

WESTERN POWER DISTRIBUTION PLC GROUP

For the year to 31 March 2022

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").

	2022	2021	Variance	Variance Favourable/ (adverse) %
	£m	£m	£m	
Revenue	1,886.0	1,718.5	167.5	9.7
Operating costs	(830.1)	(771.4)	(58.7)	7.6
Other operating income	3.9	3.9	0	0
Other operating expense	(1.0)	(2.1)	1.1	(52.4)
Operating profit	1,058.8	948.9	109.9	11.6
Finance income	0.2	20.3	(20.1)	(99.0)
Finance costs	(318.3)	(288.7)	(29.6)	10.3
Net finance income/(expense) relating to pensions and other post-retirement benefits	6.2	12.0	(5.8)	(48.3)
Profit before income tax	746.9	692.5	54.4	7.9
Tax expense	(373.6)	(121.1)	(252.5)	208.5
Profit for the year	373.3	571.4	(198.1)	(34.7)

Management narrative analysis of results

Revenue

Revenue for 2022 was £1,886.0m compared to £1,718.5m for the previous year, an increase of £167.5m (9.7%). This was principally due to a decline in volumes as a result of COVID-19 in the prior year plus, the impact of tariff changes and increase in recharge revenue in the current year.

Operating costs

Operating costs increased in comparison with the previous year by £58.7m (7.6%) from £771.4m in 2021 to £830.1m in 2022. This was in part due to additional costs incurred as a result increased recharge activity and increased depreciation charges.

Finance income

Finance income decreased by £20.1m (99.0%) in the year, prior year income related to interest income on loan to PPL affiliate which was settled in 2021, along with a fx gain on \$ credit facility which was also repaid in 2021.

Finance costs

Finance costs for 2022 were £318.3m compared to £288.7m for the previous year. The increase of £29.6m (10.3%) arises due to increased accretion on index linked bonds in the year.

Tax expense

Tax expense increased by £252.5m (208.5%) from £121.1m in 2021 to £373.6m in 2022. This was due to an increase in profit before tax in the current year and adjustment to deferred tax in the current year as a result of the increase in corporation tax from 19% to 25% with effect 1 April 2023. Deferred tax balances as at 31 March 22 that are expected to reverse after 1 April 2023 have been provided for at 25%.