recognised in the statement of total recognised gains and losses:				
Actual return less expected return on scheme assets	**11.0**	136.6	**0.3**	0.5
Experience gains and losses arising on scheme liabilities	**18.3**	2.0	**0.1**	(0.8)
Changes in assumptions	**9.8**	(151.6)	**(0.2)**	(1.1)
Actuarial gain/(loss) that would have been recognised in statement of total recognised gains and losses	**39.1**	(13.0)	**0.2**	(1.4)
Movement in deficit during the year:				
Deficit at end of prior year	**(326.6)**	(305.7)	**(2.8)**	(1.4)
Total charge to operating profit or capital expenditure	**(14.0)**	(10.8)	**-**	-
Contributions - employer	**3.8**	0.4	**0.1**	-
Net return	**1.1**	2.5	**-**	-
Actuarial gain/(loss)	**39.1**	(13.0)	**0.2**	(1.4)
Deficit at 31 March	**(296.6)**	(326.6)	**(2.5)**	(2.8)

History of experience gains and losses for 2005 and 2004				
Difference between the expected and actual return on scheme assets:				
Amount (£m)	**11.0**	136.6	**0.3**	0.5
Percentage of scheme assets	**1.1%**	15.8%	**5.1%**	9.6%
Experience gains and losses on scheme liabilities:				
Amount (£m)	**18.3**	2.0	**0.1**	(0.8)
Percentage of the present value of scheme liabilities	**1.4%**	0.2%	**1.2%**	10.0%
Change in assumptions (including demographics):				
Amount (£m)	**9.8**	(151.6)	**(0.2)**	(1.1)
Percentage of the present value of scheme liabilities	**0.7%**	13.0%	**2.4%**	13.8%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£m)	**39.1**	(13.0)	**0.2**	(1.4)
Percentage of the present value of scheme liabilities	**3.0%**	1.1%	**2.4%**	17.5%

8. Pension commitments (continued) **Disclosures under FRS17 (continued)**	ESPS WPD Group 2003 £m	Infralec 1992 Scheme 2003 £m
History of experience gains and losses for 2003		
Difference between the expected and actual return on scheme assets:		
Amount (£m)	(316.9)	(0.6)
Percentage of scheme assets	36.8%	19.4%
Experience gains and losses on scheme liabilities:		
Amount (£m)	22.1	(0.7)
Percentage of the present value of scheme liabilities	1.9%	15.6%
Change in assumptions:		
Amount (£m)	(37.8)	-
Percentage of the present value of scheme liabilities	3.2%	0.0%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	(332.6)	(1.3)
Percentage of the present value of scheme liabilities	28.5%	28.9%

9. Directors' emoluments

The service contracts for the executive directors are with WPD South West. However, their emoluments include those for services to the WPD Group as a whole, which principally comprises WPD South West and WPD South Wales. The emoluments detail given in this note represents total emoluments of the directors for all services provided to WPD Group companies with no apportionment between WPD Group companies.

	Total emoluments		Emoluments of highest paid director	
	2005 £000	2004 £000	**2005 £000**	2004 £000
The combined emoluments of the executive directors comprised:				
Base salary (note i)	**538**	484	**227**	195
Performance dependent bonus (note ii)	**893**	787	**439**	331
Fees payable to the independent non executive director (note iv)	**15**	14	-	-
	1,446	1,285	**666**	526

(i) Base salary also includes benefits in kind.

(ii) The amount of the annual bonus is based on the WPD Group's financial performance, improvements in the reliability of the electricity network (reduction in minutes customers are off supply), customer satisfaction, PPL Corporation's share price and other factors. An element of the prior year bonus was estimated in 2004 and has been adjusted above to the actual figures.

(iii) The three executive directors are members of the Electricity Supply Pension Scheme (note 8). At 31 March 2005, the highest paid director had accrued annual pension benefits of £200,698 (2004: £164,488). The benefits shown assume that an option to convert an element of the annual benefits to a lump sum payable on retirement is not exercised.

9. Directors' emoluments (continued)

(iv) The independent UK non executive director is entitled to fees as determined by the Board. No emoluments are paid to US based non-executive directors, who are officers of PPL, in respect of their services as directors to the WPD Group.

10. Tangible fixed assets

	Leasehold improvements £m	Distribution network £m	Fixtures & equipment £m	Deduct: customers' contributions £m	Total £m
Cost					
At 1 April 2004	0.2	1,158.9	34.1	(217.2)	976.0
Additions	-	67.0	1.4	(12.0)	56.4
Transfers to group undertakings	-	-	(5.2)	-	(5.2)
Disposals	-	(8.3)	(1.0)	0.2	(9.1)
At 31 March 2005	0.2	1,217.6	29.3	(229.0)	1,018.1
Depreciation					
At 1 April 2004	-	382.9	23.0	(78.6)	327.3
Charge for the year	-	31.6	3.0	(6.1)	28.5
Transfers to group undertakings	-	-	(3.5)	-	(3.5)
Disposals	-	(7.4)	(1.0)	0.2	(8.2)
At 31 March 2005	-	407.1	21.5	(84.5)	344.1
Net book value					
At 31 March 2005	**0.2**	**810.5**	**7.8**	**(144.5)**	**674.0**
At 1 April 2004	0.2	776.0	11.1	(138.6)	648.7

The net book value of land and buildings reported within distribution network assets comprises:

	2005 £m	2004 £m
Freehold	**27.4**	24.6
Short leasehold	**0.2**	0.2

Included within the Company's fixed assets are assets in the course of construction amounting at 31 March 2005 to £4.3m (2004: £4.7m) and land at a cost of £8.2m (2004: £6.1m).

Leasehold improvements above relate to a non-network property held on a long term lease.

Notes to the financial statements

For the year ended 31 March 2005

11. Fixed asset investments

	Other investment £m
At 1 April 2004	-

Principal subsidiaries at 31 March 2004 were:

Name	Principal activity	Holding	Proportion held %
Croeso Systems Development Limited	Customers systems	Ordinary Shares	50%
Hyder Utilities (Operations) Limited	Services	Ordinary Shares	100%

On 12 October 2004, Croeso Systems Development Limited and Hyder Utilities (Operations) Limited were placed into member's voluntary liquidation.

12. Stocks

	2005 £m	2004 £m
Raw materials and consumables	**0.5**	0.1
Work in progress	**2.0**	2.1
	2.5	2.2

13. Debtors

	2005 £m	2004 £m
Amounts falling due within one year:		
Trade debtors	**27.1**	28.8
Amounts owed by group undertakings	**173.1**	35.6
Other debtors	**2.8**	-
Prepayments	**0.3**	0.6
	203.3	65.0

Notes to the financial statements

For the year ended 31 March 2005

14. Creditors

	2005 £m	2004 £m
Amounts falling due within one year:		
Trade creditors	**4.1**	5.1
Amounts owed to group undertakings	**122.7**	10.5
UK corporation tax	**24.1**	14.4
Other creditors	**11.3**	8.1
Accruals and deferred income	**19.1**	17.4
	181.3	55.5
Amounts falling due after more than one year:		
£150m 9.25% Eurobonds 2020 *	**148.4**	148.3
Refundable customers' contributions	**1.1**	1.1
	149.5	149.4

* The Eurobonds are shown net of issue costs of £1.6m (2004: £1.7m), which are being amortised to interest expense. The fair market value of the Eurobonds at 31 March 2005 was £203.6m (2004: £204.4m).

15. Provisions for liabilities and charges

	Deferred taxation (note 16) £m	Pensions £m	Other £m	Total £m
At 1 April 2004	82.0	12.4	1.6	96.0
Arising during the year	7.8	8.1	0.4	16.3
Utilised during the year	-	(1.2)	(0.2)	(1.4)
At 31 March 2005	**89.8**	**19.3**	**1.8**	**110.9**

The directors do not expect the total value of deferred tax to materially change in the foreseeable future. The directors expect the pensions liability to be settled within 13 years.

Other provisions at 31 March 2005 relate to uninsured losses and an expected settlement of a liability to the Electricity Association Limited ("EA") and Electricity Association Technology Limited ("EATL"). Liabilities in respect of the EA and EATL are being settled over a period of approximately 9 and 12 years, respectively; the directors expect other provisions to be settled within the next two years.

Notes to the financial statements

For the year ended 31 March 2005

16. Deferred tax

	2005 £m	2004 £m
Accelerated capital allowances	**132.8**	124.7
Chargeable gain on sale of electricity supply business	**18.0**	18.0
Other timing differences	**(6.5)**	(6.2)
Undiscounted provision for deferred tax	**144.3**	136.5
Discount	**(54.5)**	(54.5)
Discounted provision for deferred tax	**89.8**	82.0

17. Called-up share capital

	2005 £m	2004 £m
Authorised:		
405,000,000 ordinary shares of 50p each	**202.5**	202.5
50,000,000 preference shares (7% net) of £1 each	**50.0**	50.0
Allotted, called-up and fully paid:		
403,442,224 ordinary shares of 50p each	**201.7**	201.7
50,000,000 preference shares (7% net) of £1 each	**50.0**	50.0

The 7% cumulative preference shares carry a fixed dividend. Dividends are payable every six months, in arrears, on 31 March and 30 September. Payment can be delayed but any dividends outstanding must be settled before dividends on ordinary shares can be paid. The shares have no redemption entitlement. On a winding up, the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have no voting rights unless the dividend is in arrears.

Notes to the financial statements

For the year ended 31 March 2005

18. Reconciliation of movements in shareholders' funds

	2005	2004
	£m	£m
Profit for the financial year	**44.5**	59.7
Dividends declared	**(21.4)**	(44.6)
Net increase in shareholders' funds	**23.1**	15.1
New share capital issued	-	153.9
Opening shareholders' funds	**415.0**	246.0
Closing shareholders' funds	**438.1**	415.0

19. Reserves

	Share premium account	Capital redemption reserve	Profit & loss account
	£m	£m	£m
At 1 April 2004	23.2	5.1	135.0
Retained profit for the year	-	-	23.1
At 31 March 2005	**23.2**	**5.1**	**158.1**

The share premium account arose on the issue of shares under share option schemes. The capital redemption reserve is in respect of the purchase of its own shares by the Company.

20. Capital and other commitments

a) There are annual commitments under operating leases which expire :

	Land & buildings		Equipment & vehicles	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
In the second to fifth years	-	-	**0.2**	-
In over five years	**0.1**	0.2	-	0.2

b) Fixed asset expenditure contracted but not provided in the financial statements at 31 March 2005 was £1.4m (2004: £0.1).

Notes to the financial statements
For the year ended 31 March 2005

21. Related party transactions

The Company, a wholly-owned subsidiary undertaking, has taken the exemption available from related party disclosure requirements of Financial Reporting Standard 8 as the financial statements of a parent company are available to the public (note 22).

22. Ultimate parent undertaking

The immediate parent undertaking of the Company is Western Power Distribution LLP, which is registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by Western Power Distribution Holdings Limited. Copies of these financial statements may be obtained from the Company's registered office as stated below. The largest group in which the results of the Company are consolidated is that headed by PPL Corporation, which is the ultimate parent undertaking. Copies of their accounts may be obtained from Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US.

Registered office:

Western Power Distribution (South Wales) plc
Avonbank
Feeder Road
Bristol BS2 0TB

Telephone : 0117 933 2000
Fax : 0117 933 2001
eMail: info@westernpower.co.uk

Registered number 2366985