



Interim report and accounts
for the six months ended 30 September 2008

Chairman's Statement

Financial results

In the face of a challenging economic environment, I am pleased to report a solid financial performance over the past six months and a strong financial position as at 30 September 2008. Our financial position has continued to strengthen, with leverage (as measured by net debt to regulatory capital value) further reduced to 71%, down from 93% on the acquisition of Welsh Water in May 2001. As at 30 September 2008, available funding included cash deposits of £140 million and committed bank facilities totalling £345 million, and on 23 October 2008 we signed a £100 million loan agreement with the European Investment Bank. This gives a balance of funding currently available of £585 million, meaning that we are securely financed until after 2010 and sheltered from the recent instability in financial markets. We remain on course with our unique customer dividends, which were increased to £21 per customer this year at a total cost of some £27 million.

We have not escaped the impact of the slowdown in economic activity, however, and an increased bad debt charge together with sharply increased power costs produced a break-even result (after interest but before fair value adjustments on financial instruments), down from a profit of £13 million last year. During the six months, we have invested £168 million (2007: £131 million) into Welsh Water's £1.3 billion AMP4 capital programme to improve customer service, environmental quality and drinking water quality, bringing overall expenditure since 2005 to £976 million.

Over the coming months, we expect the economic downturn will further impact on our customers and the financial performance of the company. However, our strong financial position means that we are well placed to deal with the impact of the expected difficult times ahead and to continue to deliver benefits to our customers through our 'customer dividend' policy and ongoing investment programme.

Operational performance

On 22 October 2008, Ofwat published its Annual Report on Levels of Service for the Water Industry in England and Wales for the year ended 31 March 2008. On Ofwat's "Overall Performance Assessment" Welsh Water scored 394 out of a maximum of 438, a slight improvement on the previous year's score of 392. Compared to other water and sewerage companies, Welsh Water was ranked fifth, slipping from its fourth position the year before.

Our service performance has been generally good during the year to date; in particular, water quality compliance as defined by Ofwat's key measure, the Operational Performance Index, has improved from 99.6% to 99.9%. It is also pleasing to report that we have achieved a marked reduction in serious pollution incidents, a measure on which we have previously lagged behind the rest of the industry. Coastal areas continue to benefit from high quality bathing water, with Wales awarded 47 Blue Flags in 2008, around a third of the total awarded to the UK. We have responded well to the very significant challenges caused by increasingly erratic weather patterns during the year to date. However, of a total of 134 flooding incidents resulting from high levels of rainfall causing hydraulic overload of our sewers, 51 were caused by rain we might expect to see from frequent, 1 in 10 year storms, an increase from 33 for the first half of the previous year. Occurrences of sewage flooding due to blockages and other causes also rose, from 81 to 112. To improve proactive management of the sewer network we have now completed the installation of over 600 Hawkeye devices, forming a telemetry system which allows us to monitor sewer flows remotely. By responding more quickly, we have already seen fewer pollution incidents and are confident that this technology will help us to reduce the number of sewer flooding incidents.

Green Space Wales is an initiative launched in October 2008 to promote natural drainage to help the sewerage network cope better with climate change and increasing urbanisation to reduce incidents of sewer flooding. We are linking with central and local government, planners, developers and other decision makers to support legislative change and the adoption of sustainable drainage solutions for new developments. We have taken a UK water industry lead by commissioning large-scale studies in Wales as part of our Surface Water Management Strategy, which will provide a long term vision as to how Welsh Water will deal with surface water flows for the next 25 years.

On 29 August 2008 we issued a Boil Water Notice to 45,000 customers supplied with tap water from our Mynydd Llandygai water treatment works in Snowdonia. We cannot take any risks with public health, and this was a precautionary measure following an increase in cryptosporidium found in our routine water sampling. We installed ultra violet (UV) treatment equipment and were able to lift the Boil Water Notice on 18 September. No-one was made ill by the water during the incident and we appreciate the support of our customers during this time; we know that being asked to boil water for routine use is disruptive to daily life. Over the last few years we have seen a gradual reduction in the quality of some of our pristine upland water sources, which means that the existing treatment facilities may no longer be sufficient to ensure the production of safe drinking water. In addition to the investment already planned, in 2008 we initiated and have now accelerated a new £150 million investment programme to improve the reliability of drinking water quality throughout Wales, in particular by reducing the risk posed by cryptosporidium. Pending completion of this programme, we are installing UV treatment at a further 13 sites, mostly in North Wales; this will cost £5 million and add some £650,000 to our annual power costs.

Chairman's Statement cont'd

Looking further ahead

We are a long term business and are responsible for providing an essential public service to more than 3 million people. Few things are more important for public health than safe drinking water and reliable sanitation. Many of the decisions we make today will impact our customers, our economy and our environment for many years to come. We set out our long term objectives for the water industry in Wales in "Welsh Water: Our Sustainable Future" which was published in November 2007.

On 11 August 2008, we submitted our Draft Business Plan to Ofwat, the first step in the 5-yearly review that will determine standards, investment expenditure and customer bills for the period 2010-2015. We are proposing no real increase in average household bills after 2010 – the average bill for drinking water and sewerage will stay at around £376 per household (at the price base used for the regulatory price review), or just over £1 a day. We are also proposing a capital investment programme of £1.5 billion – equivalent to more than £1,000 per household - continuing our current level of expenditure. The investment programme will deliver very significant benefits for Welsh Water's customers, our economy and our environment. Over the coming months, our Draft Business Plan will be subject to detailed scrutiny and challenge by Ofwat, the Welsh Assembly Government, and other regulators and stakeholders. We will also have to take into account a number of possible risks, including the very uncertain economic environment which may have an adverse impact on our Final Business Plan, which will be published in April 2009.

The water industry is on the 'front line' when it comes to dealing with the possible impact of climate change and the resulting changes in weather patterns. Dealing with increasing frequency of extreme storms along with the greater likelihood of droughts will present significant challenges for us. A substantial number of our customers genuinely struggle to afford their water bill and ensuring that the public service we provide remains affordable is especially important; that means prioritising investment to achieve outcomes that are valued by our customers and to deliver a sustainable long term water industry in Wales. Key to achieving this, especially in the current very difficult economic climate, is continuing to demonstrate to our investors that Welsh Water is a 'safe home' for long term investment. As a company that owns Welsh Water on behalf of its customers, we believe we are well placed to meet the challenges ahead.

Lord Burns
Chairman - Glas Cymru Cyfyngedig

12 November 2008

Review of the business

Financial results

Financial performance

Glas Cymru's financial results cover the six months to 30 September 2008. Comparative figures are given for the six months to 30 September 2007 and the year ended 31 March 2008.

Turnover in the six months to 30 September 2008 was £328 million, as compared to £307 million in the six months to 30 September 2007. The increase reflects the RPI+K increase in prices of 7.5% allowed by Ofwat, less the 'customer dividend' for the year. Welsh Water is the only water company to give such an annual 'customer dividend', which for 2008-09 has increased to £21 per customer (2007: £20 per customer) at a total cost this year of £27 million (2007: £26 million).

Customer debt recovery performance deteriorated slightly during the period, a reflection of the impact the economic slowdown is beginning to have on customers. Welsh Water and its service partner Veolia have taken steps to ensure that the monitoring and recovery of customer debt are maintained at the highest possible levels, but accept that the likely recession in Wales and England will impact on collection rates; in recognition of this, there has been an increase in the provision for bad debts.

Operating costs (excluding depreciation and infrastructure renewals expenditure) increased to £133 million (2007: £114 million); the major increases result from inflation (£6 million), power cost rises (£7 million) and additional bad and doubtful debt charges (£3 million).

Net interest payable in the period (excluding fair value movements) was £81 million (2007: £77 million), including an indexation charge on index linked debt of £15 million (2007: £12 million). The increase in net interest payable reflects the £71 million increase in net debt since last year and the impact of higher inflation on the indexation charge on RPI-linked debt.

Profit before taxation (but before the fair value movements on financial instruments) was £0.4 million, down on last year's profit of £13 million, primarily reflecting the increases in operating expenditure. After allowing for the movement in the fair value of financial instruments, the total loss before tax was £71 million (2007: profit of £16 million). There was a taxation charge for the period of £13 million (2007: credit of £20 million), comprised entirely of deferred tax.

Capital investment in the six month period (including infrastructure renewals expenditure) of £168 million before grants and contributions (2007: £131 million) will bring improvements to customer service, environmental quality and drinking water quality. Overall expenditure since 2005 totals £976 million, which is broadly in-line with Welsh Water's £1.4 billion AMP4 capital investment programme.

Financial position

Our financial position strengthened further over the first half of the year with gearing (net debt/regulatory capital value) at 30 September 2008 of 71% (2007: 73%); this compares to some 93% on the acquisition of Welsh Water in May 2001.

The company is partly sheltered from the recent turmoil in credit markets and 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's bonds, reflecting the quality of the company's creditworthiness. Welsh Water's Class A bonds are guaranteed by MBIA and therefore reflect the ratings assigned to MBIA by the rating agencies.

As at 30 September 2008, Glas Cymru had cash, short-term deposits and undrawn syndicated bank facilities of £485 million, giving the company a high level of financial liquidity. On 23 October 2008, a £100 million loan agreement was signed with the European Investment Bank to secure funding for essential water and wastewater improvement schemes throughout Wales to 2010.

Review of the business cont'd

Customer service, water quality and environmental quality

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

Levels of service

- Unplanned water supply interruptions have decreased significantly, as the 2007 data was impacted by flooding at the Whitbourne water treatment works in September 2007;
- Fewer properties 'at risk' of sewage flooding following investment to minimize the risk of such occurrences, however actual sewage flooding incidents have risen; and
- Independent research confirms continuing high customer satisfaction with the overall service provided by Welsh Water.

Water quality

- Maintained best ever compliance (99.5%) with the standards for iron in water – a result of more than 1,500km of water mains being replaced or renewed since April 2005 – improved chemical quality at customers' taps as measured by the Operational Performance Index, and improved bacteriological compliance 'at the tap'; and
- Developed Drinking Water Safety Plans for all 80 water treatment works.

Environment

- Good progress made to reduce leakage (from 7.3 to 7.1 m³/km/day) and we are currently on course to meet the target for 2008/09;
- A reduction in the number of both serious pollution incidents (Categories 1 and 2) and less severe incidents (Category 3);
- Green Space Wales initiative launched, linking with government and other decision makers, to reduce incidents of sewer flooding and environmental pollution by reducing the flow of surface water in the sewerage network;
- In 2008, 47 beaches and marinas in Wales were awarded Blue Flags (around a third of the UK total) and 46 beaches were given Green Coast Awards; and
- Achieved over 99.9% waste water treatment works compliance during the six months.

Unpredictable weather patterns have created significant operational challenges for both water and sewerage services, with heavy rainfall leading to incidences of sewage flooding and the localised degradation of raw water quality. Maintaining a high level of performance is an ongoing challenge and the company is focused on achieving further improvements. A telemetry system is now in place allowing monitoring of sewer levels and storm overflow discharges, and a £150 million investment programme is already underway to further improve the robustness of drinking water quality throughout Wales. Our good performance over the past seven years reflects a sustained commitment to improving services for customers, but our aim is perform consistently within the top quartile of the sector.

Health and safety

- There has been an increase in reportable accidents, from 14 to 19 in the six months. In spite of this, the total number of dangerous occurrences and reportable diseases has reduced from 3 to nil during the same period; and
- Working time lost due to accidents has fallen by 15% compared to the same period last year.

Capital investment programme

Welsh Water's £1.4 billion AMP4 capital investment programme aims to deliver improvements to drinking water quality, environmental protection and the alleviation of sewer flooding. Significant outputs achieved so far include:

- 1,505kms of water mains replaced or refurbished;
- 263 sewer overflows improved and risk of repeat sewer flooding reduced for 684 properties;
- 5 water treatment works schemes to improve drinking water quality will be complete by the end of the year;
- Improvement to sewage treatment at 89 waste water treatment works and the completion of Holyhead waste water treatment works;
- Good progress in the delivery of our ITEC programme to improve customer service and operational efficiency;
- Increased spend on the maintenance of our water and sewerage assets; and
- Completion of 7 Section 101a first time sewerage schemes.

Summary of key measures of service performance

	Period to 30 September 2008	Period to 30 September 2007
Levels of Service		
Properties 'at risk' of receiving low pressure	1,047 ¹	404
Unplanned water supply interruptions	772	6,999 ²
Properties 'at risk' of sewage flooding	315	438
Sewage flooding incidents - hydraulic overload ("1 in 10 year storms")	51	33
Sewage flooding incidents - other causes	112	81
Billing enquiries answered within 5 days	99.9%	99.9%
Written complaints answered within 10 days	99.2%	99.4%
Customer meters read within year	93.1%	97.3%
Water Quality		
Bacteriological compliance 'at the tap' ³	99.7%	99.6%
Iron compliance 'at the tap' ³	99.5%	99.5%
Operational Performance Index ³	99.9%	99.6%
Environment		
Leakage (m ³ /km/day)	7.1	7.3
Number of 'Category 1 and 2' pollution incidents ³	3	8
Number of 'Category 3' pollution incidents ³	181	218
Customers served by compliant wastewater treatment works ³	99.9%	99.9%
Wastewater treatment works complying with consents	99.8%	99.1%
Sewage sludge recycled satisfactorily	100%	100%

¹ The higher number this year is the result of the routine review of logging program data; end of year performance will be similar to 2008/09.

² In July 2007, 6,850 unplanned water supply interruptions resulted from flooding at the Whitbourne water treatment works in Herefordshire. Due to the exceptional weather the works was flooded and shut down for more than 48 hours.

³ Calendar year to end of September.

Condensed consolidated income statement

		Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Revenue	2	327.9	307.3	622.9
Operating costs				
- Operational expenditure		(133.0)	(113.8)	(230.8)
- Infrastructure renewals expenditure		(47.7)	(43.0)	(97.5)
- Depreciation and amortisation		(65.9)	(60.9)	(122.3)
(Loss)/profit on disposal of fixed assets		(0.1)	0.7	0.8
Operating profit		<u>81.2</u>	<u>90.3</u>	<u>173.1</u>
Financing costs				
- Interest payable and similar charges	3a	(86.3)	(81.3)	(171.5)
- Interest receivable	3a	5.5	4.3	12.2
- Fair value (losses)/gains on financial instruments	3b	<u>(71.0)</u>	<u>2.3</u>	<u>(47.9)</u>
		(151.8)	(74.7)	(207.2)
(Loss)/profit before taxation		<u>(70.6)</u>	<u>15.6</u>	<u>(34.1)</u>
Taxation (charge)/credit	4	(12.7)	19.9	38.3
(Loss)/profit after taxation		<u><u>(83.3)</u></u>	<u><u>35.5</u></u>	<u><u>4.2</u></u>

Profit before tax excluding fair value (losses)/gains on financial instruments	0.4	13.3	13.8
Impact of fair value (losses)/gains on financial instruments	(71.0)	2.3	(47.9)
(Loss)/profit before taxation	<u><u>(70.6)</u></u>	<u><u>15.6</u></u>	<u><u>(34.1)</u></u>

The group has no other recognised gains or losses and, accordingly, a statement of recognised income and expense has not been presented.

See Note 1 for the basis of preparation.

Condensed consolidated balance sheet

		At 30 September 2008 £m	At 30 September 2007 £m	At 31 March 2008 £m
Assets				
Non-current assets				
Property, plant and equipment	6	2,929.3	2,858.6	2,893.4
Intangible assets	5	33.3	11.5	25.1
Financial assets:				
- Derivative financial instruments		-	12.6	2.5
Retirement benefit asset		-	-	2.0
		<u>2,962.6</u>	<u>2,882.7</u>	<u>2,923.0</u>
Current assets				
Trade and other receivables	7	125.3	119.4	118.3
Financial assets:				
- Held to maturity investments		-	0.6	-
- Derivative financial instruments		6.4	3.0	6.9
Cash and cash equivalents		<u>139.9</u>	<u>108.4</u>	<u>124.1</u>
		<u>271.6</u>	<u>231.4</u>	<u>249.3</u>
Liabilities				
Current liabilities				
Trade and other payables	8	(135.9)	(107.0)	(123.9)
Financial liabilities:				
- Borrowings		(57.4)	(69.3)	(25.1)
- Derivative financial instruments		(6.8)	(0.8)	(3.3)
		<u>(200.1)</u>	<u>(177.1)</u>	<u>(152.3)</u>
Net current assets		71.5	54.3	97.0
Non-current liabilities				
Trade and other payables	8	(2.2)	(2.5)	(2.3)
Financial liabilities:				
- borrowings		(2,644.1)	(2,530.3)	(2,623.4)
- derivative financial instruments		(141.9)	(35.9)	(77.4)
Retirement benefit obligation		-	(1.5)	-
Provisions		<u>(8.1)</u>	<u>(8.7)</u>	<u>(8.5)</u>
		<u>(2,796.3)</u>	<u>(2,578.9)</u>	<u>(2,711.6)</u>
Net assets before deferred tax		237.8	358.1	308.4
Deferred tax		(362.8)	(368.5)	(350.1)
Net liabilities		<u>(125.0)</u>	<u>(10.4)</u>	<u>(41.7)</u>
Reserves				
Retained deficit		<u>(125.0)</u>	<u>(10.4)</u>	<u>(41.7)</u>
Total reserves	10	<u>(125.0)</u>	<u>(10.4)</u>	<u>(41.7)</u>

Condensed consolidated cash flow statement

	Six months ended 30 September 2008 £m	Six months ended 30 September 2007 £m	Year ended 31 March 2008 £m
Operating profit	81.2	90.3	173.1
Adjustments for:			
Depreciation and amortisation	65.9	60.9	122.3
(Loss)/profit on disposal of fixed assets	0.1	(0.7)	(0.8)
Changes in working capital:			
Increase in trade and other receivables	(8.7)	(27.7)	(24.3)
Increase/(decrease) in trade and other payables	17.9	(0.1)	6.1
Decrease/(increase) in retirement benefit asset	2.0	(4.0)	(7.5)
(Decrease)/increase in provisions	(0.4)	0.1	(0.1)
	<u>10.8</u>	<u>(31.7)</u>	<u>(25.8)</u>
Cash generated from operations	<u>158.0</u>	<u>118.8</u>	<u>268.8</u>
Interest received	5.7	5.0	11.0
Interest paid	(28.4)	(105.3)	(212.3)
Net cash inflow from operating activities	<u>135.3</u>	<u>18.5</u>	<u>67.5</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(125.2)	(86.8)	(190.9)
Grants and contributions received	8.2	11.6	17.7
(Net costs of)/proceeds from sale of property, plant and equipment	(0.1)	0.7	0.8
Net cash used in investing activities	<u>(117.1)</u>	<u>(74.5)</u>	<u>(172.4)</u>
Net cash inflow/(outflow) before financing activities	18.2	(56.0)	(104.9)
Cash flows from financing activities:			
Long term loans and finance leases received	-	-	85.0
Revolving credit facility and term loan repayments	(2.2)	(2.2)	(4.4)
Capital element of finance lease payments	-	-	(9.3)
Reduction in financial assets	-	(0.6)	-
Other loan repayments	(0.2)	-	(0.3)
Net cash (used)/generated from financing activities	<u>(2.4)</u>	<u>(2.8)</u>	<u>71.0</u>
Increase/(decrease) in net cash	15.8	(58.8)	(33.9)
Net cash at start of period	124.1	158.0	158.0
Net cash at end of period	<u>139.9</u>	<u>99.2</u>	<u>124.1</u>

Notes to the condensed consolidated financial statements

1. Basis of preparation

The interim report and accounts are for the six months ended 30 September 2008; 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 2008, which have been prepared in accordance with IFRSs as adopted by the European Union. The accounting policies and methods of computation applied in these interim financial statements are the same as those applied in the annual financial statements for the year ended 31 March 2008.

These financial statements are unaudited but have been formally reviewed by the auditors and their report is set out on page 12. The interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results shown for the year ended 31 March 2008 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 237(2) or 237(3) of the Companies Act 1985.

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. Revenue recognised reflects the actual charges levied on customers in the period; the difference between the actual revenue and the level of revenue that could have resulted had the full Ofwat allowed level of charges been levied is referred to as a 'customer dividend'.

3. Financing cost and fair value of derivative financial instruments

a) Net interest before fair value (losses)/gains on financial instruments	Six months ended	Six months ended	Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Interest payable on bonds	(40.9)	(40.2)	(83.9)
Indexation on index-linked bonds	(14.8)	(12.4)	(30.4)
Interest payable on finance leases	(23.1)	(21.8)	(45.7)
Interest payable on other loans	(4.1)	(3.9)	(8.3)
Other interest payable and finance costs	(3.1)	(2.7)	(2.5)
Amortisation of bond issue costs	(0.3)	(0.3)	(0.7)
Total interest payable	(86.3)	(81.3)	(171.5)
Interest receivable	5.5	4.3	12.2
Net interest payable before fair value adjustments	(80.8)	(77.0)	(159.3)

b) Fair value (losses)/gains on financial instruments	Six months ended	Six months ended	Year ended
	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Fair value (losses)/gains on interest rate swaps	(4.9)	6.5	(4.0)
Fair value losses on index linked swaps	(66.1)	(4.2)	(43.9)
Total fair value (losses)/gains on financial instruments	(71.0)	2.3	(47.9)
Deferred tax effect at 28% of fair value (losses)/gains	19.9	(0.7)	13.4
Fair value (losses)/gains net of tax impact	(51.1)	1.6	(34.5)

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 are £192m (2007: £192m) and the index linked swaps are £751m (2007: £679m). During the period to 30 September 2007 £433 million (notional value) of surplus interest rate swaps were terminated at a cost of £32.5 million.

Notes to the condensed consolidated financial statements cont'd

4. Taxation

	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Tax on (loss)/profit comprises:			
Corporation tax	-	-	-
Deferred tax			
Adjustment in respect of prior period	2.2	-	-
Credit/(charge) at 28%	19.5	(6.0)	12.6
Effect of rate change	-	25.9	25.7
Effect of IBA abolition (see below)	(34.4)	-	-
	(12.7)	19.9	38.3
Taxation (charge)/credit	(12.7)	19.9	38.3

The company does not expect to pay corporation tax on its trading profits for the current year due to the availability of capital allowances on its investment programme.

The deferred tax charge for the six months reflects an increase in the deferred tax provision on the abolition of the Industrial Buildings Allowance (IBA), following enactment of the Finance Act 2008.

5. Intangible fixed assets

Intangible fixed assets comprise computer software and related system developments.

	Cost £m	Amortisation £m	Net book value £m
At 1 April 2008	76.7	(51.6)	25.1
Additions	9.9	(1.7)	8.2
At 30 September 2008	86.6	(53.3)	33.3

6. Property, plant and equipment

	Freehold land & buildings £m	Infrastructure assets £m	Operational structures £m	Plant equipment, computer hardware £m	Total £m
Cost					
At 1 April 2008	33.0	1,457.4	2,232.5	222.9	3,945.8
Additions net of grants and contributions	-	28.3	65.4	6.4	100.1
At 30 September 2008	33.0	1,485.7	2,297.9	229.3	4,045.9
Accumulated depreciation					
At 1 April 2008	16.3	98.8	772.9	164.4	1,052.4
Charge for the period	0.2	16.1	43.0	4.9	64.2
At 30 September 2008	16.5	114.9	815.9	169.3	1,117.3
Net book value					
At 30 September 2008	16.5	1,370.8	1,482.0	60.0	2,929.3
At 31 March 2008	16.7	1,358.6	1,459.6	58.5	2,893.4

Notes to the condensed consolidated financial statements cont'd

7. Trade and other receivables

	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Amounts falling due within one year:			
Trade receivables	120.1	104.4	101.0
Less provision for impairment of receivables	(66.1)	(56.7)	(58.8)
Trade receivables - net	54.0	47.7	42.2
Prepayments and accrued income	63.8	65.9	62.9
Other receivables	7.5	5.8	13.2
	<u>125.3</u>	<u>119.4</u>	<u>118.3</u>

8. Trade and other payables

	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Current			
Trade payables	36.9	14.8	16.1
Capital payables	49.4	43.8	55.6
Other taxation and social security	0.4	0.3	0.4
Accruals and deferred income	49.2	48.1	51.8
	<u>135.9</u>	<u>107.0</u>	<u>123.9</u>
Non-current			
Deferred income	<u>2.2</u>	<u>2.5</u>	<u>2.3</u>

9. Analysis and reconciliation of net debt

a) Net debt at the balance sheet date may be analysed as:	30 September 2008	30 September 2007	31 March 2008
	£m	£m	£m
Bank overdraft	-	(9.2)	-
Cash and cash equivalents	139.9	108.4	124.1
Financial assets	-	0.6	-
	<u>139.9</u>	<u>99.8</u>	<u>124.1</u>
Debt due after one year	(1,776.9)	(1,749.6)	(1,764.8)
Debt due within one year	(4.7)	(4.7)	(4.7)
Finance leases	(842.5)	(766.8)	(842.5)
Accrued interest	(82.7)	(75.3)	(42.1)
Unamortised bond issue costs	5.3	6.0	5.6
	<u>(2,701.5)</u>	<u>(2,590.4)</u>	<u>(2,648.5)</u>
Net debt	<u>(2,561.6)</u>	<u>(2,490.6)</u>	<u>(2,524.4)</u>

Notes to the condensed consolidated financial statements cont'd

9. Analysis and reconciliation of net debt (continued)

b) The movement in net debt during the period may be summarised as:	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Net debt at start period	(2,524.4)	(2,427.8)	(2,427.8)
Increase/(decrease) in net cash	15.8	(58.8)	(33.9)
Increase in financial assets	-	0.6	-
Decrease/(increase) in debt	2.4	2.2	(71.0)
Decrease/(increase) in net debt arising from cashflows	18.2	(56.0)	(104.9)
Movement in accrued interest	(40.6)	5.7	38.9
Other non-cash movements	-	(0.1)	(0.2)
Indexation of index-linked debt	(14.8)	(12.4)	(30.4)
Movement in net debt during the period	(37.2)	(62.8)	(96.6)
Net debt at end of period	(2,561.6)	(2,490.6)	(2,524.4)

10. Consolidated statement of changes in reserves

	30 September 2008 £m	30 September 2007 £m	31 March 2008 £m
Reserves brought forward	(41.7)	(45.9)	(45.9)
(Loss)/profit for the period	(83.3)	35.5	4.2
Reserves carried forward	(125.0)	(10.4)	(41.7)

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 2008, which comprises the consolidated income statement, consolidated balance sheet, statement of changes in reserves, consolidated cash flow statement 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.

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 2008 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
12 November 2008