

WESTERN POWER DISTRIBUTION PLC GROUP
For the year to 31 March 2020

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").

	2020	2019	Variance	Variance <i>Favourable/ (adverse)</i>
	£m	£m	£m	%
Revenue	1,723.5	1,685.6	37.9	2.2
Operating costs	(684.8)	(680.9)	(3.9)	(0.6)
Other operating income	0.5	6.2	(5.7)	(91.9)
Other operating expense	(2.0)	(1.0)	(1.0)	(100.0)
Operating profit	1,037.2	1,009.9	27.3	2.7
Finance income	11.5	10.2	1.3	12.7
Finance costs	(301.0)	(282.6)	(18.4)	(6.5)
Net finance income/(expense) relating to pensions and other post-retirement benefits	2.0	(4.3)	6.3	146.5
Profit before income tax	749.7	733.2	16.5	2.3
Tax expense	(201.1)	(128.7)	(72.4)	(56.3)
Profit for the year	548.6	604.5	(55.9)	(9.2)

Management Narrative Analysis of Results

Revenue

Revenue for 2020 was £1,723.5m compared to £1,685.6m for the previous year, an increase of £37.9m (2.2%). This was principally due to an average tariff increase of 1.6% in WPD South West, 3.7% in WPD South Wales, 2.4% in WPD West Midlands and 5.0% in WPD East Midlands, effective 1 April 2019.

Operating costs

Operating costs increased in comparison with the previous year by £3.9m (0.6%) from £680.9m in 2019 to £684.8m in 2020.

Other operating income

Other operating income decreased by £5.7m (91.9%), which relates to a gain on the disposal of property, plant and equipment in the prior year and a reduced increase in the fair value of investment properties in the current year.

Finance costs

Finance costs for 2020 were £301.0m compared to £282.6m for the previous year. The increase of £18.4m (6.5%) arises due to an increase in loan interest and a decrease in capitalised interest.

Tax expense

Tax expense increased by £72.4m (56.3%) from £128.7m in 2019 to £201.1m in 2020. This was largely due to the adjustment to deferred tax as a result of the legislation which cancelled the reduction of the corporation tax rate from 19% to 17%, which had been taken account of in the prior year.