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Glas Cymru Cyfyngedig

Interim report and accounts

for the six months ended 30 September 2012

Chairman's statement

I am pleased to report a period of further progress in achieving our objectives; to deliver the best possible outcomes for customers by supplying drinking water of the highest quality and safeguarding the environment, at least cost. We also aspire to show that our unique business model for the water industry is better for customers in much of Wales, Herefordshire and Deeside.

Customer service

As the only regulated water company in the sector that is managed solely on behalf of its customers, we aim to be one of the very best performers when it comes to day to day customer service. And in the first six months of this financial year, we are able to point to more good progress. Dŵr Cymru now ranks with the best performers in the sector.

This year we have implemented more customer service improvements. These include case managers at each depot to keep customers up to date with the progress of their job, carrying out work on our water supply network under pressure so we don't have to interrupt supplies and aiming to respond to all sewer blockages within four hours. This is all alongside accredited customer service training to help us deliver first time resolution of issues. A particularly successful initiative has been texting customers to let them know that we are aware of a water mains burst or similar problem and are dealing with it. In the first six months of this year we sent out over 200,000 texts and the customer feedback we have received has been excellent, and as a result unwanted calls are down by more than a quarter.

This good work is leading to high and improving customer satisfaction scores in the independent research that we, and industry regulator Ofwat, separately carry out monthly or quarterly. Our latest research (August) shows that household customers score their satisfaction with the service they get from Dŵr Cymru at 93%. Ofwat's research gives a figure of 90% which ranks Dŵr Cymru close to the top of the industry league table on this measure of customer satisfaction.

We have just over 1,700 business customers who each use more than five million litres of water each year, and every six months we commission independent research in order to understand business customer priorities and where we need to do better. The latest research shows business customer satisfaction now stands at a record 88% and just 6% say they would switch to another supplier if they were offered a lower price.

In its recent report on complaint handling, the Consumer Council for Water highlighted Dŵr Cymru's much improved performance and last year we had the second lowest level of written customer complaints among the regulated water and sewerage companies. More progress has been made in the first half of this financial year and customer complaints are down by 25% to under 1,900. In the same six months, we received over 1,200 customer thank-you letters and emails. In August, Dŵr Cymru was ranked top utility company in the Institute of Customer Service half yearly survey of customer satisfaction.

High quality drinking water

For both household and business customers, a high quality and reliable supply of water is the top priority. In the first nine months of 2012, the high quality of the water we supply was maintained with 99.98% of samples taken and analysed meeting drinking water standards at customers' taps. In the nine months to the end of September, we were at or better than 2011 on five of the six indices used by the Drinking Water Inspectorate to measure water quality compliance at each point on the water supply system.

Leakage is at a record low so we need to put less treated water into the system. We currently supply 800 million litres of water every day, which is 15% lower than a year ago. The reduction in the amount of water put into supply, along with the improvements to leakage, has resulted in lower flows in our water supply network. Partially as a result of this, we are behind target on the measure of compliance for iron and we do continue to have some instances of discolouration of tap water. We have accelerated an additional £5 million of investment to renew 40km of iron water mains in Hereford and in parts of south Wales.

Safeguarding our environment

Visit Wales recently reported that coastal tourism accounted for a third of all tourism income in Wales in 2011, when Wales had a third of the total number of Blue Flags awarded to all of the United Kingdom. Doing our part to ensure Wales continues to have the best coastal waters and rivers is one of our biggest responsibilities and of vital importance for the economy of Wales. This task has been especially difficult in 2012 because of the very wet weather during the summer – the third wettest on record in Wales - which not only creates problems for ourselves but leads to increased pollution from agricultural and urban run-off. The poor weather has led to a deterioration in coastal water quality, and as a result 75 of the 100 designated beaches have passed the "Guideline" standard required for a Blue Flag compared with 78 out of 88 beaches in 2011.

The wet weather has also put additional pressure on our front line operations, particularly on the wastewater side of our business. Despite this, the team has delivered a marked improvement in the performance of our wastewater treatment works and in the first nine months of 2012 we were 100% compliant with the key "look up" measure of compliance. Following the transfer of private sewers to the regulated water companies on 1 October last year – which doubled the size of our sewer network - we now deal with over 2,000 sewer blockages every month and in 99% of cases no flooding or pollution incidents result. However, the wet weather and much higher flows in the sewer network has meant that we are currently slightly behind our targets for both sewer flooding and pollution incidents.

Climate change is expected to lead to marked changes in rainfall patterns and to protect our customers from the risk of flooding and to protect our rivers and coastal waters from the risk of pollution, we are pressing ahead with retrofitting "sustainable urban drainage" solutions. These local schemes are designed to take rainwater out of the combined sewerage system and into natural watercourses. This is a long term programme that will take many years to complete and Dŵr Cymru is regarded as an industry leader for this important change to the way we manage flooding risk in the years ahead.

Financials results and affordability

Glas Cymru (the non-shareholder company which owns Dŵr Cymru) currently has the highest credit rating of any regulated utility company in the United Kingdom. This allows us to raise funds for investment from long term bond investors at low cost and this financial efficiency is used for the benefit of Dŵr Cymru's customers. These financial savings are significant and our financial reserves – or "customer equity" – now stand at £1.5 billion. At the end of September, our regulatory gearing was down to 64% which compares with 93% in 2001 when Glas Cymru took over the ownership of Dŵr Cymru.

This strong and improving financial position has allowed the Company to pay customer dividends totalling over £150 million in the past and during the current five year regulatory period to invest fully £1.5 billion for the benefit of our customers while at the same time keeping customer bill increases below the rate of inflation. As things stand, by 2015 our average household bill will be some 6% lower in real terms than it was in 2000 - the year before Glas Cymru took over the ownership of Dŵr Cymru - and during that time Dŵr Cymru will have invested some £4 billion on maintenance and improvements to its network of long lived assets. In the first half of this financial year, capital investment was £153 million, a third higher than in the same period last year, and we are on track to invest a total of £1 billion in the three years to March 2015.

Keeping our bills affordable has never been more important than during the current difficult economic environment when more and more of our customers are having difficulty making ends meet and being able to pay their water bill. Doing so while at the same time making sure that we meet customer expectations and deliver sector leading standards of customer service, drinking water quality and environmental protection is at the heart of the Glas Cymru model.

The key to achieving this balance is building a culture across our enterprise that puts customers first alongside a focus on performance on all the things that matter to our customers. This in turn delivers legitimacy with our stakeholders and confidence with our long term investors.

We believe that our record to date – on water quality, environmental protection, customer service, cost efficiency, investor confidence, affordability and care for this very long term industry – shows that the Glas Cymru ownership model is working well for Dŵr Cymru's customers. There is currently much debate taking place regarding the future shape of the water industry in the England and Wales which might involve separation of the current integrated structures, changing the risk profile of the industry. Our view is that for our customers any alternative model must demonstrate – clearly and specifically - that it can improve on what has been and is being achieved by Glas Cymru.

We ask a lot of our staff who do the most remarkable job for our customers, day or night and in all sorts of weather. And on behalf of the Board, I would like to pay tribute to the commitment and enthusiasm that is self-evident whenever I meet with any of our colleagues on the Dŵr Cymru team.

Robert Ayling

Robert Ayling

Chairman - Glas Cymru Cyfyngedig

7 November 2012

Review of the business

Financial results

Financial performance

Glas Cymru's unaudited financial results cover the six months to 30 September 2012. Comparative figures are given for the six months to 30 September 2011 (unaudited) and the year ended 31 March 2012 (audited).

Turnover in the six months to 30 September 2012 was £360 million, as compared to £346 million in the six months to 30 September 2011. The increase reflects the RPI+K price rise of 4.8% allowed by Ofwat.

Customer debt recovery has remained challenging during the period, a reflection of the impact the recent tough economic environment is having on our customers. Dŵr Cymru has taken steps to ensure that the monitoring and recovery of customer debt are maintained at the highest possible levels, but accepts that the economic climate in Wales and England will continue to impact on collection rates. The Welsh Water Assist tariff has helped make water bills more affordable for some of our most vulnerable customers. Dŵr Cymru offers a unique range of special tariffs and a Customer Assistance Fund to help customers who are facing financial hardship to pay their water bills. Some 48,000 households are now benefiting from this range of support (2011: 40,000).

Operating costs (excluding depreciation and infrastructure renewals expenditure) have increased to £140 million (2011: £132 million). The main cost pressures are increased energy costs (£3m) and additional expenditure associated with the transfer of private drains and sewers to Dŵr Cymru on 1 October 2011 (£3m) as well as general inflationary cost pressures (£4m). These have been partially offset by efficiency initiatives (£2m) and the impact of further insourcing (£1m).

Net interest payable in the period (excluding fair value movements) was £65 million (2011: £75 million), including an indexation charge on index-linked debt of £15 million (2011: £25 million).

Profit before taxation (and before the fair value movements on derivative financial instruments) was £25 million, a reduction on the comparative period's profit of £34 million primarily reflecting increases in infrastructure renewals expenditure (IRE). Fair value gains on derivative financial instruments amounted to £25 million (2011: losses of £130 million); these relate to reductions in Dŵr Cymru's swap contract liabilities and have been caused by Retail Prices Index movements relative to LIBOR rates. After allowing for the fair value movements, the total profit before tax was £50 million (2011: loss of £96 million). There was a deferred taxation charge for the period of £2 million (2011: credit of £35 million); no corporation tax is payable (2011: nil).

Capital investment in the six month period (including IRE) of £153 million before grants and contributions (2011: £113 million) will bring improvements to customer service, environmental quality and drinking water quality. Dŵr Cymru plans to invest a total of some £1.5 billion in its capital investment programme over the five years of AMP5.

Financial position

Our financial position has remained strong over the first half of the year with regulatory gearing (net debt/regulatory capital value) at 30 September 2012 of 64% (2011: 65%); gearing has steadily reduced from the 93% level at which it stood on the acquisition of Dŵr Cymru 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 Dŵr Cymru, 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. Dŵr Cymru'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 2012, Glas Cymru had cash, short-term deposits and undrawn bank facilities of £496 million, giving the company a high level of financial liquidity.

Review of the business cont'd

Customer service, water quality and environmental quality

The results for the first six months of the year show that service performance continues to be of a good overall standard. Key measures include:

Customer service and bills

- The average household bill in Wales rose below the rate of inflation for the second year running, again lower than any other water and sewerage company in England and Wales
- The average household bill will be lower by 6% in real terms by 2015 compared to 2000 – the year before the company was acquired by Glas Cymru
- Some 48,000 of our least well off customers benefit from assistance through our range of special tariffs and Customer Assistance Fund
- 1,264 compliments received via email or letter
- Number of written complaints has fallen by a quarter to 1,869 (2011: 2,484)
- 93% customer satisfaction and 89% amongst business customers

Operational Performance

- Overall compliance of drinking water in the nine months to September 2012 remained very high at 99.98% (2011: 99.96%)
- No restrictions on customer water use and leakage is over 20Ml/D lower than last year at 165.5Ml/D (2011: 188.9Ml/D)
- 100% "look-up" compliance at wastewater treatment works (2011: 99.32%)
- Seven significant pollution incidents reported (2011: 4) and 218 incidents in total (2011: 204)
- The number of reportable (RIDDOR) accidents involving the staff of Dŵr Cymru and its contract partners has fallen to nine (2011: 14)
- Appointed 20 apprentices and 12 graduate trainees, six trainee engineers and 14 trainee distribution inspectors (2011: 11 apprentices and 11 graduates)

Major capital investment

Dŵr Cymru's capital investment programme will deliver £1 billion of improvements to drinking water quality, environmental protection and customer service in the three years to 2015.

Total capital investment for the six months was £153 million (2011: £113 million); highlights include:

- A new service reservoir at Coed Dolwyd to provide emergency water storage for over 70,000 customers in the Llandudno and Colwyn Bay area (£9 million);
- A major improvement programme (£7 million) at Heswall waste water treatment works, that will provide environmental improvements the Wirral Peninsula including the building of a new underground storm water storage tank - the size of three Olympic swimming pools;
- A £4 million project at Britton Ferry to reduce the longstanding, serious threat of sewer flooding to the community;
- The building of a new water treatment works to provide 11,000 customers in and around Hay on Wye with a reliable, high quality water supply (£9 million).

Total investment planned for the full year is some £310 million.

Key Performance Measures

	Period to 30 Sept 2012	Period to 30 Sept 2011
Safe Drinking Water		
Bacteriological compliance at water treatment works[1]	99.98%	99.94%
Reservoir Integrity Index[1]	99.98%	99.98%
Iron compliance at the tap[1,2]	99.59%	99.84%
Overall water quality compliance[1,2]	99.98%	99.96%
Process Control Index[1]	100%	99.93%
Disinfection Index[1]	99.98%	99.97%
Number of DWI reportable water quality incidents[1]	8	4
Safe Sanitation		
Number of properties flooded with sewage due to blockages (OC)	79	88
Number of properties flooded with sewage due to sewer overload	56	14
Protecting the Environment		
Leakage (Ml/D)	165.5	188.9
Number of significant pollution incidents[1]	7	4
Number of pollution incidents[1]	218	204
"Look up" compliance at wastewater treatment works[1]	100%	99.32%
Number of wastewater treatment works failing numeric consent[1]	5	18
Self reporting [1]	49%	32%
Customer Service		
Number of customers that have lost supply for more than 6 hours	20	66
Number of written complaints	1,869	2,484
Number of 'unwanted' telephone contacts	78,855	107,247
Customer satisfaction (out of 5)	4.5	4.5
Number of written compliments	1,264	324
Staff Wellbeing		
Total number of reportable injuries[3]	9	14

[1] Calendar year to end of September
[2] This measure is based on 'Mean Zonal Compliance'
[3] Second tier subcontractors now included in reportable injuries

Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has 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 set of financial statements, and 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.

The principal risks and uncertainties affecting the group for the six months to 30 September 2012 are materially unchanged from those presented on pages 12 and 14 of the group's published Annual Report and Accounts for the year ended 31 March 2012. The Annual Report and Accounts are published on the group's website, www.dwrcymru.com, and are available from the Company Secretary on request.

By order of the Board

N Williams
Company Secretary

7 November 2012

Consolidated income statement

	Note	Six months ended 30 September 2012 (unaudited) £m	Six months ended 30 September 2011 (unaudited) £m	Year ended 31 March 2012 (audited) £m
Revenue	2	359.9	345.8	695.0
Operating costs				
- Operational expenditure		(139.9)	(131.9)	(272.5)
- Infrastructure renewals expenditure		(51.0)	(30.9)	(81.1)
- Depreciation and amortisation		(79.0)	(74.5)	(150.0)
Operating profit		90.0	108.5	191.4
Financing costs				
- Interest payable and similar charges	3a	(69.7)	(77.6)	(189.7)
- Interest receivable	3a	4.9	2.9	4.9
- Fair value gains/(losses) on derivative financial instruments	3b	24.7	(129.8)	(137.6)
		(40.1)	(204.5)	(322.4)
Profit/(loss) before taxation		49.9	(96.0)	(131.0)
Taxation (charge)/credit	4	(2.0)	35.0	27.0
Profit/(loss) for the period		47.9	(61.0)	(104.0)

Underlying profit			
Profit/(loss) before taxation per income statement	49.9	(96.0)	(131.0)
Add back:			
- Effect of fair value (gains)/losses on derivative financial instruments	(24.7)	129.8	137.6
Profit before taxation and fair value adjustments	25.2	33.8	6.6

Consolidated statement of comprehensive income

	Note	Six months ended 30 September 2012 (unaudited) £m	Six months ended 30 September 2011 (unaudited) £m	Year ended 31 March 2012 (audited) £m
Profit/(loss)/for the period		47.9	(61.0)	(104.0)
Other comprehensive income:				
Actuarial gain/(loss) recognised in the pension scheme		0.4	(20.6)	(25.8)
Movement on deferred tax asset relating to the pension scheme	4	(0.4)	5.1	6.2
Total comprehensive income/(losses) for the period		47.9	(76.5)	(123.6)

Consolidated statement of changes in (deficit)/reserves

	Six months ended 30 September 2012 (unaudited) £m	Six months ended 30 September 2011 (unaudited) £m	Year ended 31 March 2012 (audited) £m
(Deficit on reserves)/reserves at start of period	(77.4)	46.2	46.2
Total comprehensive income/(losses) for the period	47.9	(76.5)	(123.6)
Deficit on reserves at end of period	(29.5)	(30.3)	(77.4)

Consolidated balance sheet

	Note	At 30 September 2012 (unaudited) £m	At 30 September 2011 (unaudited) £m	At 31 March 2012 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	5	3,256.2	3,200.9	3,231.9
Intangible assets	6	64.1	65.5	66.6
		3,320.3	3,266.4	3,298.5
Current assets				
Trade and other receivables	7	323.4	321.8	511.9
Financial assets: derivative financial instruments		3.6	2.8	4.4
Cash and cash equivalents		281.2	303.8	300.5
		608.2	628.4	816.8
Liabilities				
Current liabilities				
Trade and other payables	8	(329.3)	(324.4)	(534.2)
Financial liabilities:				
- Borrowings		(57.4)	(48.2)	(77.5)
- Derivative financial instruments		(25.7)	(41.3)	(25.0)
Provisions		(11.7)	(16.1)	(12.5)
		(424.1)	(430.0)	(649.2)
Net current assets		184.1	198.4	167.6
Non-current liabilities				
Trade and other payables	8	(61.2)	(48.8)	(57.3)
Financial liabilities:				
- Borrowings		(2,922.1)	(2,906.4)	(2,912.6)
- Derivative financial instruments		(251.2)	(251.7)	(277.4)
Retirement benefit obligations		(33.2)	(35.5)	(31.9)
Provisions		(7.4)	(7.0)	(7.9)
		(3,275.1)	(3,249.4)	(3,287.1)
Net assets before deferred tax		229.3	215.4	179.0
Deferred tax (net)		(258.8)	(245.7)	(256.4)
Net liabilities		(29.5)	(30.3)	(77.4)
Deficit on reserves		(29.5)	(30.3)	(77.4)

The interim accounts on pages 6 to 15 were approved by the Board of Directors on 7 November 2012 and were signed on its behalf by:

Nigel Annett
Managing Director

Chris Jones
Finance Director

Consolidated statement of cash flows

	Six months ended 30 September 2012 (unaudited) £m	Six months ended 30 September 2011 (unaudited) £m	Year ended 31 March 2012 (audited) £m
Operating profit	90.1	108.5	191.4
Adjustments for			
- Depreciation and amortisation	79.0	74.5	150.0
Changes in working capital			
- Decrease/(increase) in trade and other receivables	188.5	167.5	(22.6)
- (Decrease)/increase in trade and other payables	(211.4)	(179.8)	30.2
- Pension contributions in excess of operating costs	(0.5)	(1.3)	(10.6)
- Decrease in provisions	(1.3)	(0.3)	(0.9)
	(24.7)	(13.9)	(3.9)
Cash generated from operations	144.4	169.1	337.5
Interest received	5.0	2.6	4.6
Interest paid	(68.1)	(32.6)	(98.0)
Tax receipt	-	-	2.5
Cash flows from operating activities - net	81.3	139.1	246.6
Cash flows from investing activities			
Purchases of property, plant and equipment	(100.4)	(84.8)	(185.5)
Grants and contributions received	6.5	4.9	9.5
Net proceeds from sale of property, plant and equipment	0.1	-	-
Cash flows from investing activities - net	(93.8)	(79.9)	(176.0)
Net cash inflow before financing activities	(12.5)	59.2	70.6
Cash flows from financing activities			
Long term loans received	-	25.0	25.0
Bond issue proceeds	-	128.1	128.1
Term loan repayments	(6.7)	(6.7)	(13.5)
Capital element of finance lease payments	-	-	(7.7)
Other loan repayments	(0.1)	(0.1)	(0.3)
Cash flows from financing activities - net	(6.8)	146.3	131.6
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(19.3)	205.5	202.2
Cash, cash equivalents and bank overdrafts at start of period	300.5	98.3	98.3
Cash, cash equivalents and bank overdrafts at end of period	281.2	303.8	300.5

Notes to the condensed consolidated financial statements

1. Basis of preparation

The interim report and accounts are for the six months ended 30 September 2012; they have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union, using accounting policies consistent with International Financial Reporting Standards (IFRSs). The interim report and accounts should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with IFRSs as adopted by the European Union. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2012, as described in those annual financial statements.

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

These 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 2012 have been derived from the group's audited full 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) or 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.

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 and fair value of derivative financial instruments

a) Net interest before fair value gains/(losses) on derivative financial instruments	**Six months ended 30 September 2012**	**Six months ended 30 September 2011**	**Year ended 31 March 2012**
	£m	**£m**	**£m**
Interest payable on bonds	(43.1)	(41.0)	(83.1)
Indexation on index-linked bonds	(14.7)	(25.4)	(52.1)
Interest payable on finance leases	(7.2)	(6.0)	(45.1)
Other loan interest	(6.2)	(5.9)	(12.1)
Other interest payable and finance costs	(1.3)	(3.0)	(3.9)
Net interest charge on pension scheme liabilities	(0.8)	-	(0.1)
Capitalisation of borrowing costs under IAS 23	3.6	3.7	6.7
Interest payable	(69.7)	(77.6)	(189.7)
Interest receivable	4.9	2.9	4.9
Net interest payable before fair value adjustments	(64.8)	(74.7)	(184.8)

Notes to the condensed consolidated financial statements cont'd

3. Financing costs and fair value of derivative financial instruments (cont'd)

b) Fair value gains/(losses) on derivative financial instruments	Six months ended 30 September 2012	Six months ended 30 September 2011	Year ended 31 March 2012
	£m	£m	£m
Fair value gains/(losses) on interest rate swaps	(15.8)	(36.6)	(35.3)
Fair value gains/(losses) on index-linked swaps	40.5	(93.2)	(102.3)
Total fair value gains/(losses) on derivative financial instruments	24.7	(129.8)	(137.6)
Deferred tax effect at 24% of fair value gains/(losses) (year to 31 March 2012 at 26%)	(5.9)	33.7	35.8
Net of tax impact of fair value gains/(losses)	18.8	(96.1)	101.8

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 (2011: £192m) and the index-linked swaps £672m (2011: £736m).

4. Taxation

	30 September 2012	30 September 2011	31 March 2012
	£m	£m	£m
Current tax			
Current period	-	-	1.4
Adjustment in respect of prior periods	-	-	2.4
	-	-	3.8
Deferred tax			
Current year movements	(13.7)	30.2	35.4
Effect of change in expected tax rate	11.3	9.9	24.3
	(2.4)	40.1	59.7
Taxation (charge)/credit	(2.4)	40.1	63.5
Analysed as:			
(Charged)/credited to income statement	(2.0)	35.0	27.0
(Charged)/credited to statement of comprehensive income	(0.4)	5.1	6.2
	(2.4)	40.1	33.2
Profit/(loss) before tax	**49.9**	**(96.0)**	**(131.0)**
Profit/(loss) before tax multiplied by the corporation tax in the UK of 24% (six months to 30 September 2011: 26%)	12.0	(25.0)	(34.1)
Effects of:			
Adjustments in respect of prior years	-	-	27.9
Other permanent differences	1.5	-	1.1
Effect of tax rate change	(11.5)	(9.9)	(21.9)
Movement on deferred tax asset relating to pension scheme	0.4	(5.1)	(6.2)
	2.4	(40.1)	(33.2)

The company does not expect to pay corporation tax on its trading profits for the current year due to accumulated trading losses of over £400 million as at 31 March 2012 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 2012	35.1	1,627.1	2,920.7	237.4	4,820.3
Additions net of grants and cash Contributions	0.5	11.6	84.9	0.9	97.9
At 30 September 2012	35.6	1,638.7	3,005.6	238.3	4,918.2
Accumulated depreciation					
At 1 April 2012	17.9	212.3	1,132.8	225.4	1,588.4
Charge for the period	0.1	12.1	50.4	11.0	73.6
At 30 September 2012	18.0	224.4	1,183.2	236.4	1,662.0
Net book value					
At 30 September 2012	**17.6**	**1,414.3**	**1,822.4**	**1.9**	**3,256.2**
At 31 March 2012	17.2	1,414.8	1,787.9	12.0	3,231.9

The net book value of fixed assets includes £20.7m (March 2012: £16.6m) of capitalised interest.

The group forecasts £157m 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 2012, the group is effectively committed to the total as part of its overall capital expenditure programme approved by its regulator.

6. Intangible assets

Intangible assets comprise computer software and related system developments.

Cost	**£m**
At 1 April 2012	142.2
Additions	3.7
At 30 September 2012	145.9
Amortisation	
At 1 April 2012	75.6
Charge for the period	6.2
At 30 September 2012	81.8
Net book value	
At 30 September 2012	**64.1**
At 31 March 2012	66.6

Notes to the condensed consolidated financial statements cont'd

7. Trade and other receivables

	30 September 2012	30 September 2011	31 March 2012
	£m	£m	£m
Amounts falling due within one year			
Trade receivables	296.3	286.7	487.7
Less provision for impairment of receivables	(57.8)	(50.9)	(54.6)
Trade receivables - net	238.5	235.8	433.1
Prepayments and accrued income	77.1	70	66.3
Corporation tax	1.4	2.5	3.8
Other receivables	6.4	13.5	8.7
	323.4	321.8	511.9

8. Trade and other payables

	30 September 2012	30 September 2011	31 March 2012
Current	£m	£m	£m
Trade payables	31.7	40.9	47.7
Capital payables	34.1	28.9	27.2
Other taxation and social security	3.2	2.8	2.8
Accruals and deferred income	260.3	251.8	456.5
	329.3	324.4	534.2
Non-current			
Deferred income	61.2	48.8	57.3

9. Analysis and reconciliation of net debt

a) **Net debt at the balance sheet date may be analysed as:**	30 September 2012	30 September 2011	31 March 2012
	£m	£m	£m
Cash and cash equivalents	281.2	303.8	300.5
Debt due after one year	(2,158.1)	(2,130.6)	(2,149.6)
Debt due within one year	(13.4)	(13.4)	(14.2)
Finance leases	(734.1)	(741.8)	(734.1)
Accrued interest	(73.9)	(68.8)	(92.2)
	(2,979.5)	(2,954.6)	(2,990.1)
Net debt	(2,698.3)	(2,650.8)	(2,689.6)

Notes to the condensed consolidated financial statements cont'd

b) **The movement in net debt during the period may be summarised as:**	**30 September 2012**	**30 September 2011**	**31 March 2012**
	£m	**£m**	**£m**
Net debt at start of period	(2,689.6)	(2,662.5)	(2,662.5)
(Decrease)/increase in net cash	(19.3)	205.5	202.2
(Decrease)/increase in debt	6.8	(146.3)	(131.6)
Decrease in net debt arising from cash flows	(12.5)	59.2	70.6
Movement in accrued interest	18.3	(23.2)	(46.4)
Indexation of index-linked debt	(14.7)	(25.4)	(52.1)
Accounting profit on lease termination	-	-	-
Other non-cash movements	0.2	1.1	0.8
Movement in net debt during the period	(8.7)	(5.1)	(27.1)
Net debt at end of period	(2698.3)	(2,650.8)	(2,689.6)

9. Contingent liabilities

A Competition Appeal Tribunal hearing began on 15 October in order to determine damages in respect of a long running dispute involving Albion Water. Albion Water's claim is for damages of up to £13 million. The outcome of the case remains unknown and a determination is awaited. It is not currently possible to quantify with any degree of certainty the likely value of any damages that might be awarded and consequently no provision has been made in the accounts.

There were no other contingent liabilities, other than those arising from the ordinary course of the group's business, and in respect of these no material losses are anticipated.

Independent review report to Glas Cymru Cyfyngedig

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report and accounts for the six months ended 30 September 2012, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated statement of cash flows and related notes. 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 set of financial statements.

Directors' responsibilities

The interim report and accounts 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 Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the interim report and accounts has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of 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 the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

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.

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report and accounts for the six months ended 30 September 2012 is 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 Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
7 November 2012