

Notes to the financial statements

15 Assets classified as held for sale

During the year, the group entered into an agreement which will involve the disposal of its non-household water and wastewater retail business, principally comprising billing and customer service activities, into a new joint venture with Severn Trent PLC. As at 31 March 2016, completion of the disposal was expected within 12 months, subject to clearance from the Competition and Markets Authority, and so £18.3 million of intangible assets have been classified as held for sale. These assets have subsequently been impaired by £2.7 million during the year to give a carrying value of £15.6 million, which ensures that the assets are valued at fair value less cost to sell in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. See note 25 for events occurring after 31 March 2016.

16 Cash and cash equivalents

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash at bank and in hand	4.8	4.5	–	–
Short-term bank deposits	208.8	239.5	–	–
Cash and short-term deposits	213.6	244.0	–	–
Book overdrafts (included in borrowings, see note 17)	(31.5)	(24.3)	(0.5)	(0.4)
Cash and cash equivalents in the statement of cash flows	182.1	219.7	(0.5)	(0.4)

Cash and short-term deposits include cash at bank and in hand, deposits, and other short-term highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less. The carrying amounts of cash and cash equivalents approximate their fair value.

Book overdrafts, which result from cash management practices, represent the value of cheques issued that had not cleared as at the balance sheet date.

17 Borrowings

Group	2016 £m	2015 £m
Non-current liabilities		
Bonds	4,439.2	4,239.6
Bank and other term borrowings	2,069.6	1,827.7
	6,508.8	6,067.3
Current liabilities		
Bonds	–	425.9
Bank and other term borrowings	437.7	127.9
Book overdrafts (see note 16)	31.5	24.3
	469.2	578.1
	6,978.0	6,645.4

For further details of the principal economic terms and conditions of outstanding borrowings see note A3.

17 Borrowings continued

Company	2016 £m	2015 £m
Non-current liabilities		
Amounts owed to subsidiary undertakings	1,636.9	1,609.4
	1,636.9	1,609.4
Current liabilities		
Book overdrafts (see note 16)	0.5	0.4
	0.5	0.4
	1,637.4	1,609.8

Borrowings are unsecured and are measured at amortised cost. The carrying amounts of borrowings approximate their fair value.

18 Retirement benefit surplus

Defined benefit schemes

The net pension expense before tax recognised in the income statement in respect of the defined benefit schemes is summarised as follows:

	2016 £m	2015 £m
Current service cost	22.3	18.1
Curtailments/settlements	1.1	5.5
Administrative expenses	2.7	2.6
Pension expense charged to operating profit	26.1	26.2
Net pension interest (income)/expense (credited)/charged to investment income/finance expense (see notes 4 and 5)	(3.1)	7.0
Net pension expense charged before tax	23.0	33.2

Defined benefit pension costs excluding curtailments/settlements included within employee benefit expense were £25.0 million (2015: £20.7 million) comprising current service costs and administrative expenses. Total post-employment benefits expense excluding curtailments/settlements charged to operating profit of £34.9 million (2015: £29.5 million) comprise the defined benefit costs described above of £25.0 million (2015: £20.7 million) and defined contribution pension costs of £9.9 million (2015: £8.8 million) (see note 2).

The reconciliation of the opening and closing net pension surplus/(obligations) included in the statement of financial position is as follows:

Group	2016 £m	2015 £m
At the start of the year	79.2	(177.4)
Expense recognised in the income statement	(23.0)	(33.2)
Contributions paid	58.9	39.3
Remeasurement gains gross of tax	160.1	250.5
At the end of the year	275.2	79.2