Registered Number: 2366985

WESTERN POWER DISTRIBUTION (SOUTH WALES) plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

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 2003.

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For the year ended 31 March 2003

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 Western Power Distribution Holdings Limited group ("WPD Group") is structured so as to minimise the costs of debt. Interest payments on the debt held by 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 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 group.

Reconciliation to WPD Group results

In accordance with UK generally accepted accounting principles, the results of WPD South Wales have been consolidated into the results of the WPD Group for the year ended 31 March 2003 as detailed below:

	2003	2002
		(Restated)
	£m	£m
Profit for WPD South Wales (as shown on page 11)	**39.2**	37.0
Profit for WPD South West *	**53.8**	86.6
Other :		
Loan to affiliate written off	**(89.0)**	-
Other - interest expense in holding companies, etc.	**(47.7)**	(53.8)
WPD Group profit for the financial year	**(43.7)**	69.8
Dividends declared to the WPD Group's shareholders	**-**	(140.7)
Amounts transferred from reserves	**(43.7)**	(70.9)

* Intra-group dividends are excluded from the above as, under UK generally accepted accounting principles, they are eliminated on group consolidation.

Directors' report

For the year ended 31 March 2003

The directors present their report and financial statements of Western Power Distribution (South Wales) plc (the "Company" or "WPD South Wales") for the year ended 31 March 2003.

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.

WPD South Wales is an indirect, wholly-owned subsidiary of Western Power Distribution Holdings Limited which, from 6 September 2002, is owned indirectly by PPL Corporation, an electricity utility of Allentown, Pennsylvania, United States of America, ("US"). Prior to this date, Mirant Corporation, a global energy company of Atlanta, Georgia, US, held a 49% economic and joint controlling interest in the WPD Group.

On 30 January 2003 and as part of a reconstruction within the WPD Group, WPD South Wales' immediate parent HIG transferred its investment in the Company to Western Power Distribution LLP.

Business review

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

The next price control period operates from 1 April 2005 and the regulatory body the Gas and Electricity Markets Authority (known as "Ofgem") began the review process during the year. The WPD Group has prepared its strategy and completed the groundwork for this review and continues to play an influential role in the national debate concerning distribution companies. The aim is to ensure that companies such as WPD South Wales and WPD South West, with extensive overhead coastal networks, are compared on an accurate and supportable basis with other distribution businesses operating in mainly urban areas.

The focus for the business during the year has been to continue to maximise efficiency and customer service. Aggressive reduction of 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 (excluding the impact of abnormal weather). Additional efficiency savings have been achieved by the sharing of systems and facilities. Operationally, the WPD Group has completed another successful year and demonstrated that it is a frontier performer in terms of network reliability, customer service, its cost base and safety record.

A combination of targeted investment and close monitoring of performance has ensured that we have out-performed in all areas of the business and exceeded all of Ofgem's National Customer Guarantee Service Standards. A series of roadshow presentations by the directors at the start of 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 ten' priorities for the year.

Business review (continued)

Safety

A key part of managing change within the WPD Group, and particularly the reorganisation of WPD South Wales, was to ensure that safety was not compromised by the changing structure and work practices within the WPD Group.

In December 2002, the WPD Group's Health and Safety Management System achieved conformance with OHSAS (Occupational Health and Safety Management Systems) 18001.

The formalisation of the WPD Group's Health and Safety Management System in line with OHSAS 18001 followed a rigorous set of assessment audits and is a major achievement for the WPD Group. It is an important tool in our efforts to continually improve our safety performance.

Accidents have fallen to an all-time low. In WPD South Wales, there were four lost-time accidents in 2002/03 compared with seven in 2001/02, a fall of 43%. Non-lost-time accidents have reduced from 37 in 2001/02 to 28 in 2002/03, a fall of 24%. Since the introduction of the team structure, the reduction in the number of serious accidents has been approximately 85% across the WPD Group.

Network reliability

The year has seen a continued focus on implementing investment and system refurbishment plans that ensure that our customers receive a secure and reliable supply of electricity.

Two key programmes to support this objective where significant progress was made during 2002/03 were:

Tree trimming

A managed tree-trimming programme was introduced into WPD South Wales during 2001.

Tree maintenance is essential for protecting the reliability of power supplies to customers and an effective way to reduce the number of faults on overhead lines is to keep tree branches at a safe distance. Following the acquisition of WPD South Wales, it was apparent that no routine tree maintenance had been carried out since the overhead lines had been erected.

As a result, expenditure was increased and £13m was allocated to spend on the tree-trimming backlog in WPD South Wales to deliver a maintenance position where the network has been cleared of trees and all cutting is done on a routine, systematic basis. We are on schedule to clear the backlog on the WPD South Wales network by the end of December 2003. We cleared almost 6,000 km of high-voltage ("HV") network of trees during the year.

To ensure that we carry out this work in a responsible and environmentally-friendly way, we are using the services of a qualified arborist and have also sought the advice of public bodies such as English Nature.

Directors' report (continued)
For the year ended 31 March 2003

Business review (continued)

Network reliability (continued)

Network management system ("ENMAC")
Our control centre uses a computer system (known as "ENMAC") that provides a graphical representation of our entire distribution network at 132kV, 33kV and 11kV voltage levels. This screen-based "picture" of the network is fed on-line with information from sensors in our substations and tells our control engineers the status of the network instantly.

During the year, we commenced a programme to update and extend our telecontrol system and further improve our service to customers. We also installed additional switching devices on under-performing overhead circuits that can be operated remotely from one of our control centres. This will particularly benefit our rural customers.

We also use ENMAC to manage "no-supply" calls from customers and automatically match the call to any problems on the network. During 2003, we will be improving the way we handle these types of calls by introducing a High Volume Call Taker system ("HVCT"). HVCT will interface real-time between ENMAC and customer calls to record messages relating to no-supply calls. When the customer dials the "no-supply" telephone number, the system will recognise the caller's telephone number, relate it to the current interruption and play specific, meaningful messages relevant to the progress of the interruption. Effectively this is the same as the information that would be available to them if they were talking to a live agent. The system will be invaluable for managing the very high number of calls that can be received during periods of severe weather and will significantly improve customer service in this area.

Network performance
Through a combination of targeted investment programmes and close monitoring of performance against goals and targets, WPD South Wales continues to strive to improve network performance.

	Total		Excluding October 2002 storm	
Minutes lost per customer 2001/02	90.6		90.6	
Minutes lost per customer 2002/03	112.4	*	87.4	*
Interruptions per 100 customers 2001/02	128.5		128.5	
Interruptions per 100 customers 2002/03	118.7	*	105.1	*

* *excludes a fault on the external NGC network*

The storm of October 2002 had a significant impact on the above and thus figures are shown both including and excluding the impact of this storm.

More than 82.4% of customers off supply in South Wales 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.

Although the underlying trend is one of further improvement, and the WPD Group continues to compare favourably on a national basis, network performance was significantly impacted by severe gales in October 2002. This one event accounted for 22% of the total minutes lost in South Wales for the year. More details are given below.

Directors' report (continued)

For the year ended 31 March 2003

Business review (continued)

Network reliability (continued)

Storm performance

In October 2002, the UK was hit by major storms that resulted in widespread damage to the electricity network. A total of nine distribution network operators' licensed areas were affected and in total almost two million customers lost their electricity supply. The WPD Group was one of the worst-affected, and experienced the worst of the weather conditions with wind speeds in excess of 96 mph. All WPD Group customers were restored within 56 hours, although in some parts of the country customers were without supply for nine days.

Following this event, the Department of Trade and Industry commissioned an investigation into the performance of electricity companies in repairing damage and restoring supplies to customers. The investigation looked at nine key areas of storm performance and in its conclusions cited the WPD Group as an example of a 'benchmark company', recognising that a combination of effective on-the-ground decision-making and well-organised operational teams had contributed to a performance that restored the most number of customers in the shortest time.

During 2003 we propose to continue with those initiatives that have clearly demonstrated good improvements to quality of supply to date, and we will seek new opportunities and initiatives for the future.

Customer service

We welcome direct customer feedback and our aim is to eliminate complaints to the consumer body *energywatch* through our policy of getting it right "first time, every time" and focussing on customers. Staff are trained and encouraged to take personal responsibility for complaints, 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".

If customers are not happy with our efforts to resolve the matter, they may ask the newly established independent consumer body *energywatch* to review their complaint. We meet regularly with *energywatch* to review any complaints and identify any lessons learnt.

This focus on customer service has enabled the WPD Group to reduce distribution complaints to Ofgem/*energywatch* by 96% over four years.

In Ofgem's latest report on customer service (published for the period April-September 2001), we are at the top of the league table, both for fewest customer complaints and for having the lowest number of penalty payments to customers who do not receive the level of service prescribed by Ofgem. We expect to maintain the number one position when Ofgem publish their latest figures.

The WPD Group continues to hold the Charter Mark award, which is the Government's seal of approval for service excellence. The WPD Group is the only utility in the UK to have won the award four times, and in the South West of England it is the only company of any kind to achieve this standard.

Capital investment

Gross capital investment on the network (before customers' contributions) during 2002/03 was £63.6m (2001/02: £57.2m) across the WPD South Wales region and included the replacement of overhead lines, replacement of switchgear and the introduction of new technology.

Directors' report (continued)
For the year ended 31 March 2003

Business review (continued)

Capital investment (continued)
A number of significant engineering projects were also tackled during the year:

- As part of the Llanelli docks regeneration, a project to remove twelve electricity pylons from an area crucial to the economical development of this part of West Wales has been completed, twelve months ahead of schedule. This involved the installation of 4.2 km of 132kV cable and 2.4 km of 33kV cable, with part of the route traversing under the main Llanelli to Carmarthen railway line. The project was undertaken in partnership with Carmarthenshire County Council and the Millennium Commission, and the Countryside Commission was also consulted due to the close proximity of an otter breeding ground.

- The completion of another important project was the replacement of the 11kV switchgear and associated protection at Glasbury 66/11kV substation in the heart of mid Wales, which affords supplies to almost 5,000 customers, some of which are in very remote locations. The installation of this modern switchgear, which is easier to operate and maintain, will also improve the quality of supply and fault restoration times. This project forms a small part of an ongoing programme to introduce automation to the rural parts of South Wales.

Regulatory issues
The WPD Group met the regulatory requirement to publish its first Long Term Development Statement during the year. This document sets out in detail the policy and principles behind the design, development, maintenance and operation of our 132kV and 33kV network.

In order to comply with requirements of our licence and the Competition Act, the WPD Group introduced a compliance programme to ensure that all our policies and procedures meet the legal requirements. As part of the programme, all staff have been trained to meet a code of conduct on fair competition.

During the first full year of Ofgem's Information and Incentive Project, 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 two per cent 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.

Results and dividends
The profit for the financial year 2003 was £39.2m (2002 : £37.0m).

Dividends on equity shares totalling £9.1m (2002: £17.0m) 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 (2002: £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 16 days (2002: 21 days).

Charitable donations

During the year ended 31 March 2003, donations of £64,000 were made by the Company to community organisations of which £6,000 was donated to charities. In addition, WPD South West established a charitable foundation in 1996 with a £1.0m donation and, in May 2001, Hyder, which is under the same ultimate ownership as the WPD Group, donated a further £1.0m to the foundation. The foundation made donations of £159,000 in 2002/03.

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, as well as US Legislation (the Foreign Corrupt Practises Act).

During the year ended 31 March 2003, WPD South Wales paid a total of £12,000 for activities which may be regarded as falling within the terms of the new Act. These activities comprised sponsorship of 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 represent 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.

Directors' report (continued)

For the year ended 31 March 2003

Directors and their interests

The directors who served during the year were as follows :

	Appointed
RA Symons, Chief Executive	15 September 2000
DCS Oosthuizen, Finance Director	4 January 2001
ME Fletcher, Resources and External Affairs Director	17 May 2001

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 other than service contracts. At 31 March 2003, no director had a beneficial interest in any of the WPD Group companies.

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. These are expected to be available during October from the Company's registered office as shown below.

Auditors

During the year, Arthur Andersen resigned as auditors and PricewaterhouseCoopers were appointed by the directors to fill the casual vacancy. Since the year end, PricewaterhouseCoopers have resigned as auditors and PricewaterhouseCoopers LLP were appointed by the directors to fill the casual vacancy. 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

8 August 2003

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 of Western Power Distribution (South Wales) plc for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, 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 the 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 in 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 2003 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
8 August 2003

Profit and loss account

For the year ended 31 March 2003

	Note	2003 £m	2002 £m
Turnover - continuing operations	2	**173.6**	164.6
Operating expenses	3	**(88.5)**	(90.3)
Operating profit - continuing operations		**85.1**	74.3
Profit on sale of tangible fixed assets		**1.2**	-
Income from fixed asset investments		**0.4**	0.1
Profit on ordinary activities before interest and tax		**86.7**	74.4
Interest expense (net)	4	**(23.6)**	(23.7)
Profit on ordinary activities before tax		**63.1**	50.7
Tax on profit on ordinary activities	5	**(23.9)**	(13.7)
Profit for the financial year		**39.2**	37.0
Dividends	6	**(12.6)**	(20.5)
Retained profit for the year	18	**26.6**	16.5

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 2003

	Note	2003 £m	2002 £m
Fixed assets			
Tangible assets	10	**627.0**	604.6
Investments	11	**-**	0.1
		627.0	604.7
Current assets			
Stocks	12	**0.9**	1.5
Debtors	13	**69.7**	59.0
		70.6	60.5
Creditors			
Amounts falling due within one year	14	**(51.7)**	(66.6)
Net current assets/(liabilities)		**18.9**	(6.1)
Total assets less current liabilities		**645.9**	598.6
Creditors			
Amounts falling due after more than one year	14	**(304.7)**	(304.7)
Provisions for liabilities and charges	15	**(95.2)**	(74.5)
Net assets	2	**246.0**	219.4
Capital and reserves			
Called-up share capital	17	**97.8**	97.8
Share premium account	19	**23.2**	23.2
Capital redemption reserve	19	**5.1**	5.1
Profit and loss account	19	**119.9**	93.3
Equity shareholders' funds		**196.0**	169.4
Non-equity shareholders' funds		**50.0**	50.0
Total shareholders' funds	18	**246.0**	219.4

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 8 August 2003 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 2003

	Cash flow note	2003	2003	2002	2002
		£m	**£m**	£m	£m
Net cash inflow from operating activities	A		**94.1**		71.1
Returns on investments and servicing of finance					
Interest received		**0.3**		0.2	
Interest paid		**(24.0)**		(20.7)	
Dividends received		**0.5**		0.1	
Non-equity dividends paid		**(5.2)**		-	
Net cash outflow from returns on investments and servicing of finance			**(28.4)**		(20.4)
UK corporation tax paid			**(9.0)**		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(62.5)**		(57.2)	
Customers' contributions received		**11.1**		8.4	
Sale of tangible fixed assets		**3.2**		-	
Net cash outflow from capital expenditure and financial investment			**(48.2)**		(48.8)
Equity dividends paid			**(8.5)**		(17.0)
Cash outflow before use of liquid resources and financing			**-**		(15.1)
Management of liquid resources					
Reduction in short-term deposits with banks		**-**		14.2	
Net cash inflow from management of liquid resources			**-**		14.2
Decrease in cash in the year	B		**-**		(0.9)

The accompanying notes are an integral part of this statement of cash flows.

Notes to the statement of cash flows

For the year ended 31 March 2003

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

	2003 £m	2002 £m
Operating profit	**85.1**	74.3
Depreciation and amortisation	**26.0**	21.9
Disposal of tangible fixed assets	**1.0**	4.3
Decrease in stocks	**0.6**	2.6
Increase in debtors	**(10.7)**	(18.9)
Decrease in creditors	**(13.6)**	(6.7)
Increase/(decrease) in provisions	**5.7**	(6.4)
Net cash inflow from operating activities	**94.1**	71.1

B. Analysis of changes in net debt

	At 1 April 2002 £m	Non-cash movements £m	**At 31 March 2003 £m**
Debt due after one year :			
9.25% Eurobonds 2020	(148.1)	(0.1)	**(148.2)**
Loan from group undertaking	(153.7)	-	**(153.7)**
	(301.8)	(0.1)	**(301.9)**

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

	2003 £m	2002 £m
Decrease in cash in the year being change in net debt resulting from cash flows	-	(0.9)
Amortisation of finance costs	**(0.1)**	(0.1)
Movement in net debt in year	**(0.1)**	(1.0)
Net debt at 1 April	**(301.8)**	(300.8)
Net debt at 31 March	**(301.9)**	(301.8)

Notes to the financial statements

For the year ended 31 March 2003

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 on the going concern basis, under the historical cost convention, and in accordance with applicable accounting standards.

Group financials statements

The directors have taken the exemption available under s229(2) of the Companies Act not to prepare consolidated financial statements as the subsidiaries of WPD South Wales are not trading and not material (Note 11). These financial statements therefore present information about the Company and not the Western Power Distribution (South Wales) plc group.

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 period end. Remaining sales relate to the invoice value of other goods and services provided.

IT consultancy and development costs

Significant IT consultancy and 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.

Notes to the financial statements

For the year ended 31 March 2003

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 2003

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 substantially 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 periods 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 periods 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 analysis

Distribution involves the delivery of electricity across the Company's distribution network.

	Turnover		**Operating profit**		**Net assets**	
	2003	2002	**2003**	2002	**2003**	2002
	£m	£m	**£m**	£m	**£m**	£m
Electricity distribution	**173.6**	161.4	**85.1**	73.7	**547.9**	521.2
Other activities	-	3.2	-	0.6	-	-
Net debt	-	-	-	-	**(301.9)**	(301.8)
	173.6	164.6	**85.1**	74.3	**246.0**	219.4

Turnover is all in respect of sales to customers in the UK. Turnover and costs are allocated directly to the activity to which they relate wherever possible; however because of the integrated nature of the WPD Group's activities it is necessary to apportion or recharge certain costs between activities and companies.

Notes to the financial statements

For the year ended 31 March 2003

3. Operating expenses

	2003 **£m**	2002 £m
Cost of sales	**14.6**	13.6
Distribution network expenses	**59.4**	66.1
Administration expenses	**14.5**	10.6
Operating expenses	**88.5**	90.3

Administration expenses include certain pension costs, customer service, billing, marketing activities, and administration.

	2003 **£m**	2002 £m
Operating profit is stated after charging:		
Depreciation	**26.0**	21.9
Operating lease rentals:		
Plant, machinery and equipment	**0.3**	1.2
Other assets	**0.2**	0.1
Research and development	**0.1**	0.2
Auditors' remuneration (for audit services)	**0.1**	0.1

Notes to the financial statements

For the year ended 31 March 2003

4. Interest expense (net)

	2003 £m	2002 £m
Interest payable and similar charges:		
On loans from fellow subsidiary	**10.0**	9.8
Other	**13.9**	14.0
	23.9	23.8
Interest receivable:		
Other	**(0.3)**	(0.1)
	23.6	23.7

5. Tax on profit on ordinary activities

(a) Analysis of charge in the year	2003 £m	2002 £m
Current tax:		
UK corporation tax on profits for the year	**9.1**	9.8
Adjustment in respect of prior years	**(0.1)**	-
Total current tax (Note 5(b))	**9.0**	9.8
Deferred tax:		
Origination and reversal of timing differences	**10.0**	5.7
Decrease/(increase) in discount	**4.9**	(1.8)
Total deferred tax (Note 16)	**14.9**	3.9
Tax on profit on ordinary activities	**23.9**	13.7

5. Tax on profit on ordinary activities - continued

(b) Factors affecting current tax charge for the year

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

	2003 £m	2002 £m
Profit on ordinary activities before tax	**63.1**	50.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**18.9**	15.2
Effects of:		
Expenses not deductible and income not taxable for tax purposes	**0.2**	0.3
Capital allowances for the year in excess of depreciation	**(10.2)**	(6.1)
Other timing differences	**0.2**	0.4
Adjustment to tax charge in respect of prior years	**(0.1)**	-
Current tax charge for the year (Note 5(a))	**9.0**	9.8

6. Dividends

	2003 £m	2002 £m
Dividends declared on equity shares:		
Interim dividends declared (9.5 pence per share (2002: 17.8 pence))	**9.1**	17.0
Dividends declared on non-equity shares:		
Payable on 7% preference shares	**3.5**	3.5
	12.6	20.5

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

	2003 £m	2002 £m
Total employee costs during the year amounted to:		
Wages and salaries	**21.2**	23.8
Social security costs	**1.6**	1.9
Pension costs	**4.2**	0.2
Total employee costs	**27.0**	25.9
Less allocated to capital expenditure	**(15.4)**	(9.6)
Charged to the profit and loss account	**11.6**	16.3

(b) The average number of employees during the year was 730 (2002: 970).

8. Pension commitments

Introduction

The Company participates in two defined benefit schemes, the Western Power Group segment of the Electricity Supply Pension Scheme ("ESPS") and the Infralec 1992 Scheme. 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 1992 Scheme provides benefits on both a money purchase and final salary basis and is operated in WPD South Wales. The assets of both schemes are held separately from those of the WPD Group in trustee administered funds.

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. However, as another WPD Group company has taken financial responsibility for this scheme, details of WPUPS are shown in the financial statements of Western Power Distribution Holdings Limited.

A surplus recognised at the last full actuarial valuation of the ESPS is being 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 Company until 31 March 2005. The reduced surplus 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 related to payments associated with enhanced pensions and amounted to £0.1m. The portion attributable to WPD South Wales is estimated at £nil (2002: £0.3m). Contributions paid to Infralec 92 were nil (2002: £0.2m).

8. Pension commitments (continued)

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.

A full actuarial valuation of the ESPS and the Infralec 1992 Scheme was carried out at 31 March 2001 and 31 March 2000, respectively, and updated to 31 March 2003 by Bacon & Woodrow (now Hewitt Bacon & Woodrow), consulting actuaries. The major assumptions used by the actuary were:

	ESPS Western Power Group		**Infralec 1992 Scheme**	
	2003	2002	**2003**	2002
Investment return - pre retirement	**6.25%**	5.8%	**6.5%**	6.5%
Investment return - post retirement	**5.75%**	5.3%	**5.5%**	5.5%
Rate of increase in salaries	**4.3%**	3.8%	**Not applicable**	
Rate of increase to pensions in payment	**2.9%**	2.5%	**2.9%**	*
Discount rate - pre retirement	**6.3%**	5.8%	**6.3%**	*
Discount rate - post retirement	**5.75%**	5.3%	**5.75%**	*
Inflation assumption	**2.8%**	2.3%	**2.8%**	*

* The spreading of any surplus/deficit for the year ended 31 March 2002 was not material for the Infralec 1992 Scheme and thus the assumptions are not shown.

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 financial assumptions used in calculating the figures under FRS17 were :

	ESPS Western Power Group		**Infralec 1992 Scheme**	
	2003	2002	**2003**	2002
Rate of increase in salaries	**4.0%**	4.3%	**Not applicable**	
Rate of increase to pensions in payment	**2.5%**	2.9%	**2.5%**	2.8%
Discount rate	**5.5%**	6.0%	**5.5%**	6.0%
Inflation assumption	**2.5%**	2.8%	**2.5%**	2.8%

Notes to the financial statements

For the year ended 31 March 2003

8. Pension commitments (continued)

Disclosures under FRS17 (continued)

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 2003	**Value at 31 March 2003 £m**	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £m
ESPS - WPD Group *				
Equities	**8.75%**	**640.5**	8.20%	881.3
Corporate Bonds	**5.50%**	**63.3**	6.00%	9.9
Gilts	**4.75%**	**121.6**	5.20%	226.5
Property	**7.75%**	**22.3**	7.20%	25.6
Cash and other	**3.50%**	**14.6**	3.50%	19.3
Total market value of assets		**862.3**		1,162.6
Present value of scheme liabilities		**(1,168.0)**		(1,146.4)
(Deficit)/surplus in the scheme		**(305.7)**		16.2
Related deferred tax asset/(liability)		**91.7**		(4.9)
Net pension (liability)/surplus		**(214.0)**		11.3

* 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.

	Long-term rate of return expected at 31 March 2003	**Value at 31 March 2003 £m**	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £m
Infralec 1992 Scheme				
Equities	**8.75%**	**2.4**	8.20%	1.7
Corporate Bonds	**5.00%**	**0.4**	5.60%	0.2
Gilts	**Not applicable**		Not applicable	
Property	**7.75%**	**0.1**	7.20%	-
Cash and other	**3.50%**	**0.2**	3.50%	0.1
Total market value of assets		**3.1**		2.0
Present value of scheme liabilities		**(4.5)**		(2.1)
Deficit in the scheme		**(1.4)**		(0.1)
Related deferred tax asset		**0.4**		-
Net pension liability		**(1.0)**		(0.1)

Notes to the financial statements

For the year ended 31 March 2003

8. Pension commitments (continued)

Disclosures under FRS17 (continued)

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 £m	Infralec 1992 Scheme £m
Analysis of amount charged to operating profit or capital expenditure		
Service cost	10.2	-
Past service cost	-	-
Total charge to operating profit or capital expenditure	10.2	-
Analysis of amount credited to other finance income		
Expected return on scheme assets	87.2	0.1
Interest on scheme liabilities	(68.8)	(0.1)
Net return	18.4	-
Analysis of amounts that would have been recognised in the statement of total recognised gains and losses		
Expected return less actual return on scheme assets	(316.9)	(0.6)
Experience gains and losses arising on scheme liabilities	22.1	(0.7)
Changes in financial assumptions	(37.8)	-
Actuarial loss that would have been recognised in statement of total recognised gains and losses	(332.6)	(1.3)
Movement in surplus/(deficit) during the year		
Surplus/(deficit) at 31 March 2002	16.2	(0.1)
Total charge to operating profit or capital expenditure	(10.2)	-
Contributions	2.5	-
Net return	18.4	-
Actuarial loss	(332.6)	(1.3)
Deficit at 31 March 2003	(305.7)	(1.4)

Notes to the financial statements
For the year ended 31 March 2003

8. Pension commitments (continued)

Disclosures under FRS17 (continued)

	ESPS WPD Group £m	Infralec 1992 Scheme £m
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount (£m)	**(316.9)**	**(0.6)**
Percentage of scheme assets	**37%**	**19%**
Experience gains and losses on scheme liabilities:		
Amount (£m)	**22.1**	**(0.7)**
Percentage of the present value of scheme liabilities	**2%**	**16%**
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%**	**29%**

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	
	2003 £000	2002 £000	**2003 £000**	2002 £000
The combined emoluments of the directors comprised :				
Base salary (note i)	**460**	418	**183**	158
Performance dependent bonus (note ii)	**746**	853	**309**	367
	1,206	1,271	**492**	525

(i) Base salary also includes benefits in kind.

(ii) The bonus amounts include values relating to the acquisition of Hyder plc in September 2000, together with the subsequent restructuring of the Hyder plc group including the securitisation and sale of Welsh Water. 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, and other factors. An element of the prior year bonus was estimated in 2002 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 2003, the highest paid director had accrued annual pension benefits of £84,882 (2002: £68,063).

10. Tangible fixed assets

	Freehold land & buildings	Leasehold improvements	Distribution network	Fixtures & equipment	Deduct: customers' contributions	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2002	2.7	1.7	1,048.3	33.3	(194.2)	891.8
Additions	-	0.2	63.5	0.1	(11.1)	52.7
Transfers to fellow subsidiaries	(2.7)	(0.6)	-	-	-	(3.3)
Reclassifications	-	(1.1)	-	1.1	-	-
Disposals	-	-	(8.2)	(0.5)	0.1	(8.6)
At 31 March 2003	-	0.2	1,103.6	34.0	(205.2)	932.6
Depreciation						
At 1 April 2002	1.1	-	339.8	14.0	(67.7)	287.2
Charge for the year	0.2	-	27.7	4.8	(5.4)	27.3
Transfers to fellow subsidiaries	(1.3)	-		-	-	(1.3)
Reclassifications	-	-		-	-	-
Disposals	-	-	(7.2)	(0.5)	0.1	(7.6)
At 31 March 2003	-	-	360.3	18.3	(73.0)	305.6
Net book value						
At 31 March 2003	-	**0.2**	**743.3**	**15.7**	**(132.2)**	**627.0**
At 1 April 2002	1.6	1.7	708.5	19.3	(126.5)	604.6

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

	2003	2002
	£m	£m
Freehold	**22.5**	18.9
Short leasehold	**0.2**	0.2

Included within the Company's fixed assets are assets in the course of construction amounting at 31 March 2003 to £5.3m (2002: £9.0m) and land at a cost of £5.5m (2002: £3.2m).

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 2003

11. Fixed asset investments

	Other investment £m
At 1 April 2002	**0.1**
Disposals	**(0.1)**
At 31 March 2003	-

Principal subsidiaries at 31 March 2003 are:

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

Both companies are no longer actively trading and have net assets of less than £0.2m.

12. Stocks

	2003 £m	2002 £m
Raw materials and consumables	**0.3**	1.5
Work in progress	**0.6**	-
	0.9	1.5

13. Debtors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade debtors	**27.1**	26.6
Amounts owed by group undertakings	**42.1**	29.8
Other debtors	-	1.8
Prepayments	**0.5**	0.8
	69.7	59.0

Notes to the financial statements

For the year ended 31 March 2003

14. Creditors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade creditors	**2.7**	3.9
Amounts owed to group undertakings	**9.3**	13.0
UK corporation tax	**12.4**	12.5
Other creditors	**10.8**	12.5
Accruals and deferred income	**16.5**	24.7
	51.7	66.6
Amounts falling due after more than one year:		
9.25% Eurobonds 2020 *	**148.2**	148.1
Loan from group undertaking **	**153.7**	153.7
Refundable customers' contributions	**2.8**	2.9
	304.7	304.7

* The Eurobonds are shown net of issue costs of £1.8m (2002: £1.9m), which are being amortised to interest expense. The fair market value of the Eurobonds at 31 March 2003 was £198.3m (2002: £196.9m).

** The loan from the group undertaking, which is unsecured, is due for repayment on 15 December 2005. Interest is payable on 15 December annually at the rate of 6.47% per annum.

15. Provisions for liabilities and charges

	Deferred taxation (Note 16) £m	Pensions £m	Other £m	Total £m
At 1 April 2002	73.8	-	0.7	74.5
Arising during the year	14.9	4.6	1.6	21.1
Released during the year	-	-	(0.2)	(0.2)
Utilised during the year	-	-	(0.2)	(0.2)
At 31 March 2003	**88.7**	**4.6**	**1.9**	**95.2**

Other provisions at 31 March 2003 relate to uninsured losses and an expected settlement of a liability to the Electricity Association Limited. The directors expect these provisions to be settled within the next two years.

Notes to the financial statements
For the year ended 31 March 2003

16. Deferred tax

	2003 £m	2002 £m
Accelerated capital allowances	**125.7**	115.5
Chargeable gain on sale of electricity supply business	**18.0**	18.0
Other timing differences	**(3.2)**	(3.0)
Undiscounted provision for deferred tax	**140.5**	130.5
Discount	**(51.8)**	(56.7)
Discounted provision for deferred tax	**88.7**	73.8

17. Called-up share capital

	2003 £m	2002 £m
Authorised:		
150,000,000 ordinary shares of 50p each	**75.0**	75.0
50,000,000 preference shares (7% net) of £1 each	**50.0**	50.0
Allotted, called-up and fully paid:		
95,606,306 ordinary shares of 50p each	**47.8**	47.8
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. 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.

18. Reconciliation of movements in shareholders' funds

	2003 £m	2002 £m
Profit for the financial year	**39.2**	37.0
Dividends declared	**(12.6)**	(20.5)
Net increase in shareholders' funds	**26.6**	16.5
Opening shareholders' funds	**219.4**	202.9
Closing shareholders' funds	**246.0**	219.4

Notes to the financial statements

For the year ended 31 March 2003

19. Reserves

	Share premium account £m	Capital redemption reserve £m	Profit & loss account £m
At 1 April 2002	23.2	5.1	93.3
Retained profit for the year	-	-	26.6
Balance at 31 March 2003	**23.2**	**5.1**	**119.9**

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	
	2003 £m	2002 £m	**2003 £m**	2002 £m
In over five years	**0.2**	0.1	**0.2**	0.2

b) There was no fixed asset expenditure contracted but not provided in the financial statements at either 31 March 2003 or 31 March 2002.

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 (see Note 22).

22. Ultimate parent undertakings

At 1 April 2002, the immediate parent undertaking of WPD South Wales was Hyder Industrial Group Limited. On 30 January 2003 and as part of a group reconstruction, Hyder Industrial Group Limited transferred its investment in WPD South Wales to Western Power Distribution LLP. Western Power Distribution LLP is now the immediate parent.

The smallest group in which the results of WPD South Wales 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.

At 1 April 2002, the ultimate controlling parties were PPL Corporation and Mirant Corporation, both registered in the US, who had equal control of Western Power Distribution Holdings Limited. On 6 September 2002, PPL purchased from Mirant its investment in Western Power Distribution Holdings Limited. PPL Corporation is now the 100% owner of Western Power Distribution Holdings Limited. The largest group in which the results of the Company are consolidated is thus that headed by PPL Corporation. Copies of these accounts may be obtained from that company at Two North Ninth Street, Allentown, Pennsylvania, PA18101-1179, US.

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