

**WESTERN POWER DISTRIBUTION (SOUTH WEST) plc**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30 September 2018

## Contents

|   | Page |
|---|------|
| Interim condensed profit and loss account           | 1    |
| Interim condensed statement of comprehensive income | 2    |
| Interim condensed statement of changes in equity    | 3    |
| Interim condensed balance sheet                     | 4    |
| Interim condensed cash flow statement               | 5    |
| Notes to the financial statements                   | 6    |

## Interim condensed profit and loss account

For the six months ended 30 September

|   | 2018         | 2017   |
|---|--------------|--------|
|   | Unaudited    |        |
|   | £m           | £m     |
| <b>Turnover</b>   | <b>174.9</b> | 165.4  |
| Operating expenses  | (75.3)       | (67.1) |
| <b>Operating profit</b>   | <b>99.6</b>  | 98.3   |
| Income/(loss) from fixed asset investments                                  | 3.1          | (3.2)  |
| Profit on sale of fixed assets  | 0.1          | -      |
| <b>Profit before interest and taxation</b>                                  | <b>102.8</b> | 95.1   |
| Interest receivable and similar income                                      | 1.9          | 1.5    |
| Interest payable and similar charges  | (24.1)       | (24.3) |
| Net finance expense relating to pensions and other post-retirement benefits | (1.0)        | (1.0)  |
| <b>Profit before taxation</b>   | <b>79.6</b>  | 71.3   |
| Tax   | (13.5)       | (12.0) |
| <b>Profit for the financial period</b>                                      | <b>66.1</b>  | 59.3   |

## Interim condensed statement of comprehensive income

For the six months ended 30 September

|   | 2018         | 2017         |
|---|--------------|--------------|
|   | Unaudited    |              |
|   | £m           | £m           |
| <b>Profit for the period</b>  | <b>66.1</b>  | 59.3         |
| <b>Other comprehensive (loss)/gain:</b>   |              |              |
| <i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>      |              |              |
| Gains arising on cash flow hedges during the period   | -            | 3.5          |
| Reclassification adjustments for losses on cash flow hedges included in profit or loss (finance costs)    | <b>(0.1)</b> | -            |
| Income tax effect   | -            | <b>(0.7)</b> |
| <b>Other comprehensive (loss)/income for the period, net of tax</b>                                       | <b>(0.1)</b> | 2.8          |
| <b>Total comprehensive income for the period, net of tax attributable to equity holders of the parent</b> | <b>66.0</b>  | 62.1         |

## Interim condensed statement of changes in equity

For the six months ended 30 September 2018

|  | Share<br>capital<br>£m | Share<br>premium<br>£m | Capital<br>contribution<br>£m | Hedging<br>reserve<br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>£m |
|--|------------------------|------------------------|-------------------------------|--------------------------|----------------------------|-----------------------|
| At 1 April 2018                                      | 438.2                  | 4.1                    | 6.2                           | 1.9                      | 444.7                      | 895.1                 |
| Profit for the period                                | -                      | -                      | -                             | -                        | 66.1                       | 66.1                  |
| Other comprehensive loss                             | -                      | -                      | -                             | (0.1)                    | -                          | (0.1)                 |
| <b>Total comprehensive income<br/>for the period</b> | -                      | -                      | -                             | <b>(0.1)</b>             | <b>66.1</b>                | <b>66.0</b>           |
| <b>At 30 September 2018</b>                          | <b>438.2</b>           | <b>4.1</b>             | <b>6.2</b>                    | <b>1.8</b>               | <b>510.8</b>               | <b>961.1</b>          |

## Interim condensed statement of changes in equity

For the six months ended 30 September 2017

|  | Share<br>capital<br>£m | Share<br>premium<br>£m | Capital<br>contribution<br>£m | Hedging<br>reserve<br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>£m |
|--|------------------------|------------------------|-------------------------------|--------------------------|----------------------------|-----------------------|
| At 1 April 2017                                      | 438.2                  | 4.1                    | 6.2                           | 0.9                      | 403.9                      | 853.3                 |
| Profit for the period                                | -                      | -                      | -                             | -                        | 59.3                       | 59.3                  |
| Other comprehensive income                           | -                      | -                      | -                             | 2.8                      | -                          | 2.8                   |
| <b>Total comprehensive income<br/>for the period</b> | -                      | -                      | -                             | <b>2.8</b>               | <b>59.3</b>                | <b>62.1</b>           |
| <b>At 30 September 2017</b>                          | <b>438.2</b>           | <b>4.1</b>             | <b>6.2</b>                    | <b>3.7</b>               | <b>463.2</b>               | <b>915.4</b>          |

## Interim condensed balance sheet

As at

|  |      | <b>30 September 2018</b> | 31 March 2018    |
|--|------|--------------------------|------------------|
|  |      | <b>Unaudited</b>         | Unaudited        |
|  | Note | <b>£m</b>                | <b>£m</b>        |
| <b>Non-current assets</b>                    |      |                          |                  |
| Tangible fixed assets                        | 3    | 2,660.2                  | 2,582.6          |
| Intangible assets                            |      | 13.4                     | 14.0             |
| Investments                                  |      | 40.7                     | 37.8             |
|  |      | <b>2,714.3</b>           | <b>2,634.4</b>   |
| <b>Current assets</b>                        |      |                          |                  |
| Stocks                                       |      | 7.8                      | 8.4              |
| Debtors                                      |      | 108.5                    | 104.8            |
| Cash at bank and in hand                     |      | 50.4                     | 93.6             |
|  |      | <b>166.7</b>             | <b>206.8</b>     |
| <b>Creditors</b>                             |      |                          |                  |
| Amounts falling due within one year          |      | <b>(194.9)</b>           | <b>(224.0)</b>   |
|  |      | <b>(28.2)</b>            | <b>(17.2)</b>    |
| <b>Net current liabilities</b>               |      |                          |                  |
|  |      | <b>(28.2)</b>            | <b>(17.2)</b>    |
| <b>Total assets less current liabilities</b> |      |                          |                  |
|  |      | <b>2,686.1</b>           | <b>2,617.2</b>   |
| <b>Creditors</b>                             |      |                          |                  |
| Amounts falling due after more than one year |      | <b>(1,523.0)</b>         | <b>(1,504.1)</b> |
| <b>Provisions for liabilities</b>            |      |                          |                  |
| Deferred tax                                 |      | <b>(116.6)</b>           | <b>(109.0)</b>   |
| Other  |      | <b>(8.5)</b>             | <b>(8.4)</b>     |
| <b>Pension liability</b>                     |      |                          |                  |
|  |      | <b>(76.9)</b>            | <b>(100.6)</b>   |
| <b>Net assets</b>                            |      |                          |                  |
|  |      | <b>961.1</b>             | <b>895.1</b>     |
| <b>Capital and reserves</b>                  |      |                          |                  |
| Called-up share capital                      |      | 438.2                    | 438.2            |
| Share premium account                        |      | 4.1                      | 4.1              |
| Capital redemption reserves                  |      | 6.2                      | 6.2              |
| Hedging reserve                              |      | 1.8                      | 1.9              |
| Profit and loss account                      |      | 510.8                    | 444.7            |
| <b>Equity shareholders' funds</b>            |      |                          |                  |
|  |      | <b>961.1</b>             | <b>895.1</b>     |

The financial statements on pages 1 to 6 were approved by the Board of Directors on 13 December 2018 and were signed on its behalf by:

IR Williams  
Finance Director

## Interim condensed cash flow statement

For the six months ended 30 September

|   | 2018          | 2017           |
|---|---------------|----------------|
|   | Unaudited     |                |
|   | £m            | £m             |
| <b>Operating activities</b>   |               |                |
| Profit for the period   | 66.1          | 59.3           |
| Adjustments to reconcile profit for the period to net cash flow from operating activities:          |               |                |
| Tax expense   | 13.5          | 12.0           |
| Interest payable  | 25.1          | 25.3           |
| Interest receivable   | (1.9)         | (1.5)          |
| Depreciation of tangible fixed assets   | 23.6          | 23.1           |
| Amortisation of customer contributions  | (4.5)         | (4.3)          |
| Amortisation of intangible assets   | 1.1           | 0.6            |
| Gain on disposal of tangible fixed assets   | (0.4)         | -              |
| Difference between pension contributions paid and amounts recognised in the profit and loss account | (24.7)        | 9.9            |
| Increase/(decrease) in provisions   | 0.1           | (2.2)          |
| Foreign exchange (gain)/loss on fixed asset investment  | (2.9)         | 2.9            |
| Working capital adjustments:  |               |                |
| Decrease/(increase) in inventories  | 0.6           | (0.1)          |
| Decrease/(increase) in trade and other receivables  | 30.2          | (14.1)         |
| Decrease in trade and other payables  | (5.6)         | (4.3)          |
| Interest paid   | (4.4)         | (2.7)          |
| Interest received   | 1.9           | 1.5            |
| Income taxes paid   | (11.9)        | -              |
| <b>Net cash from operating activities</b>   | <b>105.9</b>  | <b>105.4</b>   |
| <b>Investing activities</b>   |               |                |
| Purchase of tangible fixed assets   | (102.7)       | (115.8)        |
| Customers' contributions received   | 13.2          | 19.0           |
| Proceeds from sale of tangible fixed assets   | 0.6           | 0.2            |
| Purchase of intangible assets   | (0.5)         | (7.4)          |
| <b>Net cash used in investing activities</b>  | <b>(89.4)</b> | <b>(104.0)</b> |
| <b>Financing activities</b>   |               |                |
| Net increase/(decrease) in short-term borrowings  | -             | (40.0)         |
| Movement in balances with Group undertakings  | (56.8)        | 43.4           |
| <b>Net cash (used in)/from financing activities</b>   | <b>(56.8)</b> | <b>3.4</b>     |
| <b>Net (decrease)/increase in cash at bank and in hand</b>  | <b>(40.3)</b> | <b>4.8</b>     |
| <b>Cash at bank and in hand at beginning of period</b>  | <b>68.3</b>   | <b>(3.8)</b>   |
| <b>Cash at bank and in hand at end of period</b>  | <b>28.0</b>   | <b>1.0</b>     |

## Notes to the financial statements

For the six months ended 30 September 2018

### 1. General information

The interim condensed financial statements of Western Power Distribution (South West) plc ("the Company") for the six months ended 30 September 2018 were authorised for issue by the Board of Directors on 13 December 2018. 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 2018.

#### *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.

### 3. Tangible fixed assets

|                           | Non network<br>land &<br>buildings<br>£m | Distribution<br>network<br>£m | Fixtures &<br>equipment<br>£m | Vehicles &<br>mobile plant<br>£m | Total<br>£m    |
|---------------------------|--|-------------------------------|-------------------------------|----------------------------------|----------------|
| <b>Cost</b>               |  |                               |                               |                                  |                |
| At 1 April 2018           | 10.7                                     | 3,425.5                       | 55.9                          | 34.9                             | 3,527.0        |
| Additions                 | 1.0                                      | 97.7                          | 5.7                           | 2.0                              | 106.4          |
| Disposals and retirements | -  | -                             | (5.4)                         | (1.0)                            | (6.4)          |
| At 30 September 2018      | 11.7                                     | 3,523.2                       | 56.2                          | 35.9                             | 3,627.0        |
| <b>Depreciation</b>       |  |                               |                               |                                  |                |
| At 1 April 2018           | 1.4                                      | 898.9                         | 28.2                          | 15.9                             | 944.4          |
| Charge for the period     | -  | 22.5                          | 4.4                           | 1.7                              | 28.6           |
| Disposals and retirements | -  | -                             | (5.4)                         | (0.8)                            | (6.2)          |
| At 30 September 2018      | 1.4                                      | 921.4                         | 27.2                          | 16.8                             | 966.8          |
| <b>Net book value</b>     |  |                               |                               |                                  |                |
| At 30 September 2018      | <b>10.3</b>                              | <b>2,601.8</b>                | <b>29.0</b>                   | <b>19.1</b>                      | <b>2,660.2</b> |
| At 1 April 2018           | 9.3                                      | 2,526.6                       | 27.7                          | 19.0                             | 2,582.6        |