

WESTERN POWER DISTRIBUTION PLC GROUP
For the year to 31 March 2019

Western Power Distribution plc ("WPD") heads the WPD Group whose principal activity is the distribution of electricity in the South West, East and West Midlands areas of England and in South Wales. This activity is conducted by its subsidiaries Western Power Distribution (South West) plc ("WPD South West"), Western Power Distribution (East Midlands) plc ("WPD East Midlands"), Western Power Distribution (West Midlands) plc ("WPD West Midlands") and Western Power Distribution (South Wales) plc ("WPD South Wales").

	2019	2018	Variance	Variance <i>Favourable/ (adverse)</i>
	£m	£m	£m	%
Revenue	1,685.6	1,620.9	64.7	4.0
Operating costs	(680.9)	(632.8)	(48.1)	(7.6)
Other operating income	6.2	3.6	2.6	72.2
Other operating expense	(1.0)	(1.0)	0.0	0.0
Operating profit	1,009.9	990.7	19.2	1.9
Finance income	10.2	9.6	0.6	6.3
Finance costs	(282.6)	(290.6)	8.0	2.8
Net finance expense relating to pensions and other post-retirement benefits	(4.3)	(4.4)	0.1	2.3
Profit before income tax	733.2	705.3	27.9	4.0
Tax expense	(128.7)	(119.3)	(9.4)	(7.9)
Profit for the year	604.5	586.0	18.5	3.2

Management Narrative Analysis of Results

Revenue

Revenue for 2019 was £1,685.6m compared to £1,620.9m for the previous year, an increase of £64.7m (4.0%). This was principally due to an average tariff increase of 1.7% in WPD South West, 6.5% in WPD South Wales, 6.6% in WPD West Midlands and 5.1% in WPD East Midlands, effective 1 April 2018.

Operating costs

Operating costs increased in comparison with the previous year by £48.1m (7.6%) from £632.8m in 2018 to £680.9m in 2019. This was due to an increase in direct costs of £14.6m and increases across pension charges (including the GMP equalisation), depreciation, indirect salaries and rates.

Other operating income

Other operating income increased by £2.6m (72.2%), which relates to an increased gain on the disposal of property, plant and equipment.

Finance costs

Finance costs for 2019 were £282.6m compared to £290.6m for the previous year. The decrease of £8.0m (2.8%) arises due to a slight decrease in loan interest and an increase in capitalised interest.

Tax expense

Tax expense increased by £9.4m (7.9%) from £119.3m in 2018 to £128.7m in 2019. This was due to a reduction in corporation tax, mainly due to higher pension deductions in 2019, offset by a larger increase in deferred tax, again largely attributable to pensions.