

Dŵr Cymru Cyfyngedig

Interim report and accounts

for the six months ended 30 September 2019

Contents

Directors and advisers	2
Interim management report	3
Interim income statement	4
Interim statement of comprehensive income	5
Interim balance sheet	6
Interim statement of changes in reserves	7
Interim statement of cash flows	8
Notes to the condensed interim financial statements	9

Directors and advisers

Directors

Peter Bridgewater (Finance and Commercial Director)

Tom Crick (Non-Executive Director)

Graham Edwards (Non-Executive Director)

Chris Jones (Chief Executive Officer)

Joanne Kenrick (Non-Executive Director)

Alastair Lyons (Chairman)

Pete Perry (Managing Director)

Menna Richards (Non-Executive Director)

Anna Walker (Non-Executive Director)

John Warren (Non-Executive Director)

Company Secretary

Nicola Williams

Independent auditor

KPMG LLP

Cardiff

Solicitor

Linklaters LLP

London

Principal banker

National Westminster Bank Plc

Brecon

Interim management report

The directors have pleasure in presenting their management report, together with the financial statements for the six months to 30 September 2019 on pages 4 to 15.

Principal activities

The principal activities of the company are the supply of water and the treatment and disposal of waste water under the Instrument of Appointment made by the Secretary of State for Wales under the Water Act 1989.

Results and dividends

The loss before taxation for the six month period to 30 September 2019 amounted to £80.6 million (September 2018: loss of £21.5 million). No dividend was declared or paid during the period (2018: £nil).

Business review

Dŵr Cymru's underlying loss (loss before tax excluding fair value gains on derivative financial instruments) for the six month period to 30 September 2019 was £28.2 million (September 2018: £29.2 million). Higher revenue (£5 million) relating mainly to consumption increases and lower operating costs (£7 million) due to less severe weather are more than offset by a higher depreciation charge (£11 million), a consequence of schemes being completed as the five-year AMP period reaches its close. "Customer reserves" (the company's regulatory capital value less net debt) now stand at over £2.4 billion.

The strong operational performance and financial position bring significant benefits to the three million people Dŵr Cymru serves across most of Wales, Herefordshire and Deeside while also safeguarding the environment as it continues with its five year £1.7 billion investment programme. The performance reflects the efficient way the company is managing costs while continuing to improve services to customers.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Glas Cymru group, which include those of the company, are disclosed within the group's annual report. Management does not consider that these have changed materially during the first six months of the year, nor that there will be any significant change between now and the end of the year. Page 15 of this report refers to risk management of treasury activities within the company.

Key Performance Indicators

The company is part of a group controlled by Glas Cymru Holdings Cyfyngedig. The directors of Dŵr Cymru Cyfyngedig use group-wide key performance measures as indicators to the development, performance and position of the company. These are discussed in the Annual Report of Glas Cymru Holdings Cyfyngedig which does not form part of this report (available on the group's website at http://www.dwrcymru.com/en/Reading_Room_Library/Company-Reports.aspx).

Interim income statement

		Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Revenue	2	396.5	391.7	779.8
Operating costs				
- Operational expenditure		(157.7)	(164.6)	(333.5)
- Infrastructure renewals expenditure		(45.3)	(45.4)	(83.9)
- Depreciation and amortisation		(154.4)	(142.7)	(291.6)
Operating profit		39.1	39.0	70.8
Financial expenses				
- Financial income	3	3.1	2.4	4.9
- Financial expenses	3	(70.4)	(70.6)	(173.4)
- Fair value (losses)/gains on derivative financial instruments	3	(52.4)	7.7	(17.4)
		(119.7)	(60.5)	(185.9)
Loss before taxation		(80.6)	(21.5)	(115.1)
Taxation	4	12.5	2.9	17.8
Loss for the period		(68.1)	(18.6)	(97.3)

The notes on pages 9 to 15 form part of these condensed interim financial statements.

Interim statement of comprehensive income

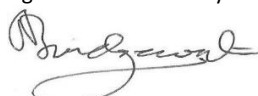
		Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
	<i>Note</i>			
Loss for the period		(68.1)	(18.6)	(97.3)
Items that will not be reclassified to profit or loss:				
Actuarial (loss)/gain recognised in the pension scheme		(28.0)	14.6	(19.9)
Related deferred tax	4	4.7	(2.9)	2.6
Revaluation of property, plant and equipment	5	82.0	119.2	132.2
Related deferred tax	4	(13.9)	(20.2)	(22.5)
Total items that will not be reclassified to profit or loss		44.8	110.7	92.4
Total comprehensive (expense)/income for the period		(23.3)	92.1	(4.9)

The notes on pages 9 to 15 form part of these condensed interim financial statements

Interim balance sheet

		At 30 September 2019 (unaudited) £m	At 30 September 2018 (unaudited) £m	At 31 March 2019 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	6	5,641.9	5,463.3	5,522.0
Intangible assets		181.2	153.2	174.8
Other financial assets: derivative financial instruments		5.1	5.9	3.8
		<u>5,828.2</u>	<u>5,622.4</u>	<u>5,700.6</u>
Current assets				
Inventories		3.7	3.2	3.9
Trade and other receivables	7	414.8	403.8	572.4
Cash and cash equivalents		290.2	220.3	490.3
Other financial assets: derivative financial instruments		3.1	5.5	1.1
		<u>711.8</u>	<u>632.8</u>	<u>1,067.7</u>
Total assets		<u>6,540.0</u>	<u>6,255.2</u>	<u>6,768.3</u>
Liabilities				
Current liabilities				
Trade and other payables	8	(375.4)	(382.9)	(559.7)
Provisions		(2.3)	(2.4)	(4.1)
Other financial liabilities:				
- borrowings		(86.9)	(70.1)	(205.2)
- derivative financial instruments		(26.8)	(30.2)	(26.9)
		<u>(491.4)</u>	<u>(485.6)</u>	<u>(795.9)</u>
Net current assets		220.4	147.2	271.8
Non-current liabilities				
Trade and other payables	8	(281.3)	(249.6)	(264.7)
Employee benefits		(124.1)	(63.2)	(96.2)
Provisions		(3.7)	(6.7)	(3.4)
Other financial liabilities:				
- borrowings		(3,610.2)	(3,357.6)	(3,608.1)
- derivative financial instruments		(317.5)	(239.9)	(261.8)
Deferred tax (net)		(426.5)	(447.0)	(429.6)
		<u>(4,763.3)</u>	<u>(4,364.0)</u>	<u>(4,663.8)</u>
Total liabilities		<u>(5,254.7)</u>	<u>(4,849.6)</u>	<u>(5,459.7)</u>
Net assets		<u>1,285.3</u>	1,405.6	1,308.6
Reserves		<u>1,285.3</u>	1,405.6	1,308.6

The condensed interim financial statements on pages 4 to 15 were approved by the Board of Directors on 7 November 2019 and were signed on its behalf by:



Peter Bridgewater
Finance and Commercial Director

Interim statement of changes in reserves

	Six months ended 30 September 2019 (unaudited) Share capital	Six months ended 30 September 2019 (unaudited) Capital redemption reserve	Six months ended 30 September 2019 (unaudited) Revaluation reserve	Six months ended 30 September 2019 (unaudited) Retained earnings	Six months ended 30 September 2019 (unaudited) Total	Six months ended 30 September 2018 (unaudited) Total	Year ended 31 March 2019 (audited) Total
<i>Note</i>	£m	£m	£m	£m	£m	£m	£m
Reserves at start of period	309.9	166.2	764.5	68.0	1,308.6	1,313.5	1,313.5
Loss for the period	-	-	-	(68.1)	(68.1)	(18.6)	(97.3)
Actuarial (loss)/gain net of tax	-	-	-	(23.3)	(23.3)	11.7	(17.3)
Revaluation net of tax	5	-	68.1	-	68.1	99.0	109.7
Transfer to retained earnings	-	-	(32.9)	32.9	-	-	-
Reserves at end of period	309.9	166.2	799.7	9.5	1,285.3	1,405.6	1,308.6

The notes on pages 9 to 15 form part of these condensed consolidated interim financial statements.

Interim statement of cash flows

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Cash flows from operating activities			
Loss for the period	(68.1)	(18.6)	(97.3)
Adjustments for			
- Depreciation and amortisation	154.4	143.5	291.6
- Net finance cost	119.7	60.5	185.9
- Net tax credit	(12.5)	(2.9)	(17.8)
Changes in working capital			
- Decrease/(increase) in Inventories	0.2	-	(0.7)
- Decrease/(increase) in trade and other receivables	155.5	173.4	(4.0)
- (Decrease)/increase in trade and other payables	(176.3)	(167.7)	12.8
- Pension contributions above service cost	(2.3)	(3.6)	(6.7)
- Decrease in provisions	(1.5)	(0.8)	(2.4)
Cash generated from operating activities	169.1	183.8	361.4
Interest paid	(33.7)	(31.2)	(132.5)
Income tax received	2.1	0.5	0.4
Net cash flow from operating activities	137.5	153.1	229.3
Cash flows from investing activities			
Interest received	3.1	2.4	4.8
Purchases of property, plant and equipment	(175.2)	(182.5)	(354.5)
Purchase of intangible assets	(16.1)	(17.2)	(48.5)
Proceeds from sale of property, plant and equipment	0.3	-	1.0
Grants and contributions received	10.4	8.8	19.3
Net cash flow from investing activities	(177.5)	(188.5)	(377.9)
Net cash flow before financing activities	(40.0)	(35.4)	(148.6)
Cash flows from financing activities			
Repayment of borrowings	(134.6)	(5.7)	-
Increase in borrowings	-	-	136.6
Intercompany loan received	2.8	-	-
Long term loan received	-	-	250.0
Loan repaid to group undertaking	(17.0)	(13.3)	(21.6)
Finance lease principal payments	(11.1)	-	(0.9)
Other loan repayments	(0.2)	(0.1)	-
Net cash flow from financing activities	(160.1)	(19.1)	364.1
Net (decrease)/increase in cash and cash equivalents	(200.1)	(54.5)	215.5
Cash and cash equivalents at start of period	490.3	274.8	274.8
Cash and cash equivalents at end of period	290.2	220.3	490.3

The notes on pages 9 to 15 form part of these condensed interim financial statements

Notes to the condensed interim financial statements

1. Basis of preparation

Dŵr Cymru Cyfyngedig (the Company) is a company domiciled in England and Wales. The Company's principal activity is the operation of water and sewerage business in the UK.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's last annual consolidated financial statements for the year ended 31 March 2019. They do not include all of the information required for a complete set of IFRS financial statements, however selected explanatory notes are included to explain items that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

The principal accounting policies adopted in the preparation of these interim financial statements are consistent with the Annual Report and Accounts for the year ended 31 March 2019, with the exception of the following standards which are effective for accounting periods beginning on or after 1 January 2019; these standards have been applied in the interim financial statements and will be reflected in the Company's annual financial statements for the year ending 31 March 2020:

IFRS 16 Leases

IFRS16 revises the treatment of leases in financial statements and largely eliminates the accounting distinction between operating and finance leases. The Directors have assessed the impact of adopting IFRS 16 and have used the modified retrospective approach on first time adoption, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. This has resulted in the recognition of a £1.4m right-of-use asset and associated finance lease liability. The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in borrowings in the balance sheet. The Company, applying the practical expedients on a lease-by-lease basis to its portfolio of leases, has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company has also elected to apply a single discount rate to the portfolio of leases that are deemed to have reasonably similar characteristics as well as exclude any initial direct costs in the measurement of the right-of-use asset.

IFRS 16 'Leases' Accounting policy

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

These condensed interim financial statements are unaudited. The interim financial results do not comprise the Company's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. No events or transactions took place during the current interim period which are material to an understanding of these financial statements.

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.

Notes to the condensed interim financial statements

1. Basis of preparation (continued)

Estimates and Judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period were the same as those that applied to the financial statements for the year ended 31 March 2019. The significant judgements and estimates relate to the provision for impairment of trade receivables, pension benefits, fair value estimation and capitalisation with the exception of changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. The Company has reviewed assets held for any indications of impairment and, none having been noted, has not performed a full impairment review.

Going concern

The Company meets its day-to-day working capital requirement through its bank facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within its current facilities. After making enquires, the Directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2. Segmental information

The Directors consider that there is only one operating segment, being the operation of water and sewerage business in the UK. As the Company has only domestic activities there is also only one geographical segment; therefore, the disclosures for this segment have also already been given in these financial statements. While the Company operates in a single segment, its activities can be disaggregated into the following principal income streams:

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Regulated revenue			
Water	163.5	161.3	320.9
Sewerage	206.6	200.4	399.9
Retail	23.3	27.3	52.7
Total regulated revenue	393.4	389.0	773.5
Other (non-regulated)	3.1	2.7	6.3
Total revenue	396.5	391.7	779.8

Regulated revenue relates to the provision of water, sewerage and related retail services operating under Dŵr Cymru Cyfyngedig's licence as part of the water industry in England and Wales, regulated by The Office of Water Trading (Ofwat). Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control.

Notes to the condensed interim financial statements

3. Financial expenses

	Six months ended	Six months ended	Year ended
a) Financial expenses before fair value gains	30 September 2019	30 September 2018	31 March 2019
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Financial income	3.1	2.4	4.9
Financial expenses			
Interest payable on bonds	(65.1)	(72.2)	(153.8)
Interest payable on finance leases	(4.2)	(2.0)	(17.6)
Other interest payable and financial costs	(7.4)	(4.5)	(15.9)
Net interest charge on pension scheme liabilities	(1.2)	(1.0)	(2.0)
Capitalisation of borrowing costs under IAS 23	7.5	9.1	15.9
	(70.4)	(70.6)	(173.4)
Net financial expenses before fair value adjustments	(67.3)	(68.2)	(168.5)
b) Fair value (losses)/gains on derivative financial instruments	Six months ended	Six months ended	Year ended
	30 September 2019	30 September 2018	31 March 2019
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Fair value (losses)/gains on interest rate swaps	(12.6)	5.3	(1.3)
Fair value losses on index-linked swaps	(43.8)	(4.4)	(15.6)
Fair value gains/(losses) on trading derivatives	4.0	6.8	(0.5)
Total fair value (losses)/gains on derivative financial instruments	(52.4)	7.7	(17.4)

Derivative financial instruments are held for economic hedging purposes although they do not qualify as accounting hedges under IFRS 9. Consequently, the Company's interest rate and currency swaps are fair valued at each balance sheet date with the movement (net loss or gain) disclosed in the income statement. If held to maturity, which is the Company's intention, the value of these will be zero.

4. Taxation

	30 September 2019	30 September 2018	31 March 2019
	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Current tax			
Current tax on loss for the year	0.2	-	0.5
Current tax on research and development credit	-	-	(0.1)
Adjustment in respect of prior periods	-	(0.9)	(0.5)
	0.2	(0.9)	(0.1)
Deferred tax			
Current year movements	12.3	2.9	17.3
Adjustment in respect of prior periods	-	0.9	0.6
	12.3	3.8	17.9
Taxation	12.5	2.9	17.8

Notes to the condensed interim financial statements

4. Taxation (continued)

Analysis of amounts charged to the Statement of Comprehensive Income and Revaluation Reserve	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Defined benefit pension schemes	(4.8)	2.5	(3.4)
Reallocation of tax from income statement - pension payments in excess of service charge	0.1	0.4	0.8
(Credited)/charged to the statement of comprehensive income	(4.7)	2.9	(2.6)
Revaluation of fixed assets	13.9	20.2	22.5
Charged to the revaluation reserve	13.9	20.2	22.5
Tax reconciliation			
Loss before taxation	(80.6)	(21.5)	(115.1)
Loss before taxation multiplied by the corporation tax in the UK of 19% (six months to 30 September 2018 and year ended 31 March 2019: 19%)	15.3	4.1	21.9
Effects of:			
Other permanent differences	(1.4)	(1.3)	(2.9)
Effect of pension payment in excess of service charge	0.1	0.4	0.8
Difference in standard rate of corporation tax (19%) and rate used for deferred tax (17%)	(1.5)	(0.3)	(2.1)
Adjustments in respect of prior years	-	-	0.1
	12.5	2.9	17.8

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

Adjustments in respect of prior years' relate to revisions to tax credits for energy efficient capital expenditure, and adjustments to deferred tax balances in respect of capital expenditure.

Deferred tax has been calculated at 17% for each of the above periods. This is based on the corporation tax rate which will apply from 1 April 2020. A small proportion of the temporary difference may reverse prior to 2020 at 19%, however the impact on the overall deferred tax balance is not significant.

5. Revaluation reserve

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	30 September 2018 (unaudited) £m
Revaluation reserve as start of period	764.5	717.8	717.8
Revaluation of assets	82.0	119.2	132.2
Depreciation charge on revalued assets	(39.6)	(36.6)	(75.9)
	42.4	82.6	56.3
Deferred tax on revaluation	(13.9)	(20.2)	(22.5)
Deferred tax on depreciation charge	6.7	6.3	12.9
	(7.2)	(13.9)	(9.6)
Revaluation reserve at end of period	799.7	786.5	764.5

Notes to the condensed interim financial statements

6. Property, plant and equipment

	Freehold land and buildings	Infrastructure assets	Operational structures	Plant, equipment, computer hardware	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 April 2019	41.7	2,491.1	4,324.0	272.2	7,129.0
Revaluation	-	7.6	-	-	7.6
Additions net of grants and cash	1.4	61.0	118.9	4.6	185.9
Disposals	-	-	-	(1.2)	(1.2)
At 30 September 2019	43.1	2,559.7	4,442.9	275.6	7,321.3
Accumulated depreciation					
At 1 April 2019	22.1	-	1,315.8	269.1	1,607.0
Revaluation	-	(29.1)	(45.3)	-	(74.4)
Charge for the period	0.4	29.1	113.9	4.5	147.9
Release on disposal	-	-	-	(1.1)	(1.1)
At 30 September 2019	22.5	-	1,384.4	272.5	1,679.4
Net book value					
At 30 September 2019 (unaudited)	20.6	2,559.7	3,058.5	3.1	5,641.9
At 31 March 2019 (audited)	19.6	2,491.1	3,008.2	3.1	5,522.0
At 30 September 2019 (unaudited) - historic cost basis	20.6	1,854.3	2,287.8	3.5	4,166.2

The net book value of fixed assets includes £71.8m (March 2019: £67.4m) of capitalised interest. Freehold land and buildings include a £1.4m addition in recognition of the right-of-use asset on initial application of IFRS 16. The Board has approved capital expenditure for the year to 31 March 2020 of £447 million. While only a portion of this amount has been formally contracted for as at 30 September 2019, the Company is effectively committed to the total as part of its overall capital expenditure programme.

7. Trade and other receivables

	30 September 2019 (unaudited)	30 September 2018 (unaudited)	31 March 2019 (audited)
	£m	£m	£m
Amounts falling due within one year			
Trade receivables	371.1	378.3	560.0
Less provision for impairment of receivables	(74.5)	(91.8)	(78.7)
Trade receivables - net	296.6	286.5	481.3
Prepayments and accrued income	102.5	94.5	80.0
Other receivables	15.7	22.8	11.1
	414.8	403.8	572.4

Notes to the condensed interim financial statements

8. Trade and other payables

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Current			
Trade payables	42.7	46.1	56.8
Capital payables	36.9	42.9	44.6
Amounts due to group undertakings	2.1	2.1	2.3
Other taxation & social security	5.0	10.6	5.2
Accruals and deferred income	288.7	281.2	450.8
	375.4	382.9	559.7
Non-current			
Deferred income	281.3	249.6	264.7

9. Analysis and reconciliation of net debt

Net debt is defined as the value of cash and cash equivalents less net accrued interest and total borrowings.

a) Net debt at the balance sheet may be analysed as:

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Cash and cash equivalents	290.2	220.3	490.3
Debt due after one year	(3,145.6)	(2,886.8)	(3,155.5)
Debt due within one year	(46.2)	(25.5)	(171.8)
Finance lease obligation	(425.2)	(435.9)	(435.0)
Accrued interest	(80.2)	(79.5)	(51.0)
	(3,697.2)	(3,427.7)	(3,813.3)
Net debt	(3,407.0)	(3,207.4)	(3,323.0)

b) The movement in net debt during the period may be summarised as:

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Net debt at start of period	(3,323.0)	(3,122.3)	(3,122.3)
Movement in net cash	(200.1)	(54.5)	215.5
Movement in debt arising from cash flows	160.1	19.1	(364.6)
Movement in net debt arising from cash flows	(40.0)	(35.4)	(149.1)
Movement in accrued interest	(29.2)	(30.5)	(2.0)
Indexation of index-linked debt	(13.5)	(19.2)	(50.1)
Other non-cash movements	(1.3)	-	0.5
Movement in net debt during the period	(84.0)	(85.1)	(200.7)
Net debt at end of period	(3,407.0)	(3,207.4)	(3,323.0)

Notes to the condensed interim financial statements

10. Financial risk management and financial instruments

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 March 2019. There have been no changes in the risk management department or in any risk management policies since the year end.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the Company's treasury derivatives are categorised as Level 2. Trading derivatives, relating to power price hedges, are categorised as Level 2 where marked-to-market valuations are received for these trades. Where marked-to-market valuations are not received the fair values are estimated rather than observable, and are therefore categorised as Level 3. At 30 September 2019 the fair values of derivatives were as follows:

Level 2:

- **Assets:** trading derivatives £2.6m, Treasury derivatives £nil. (March 2019: Trading derivatives £2.5m, Treasury derivatives £nil).
- **Liabilities:** trading derivatives £0.1m, Treasury derivatives £344.1m (March 2019: Trading derivatives 0.2m, Treasury derivatives £287.9m).

Level 3:

- **Assets:** trading derivatives £5.6m, Treasury derivatives £nil. (March 2019: Trading derivatives £2.4m, Treasury derivatives £nil).
- **Liabilities:** trading derivatives £0.1m, Treasury derivatives £nil (March 2019: Trading derivatives £0.6m, Treasury derivatives £nil).

Trading derivatives relate to power hedges. Treasury derivatives relate to interest rate swap contracts. All derivatives are recorded on the balance sheet at fair value.

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

Level 3 debt instruments are valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties. Level 3 debt instruments are valued by comparing valuations from Level 2 trades for the same periods, with the valuations from observable trades being inflated or deflated to allow for any fixed price variations.