Glas Cymru Cyfyngedig

Interim report and accounts

for the six months ended 30 September 2014

Chief Executive's Statement

We have made further progress in the first six months of the financial year by focussing on delivering industry leading levels of customer service, environmental performance and ensuring best value for money. This is helping us to build on our full year performance in 2013-14 when Dŵr Cymru Welsh Water delivered its best ever operational performance.

With no shareholders, our model is a unique way to run a public utility. All our gains go to customers and so we can deliver real value by accelerating investment, keeping bills low and helping a record 63,000 customers who genuinely struggle to pay their bills. Between April and September 2014, we invested £174 million in our network to help maintain and improve our services and we are building on this by launching a new, innovative social tariff in April 2015. This will target, for the first time ever, over 100,000 households on the lowest incomes so that they are able to pay their water bills, which will also help to keep down the level of costs to customers as a whole, enabling us to deliver a decade of below-inflation price increases to average household bills by 2020.

We are grateful for the commitment and technical skills of colleagues which help us maintain the most essential of public services. These latest results show that we remain in a strong financial and operational position as we await Ofwat's final decision in December on our plans to implement our ambitious £1.5 billion investment plan between 2015 and 2020, whilst bringing down average household bills by a further 5% in real terms.

Chris Jones

13 November 2014

Performance Overview

Our business planning is structured around eight key customer 'outcomes' that have driven performance since the publication of 'Our Sustainable Future' in 2007 and used also in our latest Business Plan (2015 – 2020).

Such an approach provides a consistent and transparent platform for allowing us to measure our operational, environmental, financial and customer performance in order to determine our progress including these latest set of interim results covering the period from 1 April to 30 September 2014 (unless noted otherwise as our operational performance is regulated on the calendar year).

Financial Overview / An efficient business
Welsh Water is delivering - through operating and financing the business more efficiently every year - substantial levels of capital investment whilst also reducing customer bills in real terms. In the first six months of the financial year in 2014:

- our revenue was slightly higher at £375 million (2013: £368 million). The increase reflects the RPI+K increase in prices of 2.05% allowed by Ofwat.
- customer debt recovery remains challenging, a reflection of the impact the increasing cost of living is having on customers. We are taking steps to ensure that the recovery of customer debt is of paramount focus whilst also helping those who genuinely struggle to pay.
- operating costs (excluding depreciation and infrastructure renewals expenditure) have fallen to £144 million (2013: £150 million): the impact of insourcing, other cost efficiency initiatives and rates rebates have more than offset the impact of general price inflation.
- net interest payable in the period (excluding fair value movements) was £54 million (2013: £60 million). This reduction is mainly due to the impact of an £8m accounting profit following the termination of finance leases.
- underlying profit was £43 million (2013: £32 million), with the increase due to higher revenues and lower operating costs as explained above. After allowing for the movement in the fair value of financial instruments, the total profit before tax was £2 million (2013: £106 million). No corporation tax is payable due to the accumulated tax losses of the company, reflecting the size of the company's capital investment programme.
- £174 million has been invested in capital projects that will bring improvements to customer service, environmental quality and drinking water quality and a further £170 million will be invested during the remainder of the financial year.
- our financial gearing has remained at 63% compared to 93% on the acquisition of Welsh Water in May 2001.
- the prudent financing policies followed by the company mean that, despite the recent turmoil in credit markets, its bonds continue to trade well relative to those of similar companies. Credit rating agency Moody's has maintained its 'A3' corporate family rating for Welsh Water, with 'A' grade ratings of the senior bonds by Standard and Poor's and Fitch Ratings, all reflecting the quality of the company's creditworthiness. Welsh Water's Class A bonds are guaranteed by MBIA but the ratings of these bonds now reflect the ratings of the underlying business.
- as at 30 September 2014, Glas Cymru had cash, short-term deposits and undrawn syndicated bank facilities of £232 million (2013: 336 million), giving the company a high level of financial liquidity.

Excellent customer service
As we do not have any shareholders, our sole focus remains on maintaining a high standard of customer service and realising our vision to earn their trust every day. Whilst we develop new ways of working (e.g. proactive customer texting and a new website for mobiles/tablets), in the first six months of the financial year:

- our latest research (September) shows that household customers score their satisfaction with the service they receive at 85%.
- the Consumer Council for Water (CCWater) revealed that we had the second lowest volume of customer complaints for 2013-14 amongst the 10 water and sewerage companies.
- CCWater's annual tracker research confirmed that we scored a record 96% customer satisfaction rate with our water services and 91% with our wastewater services – higher than the industry average.

High quality drinking water
Providing a high quality and reliable supply of water for both household and business customers is our top priority. To help manage ongoing challenges to the quality and resilience of our drinking water, our upgraded water treatment works in Alaw (£11 million) and Cefni (£17 million) – part of a wider £120 million capital investment in 12 sites altogether - were recently brought on-line, representing further security of supply across Anglesey, North Wales. Between January and September 2014:

- 99.95% of samples taken and analysed met drinking water standards at customers' taps.
- we have maintained 100% bacteriological compliance at our water treatment works.
- summer demand reached a peak of 970 megalitres per day in July (average: 800 megalitres per day) and we mitigated customer issues through early operational interventions.
- our leakage levels have remained below target and we are in a good position to manage any difficult winter weather conditions.
- we continue to be behind our target on the measure of compliance for iron which can cause discolouration of tap water.

Protecting the environment

Our sewer network has generally performed well between January and September 2014. However, odour problems caused by warm and dry weather at some of our wastewater treatment works (Treborth near Bangor, Ganol near Llandudno and Swansea Bay) are some of the challenges facing our ageing sewer network. Between January and September 2014:

- we were 100% compliant with the key 'look up' measures of compliance.
- the number of wastewater treatment works failing numeric consent more than halved to 4 (2013:9).
- the total number of pollution incidents fell to 89 (2013: 116) although 4 of these were classed as serious (2013: 2)
- a record 34 Blue Flags were awarded to bathing waters in Wales with 'excellent' water quality Llyn Padarn, near Llanberis in Gwynedd, being Wales' first designated freshwater bathing lake.

Responding to climate change

We continue to take steps to ensure our network is able to cope with the extreme and highly variable weather conditions and invest in innovative ways to maintain a more robust and sustainable network into the future. Between April and September 2014:

- our renewable energy portfolio continued to grow (completing hydro projects at Upper Cowlyd in Snowdonia (200kW) and Cefn Dryscoed in the Upper Neath Valley (60 kW), and a solar photo-voltaic project at Hirwaun (110kW)).
- we launched our Energy Park Project at our largest site in North Wales, Five Fords near Wrexham, which will lead to multiple renewable energy technologies located at this one site (including Gas to Grid and 20,000 solar panels).
- our innovative Sustainable Urban Drainage Systems (SuDS) approach, 'RainScape', involving a £15 million investment in Llanelli and Gowerton, removed more surface water from our combined sewer network than anticipated. Having won four UK-wide industry awards for its design and construction, a similar £2 million scheme was launched in June near Cardiff city centre, called 'Greener Grangetown' in collaboration with the City of Cardiff Council and Natural Resources Wales, improving the local urban environment.

Affordable bills

Despite improving economic conditions, we know that keeping our bills affordable remains as important as ever given the increase in the cost of living and high levels of water poverty amongst customers in our operating area. As a result:

- our annual price increase in 2014-15 was below the rate of inflation for the fifth consecutive year.
- CCWater's independent research showed that 78% of customers in Wales currently believe that water and sewerage charges are 'value for money' - higher percentage than customers in England (69%).
- we now help 63,000 customers who genuinely struggle to pay their water bills.

Looking after our assets

With a network replacement value of £26 billion (or £20,000 per household customer), our performance across above-ground and below-ground assets for water and wastewater was very strong between April and September 2014. As part of our work:

- we successfully managed the impact of the NATO Summit at the Celtic Manor Resort, Newport, in September on our operations and service measures.
- we substantially mitigated the impact of a number of bursts on our largest water mains (Treforest and Morriston in South Wales) on our customers through engineering innovation and skilled intervention.
- we confirmed our three main contractor and consulting partners (Skanska & Hyder, Morgan Sindall & Arup and Mott Macdonald Bentley) for delivering part of our capital investment programme from 2015 to 2020.
- we have continued to roll out lean working practices across a number of our key sites to improve efficiency and productivity.

Developing our people

We have over 3,000 colleagues who try to provide a high quality service to customers which includes ensuring that customers' supply is not interrupted or that sewer blockages are dealt with quickly, efficiently and safely. Between April and September 2014:

- we had slightly less employee RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) injuries; eight compared to nine in the same period last year.
- we have trained 300 managers and supervisors as part of our STEP (Safety Takes Every Person) behavioural safety programme.
- we also had fewer Near Misses and more Positive Interventions reported over the past six months - showing that by taking action, we are continuing to prevent incidents occurring.
- over 600 colleagues, capital partners and contractors have been nominated as part of a new recognition scheme, 'diolch', launched in April 2014.

Key Performance Measures

	Period to 30 Sept 2014	Period to 30 Sept 2013
Safe Drinking Water		
Bacteriological compliance at water treatment works (1)	100%	100%
Reservoir Integrity Index (1)	99.98%	99.96%
Iron compliance at the tap (1)	99.29%	99.48%
Overall "mean zonal" compliance (1)	99.95%	99.98%
Process Control Index (1)	100%	100%
Disinfection Index (1)	100%	100%
Number of DWI reportable water quality incidents (1)	7	8
Customer contacts per 1,000 populations. For Appearance, Taste, Odour and illnesses (1)	2.7	2.65
Safe Sanitation		
Number of properties flooded with sewage due to blockages (OC)	47	51
Number of properties flooded with sewage due to sewer overload	29	32
Internal sewer flooding incidents (repeat incidents over 10 years)	18	32
Protecting the Environment		
Leakage (Ml/D)	176.0	179.7
Number of significant pollution incidents (1)	4	2
Number of pollution incidents (1)	89	116
"Look up" compliance at wastewater treatment works (1)	100%	99.92%
Number of wastewater treatment works failing numeric consent (1)	4	9
Self reporting (1)	55%	49%
Customer Service		
Number of unwanted telephone contacts	58,750	71,509
Number of written complaints	1,728	2,118
Staff Wellbeing		
Total number of reportable injuries (2)	8	9

1 Calendar year to end of September (unless denoted by 1, the reporting period is April to September)
2 Second tier subcontractors now included in reportable injuries

Statement of directors' responsibilities and other matters

Statement of directors' responsibilities

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules paras 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

Directors

Peter Bridgewater joined the Board of Glas Cymru as Finance Director on 1 September 2014.

John Bryant resigned as a Director of the Board of Glas Cymru effective from 4 July 2014.

Risks and uncertainties

The principal risks and uncertainties affecting the group for the six months to 30 September 2014 are materially unchanged from those presented on pages 19 and 21 of the group's published Annual Report and Accounts for the year ended 31 March 2014. The Annual Report and Accounts are published on the group's website, www.dwrcymru.com, and are available from the Company Secretary on request.

Going concern

The group is in a net liabilities position as at 30 September 2014. This does not represent any risk to cash flow or funding; £32 million of liabilities relate to derivative financial liabilities and assuming they are held to maturity will revert to zero with no cash impact. Excluding derivative financial instruments, the group had net current assets of £10 million as at 30 September 2014. The group is also in the process of agreeing a further £230 million loan facility with the European Investment Bank.

The directors have a reasonable expectation that the group has adequate resources available to it to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern policy in preparing the condensed consolidated interim financial statements. This conclusion is based upon, amongst other matters, a review of the group's financial projections together with a review of the cash and committed borrowing facilities available to the group as well as consideration of the group's capital adequacy. In addition, the directors also considered the primary legal duty of Glas Cymru's economic regulator, to ensure that the companies can finance their functions.

By order of the Board

Nicola Williams
Company Secretary

13 November 2014

Consolidated interim income statement

	Note	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Revenue	2	374.6	368.1	736.5
Operating costs				
- Operational expenditure		(143.9)	(150.2)	(296.4)
- Infrastructure renewals expenditure		(36.2)	(44.6)	(71.8)
- Depreciation and amortisation		(88.9)	(81.0)	(163.7)
Operating profit		105.6	92.3	204.6
Financing costs				
- Interest payable and similar charges	3a	(55.5)	(64.9)	(160.6)
- Finance income receivable	3a	1.6	4.5	6.3
- Fair value (losses)/gains on derivative financial instruments	3b	(49.5)	74.1	94.2
		(103.4)	13.7	(60.1)
Profit before taxation		2.2	106.0	144.5
Taxation (charge)/credit	4	(0.4)	10.2	10.8
Profit for the period		1.8	116.2	155.3

Underlying profit			
Profit before taxation per income statement	2.2	106.0	144.5
Adjustment for:			
- Fair value losses/(gains) on derivative financial instruments	49.5	(74.1)	(94.2)
- Accounting profit on finance lease termination	(8.4)	-	-
Underlying profit for the period	43.3	31.9	50.3

The notes on pages 10 to 15 are an integral part to these condensed consolidated interim financial statements.

Consolidated interim statement of comprehensive income

	Note	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Profit for the period		1.8	116.2	155.3
Other comprehensive income:				
Actuarial (loss)/gain recognised in the pension scheme		(26.2)	4.6	24.9
Movement on deferred tax asset relating to the pension scheme	4	5.4	(1.7)	(5.8)
Total items that will not be reclassified to profit or loss		(19.0)	119.1	174.4
Total comprehensive (expense)/income for the period		(19.0)	119.1	174.4

Consolidated interim statement of changes in reserves

	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Reserves/(deficit) at start of period	100.0	(74.4)	(74.4)
Total comprehensive (expenditure)/income for the period	(19.0)	119.1	174.4
Reserves at end of period	81.0	44.7	100.0

The notes on pages 10 to 15 are an integral part to these condensed consolidated interim financial statements.

Consolidated interim balance sheet

	Note	At 30 September 2014 (unaudited) £m	At 30 September 2013 (unaudited) £m	At 31 March 2014 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	5	3,496.3	3,385.0	3,442.3
Intangible assets		90.1	73.8	83.9
		3,586.4	3,458.8	3,526.2
Current assets				
Trade and other receivables	6	330.8	325.6	526.7
Inventory		2.0	2.2	2.3
Financial assets: derivative financial instruments		3.7	4.6	3.7
Cash and cash equivalents		62.3	120.9	94.4
		398.8	453.3	627.1
Total assets		3,985.2	3,912.1	4,153.3
Liabilities				
Current liabilities				
Trade and other payables	7	(331.9)	(345.0)	(535.5)
Financial liabilities:				
- Borrowings		(50.0)	(48.2)	(30.6)
- Derivative financial instruments		(31.8)	(36.0)	(32.3)
Provisions for liabilities and charges		(3.7)	(8.6)	(4.6)
		(417.4)	(437.8)	(603.0)
Net current (liabilities)/assets		(18.6)	15.5	24.1
Non-current liabilities				
Trade and other payables	8	(97.5)	(73.9)	(80.2)
Financial liabilities:				
- Borrowings		(2,828.4)	(2,830.4)	(2,879.3)
- Derivative financial instruments		(286.4)	(253.6)	(236.4)
Post employment benefits		(28.5)	(26.7)	(2.8)
Provisions for liabilities and charges		(9.7)	(9.6)	(10.3)
Deferred tax (net)		(236.3)	(235.4)	(241.3)
		(3,486.8)	(3,429.6)	(3,450.3)
Net assets		81.0	44.7	100.0
Reserves		81.0	44.7	100.0

The condensed consolidated interim financial statements on pages 6 to 15 were approved by the Board of Directors on 13 November 2014 and were signed on its behalf by:

Chris Jones
Chief Executive

Peter Bridgewater
Finance Director

Consolidated interim statement of cash flows

	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Operating profit	105.6	92.3	204.6
Adjustments for			
- Depreciation and amortisation	88.9	81.0	163.7
Changes in working capital			
- Decrease/(increase) in trade and other receivables	195.9	200.3	(0.5)
- Decrease/(increase) in inventory	0.3	(0.5)	(0.7)
- Decrease in trade and other payables	(203.2)	(201.1)	(3.2)
- Pension contributions above service cost	(0.7)	(1.9)	(10.0)
- Decrease in provisions	(1.5)	(2.4)	(2.1)
	(9.2)	(5.6)	(16.5)
Cash generated from operations	185.3	167.7	351.8
Interest paid	(29.2)	(79.1)	(174.7)
Tax received	1.4	-	-
Cash flows from operating activities - net	157.5	88.6	177.1
Cash flows from investing activities			
Interest received	1.6	4.5	6.3
Purchases of property, plant and equipment	(145.9)	(130.5)	(282.9)
Grants and contributions received	8.0	7.5	14.6
Net proceeds from sale of property, plant and equipment	-	0.2	-
Cash flows from investing activities - net	(136.3)	(118.3)	(262.0)
Net cash outflow before financing activities	21.2	(29.7)	(84.9)
Cash flows from financing activities			
Long term loans received	-	-	75.0
Term loan repayments	(6.7)	(6.7)	(13.5)
Capital element of finance lease payments	(46.6)	-	(39.4)
Other loan repayments	-	(0.1)	(0.2)
Cash flows from financing activities - net	(53.3)	(6.8)	21.9
Net decrease in cash and cash equivalents	(32.1)	(36.5)	(63.0)
Cash, cash equivalents and bank overdrafts at start of period	94.4	157.4	157.4
Cash and cash equivalents at end of period	62.3	120.9	94.4

The notes on pages 10 to 15 are an integral part to these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The interim report and accounts are for the six months ended 30 September 2014; they have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union, using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The interim report and accounts should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those of the previous set of published Annual Report and Accounts for the year ended 31 March 2014, other than the adoption, with effect from 1 April 2014, of new or revised accounting standards, as set out below:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Amendment to IAS 27 (Revised 2011) Separate Financial Statements
- Amendments to IAS 28 (Revised 2011) Investments in Associates and Joint Ventures

The adoption of these standards and interpretations has not had a material effect on the results or financial position of the Group.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2014 and have not been adopted early:

- IFRS 9 Financial instruments (expected to be effective 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (expected to be effective 1 January 2017)
- Amendment to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)

The Annual Report and Accounts are published on the group's website www.dwrcymru.com and are available from the Company Secretary on request.

These condensed consolidated interim financial statements are unaudited but have been formally reviewed by the auditors and their report is set out on page 16. The interim financial results do not comprise the group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results shown for the year ended 31 March 2014 have been derived from the group's audited consolidated financial statements filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under Section 498(2) of 498(3) of the Companies Act 2006.

The company is limited by guarantee and does not have any share capital. In the event of the company being wound up, the liability of its members is limited to £1 each.

Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014, with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exceptional items.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

2. Segmental information

All reported revenue and operating profits arise from the operation of water and sewerage business in the United Kingdom.

3. Financing costs

a) Financing cost before fair value (losses)/gains	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Interest payable on bonds	(44.1)	(43.7)	(86.3)
Interest payable on index linked bonds	(12.6)	(15.6)	(38.5)
Interest payable on finance leases	(3.0)	(3.4)	(27.7)
Other loan interest	(6.4)	(5.7)	(12.3)
Other loan interest payable and finance costs	(1.5)	(1.1)	(2.4)
Net interest charge on pension scheme liabilities	(0.1)	(0.3)	(1.3)
Accounting profit on finance lease termination	8.4	-	-
Capitalisation of borrowing costs under IAS 23	3.8	4.9	7.9
	(55.5)	(64.9)	(160.6)
Interest receivable	1.6	4.5	6.3
Net finance income before fair value adjustments	(53.9)	(60.4)	(154.3)

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b) Fair value (losses)/gains on derivative financial instruments	Six months ended 30 September 2014 (unaudited) £m	Six months ended 30 September 2013 (unaudited) £m	Year ended 31 March 2014 (audited) £m
Fair value (losses)/gains on interest rate swaps	(10.7)	20.1	22.6
Fair value (losses)/gains on index-linked swaps	(38.8)	54.0	71.6
Total fair value (losses)/gains on derivative financial instruments	(49.5)	74.1	94.2
Deferred tax effect at 21% of fair value (losses)/gains (year to 31 March 2014 at 23%)	10.4	(17.1)	(21.7)
Net of tax impact of fair value (losses)/gains	(39.1)	57.0	72.5

Whilst the group employs an economically effective policy using interest rate and index-linked swaps, the hedge accounting criteria of IAS 39 are not satisfied. Consequently, the group's interest rate and index-linked swaps are fair valued at each balance sheet date with the movement (net loss or gain) disclosed in the income statement. Over the life of these swaps, if held to maturity, these fair value adjustments will reverse and reduce to zero. The notional value of the interest rate swaps is £192m (2013: £192m) and the index-linked swaps £672m (2013: £672m).

4. Taxation

	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Current tax			
Current tax on profits for the year	-	-	0.9
Adjustment in respect of prior periods	-	-	1.5
	-	-	2.4
Deferred tax			
Current year movements	5.0	(26.9)	(33.6)
Effect of change in expected tax rate	-	35.3	36.2
	5.0	8.4	2.6
Taxation credit	5.0	8.4	5.0
Analysed as:			
(Charged)/credited to income statement	(0.4)	10.2	10.8
Credited/(charged) to statement of comprehensive income	5.4	(1.8)	(5.8)
	5.0	8.4	5.0
Profit before tax	2.2	106.0	144.5
Profit before tax multiplied by the corporation tax in the UK of 21% (six months to 30 September 2013: 23%)	0.4	24.4	33.2
Effects of:			
Adjustments in respect of prior years	-	-	(7.8)
Other permanent differences	-	1.5	(0.2)
Effect of tax rate change	-	(35.3)	(36.0)
Movement on deferred tax asset relating to pension scheme	(5.4)	1.0	5.8
	(5.0)	(8.4)	(5.0)

The company does not expect to pay corporation tax on its trading profits for the current year due to accumulated trading losses of over £275 million as at 30 September 2014 and the availability of capital allowances on its investment programme.

5. Property, plant and equipment

	Freehold land & buildings	Infrastructure assets	Operational structures	Plant, equipment, computer hardware	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2014	36.8	1,735.8	3,307.3	252.8	5,332.7
Additions net of grants and cash contributions	0.4	27.6	105.3	2.9	136.2
At 30 September 2014	37.2	1,763.4	3,412.6	255.7	5,468.9
Accumulated depreciation					
At 1 April 2014	18.7	262.6	1,363.4	245.7	1,890.4
Charge for the period	0.2	13.4	62.7	5.9	82.2
At 30 September 2014	18.9	276.0	1,426.1	251.6	1,972.6
Net book value					
At 30 September 2014 (unaudited)	18.3	1,487.4	1,986.5	4.1	3,496.3
At 31 March 2014 (audited)	18.1	1,473.2	1,943.9	7.1	3,442.3

The net book value of fixed assets includes £32.6m (March 2014: £28.8m) of capitalised interest.

The group forecasts £170m of capital expenditure over the remainder of the financial year. While only a portion of this amount has been formally contracted for as at 30 September 2014, the group is effectively committed to the total as part of its overall capital expenditure programme approved by its regulator.

6. Trade and other receivables

	30 September 2014 (unaudited)	30 September 2013 (unaudited)	31 March 2014 (audited)
	£m	£m	£m
Amounts falling due within one year			
Trade receivables	313.2	301.1	502.8
Less provision for impairment of receivables	(66.2)	(62.3)	(65.9)
Trade receivables - net	247.0	238.8	436.9
Prepayments and accrued income	80.0	75.6	67.4
Other receivables	3.8	11.2	22.4
	330.8	325.6	526.7

7. Trade and other payables

	30 September 2014 (unaudited)	30 September 2013 (unaudited)	31 March 2014 (audited)
	£m	£m	£m
Current			
Trade payables	41.9	42.4	47.1
Capital payables	29.8	37.3	30.2
Other taxation and social security	3.9	3.5	3.8
Corporation tax	1.5	3.5	3.8
Accruals and deferred income	254.8	261.9	454.4
	331.9	345.1	535.5
Non-current			
Deferred income	97.5	73.9	80.4

8. Analysis and reconciliation of net debt

a) Net debt at the balance sheet date may be analysed as:	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Cash and cash equivalents	62.3	120.9	94.4
Debt due after one year	(2,280.7)	(2,184.2)	(2,272.1)
Debt due within one year	(13.7)	(13.4)	(16.5)
Finance lease obligation	(516.4)	(616.3)	(571.2)
Accrued interest	(67.6)	(64.7)	(50.1)
	(2,878.4)	(2,878.6)	(2,909.9)
Net debt	(2,816.1)	(2,757.7)	(2,815.5)

b) The movement in net debt during the period may be summarised as:	30 September 2014 (unaudited) £m	30 September 2013 (unaudited) £m	31 March 2014 (audited) £m
Net debt at start of period	(2,815.5)	(2,737.5)	(2,737.5)
Decrease in net cash	(32.1)	(36.5)	(63.0)
Decrease in debt	53.3	6.8	(21.9)
Decrease/(increase) in net debt arising from cash flows	21.2	(29.7)	(84.9)
Movement in accrued interest	(17.5)	25.1	39.7
Indexation of index-linked debt	(12.6)	(15.6)	(38.5)
Accounting profit on lease termination	8.4	-	-
Other non-cash movements	(0.1)	-	5.7
Movement in net debt during the period	(0.6)	(20.2)	(78.0)
Net debt at end of period	(2,816.1)	(2,757.7)	(2,815.5)

9. Financial risk management and financial instruments

The group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 March 2014. There have been no changes in the risk management department or in any risk management policies since the year end.

In accordance with IFRS 13 Fair Value Measurement trading and treasury derivatives of the group are categorised into different levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the groups trading and treasury derivatives are categorised at Level 2 and as at 30 September 2014 were valued as follows:

- Assets: Trading derivatives £0.0m, Treasury derivatives £3.7m. (March 2014: Trading derivatives £0.0m, Treasury derivatives £3.7m); and

- Liabilities: Trading derivatives £3.3m, Treasury derivatives £318.2m. (March 2014: Trading derivatives £7.7m, Treasury derivatives £289.6m).

Trading derivatives relate to power price hedges and are not recorded on the balance sheet. Treasury derivatives relate to interest rate swap contracts and are recorded on the balance sheet at fair value. These have all been assessed as Level 2.

The power price hedging contracts have been fair valued using rates that are quoted in an active market. While interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

Level 2 debt investments are valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Independent review report to Glas Cymru Cyfyngedig

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Interim Report and Accounts of Glas Cymru Cyfyngedig for the six months ended 30 September 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Glas Cymru Cyfyngedig, comprise:

- the consolidated interim balance sheet;
- the consolidated interim income statement and consolidated interim statement of comprehensive income for the period then ended;
- the consolidated interim statement of changes in reserves for the period then ended;
- the consolidated interim statement of cash flows for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the Interim Report and Accounts have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report and Accounts, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report and Accounts in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to Glas Cymru Cyfyngedig a conclusion on the condensed consolidated interim financial statements in the Interim Report and Accounts based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Cardiff
13 November 2014

Notes:

(a) The maintenance and integrity of the Glas Cymru Cyfyngedig website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.