Dŵr Cymru Cyfyngedig

Interim report and accounts

for the six months ended 30 September 2021

Contents

Directors and advisers

Directors

Debra Bowen Rees (Non-Executive Director)
Tom Crick (Non-Executive Director)
Mike Davis (Chief Financial Officer)
Graham Edwards (Non-Executive Director)
Jane Hanson (Non-Executive Director)
Joanne Kenrick (Non-Executive Director)
Alastair Lyons (Chairman)
Pete Perry (Managing Director)
John Warren (Non-Executive Director) - resigned July 2021

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 2021 on pages 4 to 16.

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 2021 amounted to £57.4 million (September 2020: loss of £109.5 million). No dividend was declared or paid during the period (September 2020: £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 2021 was £60.6 million (September 2020: £68.9 million). Revenues were higher (by £15 million) principally reflecting the negative impact of COVID-19 on revenues last year, as well as price increases, growth and increased consumption in the last six months. Operating expenditure (excluding exceptional items, infrastructure renewals expenditure and depreciation) has increased by 7% to £164 million (September 2020: £153 million), reflecting the impact of hot weather and staycation holidays during the summer period on tankering, pumping and increased treatment costs. COVID-related costs have been reported as operating expenditure in the period as these are now considered to be ongoing costs – in this regard COVID related costs in the period were £2 million of bad debt charges and £1 million of operational costs. Operating profit has increased to £40 million (September 2020: £1 million), reflecting the revenue, operating expenditure and infrastructure renewal expenditure movements noted above as well as a £3 million decrease in the depreciation charge on our operational fixed assets (some have now been fully depreciated) and taking into account the exceptional costs of £17 million incurred last year.

"Customer reserves" (the company's regulatory capital value less net debt) now stand at over £2.5 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 £1.8 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

	Note	**Six months ended 30 September 2021 (unaudited) £m**	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Revenue	*2*	**399.6**	384.9	776.2
Operating costs				
- Operational expenditure		**(163.8)**	(152.8)	(327.6)
- Exceptional items	*3*	**-**	(16.8)	(33.5)
- Infrastructure renewals expenditure		**(31.8)**	(47.1)	(74.4)
- Depreciation and amortisation		**(164.3)**	(167.2)	(333.0)
Operating profit		**39.7**	1.0	7.7
Financial expenses				
- Financial income	*4*	**2.1**	2.7	4.8
- Financial expenses	*4*	**(102.4)**	(72.6)	(139.0)
- Fair value gains/(losses) on derivative financial instruments	*4*	**3.2**	(40.6)	39.4
		(97.1)	(110.5)	(94.8)
Loss before taxation		**(57.4)**	(109.5)	(87.1)
Taxation	*5*	**(52.6)**	19.5	13.8
Loss for the period		**(110.0)**	(90.0)	(73.3)

The notes on pages 9 to 16 form part of these condensed interim financial statements.

Interim statement of comprehensive income

	Note	**Six months ended 30 September 2021 (unaudited) £m**	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Loss for the period		**(110.0)**	(90.0)	(73.3)
Items that will not be reclassified to profit or loss:				
Actuarial loss recognised in the pension scheme		**(29.9)**	(56.6)	(1.3)
Related deferred tax	*5*	**12.7**	10.8	0.3
Revaluation of property, plant and equipment	*6*	**184.0**	40.6	28.6
Related deferred tax	*5*	**(129.0)**	(7.7)	(5.4)
Total items that will not be reclassified to profit or loss		**37.8**	(12.9)	22.2
Total comprehensive expense for the period		**(72.2)**	(102.9)	(51.1)

The notes on pages 9 to 16 form part of these condensed interim financial statements

Interim balance sheet

	Note	At 30 September 2021 (unaudited) £m	At 30 September 2020 (unaudited) £m	At 31 March 2021 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	*7*	**5,972.0**	5,778.3	5,808.8
Intangible assets		**206.9**	195.0	203.6
Other financial assets: derivative financial instruments		**14.8**	2.8	3.3
		6,193.7	5,976.1	6,015.7
Current assets				
Inventories		**4.3**	3.9	4.3
Trade and other receivables	*8*	**400.1**	392.6	569.0
Cash and cash equivalents		**511.0**	581.8	208.8
Other financial assets: derivative financial instruments		**11.6**	4.1	4.5
		927.0	982.4	786.6
Total assets		**7,120.7**	6,958.5	6,802.3
Liabilities				
Current liabilities				
Trade and other payables	*9*	**(370.3)**	(352.1)	(542.2)
Provisions		**(8.2)**	(6.4)	(8.5)
Other financial liabilities:				
- borrowings		**(103.8)**	(422.1)	(77.5)
- derivative financial instruments		**(43.3)**	(20.6)	(32.6)
		(525.6)	(801.2)	(660.8)
Net current assets		**401.4**	181.2	125.8
Non-current liabilities				
Trade and other payables	*9*	**(418.2)**	(326.8)	(401.9)
Employee benefits		**(121.0)**	(143.6)	(89.9)
Provisions		**(7.5)**	(6.5)	(7.8)
Other financial liabilities:				
- borrowings		**(4,049.3)**	(3,757.6)	(3,744.2)
- derivative financial instruments		**(242.4)**	(328.8)	(237.7)
Deferred tax (net)		**(641.9)**	(458.8)	(473.0)
		(5,480.3)	(5,022.1)	(4,954.5)
Total liabilities		**(6,005.9)**	(5,823.3)	(5,615.3)
Net assets		**1,114.8**	1,135.2	1,187.0
Reserves		**1,114.8**	1,135.2	1,187.0

The condensed interim financial statements on pages 4 to 16 were approved by the Board of Directors on 5 November 2021 and were signed on its behalf by:

DM Davis

Mike Davis
Chief Financial Officer

Interim statement of changes in reserves

	Note	Six months ended 30 September 2021 (unaudited) Share capital £m	Six months ended 30 September 2021 (unaudited) Capital redemption reserve £m	Six months ended 30 September 2021 (unaudited) Revaluation reserve £m	Six months ended 30 September 2021 (unaudited) Retained earnings £m	**Six months ended 30 September 2021 (unaudited) Total £m**	Six months ended 30 September 2020 (unaudited) Total £m	Year ended 31 March 2021 (audited) Total £m
Reserves at start of period		**309.9**	**166.2**	**732.1**	**(21.2)**	**1,187.0**	1,238.1	1,238.1
Loss for the period		-	-	-	**(110.0)**	**(110.0)**	(90.0)	(73.3)
Actuarial loss net of tax		-	-	-	**(17.2)**	**(17.2)**	(45.8)	(1.0)
Revaluation net of tax	*6*	-	-	**55.0**	-	**55.0**	32.9	23.2
Transfer to retained earnings		-	-	**(35.1)**	**35.1**	-	-	-
Reserves at end of period		**309.9**	**166.2**	**752.0**	**(113.3)**	**1,114.8**	1,135.2	1,187.0

The notes on pages 9 to 16 form part of these condensed consolidated interim financial statements.

Interim statement of cash flows

	Six months ended 30 September 2021 (unaudited) £m	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Cash flows from operating activities			
Loss for the period	**(110.0)**	(90.0)	(73.3)
Adjustments for			
- Depreciation and amortisation	**164.3**	167.2	333.0
- Net finance cost	**97.1**	110.5	94.8
- Net tax charge/(credit)	**52.6**	(19.5)	(13.8)
Changes in working capital			
- Decrease in Inventories	**-**	0.1	-
- Decrease in trade and other receivables	**167.6**	179.5	4.0
- (Decrease)/increase in trade and other payables	**(167.8)**	(202.0)	3.3
- Decrease in provisions	**(0.6)**	(3.9)	(0.5)
Cash generated from operating activities	**203.2**	141.9	347.5
Interest paid	**(33.5)**	(32.7)	(110.7)
Income tax received	**1.1**	2.5	2.5
Net cash flow from operating activities	**170.8**	111.7	239.3
Cash flows from investing activities			
Interest received	**2.1**	2.9	5.1
Purchases of property, plant and equipment	**(115.3)**	(138.4)	(277.8)
Purchase of intangible assets	**(20.8)**	(16.9)	(44.6)
Proceeds from sale of property, plant and equipment	**0.2**	0.1	18.2
Grants and contributions received	**11.3**	6.0	0.2
Net cash flow from investing activities	**(122.5)**	(146.3)	(298.9)
Net cash flow before financing activities	**48.3**	(34.6)	(59.6)
Cash flows from financing activities			
Repayment of borrowings	**(0.1)**	(2.5)	(2.6)
Intercompany loan received	**298.0**	-	-
Loan repaid to group undertaking	**(15.9)**	(17.0)	(20.7)
Payment of lease liabilities	**(14.8)**	(12.8)	(354.1)
Other loan repayments	**(13.3)**	(10.0)	(12.9)
Net cash flow from financing activities	**253.9**	(42.3)	(390.3)
Net increase/(decrease) in cash and cash equivalents	**302.2**	(76.9)	(449.9)
Cash and cash equivalents at start of period	**208.8**	658.7	658.7
Cash and cash equivalents at end of period	**511.0**	581.8	208.8

The notes on pages 9 to 16 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 2021. 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 2021. 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 2021 have been extracted from the Group's statutory accounts for that financial year but presented in a different format. 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.

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 2021. 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 has made additional provisions against trade debtors and the measured income accrual in expectation of COVID-19 related deteriorations in cash collection.

A further source of estimation uncertainty pertains to the inflation risk premium (IRP) used to determine pension scheme liabilities and which has been set at 0.4% for the interim reports, compared with 0.6% in our March 2021 financial statements. The impact of the change in the IRP applied represents a significant area of judgment, with the change expected to have an impact of increasing the obligation by circa £19m.

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Company, Group and parent company have adequate resources for a period of at least 12 months from the date of their approval and that there are no material uncertainties to disclose. In assessing the appropriateness of the going concern basis of accounting the Directors have reviewed the resources available to the Group in the form of cash and committed bank facilities as well as consideration of the Group's capital adequacy, along with a business plan which reflects a view of the estimated impact of the COVID-19 pandemic on the Group. The business plan reflects a gradual lifting of restrictions relating to the pandemic with unemployment peaking in the current year and recovering to pre-pandemic levels by 2025. CPIH fell to a low in late 2020, is expected to peak this year and is then assumed to gradually recover to the government's long-term target of 2% by 2024. This is considered to be a prudent assumption since higher inflation increases the value of the Company's regulatory capital value and lowers its level of regulatory gearing. Some pressure on the Company's bad debt charge is expected during the current year and next, as a consequence of rising unemployment.Our COVID-19 impact modelling is informed by external reports including those by the Office for Budget Responsibility (OBR) which has published a number of updated coronavirus analyses, the latest being the Economic and Fiscal Outlook released on 27 October 2021. Our performance to date is broadly in line with our business plan, and this latest update from the OBR does not materially impact those forecasts. The business plan has also been subject to an extreme downside stress scenario, which assumes an additional drop in CPIH of 4% (from 1% to -3%, recovering by March 2023), unemployment at around 12% as well as additional COVID-related revenue reductions and cost pressures.

Notes to the condensed interim financial statements

1. Basis of preparation (continued)

Going concern (continued)

Reduced cash flows would impact on key financial metrics, in particular interest cover ratios. In the extreme downside scenario, gearing and interest covers retain significant headroom within the trigger levels specified in borrowing covenants.Having considered these matters, the Directors do not believe there are any material uncertainties to disclose in relation to the Company's ability to continue as a going concern.

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 2021 (unaudited) £m	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Regulated revenue			
Water	**158.8**	161.6	323.1
Sewerage	**207.0**	201.6	399.8
Retail	**30.6**	19.7	49.1
Total regulated revenue	**396.4**	382.9	772.0
Other (non-regulated)	**3.2**	2.0	4.2
Total revenue	**399.6**	384.9	776.2

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 Water services Regulation Authority (Ofwat).Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control.

3. Exceptional items

During the period to September 2020 and for the year to 31 March 2021 the company incurred significant additional costs as a direct result of the COVID-19 pandemic; due to their size and nature these costs, amounting to £16.8m and £29.4m respectively were disclosed in aggregate as an exceptional item on the face of the income statement. In addition, a further £4.1m of restructuring costs in the year to 31 March 2021 were disclosed as exceptional following a reassessment of the level of restructuring provision, taking into account delays to the restructuring plans as a result of the COVID-19 pandemic.

During the period to September 2021, costs relating to the COVID-19 pandemic have been reported as operating expenditure in the period as these are now considered to be ongoing costs. As a result, £2 million of additional bad debt charges and £1 million of operational costs incurred in the period are reported within operating expenditure.

Notes to the condensed interim financial statements

4. Financial expenses

a) Financial expenses before fair value gains	**Six months ended 30 September 2021 (unaudited) £m**	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Financial income	**2.1**	2.7	4.8
Financial expenses			
Interest payable on bonds	**(98.3)**	(68.9)	(124.9)
Interest payable on finance leases	**(2.4)**	(4.7)	(11.6)
Other interest payable and financial costs	**(10.6)**	(5.5)	(11.8)
Net interest charge on pension scheme liabilities	**(0.9)**	(1.0)	(2.0)
Capitalisation of borrowing costs under IAS 23	**9.8**	7.5	11.3
	(102.4)	(72.6)	(139.0)
Net financial expenses before fair value adjustments	**(100.3)**	(69.9)	(134.2)

b) Fair value losses on derivative financial instruments	**Six months ended 30 September 2021 (unaudited) £m**	Six months ended 30 September 2020 (unaudited) £m	Year ended 31 March 2021 (audited) £m
Fair value losses on interest rate swaps	**(56.4)**	(11.4)	(18.8)
Fair value gains/(losses) on index-linked swaps	**40.9**	(37.8)	48.7
Fair value gain son trading derivatives	**18.7**	8.6	9.5
Total fair value gains/(losses) on derivative financial instruments	**3.2**	(40.6)	39.4

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.

5. Taxation

	30 September 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Current tax			
Current tax on research and development credit	**-**	-	(0.2)
Adjustment in respect of prior periods	**-**	-	0.5
	-	-	0.3
Deferred tax			
Current year movements	**10.6**	19.4	14.0
Adjustment in respect of prior periods	**-**	0.1	(0.5)
Effect of tax rate change	**(63.2)**	-	-
	(52.6)	19.5	13.5
Taxation	**(52.6)**	19.5	13.8

5. Taxation (continued)

Analysis of amounts charged to the Statement of Comprehensive Income and Revaluation Reserve	30 September 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Defined benefit pension schemes	**(5.7)**	(10.8)	-
Reallocation of tax from income statement - pension payments in excess of service charge	**-**	-	(0.3)
Increase in corporation tax rate - pension scheme	**(7.0)**	-	-
Credited to the statement of comprehensive income	**(12.7)**	(10.8)	(0.3)
Revaluation of fixed assets	**35.0**	7.7	5.4
Increase in corporation tax rate - revaluation of fixed assets	**94.0**	-	-
Charged to the revaluation reserve	**129.0**	7.7	5.4

Tax reconciliation	30 September 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Loss before taxation	**(57.4)**	(109.5)	(87.1)
Loss before taxation multiplied by the corporation tax in the UK of 19% (comparatives: 19%)	**10.9**	20.8	16.6
Effects of:			
- Adjustments in respect of prior years	**-**	0.1	(0.2)
- Other permanent differences	**(1.4)**	(1.4)	(2.6)
- Super deduction for plant and machinery	**1.1**	-	-
- Effect of closing rate for deferred taxes from 19% to 25%	**(63.2)**	-	-
	(52.6)	19.5	13.8

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.

In the March 2021 Budget, the Chancellor announced that a super deduction of 130% would apply to qualifying plant and machinery expenditure which is contracted for and incurred between 1 April 2021 and 31 March 2023. A tax credit of £1.1m has arisen in respect of qualifying expenditure incurred in the 6 months ended 30 September 2021.

Deferred tax has been calculated at 25% for the current period which is the rate that will apply from 1 April 2023, with the exception of temporary differences totalling £83m which are expected to reverse prior to April 2023. Deferred tax has been calculated at 19% for these differences and they comprise £15.8m (£83m x 19%) of the total deferred tax provision.

6. Revaluation reserve

	30 September 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (unaudited) £m
Revaluation reserve as start of period	**732.1**	778.7	778.7
Revaluation of assets	**184.0**	40.6	28.6
Depreciation charge on revalued assets	**(43.3)**	(42.6)	(86.2)
	140.7	(2.0)	(57.6)
Deferred tax on revaluation	**(129.0)**	(7.7)	(5.4)
Deferred tax on depreciation charge	**8.2**	8.1	16.4
	(120.8)	0.4	11.0
Revaluation reserve at end of period	**752.0**	777.1	732.1

7. Property, plant and equipment

	Freehold land and buildings £m	**Infrastructure assets £m**	**Operational structures £m**	**Plant, equipment, computer hardware £m**	**Total £m**
Cost or valuation					
At 1 April 2021	43.0	2,798.2	4,734.0	278.6	7,853.8
Additions net of grants and cash	-	60.3	69.8	0.9	131.0
Disposals	(0.4)	-	-	(0.9)	(1.3)
At 30 September 2021	**42.6**	**2,858.5**	**4,803.8**	**278.6**	**7,983.5**
Accumulated depreciation					
At 1 April 2021	24.1	57.4	1691.5	272.0	2,045.0
Revaluation	-	(85.6)	(98.4)	-	(184.0)
Charge for the period	0.4	32.8	117.0	1.3	151.5
Release on disposal	(0.2)		-	(0.8)	(1.0)
At 30 September 2021	**24.3**	**4.6**	**1,710.1**	**272.5**	**2,011.5**
Net book value					
At 30 September 2021 (unaudited)	**18.3**	**2,853.9**	**3,093.7**	**6.1**	**5,972.0**
At 31 March 2021 (audited)	18.9	2,740.8	3,042.5	6.6	5, 808.8
At 30 September 2021(unaudited) - historic cost basis	18.3	2,059.4	2,320.9	5.9	*4,404.5*

The net book value of fixed assets includes £92.0m (March 2021: £85.0m) of capitalised interest. The Board has approved capital expenditure for the year to 31 March 2022 of £287 million. While not all of this amount has been formally contracted for as at 30 September 2021, the Company is effectively committed to the total as part of its overall capital expenditure programme.

Notes to the condensed interim financial statements

8. Trade and other receivables

	30 September 2021 (unaudited)	30 September 2020 (unaudited)	31 March 2021 (audited)
Amounts falling due within one year	**£m**	£m	£m
Trade receivables	**366.8**	351.1	551.2
Less provision for impairment of receivables	**(78.2)**	(72.6)	(77.8)
Trade receivables - net	**288.6**	278.5	473.4
Prepayments and accrued income	**105.0**	98.9	86.8
Other receivables	**6.5**	15.2	8.8
	400.1	392.6	569.0

9. Trade and other payables

	30 September 2021 (unaudited)	30 September 2020 (unaudited)	31 March 2021 (audited)
Current	**£m**	£m	£m
Trade payables	**50.2**	40.2	46.0
Capital payables	**14.4**	36.8	18.0
Amounts due to group undertakings	**1.4**	2.5	2.1
Other taxation and social security	**3.4**	6.0	3.5
Accruals and deferred income	**300.9**	266.6	472.6
	370.3	352.1	542.2
Non-current			
Deferred income	**418.2**	326.8	401.9

10. 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 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Cash and cash equivalents	**511.0**	581.8	208.8
Debt due after one year	**(3,627.1)**	(3,319.4)	(3,309.3)
Debt due within one year	**(55.7)**	(362.7)	(52.7)
Lease liabilities	**(396.1)**	(411.4)	(411.2)
Accrued interest	**(74.3)**	(86.2)	(48.5)
	(4,153.2)	(4,179.7)	(3,821.7)
Net debt	**(3,642.2)**	(3,597.9)	(3,612.9)

10. Analysis and reconciliation of net debt (continued)

b) The movement in net debt during the period may be summarised as:	**30 September 2021 (unaudited) £m**	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Net debt at start of period	**(3,612.9)**	(3,516.7)	(3,516.7)
Movement in net cash	**302.2**	(76.9)	(449.9)
Movement in debt arising from cash flows	**(253.6)**	42.3	391.2
Movement in net debt arising from cash flows	**48.6**	(34.6)	(58.7)
Movement in accrued interest	**(25.8)**	(37.5)	0.2
Indexation of index-linked debt	**(51.7)**	(8.7)	(37.0)
Other non-cash movements	**(0.4)**	(0.4)	(0.7)
Movement in net debt during the period	**(29.3)**	(81.2)	(96.2)
Net debt at end of period	**(3,642.2)**	(3,597.9)	(3,612.9)

11. 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 2021. 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 (prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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 2021 the fair values of derivatives were as follows:

Level 2:

- **Assets**: trading derivatives £4.4m, Treasury derivatives £nil. (March 2021: Trading derivatives £3.8m).

- **Liabilities**: trading derivatives £nil, Treasury derivatives £285.7m (March 2021: Trading derivatives £nil, Treasury derivatives £270.2m).

Level 3:

- **Assets**: trading derivatives £22.0m. (March 2021: Trading derivatives £3.9m).

- **Liabilities**: trading derivatives £nil (March 2021: Trading derivatives £ £nil).

11. Financial risk management and financial instruments (continued)

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.