

Registered number: 2373239

WPD PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2004

WPD Property Investments Limited is an integral part of a larger UK group. The structure of the group is such that the financial statements of WPD Property Investments Limited must be read in conjunction with the group financial statements of *Western Power Distribution Holdings Limited* to gain a full understanding of the overall group results and the related cash flows, together with the financial position of the group.



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Directors' report

For the year ended 31 December 2004

The directors present their report on the affairs of WPD Property Investments Limited together with the financial statements and auditors' report for the year ended 31 December 2004.

Principal activity and business review

The principal activity of WPD Property Investments Limited (the "Company") is to manage non-network properties of the Western Power Distribution Holdings Limited group (the "Group").

The Company will continue to fulfil the current and anticipated property needs of the Group whilst also seeking to maximise the return from all property assets. Property which is currently vacant or under-utilised will either be brought to the market and let, possibly after further development, or will be sold.

Profit and dividend

The profit for the year after tax amounted to £6,776,000 (2003: £3,681,000). The directors have not declared a dividend (2003: nil).

Fixed assets

The Company's current valuation of land and buildings (excluding investment properties) as of 31 December 2004 is £8,290,000 higher than the net book value. This valuation has not been incorporated in the financial statements.

Investment properties are properties not used by Group companies. The valuation of investment properties indicated an increase in value of £643,000 in the year, which has been incorporated in the financial statements.

A minimum of 20% of the total property portfolio has been valued by suitably qualified external valuers in accordance with valuation guidelines produced by the Royal Institution of Chartered Surveyors. The remainder of the portfolio has been valued by a qualified valuer employed by the Company, based upon trends in values identified in the external valuations.

Directors

The directors who served during the year were:-

D C S Oosthuizen

D A Withers

As at 31 December 2004, no director had any interest in the shares of the Company or other Group companies which required notification to the Company under section 324 and registration by the Company under section 325 of the Companies Act 1985.

Directors' report (continued)
For the year ended 31 December 2004

Auditors

Elective resolutions to dispense with the holding of annual general meetings, the laying of financial statements before the Company and the appointment of auditors annually are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and financial statements are sent to the member.

By Order of the Board



D C S Oosthuizen
Director

WPD Property Investments Limited
Avonbank
Feeder Road
Bristol
BS2 0TB

6 May 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently ;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements ;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the Member of WPD Property Investment Limited

We have audited the financial statements of WPD Property Investments Limited which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes which have been prepared under the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's member in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Cardiff

6 May 2005

Profit and loss account

For the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover - continuing operations	1	4,250	4,290
Operating costs		(1,272)	(842)
Operating profit	2	2,978	3,448
Profit on disposal of tangible fixed assets	3	274	509
Profit on ordinary activities before interest		3,252	3,957
Interest receivable	4	2,348	1,145
Profit on ordinary activities before tax		5,600	5,102
Tax on profit on ordinary activities	6	1,176	(1,421)
Retained profit for the year	14	6,776	3,681

All operations are continuing.

The accompanying notes are an integral part of these financial statements.

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

For the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Profit for the financial year		6,776	3,681
Unrealised surplus on revaluation of investment properties	14	643	746
Total gains and losses recognised in the year		7,419	4,427

The accompanying notes are an integral part of these financial statements.

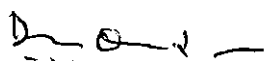
Balance sheet

31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	7	24,849	24,106
Current assets			
Debtors: amounts falling due within one year	8	42,911	37,082
Creditors: amounts falling due within one year	9	(27,726)	(28,607)
Net current assets		15,185	8,475
Total assets less current liabilities		40,034	32,581
Provisions for liabilities and charges	10	(2,417)	(2,383)
Net assets		37,617	30,198
Capital and Reserves			
Called up share capital	13	-	-
Profit and loss account	14	30,763	23,987
Revaluation reserve	14	6,854	6,211
Equity shareholder's funds	15	37,617	30,198

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 5 to 17 were approved by the Board of Directors on 6 May 2005 and were signed on its behalf by:



D.C.S. Oosthuizen
Director

Notes to the financial statements

For the year ended 31 December 2004

1. Accounting policies

The principal accounting policies are summarised below. They have been consistently applied throughout the year.

Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards. They have been prepared under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Turnover

Turnover, which excludes value added tax, represents the value of rents receivable for properties owned or leased, recovery of property service costs from tenants & professional services supplied.

Tangible fixed assets

Tangible fixed assets (other than investment properties) are stated at the lower of cost or valuation, net of depreciation and any provision for impairment.

Depreciation

The charge for depreciation is calculated to write off the cost of tangible fixed assets less anticipated residual values over their useful economic lives, which are as follows:

	Years
Buildings - freehold	Up to 60
- leasehold	Lower of lease period and 60 years

Investment properties

A number of the Company's properties are classified as investment properties and are included in the balance sheet at their open market value. Such properties are revalued annually, with surpluses or deficits on individual properties transferred to the investment revaluation reserve, with the exception of a deficit (or its reversal) which is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. Expenditure that enhances the value of the property is charged to the balance sheet. Depreciation is not provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under Statement of Standard Accounting Practice No. 19. The impact of not depreciating the properties is set out in note 7.

Notes to the financial statements (continued)

For the year ended 31 December 2004

1. Accounting policies (continued)

Tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the *Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.*

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Pension costs

Contributions to the Electricity Supply Pension Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

Leases

Rentals for operating leases are charged to the profit and loss account in equal amounts over the period of the lease.

Cash flow statement

There is no statement of cash flows as the Company is an indirect, wholly owned subsidiary of Western Power Distribution Holdings Limited, which is registered in England and Wales and which includes a consolidated cash flow statement in its financial statements. This treatment is permitted by Financial Reporting Standard No. 1 (revised) as the financial statements of Western Power Distribution Holdings Limited are publicly available from Companies House.

Notes to the financial statements (continued)

For the year ended 31 December 2004

2. Operating profit

Operating profit is stated after charging:

	2004 £'000	2003 £'000
Depreciation charge for the year:		
Tangible owned fixed assets	327	319
Operating lease rentals payable - land and buildings	448	488

Audit fees were borne by another Group company.

3. Profit on disposal of tangible fixed assets

	2004 £'000	2003 £'000
Gross proceeds from sale of tangible fixed assets	463	700
Direct costs	(189)	(191)
	274	509

The Company sold six properties in 2004 (2003:four).

4. Interest receivable

	2004 £'000	2003 £'000
Interest receivable:		
On loan to parent company	2,344	1,139
Other	4	6
	2,348	1,145

Notes to the financial statements (continued)

For the year ended 31 December 2004

5. Employees and directors

(a) Total employee costs during the year amounted to:

	2004 £'000	2003 £'000
Wages and salaries	91	87
Pension costs	10	10
Social Security costs	8	7
	109	104

(b) The average monthly number of employees, including executive directors, during the year was:

	2004 Number	2003 Number
Management and administration	3	3

The above employees are employed under contracts of service with Western Power Distribution (South West) plc. However, their time is substantially devoted to WPD Property Investments Limited.

(c) Directors' emoluments

	2004 £'000	2003 £'000
Emoluments were in respect of one director	53	51

The above director was a member of a defined benefit pension scheme throughout both years.

Notes to the financial statements (continued)

For the year ended 31 December 2004

6. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
a) Analysis of (credit)/charge in the year:		
Current tax:		
UK corporation tax on profits for the year	1,406	1,356
Adjustment to current tax in respect of prior years	(2,616)	(81)
Total current tax (Note 6(b))	(1,210)	1,275
Deferred tax (Note 11):		
Origination and reversal of timing differences	54	146
Adjustment in respect of prior years	(20)	-
Tax on profit on ordinary activities	(1,176)	1,421

b) Factors affecting current tax charge for the year:

The current tax assessed for the year is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	5,600	5,102
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%:	1,680	1,531
Effects of:		
Expenses not deductible and income not taxable for tax purposes and other adjustments	(220)	(29)
Capital allowances in excess of depreciation	(54)	(62)
Other timing differences	-	(84)
Adjustments to tax charge in respect of prior years	(2,616)	(81)
Current tax (credit)/charge for the year (Note 6 (a))	(1,210)	1,275

Notes to the financial statements (continued)

For the year ended 31 December 2004

7. Tangible fixed assets

	Investment Properties £'000	Other Land and Buildings £'000	Total £'000
Cost or valuation			
At 1 January 2004	8,761	21,036	29,797
Additions	-	4	4
Disposals	(140)	(94)	(234)
Transfers between Group undertakings	606	(13)	593
Revaluation surplus	643	-	643
At 31 December 2004	9,870	20,933	30,803

Depreciation			
At 1 January 2004	-	5,691	5,691
Charge for the year	-	327	327
Disposals	-	(59)	(59)
Transfers between Group undertakings	-	(5)	(5)
At 31 December 2004	-	5,954	5,954

Net Book Value			
At 31 December 2004	9,870	14,979	24,849

At 1 January 2004	8,761	15,345	24,106
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The net book value of land and buildings comprises:

	Investment Properties 2004 £'000	Other Land and Buildings 2004 £'000	Total 2004 £'000	Total 2003 £'000
Freehold	9,870	14,454	24,324	23,892
Long leasehold	-	525	525	214
	9,870	14,979	24,849	24,106

Notes to the financial statements (continued)

For the year ended 31 December 2004

7. Tangible fixed assets (continued)

Investment properties were valued on an open market existing use basis at 31 December 2004. Most of the valuations were performed by a qualified surveyor who is an employee of the Company, with the remainder carried out by either Besley Hill, or Charterwood (CPC) Ltd, or Cluttons, or Hartnell Taylor Cook, or King Sturge, or Michelmores Hughes, or Stratton Creber, or Underwoods, or Vickery Holman, or Waycotts Ltd, Chartered Surveyors. Such properties are not depreciated. The depreciation which would have otherwise been charged amounts to £49,000 (2003 - £ 40,000).

If investment properties had not been classified as investment properties, they would have been included at the following amounts:

	2004 £'000	2003 £'000
Cost	3,633	2,751
Depreciation	(882)	(833)
	2,751	1,918

8. Debtors- amounts falling due within one year

	2004 £'000	2003 £'000
Trade debtors	191	299
Amounts owed by Group undertakings	42,601	36,647
VAT	-	25
Prepayments and accrued income	119	111
	42,911	37,082

9. Creditors - amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	13	8
Amounts owed to Group undertakings	21,318	21,030
UK corporation tax	5,705	6,915
Accruals and deferred income	561	594
Other creditors	24	60
VAT	105	-
	27,726	28,607

Notes to the financial statements (continued)

For the year ended 31 December 2004

10. Provisions for liabilities and charges

Deferred tax
(Note 11)
£'000

At 1 January 2004	2,383
Arising during the year	54
Adjustment in respect of previous years	(20)
At 31 December 2004	2,417

11. Deferred taxation

	2004 £'000	2003 £'000
Accelerated capital allowances	2,417	2,383
Provision for deferred tax	2,417	2,383

12. Pension commitments

Eligible employees are entitled to join the Electricity Supply Pension Scheme, details of which are given in the financial statements of Western Power Distribution Holdings Limited.

13. Called up share capital

	2004 £	2003 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

Notes to the financial statements (continued)

For the year ended 31 December 2004

14. Reserves

	Investment Properties Revaluation Reserve £'000	Profit & Loss Account £'000	Total £'000
Balance at 1 January 2004	6,211	23,987	30,198
Retained profit for the year	-	6,776	6,776
Revaluation surplus for the year	643	-	643
Balance at 31 December 2004	6,854	30,763	37,617

15. Reconciliation of movements in equity shareholder's funds

	2004 £'000	2003 £'000
Profit for the year	6,776	3,681
Investment property revaluation reserve surplus	643	746
Net addition to equity shareholder's funds	7,419	4,427
Opening equity shareholder's funds	30,198	25,771
Closing equity shareholder's funds	37,617	30,198

Notes to the financial statements (continued)

For the year ended 31 December 2004

16. Capital and other commitments

(a) There are annual commitments for land and buildings under operating leases which expire :

	2004 £'000	2003 £'000
Within one year	-	42
Between one and five years	24	25
After five years	418	411
	442	478

(b) Fixed asset expenditure contracted for but not provided at 31 December 2004 was nil (2003: nil).

17. Related party disclosures

The Company, a wholly owned subsidiary undertaking, has taken the exemption available from related party transaction disclosure requirements of Financial Reporting Standard No.8 as the financial statements of the parent company are available to the public (see note 18).

18. Ultimate parent undertaking

Throughout the year the immediate parent undertaking of WPD Property Investments Limited was Western Power Distribution (South West) plc. On 31 March 2005, WPD Property Investments was sold within the Group to Western Power Distribution LLP.

The ultimate parent undertaking is PPL Corporation, which is registered in the United States of America. Copies of their accounts may be obtained from Two North Ninth Street, Allentown, Pennsylvania PA 18101-1179, USA.

The smallest group in which the results of WPD Property Investments Limited are consolidated is that headed by Western Power Distribution Holdings Limited, which is registered in England and Wales. Copies of their financial statements may be obtained from Companies House or from Avonbank, Feeder Road, Bristol BS2 0TB. The largest group in which the results of WPD Property Investments Limited are consolidated is headed by PPL Corporation, the details of which are set out above.

Registered office:

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