GLAS CYMRU

PRELIMINARY RESULTS 2016

Dŵr Cymru
Welsh Water

Comany Number: 03975719

FOREWORD TO THE PRELIMINARY RESULTS ANNOUNCEMENT

BASIS OF PREPARATION

The following announcement of preliminary results includes information which has been extracted directly from the Glas Cymru Annual Report and Accounts for the year ended 31 March 2016.

The audited Annual Report and Account will be put to Members for approval at the Glas Cymru Annual General Meeting on 8 July 2016. The Annual Report and Accounts will be made available online at dwrcymru.com shortly afterwards.

The financial information does not constitute statutory accounts within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS). The Company's auditors, KPMG, have given an unqualified report on the consolidated financial statements for the year ended 31 March 2016. The auditors' report did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006. The consolidated financial statements will be filed with the Registrar of Companies, subject to their approval by the Company's Members on 8 July 2016 at the Company's Annual General Meeting.

This report contains certain forward-looking statements with respect to the future business prospects and strategies of the Glas Cymru Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. A number of factors exist which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

CHAIRMAN'S WELCOME

Just fifteen years ago Terry Burns (my predecessor as chairman), Nigel Annett and Chris Jones, created Glas Cymru, a company limited by guarantee, borrowed £1.9 billion on the London capital markets to buy Dŵr Cymru Welsh Water out of the wreckage of the Hyder Group and, improbably, succeeded in doing so under the nose of aggressive competitors. Unusually, they did not do so for their personal benefit but so that Welsh Water could be managed in the future solely for the benefit of its customers; an idea that was regarded sceptically by many, including perhaps by some customers themselves.

At the time of the acquisition the company's gearing was 93%, so there was very little financial leeway, and operating performance was relatively poor. Nine years later, six years ago, I inherited from Terry a much improved business; financially stronger with gearing in the 70% range and operationally better against Welsh Water's historical best performance. But our customer charges were still relatively high and our operating performance, against our peers, not yet where it should be.

Our ambition was to improve from there and deliver even better outcomes for our customers. Last year I reported our best year since the buy-out and now I am glad to say we have done better than that. We now rank towards the top of industry league tables on most (though not yet all) of the measures that matter to our customers and for our environment.

But we also intended to show that the 'Glas' model really did work for customers and, I believe, there is now no doubt that it does.

Our Members do not receive dividends and their only interest is the selfless one of overseeing the performance of Welsh Water and holding the Board to account. Glas Cymru's business is focussed on owning, financing and managing Welsh Water in the interests of Welsh Water's customers, both today's and future generations.

We finance Welsh Water's £25 billion network of long life assets and continuing large capital investment programme through long term, low risk bonds and other largely fixed interest debt instruments. And financing efficiency is a big advantage. Glas's reserves now stand at £2 billion and our gearing ratio is now around 57% with the best credit ratings in the UK utilities sector. With our £1.7 billion capital investment programme to 2020, we will continue to support some 6,000 jobs in the Welsh economy.

This strong financial position has allowed us to do much more for our customers than would have otherwise been possible. In the past we paid customer dividends to limit the impact of rising customer bills. But with Welsh Water's customer bills falling by 10% on average in real terms between 2010 and 2016 the Board has this year again decided that our customers' interests are best served by accelerating future planned investment to improve the reliability and quality of our service to customers. At the same time we have helped a record number of customers who find it difficult to pay their bills. As in previous years, all the profits we have made have been reinvested in the business for the benefit of our customers

While the Board is pleased with this progress, we have set targets for our business which expect higher standards still and which will ensure that we meet the expectations and priorities of our customers, which determined our plan for this AMP up to 2020.

Our ability to deliver the best outcomes for our customers—and in particular to accelerate capital investment while customer bills are falling in real terms—depends crucially on a continuing stable regulatory environment. We have been able to raise bond finance for capital investment for up to 50 years at very attractive interest rates because we can persuade long-term investors that our company and our industry are low risk. At a time of continuing uncertainty—when investors are looking for a "safe home"—maintaining the attractiveness of water companies as an investment has never been more important. We are therefore pleased that both the UK and Welsh Governments remain committed to the stability of the current regulatory model.

The Board also continues to place great store in ensuring that Welsh Water meets all its obligations to its economic, environmental and water quality regulators and acts in an open and transparent manner so that we can retain the trust and confidence of our customers.

On the basis of our strong financial position the Board, earlier this year, proposed to the company's members a change in the governance structure to create a new holding company for the Group (Glas Cymru Holdings Cyf) and to allow for the group to invest up to £100 million in water industry related services and businesses as more competition is permitted by regulators. After a very well informed debate this was approved by Members and consented to by bond-holders in February 2016 and came into effect in March.

I would like to thank all our Members for the significant role they continue to play and contribution they make as 'critical friends' of the company as a key part of our system of governance.

It has been an enormous privilege to have served as Chairman of this company and I am sad to be retiring but I am pleased that my colleagues on the board have selected Alastair Lyons as my successor. Subject to the vote of Members, he will be taking over as Chairman immediately after the AGM in July 2016. I have no doubt that Alastair will oversee continuing success.

I would like to thank all my colleagues on the Board (past and present) for the support they have given me over the past six years and for all they do in the service of the company. I would like to thank James Strachan, who stepped down as a Director at the AGM in July 2015 after eight years of service, latterly as Chair of the Remuneration Committee. This year we have also welcomed Joanne Kenrick as a Non-Executive Director.

Finally, but most importantly, I thank all the employees both of Welsh Water itself and of our contract partners. Their unwavering commitment and enthusiasm in always putting our customers first is the essential ingredient of our success and the way they have responded to many challenges throughout the year, especially during some extreme weather conditions and emergency incidents, to maintain services and protect the environment is both appreciated and inspiring.

I am therefore proud to report on behalf of the Board that Glas Cymru remains in a very strong position. Our finances are sound; we have the right management team in place; our uncompromising focus is still on our core services of providing an efficient and high-quality customer service and affordable prices; and our plans up to 2020 and beyond are ambitious but realistic. I am proud to have played a part in contributing to the Glas Cymru success and wish everyone involved with company the very best for the future as it strives to become the industry-leader across all fronts and push at the boundaries of what it means to be a truly successful and customer-led water and sewerage company in the twenty first century.

Robert Ayling
Chairman

3 June 2016

CHIEF EXECUTIVE'S REVIEW

I am pleased to report that the past 12 months has continued to be a period of very good progress here at Welsh Water as we continue to work towards achieving our single, clear vision for the business which is to 'earn the trust of our customers every day'. Whilst we have delivered industry leading levels of service in some areas, we also recognise that we need to improve in other areas so that we can ensure that all our customers receive the best possible service at all times.

This is why we're continuing to benchmark ourselves against the best companies in terms of customer service and rolling out our Customer-led Success initiative. This will help drive a more customer-led culture internally and enable us to use improved customer insight to drive further service improvement. As a company owned on behalf of the three million people it serves and run solely for their benefit, we are determined to meet the increased customer expectations and priorities of our customers.

CUSTOMERS

Overall, we have delivered a good level of customer service over the past 12 months which has been borne out by the fact that we secured second place in Ofwat's Customer Satisfaction Survey league table for 2015-16, compared to the other water and sewerage companies. This follows findings published by the UK's Institute of Customer Service in July 2015 which placed Welsh Water as the best water and sewerage company in England and Wales in terms of customer satisfaction and customer trust. Nonetheless, whilst we still receive more written compliments than complaints in our Water and Wastewater Business Units, we experienced a substantial increase in the total number of written complaints received from our customers in 2015-16. This increase was partially offset by a reduction in telephone complaints and is mainly attributable to the implementation of our new billing system during the course of the year resulting in administrative errors, affecting customers' payment arrangements. We have corrected these errors and apologised to the customers affected, whilst we continue to address the underlying causes so that, in the longer term, our customers will see the full benefits from this billing system.

With levels of bad debt for this year slightly lower than last year at £27 million, our focus next year will be pursuing this debt as covering the cost of those customers who do not pay means that we need to add around £20 extra on customers' annual bills. However, this will not detract in any way from the work we do in promoting our tariffs to help those customers in circumstances which make them vulnerable. With nearly 55,000 customers already receiving help to pay their water bills, our research shows that 75% of the wider customer-base support our plans to increase this to 100,000 by 2020—but only if this is supported by increased efforts to recover debt from those customers who are refusing or avoiding paying their bills.

COMPLIANCE

Over the past 12 months, we have delivered our best ever overall performance against the compliance measures used to ensure that we are doing a good job in protecting public health and enhancing our natural environment. This is highlighted by the continuing high quality of our drinking water, with 99.98% of tests in 2015 being passed.

We still recognise that we need to improve our performance in some areas of our drinking water network, especially around key measures such as interruptions to supply and customers contacting us about the colour, odour and taste of their water supplies. Some of these issues have been caused by operational incidents which are beyond our control, but we are now starting a major investment programme, informed by a better understanding of our network through hydraulic monitoring and modelling, so that we can ensure that all customers receive the service they expect and deserve.

In terms of our wastewater services, this has seen our very good performance in areas such as internal sewer flooding and pollution, where we have equalled our best year ever with only two pollution incidents deemed 'serious' by Natural Resource Wales' categorisation. This has been achieved whilst the self-reporting of pollution incidents was at its highest level ever at nearly 74%, moving us to the upper end of the industry 'league table'.

We continue to work hard and build our relationships with the company's key regulators in all areas.

COSTS AND BILLS

At £1.7 billion over the five years until 2020, this period will see our largest ever investment to maintain and improve an extensive network of assets.

We know that it is important that we continue to deliver real value for money for our customers and build on our track record so that bills remain affordable to customers. We are pleased therefore that we kept the annual price increase for 2016-17 below the rate of RPI inflation for the seventh consecutive year and we now remain the only water and sewerage company in England and Wales on track to deliver a decade of below RPI inflation prices by 2020.

All this is driven by our strong balance sheet and unique ownership model which means that we can not only do much more for customers than would otherwise be possible but we can take a longer-term perspective in investing to deliver our vision for the benefit of future, as well as current, customers. We are considering how best to use the £32 million of 'value' which our unique structure has created this year for the benefit of our customers.

In order to help inform the Board's future decisions about how this source of funding is used, we will be engaging with customers over the summer of 2016 to ask them for their views on how such value should best be returned and what is the right balance between options such as lower bills, support for those struggling to pay, environmental or community projects and improvements to services for those facing repeat problems such as discoloured water or low water pressure.

COMMUNITY

We know the responsibility that we have to ensure our investment supports the communities we serve and the environment around us, whilst also facilitating economic development and growth.

We are therefore pleased that our Developer Services Team topped Water UK's new national league table for measuring performance of new connections to our drinking water and wastewater networks.

Our services are now informed by direct feedback from our customers through platforms such the 15th Developers' Forum that was held in September 2015, with over 100 attendees from the house builders and developers in our area and we welcome the fact that we became a statutory consultee for planning applications in Wales in March 2016.

We are also pleased to have played a key part in early 2016 in securing the 999 year lease of Lisvane and Llanishen reservoirs in Cardiff and safeguarding what is a much valued asset for us and the local community. This acquisition will help strengthen the resilience of the water supply we provide to customers in the capital city but also offers us an opportunity to work with local residents to develop a community facility that builds on the great success of our £2.5 million Visitor and Watersports Centre at our Llandegfedd reservoir, Pontypool, which was officially opened in March 2016.

LONG-TERM

As we have no shareholders, our sole focus remains on making decisions that benefit our customers—both now and for future generations. Our customers drive our thinking and our plans and we welcome the important contribution made by our Customer Challenge Group in challenging our customer engagement and research programme to ensure that we deliver the best possible outcomes for customers. I would like to thank Diane McCrea as Chair for her excellent stewardship of this independent forum over the past three years and look forward to working with her successor, Peter Davies, who was appointed Chair in February 2016.

To help us meet the changing needs and expectations of customers and manage the wider challenges facing our industry, such as climate change, we know that we will need to innovate and think differently about how we provide our services. This is why we are looking beyond the UK and forging best practice partnerships with international counterparts at the Danish Water and Wastewater Association and Oasen Drinkwater in the Netherlands. We also hosted our third annual Innovation Conference in January 2016 which enabled us to bring together Government, regulators, water industry experts, as well as national and local companies, to help us to advance our innovation agenda with initiatives such as our RainScape scheme for sustainable urban drainage. This award winning approach uses green infrastructure in Llanelli and Gowerton to remove surface water from our sewers and helps reduce the risk of local sewer flooding. It was a pleasure to welcome HRH Prince Charles to Llanelli in February this year to demonstrate how this approach is making a positive difference to the communities that we serve and the wider environment.

COLLEAGUES

Finally, we could not have achieved any of the progress that has been made without the dedication and enthusiasm of our colleagues. They are the foundation of our success. This has been proven time and time again over the past 12 months with some of the most extreme weather conditions and an unprecedented number of incidents such as significant burst water mains and risks to water supply such as oil spills and changing raw water conditions.

We operate in a potentially dangerous environment and so we take our responsibilities to protect our colleagues, our contractors and our customers extremely seriously and continue to embed a strong health, safety and welfare culture in all our operations by providing strong leadership, sound engagement, building confidence and measuring performance. As part of our latest annual Employee Engagement Survey in November, it was therefore pleasing that 93% of Welsh Water colleagues recognised that the company takes Health and Safety seriously.

Everyone in Welsh Water is involved in our plan to deliver Customer-led Success which we are confident will enable us to become even more customer focussed across all aspects of our business over coming years. With 90% of colleagues already recognising that Welsh Water puts its customers first, this belief is driving a change in culture that will ensure that we achieve our vision to earn the trust of our customers every day.

Finally, I would like to thank Robert Ayling for his enormous contribution to the company over eight years as a Non-Executive Director, six of them as Chairman of the Board. We will greatly miss his contribution in supporting and effectively challenging the management team during a period of significant change for the Group. We look to welcoming his successor, Alastair Lyons, whose appointment as Non-Executive Chairman-elect will be subject to Member approval at the 2016 AGM.

Chris Jones
Chief Executive

3 June 2016

FINANCE DIRECTOR'S REPORT

FINANCIAL PERFORMANCE

The Group has delivered a strong financial performance during the year to 31 March 2016; has continued to deleverage, with gearing falling from 60%-57%, and has retained its sector-leading credit ratings.

REVENUE

Glas Cymru's turnover in the year to 31 March 2016 was £743 million (2015: £753 million); a modest reduction reflects Ofwat's PR14 Final Determination pricing adjustment of -1.1%.

OPERATIONAL ITEMS

Glas Cymru incurred total operational costs (excluding infrastructure renewal expenditure on maintaining our underground pipe network, depreciation and exceptional items) of £297 million (2015: £295 million); a number of specific cost increases (Retail business transformation costs, power hedging and energy contract termination costs) have been partially offset by driving efficiency savings from the insourcing of operational contracts, income from hydro assets and debt collection improvements.

All water and sewerage companies use a lot of power, particularly for water treatment and pumping processes. The undulating topography across Wales makes this a particular challenge for us. Power costs during 2015-16 were £43 million (2015: £44 million). There remains significant uncertainty over future energy costs, and we have forward purchased a proportion of the estimated power requirements of the business for the four years to March 2020.

Water and sewerage companies are not permitted to disconnect supplies to non-paying domestic customers and cash collection has continued to be challenging. The high priority and increased focus on debt recovery in the Retail business has resulted in collections improvements during the year, and as a consequence the bad debt charge for the year has fallen slightly to £27 million (2015: £30 million). We are targeting customers who won't pay their bills, as opposed to those who can't pay, and the reduction comes principally from some 900 charging orders over property owned by customers, which have been secured over around £2 million of our customers' debt.

EXCEPTIONAL ITEMS

During the year a business rates refund of £20 million was received following a longstanding challenge of the 2005 water network assessment. This has been treated as exceptional due to its size.

FINANCING COSTS

Net interest payable of £123 million (excluding accounting losses on derivatives noted below) was £22 million lower than the previous year. This is principally due to the impact of lower RPI values on index-linked bonds.

Glas Cymru has a number of derivative swap contracts which fix or inflation-link the cost of debt and, while these are effective commercial hedges, they do not qualify for hedge accounting under IAS 39. Changes in market values create volatility in the income statement and fair value gains in 2015-16 amounted to £39 million (2015: losses of £157 million). There is, however, no impact on cash flows: the company intends to hold its remaining swaps to the maturity of the underlying debt and, over the life of the swaps, such losses will revert to zero.

UNDERLYING PROFIT

The underlying profit before tax was £18 million. The consolidated income statement shows a profit before taxation of £77 million (2015: loss of £100 million) which takes into account the fair value and one-off finance movements, exceptional items as discussed above and the change of the valuation basis for fixed assets.

PENSION FUNDING

The statement of comprehensive income reports defined benefit pension scheme actuarial losses of £25 million (2015: £32 million) and the balance sheet liability as at 31 March 2016 was £57 million (2015: £33 million). This valuation is on an IAS 19 basis for accounting purposes and is not consistent with the actuarial valuation of the scheme for funding purposes. The latest such valuation of the scheme, as at 31 March 2013, projected a small deficit, recoverable by payments of £1 million per annum until 2018. Plans are in place to mitigate exposure to any significant additional future liabilities by the closure of most sections of the scheme with effect from 1 April 2017.

NET ASSETS

The consolidated balance sheet shows net assets of £1,082 million at 31 March 2016 (2015: net liabilities of £6 million). Excluding non-cash fair value adjustments for derivative financial instruments, referred to above, the Group has net assets of £1,417 million (2015: assets of £416 million).

As at 31 March 2016 the total value of tangible and intangible fixed assets has been revalued to the Group's 'shadow RCV', being the 31 March 2016 RCV published by Ofwat in its PR14 Final determination as adjusted for the impact of any totex over/underspend and the Outcome Delivery Incentive rewards/penalties.

The Group has decided that a fair value approach to valuing its assets better reflects the underlying value of the assets than historical cost accounting which understates the assets value in use. This change of approach has resulted in an net increase of £978 million in net assets.

GOING CONCERN

The Directors are satisfied that the business has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements for the year ended 31 March 2016 have been prepared on a going concern basis.

CAPITAL INVESTMENT

Glas Cymru's strong financial position has been built up over the last 15 years, and provides a stable base from which it can respond positively to the challenges of economic uncertainty and drive forward its continuing large capital programme.

Glas Cymru works with an alliance of partners to deliver the capital investment programme at the best value for money for customers. Total capital expenditure during the year (including infrastructure renewals expenditure) was £279 million (2015: £379 million). The reduction is mainly due to a temporary slowdown in our capital construction programme at the start of the current five year regulatory period (AMP6). We will be increasing our construction programme again next year. We invested around £1.5 billion over the five year period from 2010 to 2015. This investment programme brought sustained improvements in customer service, drinking water quality and the environment. The Group plans to invest a further £1.7 billion over the course of the current five year regulatory period (2015-2020), our largest ever investment programme.

CREDIT RATINGS AND INTEREST RATE MANAGEMENT

Glas Cymru has the strongest credit ratings in the water sector, reflecting the Company's high level of creditworthiness. The ratings of the Company's Class A and B debt at 31 March 2016 were A/A3/A from Standard & Poor's (S&P), Moody's and Fitch Ratings respectively.

As at 31 March 2016, approximately 65% of gross debt was index-linked via bonds and derivatives (2015: 65%), with the remainder at fixed interest rates. The expected maturity of the outstanding fixed-rate and index-linked bonds ranges from 2021 to 2057, with not more than 20% falling due in any two-year period, in accordance with our refinancing policy.

GEARING POLICY

Glas Cymru's gearing to RCV policy is to target gearing at or around 60% and interest cover ratios commensurate with maintaining our sector leading 'A' grade credit ratings. This should help us to maintain our low risk profile giving the Company access to low cost financing throughout AMP6 and beyond.

LIQUIDITY AND FINANCIAL RESERVES

Glas Cymru aims to offer a secure, low risk investment to investors. By building and maintaining a strong financial position, we intend to keep our borrowing costs low, enabling us to finance future investment efficiently.

On Glas Cymru's acquisition of Welsh Water in May 2001, gearing (net debt/Regulatory Capital Value) stood at 93%. Since then, the financial position has improved steadily. Gearing to RCV has fallen to 57% by 31 March 2016 (2015: 60%) and 'customer reserves' (RCV less net debt) were £2.1 billion.

As at 31 March 2016, the Company had available total liquidity of £372 million, including cash balances of £92 million. With funding already in place for the early years of AMP6, we will seek to raise finance of around £500 million over the course of the AMP6 period to March 2020. As part of this exercise we are in the final stages of agreeing a £250 million facility with the European Investment Bank.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

			2016		2015
Continuing activities	Note	£m	£m	£m	£m
Revenue			**743.2**		752.5
Operating costs:					
Operational expenditure	3		**(297.3)**		(294.7)
Exceptional items	4		**20.0**		(19.5)
Infrastructure renewals expenditure			**(58.0)**		(57.7)
Depreciation and amortisation	3		**(247.1)**		(178.5)
			(582.4)		(550.4)
Operating profit			**160.8**		202.1
Financing costs:					
Finance costs payable and similar charges	5a	**(128.7)**		(147.9)	
Finance income receivable		**5.6**		3.3	
Fair value gains/(losses) on derivative financial instruments	5b	**39.3**		(157.1)	
			(83.8)		(301.7)
Profit/(loss) before taxation			**77.0**		(99.6)
Taxation	6		**8.9**		19.5
Profit/(loss) for the year			**85.9**		(80.1)

Underlying profit for the year

	2016	2015
	£m	£m
Profit/(loss) before taxation per Income Statement	**77.0**	(99.6)
Adjustment for:		
- Fair value (gains)/losses on derivative financial statements (see note 5b)	**(39.3)**	157.1
- Depreciation charge on revalued assets (charge of valuation bases, see note 8)	**55.2**	-
- Accounting profit on lease termination	**-**	(8.4)
- Swap termination	**-**	8.5
- Exceptional items (see note 4)	**(20.0)**	19.5
Underlying profit for the year	**72.9**	77.1
Underlying profit excluding depreciation on revalued assets	**17.7**	77.1

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company's income statement. The profit of the parent company for the year was £nil (2015: £nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
Profit/(loss) for the year		**85.9**	(80.1)
Items that will not be reclassified to profit or loss			
Actuarial loss recognised in the pension scheme	22	**(24.6)**	(32.2)
Related deferred tax	7	**3.7**	5.9
Revaluation of property, plant and equipment	8	**1,247.8**	-
Related deferred tax	7	**(224.6)**	-
Total items that will not be reclassified to profit or loss		**1,002.3**	(26.3)
Total comprehensive income/(expense) for the year		**1,088.2**	(106.4)

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2016

	Year ended 31 March 2016 Revaluation reserve £m	Year ended 31 March 2016 Retained earnings £m	Year ended 31 March 2016 Total £m	Year ended 31 March 2015 Total £m
(Deficit)/reserves at start of period	**-**	**(6.4)**	**(6.4)**	100.0
Profit/(loss) for the period	**-**	**85.9**	**85.9**	(80.1)
Actuarial loss net of tax	**-**	**(20.9)**	**(20.9)**	(26.3)
Revaluation net of tax	**1,023.2**	**-**	**1,023.2**	-
Transfer to retained earnings	**(45.3)**	**45.3**	**-**	-
Reserves/(deficit) at end of period	**977.9**	**103.9**	**1,081.8**	(6.4)

There were no changes in reserves of the parent company during the year (2015: none).

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Property, plant and equipment	9	**4,841.3**	3,578.4
Intangible assets	10	**105.7**	100.6
Financial assets:			
- derivative financial instruments	16	**0.2**	-
		4,947.2	3,679.0
Current assets			
Trade and other receivables	12	**544.2**	532.6
Inventories		**2.1**	2.0
Financial assets:			
- derivative financial instruments	16	**3.6**	3.7
Cash and cash equivalents	13	**135.1**	271.2
		685.0	809.5
Total assets		**5,632.2**	4,488.5
Liabilities			
Current liabilities			
Trade and other payables	14	**(527.4)**	(539.3)
Financial liabilities:			
- borrowings	15	**(73.5)**	(151.7)
- derivative financial instruments	16	**(24.0)**	(21.5)
Provisions for other liabilities and charges	18	**(3.2)**	(6.1)
		(628.1)	(718.6)
Net current assets		**56.9**	90.9
Non-current liabilities			
Trade and other payables	14	**(159.2)**	(99.8)
Financial liabilities:			
- borrowings	15	**(2,869.7)**	(2,998.4)
- derivative financial instruments	16	**(393.8)**	(404.3)
Post employment benefits	22	**(56.5)**	(32.5)
Provisions for other liabilities and charges	18	**(11.3)**	(21.5)
		(3,490.5)	(3,556.5)
Net assets before deferred tax		**1,513.6**	213.4
Deferred tax - net	7	**(431.8)**	(219.8)
Net assets/(liabilities)		**1,081.8**	(6.4)
Reserves/(deficit)		**1,081.8**	(6.4)

C A Jones
Chief Executive

P J Bridgewater
Finance and Commercial Director

PARENT COMPANY BALANCE SHEET AS AT 31 MARCH 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Investment in subsidiaries	11	**-**	-
Trade and other receivables	12	**3.4**	3.4
		3.4	3.4
Current assets			
Cash and cash equivalents	13	**0.1**	0.1
		0.1	0.1
Liabilities			
Current liabilities			
Trade and other payables	14	**(3.5)**	(3.5)
		(3.5)	(3.5)
Net assets		**-**	-
Reserves			
Retained earnings		**-**	-
Total reserves		**-**	-

C A Jones
Chief Executive

P J Bridgewater
Finance and Commercial Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	19a	**368.9**	381.0
Interest paid	19b	**(128.9)**	(123.5)
Corporation tax received		**0.2**	1.6
Net cash generated from operating activities		**240.2**	259.1
Cash flows from investing activities			
Interest received		**5.6**	3.2
Purchase of property, plant and equipment		**(195.0)**	(266.6)
Purchase of intangible assets		**(25.0)**	(25.2)
Acquisition of subsidiary		**-**	(19.7)
Grants and contributions received		**16.7**	16.3
Net cash outflow from investing activities		**(197.7)**	(292.0)
Net cash flow before financing activities		**42.5**	(32.9)
Cash flows from financing activities			
Long-term loans received		**-**	160.0
Bank account movements		**(80.4)**	77.9
Term loan repayments		**(46.6)**	(15.9)
Finance lease principal payments		**(51.4)**	(57.4)
Other loan repayments		**(0.2)**	(0.2)
Net cash inflow from financing activities		**(178.6)**	164.4
(Decrease)/increase in cash and cash equivalents	20b	**(136.1)**	131.5
Cash and cash equivalents at 1 April		**271.2**	139.7
Cash and cash equivalents at 31 March	13	**135.1**	271.2

The parent company had no cash flows during the year (2015: none).