

WP GENERATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2005

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



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Directors' report

For the year ended 31 March 2005

The directors present their annual report and the audited financial statements of WP Generation Limited (the 'Company') for the year ended 31 March 2005.

Ownership

The Company is a wholly-owned subsidiary within the Western Power Distribution Holdings Limited group ('WPD' or 'Group'). The Group owns and operates the electricity distribution networks in South West England and South Wales.

Principal activity and business review

The principal activity of the Company is to make and hold investments in electrical power generation companies.

Through its subsidiary company, Avonbank Investments Limited ('AIL'), the Company acquired the following investment in a generation project from a fellow subsidiary within the Group:

- Wind Resources Limited - AIL holds 45% of the equity of Wind Resources Limited which in turn wholly owns two further companies Carland Cross Limited and Coal Clough Limited. Carland Cross Limited owns and operates a 6 MW wind farm near Mitchell in Cornwall and Coal Clough Limited owns and operates a 9.6 MW wind farm near Burnley in Lancashire.

Result and dividend

The profit for the year after tax amounted to £366,500 (2004: Nil). The directors proposed a dividend for the year of £366,500 (2004: Nil).

Directors

In November 2003, the Company entered into an agreement with a company controlled by a director of WP Generation Limited. Details are given in note 9.

The directors who served throughout the year were:

T Masood
D C S Oosthuizen

No director had any beneficial interest in the shares of the Company or any company within the Western Power Distribution Holdings Limited group at any time throughout the period. There were no significant contracts subsisting during or at the end of the year with the Company in which any director is or was materially interested.

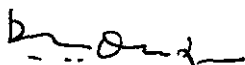
Directors' report (continued)

For the year ended 31 March 2005

Auditors

During the year, PricewaterhouseCoopers LLP were appointed by the directors to fill the casual vacancy. PricewaterhouseCoopers LLP have expressed their willingness to continue in office and their reappointment as auditors will be put before the Annual General Meeting

By Order of the Board



D C S Oosthuizen
Director

15 August 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 judgments 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; and
- 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 they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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 WP Generation Limited

We have audited the financial statements which comprise 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 into 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.

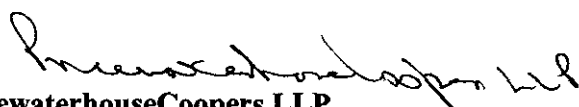
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 affairs of the Company at 31 March 2005 and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Cardiff

15 August 2005

Profit and loss account

For the year ended 31 March 2005

	Note	2005 £	2004 £
Income from fixed asset investment	3	366,500	-
Profit on ordinary activities before tax		366,500	-
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after tax		366,500	-
Dividend payable to affiliate company		(366,500)	-
Amounts transferred to reserves		-	-

All amounts relate to continuing operations.

There are no recognised gains and losses other than the results shown above and therefore no separate statement of recognised gains and losses has been presented.

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

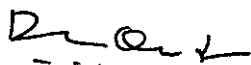
Balance sheet

As at 31 March 2005

	Note	2005 £	2004 £
Fixed asset investment	4	1	1
Current assets			
Debtors	5	366,601	101
Creditors			
Amounts falling due within one year	6	(366,501)	(1)
Net current assets		100	100
Total assets less current liabilities		101	101
Capital and reserves			
Called up share capital	7	101	101
Equity shareholder's funds	8	101	101

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

The financial statements on pages 5 to 10 were approved by the Board of Directors on 15 August 2005 and were signed on its behalf by:



D C S Oosthuizen
Director

Notes to the financial statements

For the year ended 31 March 2005

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, are set out below.

Basis of preparation

The financial statements have been prepared on the 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').

Under Section 228 of the Companies Act 1985 the Company is exempt from preparing group financial statements as its results are included within the consolidated financial statements of a parent undertaking which is registered in England and Wales. These financial statements therefore present information about the Company and not the WP Generation Limited group.

Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (revised) on the basis that it is a wholly owned subsidiary of Western Power Distribution Holdings Limited, which is registered in England and Wales and includes a consolidated cash flow statement in its group financial statements. This treatment is permitted by Financial Reporting Standard 1 (revised).

2 Directors and employees

The Company did not employ any staff during the period. No payments were made to the directors for services provided to the Company.

3 Income from fixed asset investments

	2005 £	2004 £
Dividends received/receivable	366,500	-

Notes to the financial statements

For the year ended 31 March 2005

4 Fixed asset investments

a) Subsidiary undertakings - unlisted

Name	Holding	Proportion	At beginning and
			end of year £
Avonbank Investments Limited	Ordinary	100%	1

Avonbank Investments Limited invests in electricity generation projects.

b) Associated undertakings at 31 March 2005 - unlisted

All shares held by Avonbank Investments Limited unless otherwise indicated:

Name	Holding	Proportion
Wind Resources Limited	Ordinary Shares	45%
Coal Clough Limited	Ordinary Shares *	45%
Carland Cross Limited	Ordinary Shares *	45%

* Shares held by Wind Resources Limited

5 Debtors

	2005 £	2004 £
Dividends receivable	366,500	-
Other debtors	101	101
	366,601	101

6 Creditors - amounts falling due within one year

	2005 £	2004 £
Dividends	366,500	-
Amounts owing to an affiliate company	1	1
	366,501	1

Notes to the financial statements

For the year ended 31 March 2005

7 Called-up share capital

	2005 £	2004 £
Authorised:		
900 class A ordinary shares of £1 each	900	900
99 class B ordinary shares of £1 each	99	99
One special preference share of £1	1	1
Allotted, called up and fully paid:		
90 class A ordinary shares of £1 each	90	90
10 class B ordinary shares of £1 each	10	10
One special preference share of £1	1	1

The holder of A class shares shall be a member of the Western Power Distribution Holdings Limited Group. The A class shareholders shall not, except with the prior written consent of the holders from time to time of a majority in nominal value of the B shares, sell, transfer, assign, grant options over, dispose of or otherwise deal in any manner whatsoever with the legal title to, or beneficial ownership of, or any interest in any A share.

The preference shareholder shall be entitled, to the exclusion of all other shareholders, to receive all of the profits of the Company lawfully available for distribution. He shall be entitled, to the exclusion of all other shareholders, to receive all of the assets of the Company lawfully available for distribution after the payment of its liabilities on a return of assets on liquidation or capital reduction or otherwise. He shall also be entitled to appoint one person as a director of the Company (the 'Preference Director') and to remove from office any person so appointed and (subject to such removal) to appoint another person in his or her place.

8 Reconciliation of movements in equity shareholder's funds

	2005 £	2004 £
Opening equity shareholder's funds	101	-
Issue of share capital on incorporation	-	101
Closing equity shareholder's funds	101	101

Notes to the financial statements

For the year ended 31 March 2005

9 Related party transactions

In December 2002, the Company's wholly-owned subsidiary, Avonbank Investments Limited ('AIL'), acquired a 45% investment in a generation project from Western Power Investments ('WPI'), a fellow subsidiary within the Group. In November 2003, Avon Energy Limited ('Avon'), a company controlled by a director of WP Generation Limited, loaned £1.1m to AIL. Of the balance remaining, £0.3m due from AIL to WPI was novated to Avon and is at commercial rates. In consideration for these transactions, the Company agreed to pay to Avon all future dividends or returns of capital it receives from AIL. Also, agreements were entered into with other Group companies that entitles those companies to sums from Avon if certain conditions are met and also warrants under certain circumstances to make payments to Avon if the level of receipts to it is reduced as a result of certain conditions.

In respect of transactions within the Group, the Company has taken the exemption available from related party disclosure requirements of Financial Reporting Standard 8 as the financial statements of the parent company are available to the public (see note 10).

10 Ultimate parent undertaking

The immediate parent undertaking of WP Generation Limited is Western Power Distribution LLP, which is registered in England and Wales.

The smallest group in which the results of the Company are consolidated is headed by Western Power Distribution Holdings Limited. Copies of these financial statements can be obtained from the Company's registered office as stated below. The largest group in which the results of the Company are consolidated is that headed by PPL Corporation. Copies of their financial statements may be obtained from Two North Ninth Street, Allentown, Pennsylvania PA, 18101-1179, US.

WP Generation Limited
Avonbank
Feeder Road
Bristol
BS2 0TB

Telephone : 0117 933 2000
Fax : 0117 933 2001
eMail: info@westernpower.co.uk