WESTERN POWER DISTRIBUTION (SOUTH WALES) plc

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

Contents

Interim condensed profit and loss account

For the six months ended 30 September

	2015	2014
	Unaudited	
	£m	£m
Turnover	**112.2**	135.7
Operating expenses	**(57.9)**	(55.1)
Operating Profit	**54.3**	80.6
Profit on sale of fixed assets	**0.1**	0.1
Profit on ordinary activities before interest and taxation	**54.4**	80.7
Interest receivable and similar income	**0.1**	0.4
Interest payable and similar charges	**(17.9)**	(18.0)
Net finance expense relating to pensions and other post-retirement benefits	**(2.4)**	(2.8)
Profit on ordinary activities before taxation	**34.2**	60.3
Tax on profit on ordinary activities	**(7.3)**	(9.3)
Profit for the financial period	**26.9**	51.0

Interim condensed statement of comprehensive income

For the six months ended 30 September

	2015	2014
	Unaudited	
	£m	£m
Profit for the period	**26.9**	51.0
Other comprehensive loss:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Reclassification adjustments for gains/(losses) on cash flow hedges included in profit or loss (finance costs)	**(0.3)**	(0.3)
Income tax effect	**0.1**	0.1
Other comprehensive loss for the period, net of tax	**(0.2)**	(0.2)
Total comprehensive income for the period, net of tax attributable to equity holders of the parent	**26.7**	50.8

Interim condensed statement of changes in equity

For the six months ended 30 September 2015

	Share capital £m	Share premium £m	Capital contribution £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 April 2015	251.7	23.2	5.1	6.7	162.2	448.9
Profit for the period	-	-	-	-	26.9	26.9
Other comprehensive income/(loss)	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the period	**-**	**-**	**-**	**(0.2)**	**26.9**	**26.7**
Equity dividends paid	-	-	-	-	(17.4)	(17.4)
At 30 September 2015	**251.7**	**23.2**	**5.1**	**6.5**	**171.7**	**458.2**

Interim condensed statement of changes in equity

For the six months ended 30 September 2014

	Share capital £m	Share premium £m	Capital contribution £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 April 2014	251.7	23.2	5.1	7.2	133.5	420.7
Profit for the period	-	-	-	-	51.0	51.0
Other comprehensive income/(loss)	-	-	-	(0.2)		(0.2)
Total comprehensive income for the period	**-**	**-**	**-**	**(0.2)**	**51.0**	**50.8**
Equity dividends paid	-	-	-	-	-	-
At 30 September 2014	**251.7**	**23.2**	**5.1**	**7.0**	**184.5**	**471.5**

Interim condensed balance sheet

As at

	Note	30 September 2015 Unaudited £m	31 March 2015 Unaudited £m
Fixed assets			
Tangible assets	2	**1,539.8**	1,489.0
Intangible assets		**0.1**	0.2
		1,539.9	1,489.2
Current assets			
Stocks		**1.0**	1.2
Debtors			
Amounts falling due within one year		**75.6**	96.5
Amounts falling due after more than one year		**54.3**	61.0
Cash at bank		**17.0**	26.2
		147.9	184.9
Creditors			
Amounts falling due within one year		**(80.6)**	(73.8)
Net current assets		**67.3**	111.1
Total assets less current liabilities		**1,607.2**	1,600.3
Creditors			
Amounts falling due after more than one year		**(854.2)**	(845.3)
Provisions for liabilities and charges		**(66.0)**	(73.4)
Pension liability		**(228.8)**	(232.7)
Net assets		**458.2**	448.9
Capital and reserves			
Called-up share capital		**251.7**	251.7
Share premium account		**23.2**	23.2
Capital redemption reserves		**5.1**	5.1
Hedging reserve		**6.5**	6.7
Profit and loss account		**171.7**	162.2
Equity shareholders' funds		**458.2**	448.9

The financial statements on pages 1 to 17 were approved by the Board of Directors on 30 November 2015 and were signed on its behalf by:

DCS Oosthuizen
Finance Director

Interim condensed cash flow statement

For the six months ended 30 September

	2015	2014
	Unaudited	
	£m	£m
Operating activities		
Profit for the period	**26.9**	51.0
Adjustments to reconcile profit for the period to net cash flow from operating activities:		
Tax expense	**7.3**	9.3
Finance costs	**20.3**	20.8
Finance revenue	**(0.1)**	(0.4)
Depreciation of property, plant and equipment	**15.0**	19.4
Amortisation of customer contributions	**(3.1)**	(3.7)
Amortisation of intangible assets	**0.1**	0.1
Gain on disposal of property, plant and equipment	**(0.1)**	-
Difference between pension contributions paid and amounts recognised in the income statement	**(6.3)**	(21.2)
(Decrease)/increase in provisions	**(0.1)**	0.4
Working capital adjustments:		
Decrease in inventories	**0.2**	-
Decrease in trade and other receivables	**12.4**	9.3
Decrease in trade and other payables	**(5.9)**	(1.6)
Interest paid	**0.2**	0.2
Interest received	**0.1**	0.4
Income taxes paid	**(27.0)**	(7.4)
Net cash from operating activities	**39.9**	76.6
Investing activities		
Purchase of property, plant and equipment	**(67.4)**	(68.0)
Customers' contributions received	**15.8**	10.7
Proceeds from sale of property, plant and equipment	**0.1**	-
Net cash used in investing activities	**(51.5)**	(57.3)
Financing activities		
Movement in balances with Group undertakings	**19.8**	(22.3)
Dividends or equivalent distributions paid	**(17.4)**	-
Net cash from/(used in) financing activities	**2.4**	(22.3)
Net decrease in cash and cash equivalents	**(9.2)**	(3.0)
Cash and cash equivalents at beginning of period	**26.2**	74.9
Cash and cash equivalents at end of period	**17.0**	71.9

Notes to the financial statements

For the six months ended 30 September 2015

1. General information

The interim condensed financial statements of Western Power Distribution (South Wales) plc ("the Company") for the six months ended 30 September 2015 were authorised for issue by the Board of Directors on 30 November 2015. The Company is a public limited company incorporated and domiciled in England and Wales.

2. Significant accounting policies

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 31 March 2015.

The Company has transitioned to Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in Note 5. The accounting policies that follow set out those policies which are expected to be applicable for the year ending 31 March 2016.

Going concern

The directors have prepared the financial statements on a going concern basis as they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future due to the strength of its balance sheet.

Turnover

Turnover is recognised to the extent that it is probable that economic benefits will flow to the Company and that the turnover can be reliably measured. Turnover comprises primarily use of energy system income. Turnover includes an assessment of the volume of unbilled energy distributed to customers between the date of the last meter reading and the year end. Remaining sales relate to the invoice value of other goods and services provided which also relate to the electricity network.

Where turnover received or receivable exceeds the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over-recovery, no liability is recognised as such an adjustment to future prices relates to the provision of future services. Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Contributions

Contributions receivable in respect of property, plant and equipment are treated as deferred income, which is credited to the income statement over the estimated weighted life of the related assets of 69 years.

Interest costs

Interest charges comprise interest payable on borrowings and the release of discount on provisions. Interest charges are recognised in the income statement as they accrue, on an effective rate basis.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company as lessee

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the assets are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the lease term.

2. Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairments. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Expenditure on electricity infrastructure assets relating to increases in capacity or enhancements of the network including qualifying replacement expenditure are treated as additions. Other costs incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred.

Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Employee costs incurred in implementing capital schemes are capitalised within infrastructure assets together with the cost of materials and an appropriate proportion of production overheads.

Contributions received towards the cost of tangible fixed assets which include low carbon network funding are included in trade and other payables as deferred income and credited on a straight-line basis to the income statement over the estimated economic useful lives of the assets to which they relate.

Depreciation is provided on all tangible fixed assets, other than land, on a straight-line basis over its expected useful life as follows:

	Years
Distribution network assets:	
Overhead lines and poles	65
Underground cables	85
Plant and machinery (transformers and switchgear)	55
Meters	3
Other (towers and substation buildings)	Up to 80
Buildings - freehold	Up to 60
Buildings - long leasehold	Up to 60
Fixtures and equipment	Up to 20
Vehicles and mobile plant	Up to 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, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Intangible assets

Costs directly associated with the development of computer software for internal use are capitalised where technical feasibility can be demonstrated, the Company is satisfied that future economic benefits will flow to the Company and the cost can be separately identified and reliably measured. Software is measured initially at cost and amortised on a straight-line basis over its estimated useful life. Carrying amount is reduced by any provision for impairment where necessary. The estimated useful life assigned to computer software is up to five years.

2. Significant accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. It excludes borrowing costs.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account.

Pension benefits

The Company participates in three defined benefit pension plans: a section of the industry-wide Electricity Supply Pension Scheme ('ESPS'), the Infralec 1992 Pension Scheme ('Infralec 92'), and the Western Power Utilities Pension Scheme ('WPUPS'). The ESPS scheme, to which most employees in WPD belong, is, with very limited exception, closed to new members. A defined contribution plan is offered to new employees. Another WPD Group company, PPL WPD Limited, has accepted responsibility for liabilities of WPUPS and reimburses all contributions made by the Company. The liability under IAS 19 in respect of WPUPS recorded in these financial statements is offset by the reimbursement agreement.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognised immediately when the Company becomes committed to a change.

2. Significant accounting policies (continued)

Net interest expense related to pension benefits represents the net change in the present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year. Net interest expense relating to pension benefits is recognised in the profit and loss account.

Remeasurement of the net defined benefit liability or asset, comprising actuarial gains or losses, and the return on plan assets (excluding amounts included in net interest described above) are recognised within other comprehensive income in the period in which they occur.

The defined benefit pension plan surplus or deficit in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on the market price information and in the case of quoted securities is the published bid price.

The ESPS is a group defined benefit pension plan that shares risks between entities under common control. Under FRS 101, the scheme has been accounted for as a defined benefit scheme by the Company as it has legal responsibility for the plan which it holds jointly with WPD South West. The net defined benefit cost and net deficit of the plan have been allocated to WPD South West and WPD South Wales in accordance with current pensionable salaries.

The defined benefit obligation is calculated using the latest actuarial valuation as at 31 March 2015 and has been projected forward by an independent actuary to take account of the requirements of IAS 19 ‘Employee Benefits’ in order to assess the position at 30 September 2015. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Contributions to defined contribution schemes are recognised in the profit and loss account or capital expenditure as appropriate in the year in which they become payable.

Share-based payments
The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established at each balance sheet date from grant date until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount of the liability are recognised in profit or loss for the year.

Provisions
Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Financial assets
Financial assets are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. The Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans, and other investments. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the financial statements

For the six months ended 30 September 2015

2. Significant accounting policies (continued)

Financial assets (continued)

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Held to maturity investments

Held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. The Company's financial liabilities include trade and other payables, accruals, and most items of financial debt. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs.

This category of financial liabilities includes trade and other payables and finance debt.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the financial statements

For the six months ended 30 September 2015

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates, assumptions and judgements are continually evaluated based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity are described below.

Carrying value of long-lived assets

The estimated useful lives of tangible fixed assets are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimate used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of tangible fixed assets to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively.

The Company is required to evaluate the carrying value of tangible fixed assets for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash-generating units under review.

Pension obligations

The Company has a commitment, mainly through the Electricity Supply Pension Scheme ("ESPS"), to pay pension benefits. The cost of these benefits and the present value of the Company's pension liabilities depend on such factors as the life expectancy of the members, the salary progression of current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments and the discount rate at which the future pension payments are discounted. Based on advice from external actuaries, the Company uses estimates for all these factors in determining the pension costs and liabilities incorporated in the financial statements. The assumptions reflect historical experience and management's judgement regarding future expectations.

Income tax

The actual income tax charged on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on past profits which is recognised in the financial statements. The estimates, assumptions and judgements can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Notes to the financial statements

For the six months ended 30 September 2015

4. Tangible fixed assets

	Leasehold improvements £m	Distribution network £m	Fixtures & equipment £m	Vehicles & mobile plant £m	Total £m
Cost					
At 1 April 2015	0.2	2,077.4	33.7	17.0	2,128.3
Additions	-	65.1	2.2	0.6	67.9
Disposals and retirements	-	-	(3.9)	(0.5)	(4.4)
At 30 September 2015	0.2	2,142.5	32.0	17.1	2,191.8
Depreciation					
At 1 April 2015	0.1	615.6	15.1	8.5	639.3
Charge for the period	-	13.3	3.0	0.8	17.1
Disposals and retirements	-	-	(3.9)	(0.5)	(4.4)
At 30 September 2015	0.1	628.9	14.2	8.8	652.0
Net book value					
At 30 September 2015	**0.1**	**1,513.6**	**17.8**	**8.3**	**1,539.8**
At 1 April 2015	0.1	1,461.8	18.6	8.5	1,489.0

5. Transition to FRS101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the six months ended 30 September 2015, are the first the Company has prepared in accordance with FRS 101. Accordingly, the Company has prepared financial statements which comply with FRS101 applicable for periods beginning on or after 1 January 2015 and the significant policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs. The Company has taken advantage of the following exemption:

Tangible fixed assets

The Company has elected to use the previous UK GAAP carrying amount of tangible fixed assets at the date of transition to FRS 101 as deemed cost.

Notes to the financial statements

For the six months ended 30 September 2015

5. Transition to FRS101 (continued)

Reconciliation of the profit and loss account under UK GAAP to the income statement under FRS 101 for the six months ended 30 September 2014

	UK GAAP £m	Income taxes IAS 12 £m	Employee benefits IAS 19 £m	Borrowing costs IAS 23 £m	Other £m	FRS 101 £m
Turnover	135.7	-	-	-	-	135.7
Operating expenses	(68.5)	-	13.5	-	(0.1)	(55.1)
Operating profit	67.2	-	13.5	-	(0.1)	80.6
Profit on sale of fixed assets	0.1	-	-	-	-	0.1
Profit on ordinary activities before interest and tax	67.3	-	13.5	-	(0.1)	80.7
Interest receivable and similar income	0.4	-	-	-	-	0.4
Interest payable and similar charges	(18.0)	-	-	0.1	(0.1)	(18.0)
Net interest expense relating to pension and other post-retirement benefits	-	-	(2.8)	-	-	(2.8)
Profit on ordinary activities before tax	49.7	-	10.7	0.1	(0.2)	60.3
Tax on profit on ordinary activities	(10.3)	3.0	(2.1)	-	0.1	(9.3)
Profit for the financial period	**39.4**	**3.0**	**8.6**	**0.1**	**(0.1)**	**51.0**

Notes to the financial statements
For the six months ended 30 September 2015

5. Transition to FRS101 (continued)

Reconciliation of the balance sheet under UK GAAP to FRS 101 as at 1 April 2014 (date of transition to FRS 101)

	UK GAAP £m	IFRS Reclass-ifications £m	Income taxes IAS 12 £m	Employee benefits IAS 19 £m	Other £m	FRS 101 £m
Fixed assets						
Tangible assets	1,110.3	268.1	-	-	2.7	1,381.1
Intangible assets	-	0.3	-	-	-	0.3
	1,110.3	268.4	-	-	2.7	1,381.4
Current assets						
Stocks	1.1	-	-	-	-	1.1
Debtors						
Amounts falling due within one year	82.7	-	-	-	-	82.7
Amounts falling due after more than one year	59.8	-	-	-	-	59.8
Short-term deposits	52.4	(52.4)	-	-	-	-
Cash at bank	22.5	52.4	-	-	-	74.9
	218.5	-	-	-	-	218.5
Creditors						
Amounts falling due within one year	(59.8)	(7.0)	-	-	-	(66.8)
Net current assets	158.7	(7.0)	-	-	-	151.7
Total assets less current liabilities	1,269.0	261.4	-	-	2.7	1,533.1
Creditors						
Amounts falling due after more than one year	(565.8)	(261.4)	-	-	-	(827.2)
Provisions for liabilities and charges						
Deferred tax	(54.7)	-	(46.0)	29.6	0.4	(70.7)
Other	(0.8)	-	-	-	(4.5)	(5.3)
Pension liability	(61.4)	-	-	(147.8)	-	(209.2)
Net assets	**586.3**	**-**	**(46.0)**	**(118.2)**	**(1.4)**	**420.7**
Capital and reserves						
Called-up share capital	251.7	-	-	-	-	251.7
Share premium account	23.2	-	-	-	-	23.2
Capital redemption reserve	5.1	-	-	-	-	5.1
Hedging reserve	7.2	-	-	-	-	7.2
Profit and loss account	299.1	-	(46.0)	(118.2)	(1.4)	133.5
Equity shareholders' funds	**586.3**	**-**	**(46.0)**	**(118.2)**	**(1.4)**	**420.7**

Notes to the financial statements

For the six months ended 30 September 2015

5. Transition to FRS101 (continued)

Reconciliation of the balance sheet under UK GAAP to FRS 101 as at 31 March 2015

	UK GAAP £m	IFRS Reclass-ifications £m	Income taxes IAS 12 £m	Employee benefits IAS 19 £m	Borrowing costs IAS 23 £m	Other £m	FRS 101 £m
Fixed assets							
Tangible assets	1,205.1	285.8	-	(4.7)	0.3	2.5	1,489.0
Intangible assets	-	0.2	-	-	-	-	0.2
	1,205.1	286.0	-	(4.7)	0.3	2.5	1,489.2
Current assets							
Stocks	1.2	-	-	-	-	-	1.2
Debtors							
Amounts falling due within one year	96.5	-	-	-	-	-	96.5
Amounts falling due after more than	61.0	-	-	-	-	-	61.0
Short-term deposits	13.5	(13.5)	-	-	-	-	-
Cash at bank	12.7	13.5	-	-	-	-	26.2
	184.9	-	-	-	-	-	184.9
Creditors							
Amounts falling due within one year	(66.8)	(7.0)	-	-	-	-	(73.8)
Net current assets	118.1	(7.0)	-	-	-	-	111.1
Total assets less current liabilities	1,323.2	279.0	-	(4.7)	0.3	2.5	1,600.3
Creditors							
Amounts falling due after more than one year	(566.3)	(279.0)	-	-	-	-	(845.3)
Provisions for liabilities and charges							
Deferred tax	(56.6)	-	(46.4)	35.0	(0.1)	0.4	(67.7)
Other	(1.1)	-	-	-	-	(4.6)	(5.7)
Pension liability	(62.5)	-	-	(170.2)	-	-	(232.7)
Net assets	**636.7**	**-**	**(46.4)**	**(139.9)**	**0.2**	**(1.7)**	**448.9**
Capital and reserves							
Called-up share capital	251.7	-	-	-	-	-	251.7
Share premium account	23.2	-	-	-	-	-	23.2
Capital redemption reserve	5.1	-	-	-	-	-	5.1
Hedging reserve	6.7	-	-	-	-	-	6.7
Profit and loss account	350.0	-	(46.4)	(139.9)	0.2	(1.7)	162.2
Equity shareholders' funds	**636.7**	**-**	**(46.4)**	**(139.9)**	**0.2**	**(1.7)**	**448.9**

Notes to the financial statements

For the six months ended 30 September 2015

5. Transition to FRS101 (continued)

Notes to balance sheet reclassifications

Certain balance sheet balances previously reported under UK GAAP have been reclassified to comply with the format of the Company financial statements presented under FRS101. The reclassifications below do not have any effect on the Company's previously reported net income, net assets or shareholders' funds.

(i) Computer software

Under UK GAAP, software is capitalised together with the related hardware within property, plant and equipment. Under IFRS, only computer software that is integral to a related item of hardware should be included in property, plant and equipment. All other computer software should be recorded as an intangible asset.

(ii) Customer contributions

Under UK GAAP customer contributions towards distribution network assets, which include low carbon network funding and capital grants, were credited to the profit and loss account over the estimated useful lives of the related assets. The unamortised amount of such contributions were shown as a deduction from fixed assets. This was a departure from the Companies Act 2006 requirements which requires fixed assets to be included at their purchase price or production cost. The Company decided that as contributions relate directly to the cost of fixed assets used in the distribution network the treatment adopted was necessary to give a true and fair view.

Under FRS101 unamortised customer contributions must be shown as deferred income within liabilities, with the amount due to be amortised in the following year shown as short-term and the remainder as long-term.

(iii) Cash and cash equivalents

Under UK GAAP, cash excludes short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant change in value. Under IFRS, such investments are included within cash and cash equivalents.

Notes to IFRS remeasurements

(i) Deferred tax

Under UK GAAP, deferred tax is provided on timing differences whereas, under IAS 12 'Income Taxes', provision must be made based on temporary differences between carrying values and the related tax base of assets and liabilities, except in certain circumstances.

Under UK GAAP, the Company's policy was to recognise deferred tax on a discounted basis. Under IFRS, this is not permitted and the deferred tax provision has been restated accordingly. This is of particular significance to a utility business where a reversal of timing differences is likely to be deferred long into the future due to the long asset lives of network assets. The inability to discount results in an increase in the balance sheet deferred tax liability of £46.4m at 31 March 2015 (£46.0m at 1 April 2014) and consequently a reduction in net assets.

The deferred tax impacts arising from other IFRS adjustments are included in the relevant sections.

(ii) Employee benefits

The Company is a member of a group defined benefit pension plan that shares risks between entities under common control (the WPD segment of the Electricity Supply Pension Scheme). Under previous UK GAAP this scheme was accounted for as a defined contribution scheme. Under FRS 101, the scheme has been accounted for as a defined benefit scheme by the Company as it has legal responsibility for the plan which it holds jointly with WPD South West. The net defined benefit cost and net deficit of the plan have been allocated to WPD South West and WPD South Wales in accordance with current pensionable salaries.

Notes to the financial statements

For the six months ended 30 September 2015

5. Transition to FRS101 (continued)

(ii) Employee benefits (continued)

At 31 March 2015 and 1 April 2014, the Company's allocation of the net deficit of the plan was £232.7m and £209.2m respectively. The difference between contributions paid (net of capitalisation) and the defined benefit accounting recorded in the profit and loss was a reduction in expense of £10.7m (before tax) under FRS 101 for the six months ended 30 September 2014 .

(iii) Borrowing costs

Under UK GAAP the Company elected not to capitalise borrowing costs. However, IAS 23 Borrowing Costs requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The impact of this increases profit before tax for the six months to 30 September 2014 by £0.1m compared with UK GAAP.