

Glas Cymru Anghyfyngedig

Interim report and accounts

for the six months ended 30 September 2018

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Directors and advisers

Directors

Chris Jones

Peter Bridgewater

Peter Perry

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 2018 on pages 4 to 16.

Principal activities

Glas Cymru Anghyfyngedig is the parent company of a group of companies forming a Whole Business Securitisation and governed by a Common Terms Agreement.

The company's immediate parent and holding company is Glas Cymru Holdings Cyfyngedig; a company limited by guarantee which was formed on 15 December 2015 and registered in England and Wales.

References to 'Glas Cymru' in these financial statements relate to the Glas Cymru Anghyfyngedig group and not the larger group headed by the ultimate parent company, Glas Cymru Holdings Cyfyngedig.

The Glas Cymru Anghyfyngedig group structure consists of:

- Glas Cymru (Securities) Cyfyngedig, the holding company of Dŵr Cymru (Holdings) Ltd and its subsidiaries.
- Dŵr Cymru Holdings Ltd, the intermediate holding company of Dŵr Cymru Cyfyngedig and Dŵr Cymru (Financing) Ltd.
- Dŵr Cymru Financing Ltd, the 'issuer' company for the group's bonds, which are listed on the Luxembourg Bourse. Dŵr Cymru (Financing) Ltd is incorporated in the Cayman Islands but is managed, controlled and resident in the UK for tax purposes. The company on-lends the proceeds of any bonds issued to Dŵr Cymru Cyfyngedig.
- Dŵr Cymru Cyfyngedig is a wholly-owned subsidiary of Glas Cymru Anghyfyngedig and is the group's principal operating company. Its principal activity is the supply of water and treatment and disposal of waste water under the Instrument or 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 2018 amounted to £34 million (September 2017: profit of £62 million). No dividend was declared or paid during the period (2017: £nil).

Business review

The underlying loss (loss before tax excluding fair value gains on derivative financial instruments) for the six month period to 30 September 2018 was £27.5 million (September 2017: loss of £14.9 million). The main reason for the increase was the additional cost associated with a prolonged period of warm, dry weather of £11 million and higher depreciation reflecting the revaluation of property, plant and equipment. Financing costs have increased by £2 million which relates mainly to £300m of bonds issued in January 2018. These costs are partially offset by increased revenues resulting from price increases and higher consumption. "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 £1.95 billion investment programme.

The performance reflects the efficient way the company is managing costs while continuing to improve services to customers.

The main significant event that occurred during the period was the dry weather experienced during June and July which presented a significant operational challenge to ensure continued availability of water supplies.

Principal risks and uncertainties

From the perspective of the group, the principal risks and uncertainties are integrated with the principal risks of the Glas Cymru Holdings Cyfyngedig group (see below) and are not managed separately. Accordingly, the principal risks and uncertainties of that group 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 Glas Cymru Anghyfyngedig group.

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).

Consolidated interim income statement

		Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Revenue		391.7	377.0	756.7
Operating costs				
- Operational expenditure		(164.6)	(152.6)	(317.9)
- Infrastructure renewals expenditure		(45.4)	(41.1)	(86.0)
- Depreciation and amortisation		(142.7)	(133.9)	(274.0)
Operating profit		<u>39.0</u>	<u>49.4</u>	<u>78.8</u>
Financing costs				
- Finance costs payable and similar charges	3	(68.9)	(66.4)	(175.9)
- Finance income receivable	3	2.4	2.1	3.9
- Fair value (losses)/gains on derivative financial instruments	3	(6.7)	77.1	80.0
		<u>(73.2)</u>	<u>12.8</u>	<u>(92.0)</u>
(Loss)/profit before taxation		<u>(34.2)</u>	<u>62.2</u>	<u>(13.2)</u>
Taxation credit/(charge)	4	5.8	(10.5)	2.2
(Loss)/profit for the period		<u><u>(28.4)</u></u>	<u><u>51.7</u></u>	<u><u>(11.0)</u></u>

Underlying loss				
(Loss)/profit before taxation per income statement		(34.2)	62.2	(13.2)
Adjustment for:				
- Fair value losses/(gains) on derivative financial instruments	3	6.7	(77.1)	(80.0)
Underlying loss for the period		<u><u>(27.5)</u></u>	<u><u>(14.9)</u></u>	<u><u>(93.2)</u></u>

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

Consolidated interim statement of comprehensive income

		Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
(Loss)/profit for the period		(28.4)	51.7	(11.0)
Items that will not be reclassified to profit or loss:				
Actuarial gain recognised in the pension scheme		14.6	13.4	12.2
Related deferred tax	4	(2.9)	(2.6)	(2.8)
Revaluation of property, plant and equipment	5	119.2	101.3	158.1
Related deferred tax	4	(20.2)	(17.2)	(26.9)
Total items that will not be reclassified to profit or loss		<u>110.7</u>	<u>94.9</u>	<u>140.6</u>
Total comprehensive income for the period		<u>82.3</u>	<u>146.6</u>	<u>129.6</u>

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

Consolidated interim statement of changes in reserves

		Six months ended 30 September 2018 (unaudited) Revaluation reserve £m	Six months ended 30 September 2018 (unaudited) Retained earnings £m	Six months ended 30 September 2018 (unaudited) Total £m	Six months ended 30 September 2017 (unaudited) Total £m	Year ended 31 March 2018 (audited) Total £m
	<i>Note</i>					
Reserves at start of period		1,142.8	72.5	1,215.3	1,085.7	1,085.7
Revaluation net of tax	5	99.0	-	99.0	84.1	131.2
(Loss)/profit for the period		-	(28.4)	(28.4)	51.7	(11.0)
Actuarial gain net of tax		-	11.7	11.7	10.8	9.4
Transfer to retained earnings		(30.3)	30.3	-	-	-
Reserves at end of period		<u>1,211.5</u>	<u>86.1</u>	<u>1,297.6</u>	<u>1,232.3</u>	<u>1,215.3</u>

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

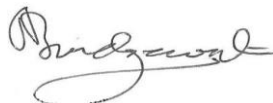
Consolidated interim balance sheet

		At 30 September 2018 (unaudited) £m	At 30 September 2017 (unaudited) £m	At 31 March 2018 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	6	5,463.3	5,190.6	5,296.1
Intangible assets		153.2	131.9	146.0
Financial assets: derivative financial instruments		5.9	2.5	1.9
		<u>5,622.4</u>	<u>5,325.0</u>	<u>5,444.0</u>
Current assets				
Trade and other receivables	7	404.4	380.6	577.3
Inventory		3.2	3.0	3.2
Financial assets: derivative financial instruments		9.0	5.1	6.4
Cash and cash equivalents		223.0	111.0	277.4
		<u>639.6</u>	<u>499.7</u>	<u>864.3</u>
Total assets		<u>6,262.0</u>	<u>5,824.7</u>	<u>6,308.3</u>
Liabilities				
Current liabilities				
Trade and other payables	8	(380.6)	(365.5)	(563.2)
Financial liabilities:				
- Borrowings		(70.1)	(67.3)	(42.1)
- Derivative financial instruments		(31.1)	(36.0)	(29.2)
Provisions for liabilities and charges		(2.4)	(1.1)	(2.4)
		<u>(484.2)</u>	<u>(469.9)</u>	<u>(636.9)</u>
Net current assets		155.4	29.8	227.4
Non-current liabilities				
Trade and other payables	8	(249.6)	(222.9)	(234.0)
Financial liabilities:				
- Borrowings		(3,316.0)	(2,996.8)	(3,317.3)
- Derivative financial instruments		(387.6)	(371.5)	(376.2)
Post employment benefits		(63.2)	(79.7)	(80.4)
Provisions for liabilities and charges		(5.8)	(8.0)	(6.5)
		<u>1,755.6</u>	<u>1,675.9</u>	<u>1,657.0</u>
Net assets before deferred tax		1,755.6	1,675.9	1,657.0
Deferred tax (net)		(458.0)	(443.6)	(441.7)
Net assets		<u>1,297.6</u>	<u>1,232.3</u>	<u>1,215.3</u>
Reserves		<u>1,297.6</u>	<u>1,232.3</u>	<u>1,215.3</u>

The condensed consolidated interim financial statements on pages 4 to 16 were approved by the Board of Directors on 13 November 2018 and were signed on its behalf by:



Chris Jones



Peter Bridgewater

The notes on pages 9 to 16 are an integral part of these condensed consolidated financial statements.

Consolidated interim statement of cash flows

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Cash flows from operating activities			
Operating profit for the period	(28.4)	51.7	(11.0)
Adjustments for			
- Depreciation and amortisation	143.5	134.9	276.5
- Net finance cost	73.2	(12.8)	92.0
- Net tax (credit)/charge	(5.8)	10.5	(2.2)
Changes in working capital			
- Decrease/(increase) in trade and other receivables	173.8	185.5	(14.0)
- Increase in inventories	-	(0.2)	(0.4)
- (Decrease)/increase in trade and other payables	(168.1)	(181.1)	16.7
- Pension contributions above service cost	(3.6)	(3.4)	(5.2)
- Decrease in provisions	(0.7)	(1.7)	(1.9)
Cash generated from operating activities	183.9	183.4	350.5
Interest paid	(31.2)	(30.4)	(132.9)
Income tax received	0.5	(0.4)	0.4
Net cash from operating activities	153.2	152.6	218.0
Cash flows from investing activities			
Interest received	2.4	2.1	3.9
Purchases of property, plant and equipment	(182.5)	(141.5)	(302.2)
Purchase of intangible assets	(17.2)	(25.6)	(48.2)
Grants and contributions received	8.8	8.4	11.4
Net cash out flows used in investing activities	(188.5)	(156.6)	(335.1)
Net cash flow before financing activities	(35.3)	(4.0)	(117.1)
Cash flows from financing activities			
Long term loans received	-	60.0	60.0
Bond issue costs	-	-	(3.5)
Bond issue	-	-	300.0
Repayment of borrowings	(5.7)	(2.1)	(0.2)
Term loan repayments	(13.3)	(13.3)	(21.6)
Finance lease principal payments	-	-	(9.8)
Other loan repayments	(0.1)	-	(0.8)
Net cash flows from financing activities	(19.1)	44.6	324.1
Net (decrease)/increase in cash and cash equivalents	(54.4)	40.6	207.0
Cash and cash equivalents at start of period	277.4	70.4	70.4
Cash and cash equivalents at end of period	223.0	111.0	277.4

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

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

Glas Cymru Anghyfyngedig (the Company) is a company domiciled in England and Wales. These condensed consolidated interim financial statements for the six months ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the Group). The Group'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 Group's last annual consolidated financial statements for the year ended 31 March 2018. 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 Group's financial position and performance since the last annual financial statements.

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those of the previous set of published Annual Report and Accounts for the year ended 31 March 2018, with the exception of the following standards which are effective for accounting periods beginning on or after 1 January 2018; these standards have been applied in the interim financial statements and will be reflected in the Group's annual consolidated financial statements for the year ending 31 March 2019:

IFRS 9 Financial Instruments

The standard introduces a revised model for the classification and measurement of financial instruments, a revised approach to hedge accounting and an "expected loss" impairment model. The Group has assessed the impact of adoption and recognises that additional disclosures will be required in the full year report and accounts to show historical experience and the extent of forward-looking factors. While an "expected loss" impairment model is in line with the approach historically taken by the Group towards its provisioning against trade receivables, losses in relation to the measured income accrual have only been recognised once billed.

The Group has used its existing provisioning methodology for measured debt in determining an appropriate level of losses against which to provide in the measured income accrual. The impact on the accrual as at 30 September 2018 is £3.9m, being a revenue provision of 5% against a gross balance of £78.3m. The provision will be reassessed for adequacy at each balance sheet date, but the Directors do not anticipate any material fluctuations. There is no requirement to restate comparative information for balances affected by the adoption of IFRS 9 in the period of transition, the impact of which would not in any case be material to the financial statements.

IFRS 15 Revenue from Contracts with Customers

The standard deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts, and related interpretations.

The Group has undertaken an assessment of the impact of IFRS 15 and recognises that contracts with customers are, in a majority of cases, governed by legislative requirements rather than discrete commercial arrangements. As a result the application of judgement is important in determining the most appropriate treatment of certain income streams. The key consideration in respect of the Group's activities is where revenues from bundled goods and services require separation, which may result in deferring or recognising revenue immediately. We do not anticipate any change to the manner in which we recognise revenues from our core water and sewerage supply services, which constitute more than 95% of total income, since there is a clear performance obligation satisfied over a measured period of time; however, there are some peripheral income streams which do require more in-depth consideration. All water companies have a legal obligation to allow third parties to establish an authorised connection to their networks and a number of activities may be necessary in order to achieve this, giving rise to the following transactions and accounting treatments under IFRS 15:

- *Connection charges:* these are amounts received from developers for connection to the network which we recognise as income on delivery of that performance obligation.
- *Infrastructure charges and requisitions:* third party contributions towards the Group's obligation to ensure future service provision to the connection or mains over its life; we estimate that an average connection lasts for 80 years and defer the release of charges over that period.
- *Asset adoptions:* usually sewers adopted at no cost, whereby the receipt of the asset is out of scope of IFRS 15 and should therefore be recognised at fair value (with deferred or related non-cash income).

Notes to the condensed consolidated interim financial statements

1. Basis of preparation (continued)

- *Diversions*: payment in return for moving a water or sewer main to accommodate other infrastructure changes. The performance obligation is to move the main, with no additional asset creation, therefore revenue is recognised immediately.

There has been no material change to our accounting treatment for any of these income streams following the adoption of IFRS 15.

IFRS 16 Leases, which is effective for accounting periods beginning on or after effective date 1 January 2019, will revise the treatment of leases in financial statements and largely eliminates the accounting distinction between operating and finance leases. Work to ensure the correct identification and classification of leases remains ongoing and will continue during the remainder of this financial year.

The Directors do not expect any other standards, interpretations and amendments, which are in issue but not yet effective, to have a material impact on the Group's financial statements.

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

These condensed consolidated interim financial statements are unaudited. The interim financial results do not comprise the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2018 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group'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 one's understanding of these financial statements.

Estimates and judgements

The preparation of condensed consolidated 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 consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018, 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 group has reviewed assets held for any indications of impairment and, none having been noted, has not performed a full impairment review.

Going concern

The Group meets its day-to-day working capital requirement through its bank facilities. The Group'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 group has adequate resources to continue operational existence for the foreseeable future. The Group 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 Group 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.

Notes to the condensed consolidated interim financial statements

3. Financing costs

	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
a) Financing cost before fair value gains/(losses)			
Interest payable on bonds	(47.7)	(43.3)	(86.7)
Indexation on index-linked bonds	(13.7)	(12.4)	(45.7)
Indexation on index-linked loan	(4.0)	(5.5)	(9.6)
Interest payable on finance leases	(2.0)	(1.1)	(20.8)
Other loan interest	(6.6)	(6.2)	(20.0)
Other interest payable and finance costs	(3.0)	(3.3)	(7.0)
Net interest charge on pension scheme liabilities	(1.0)	(1.2)	(2.5)
Capitalisation of borrowing costs under IAS 23	9.1	6.6	16.4
	<u>(68.9)</u>	<u>(66.4)</u>	<u>(175.9)</u>
Interest receivable	2.4	2.1	3.9
Net financing costs before fair value adjustments	<u>(66.5)</u>	<u>(64.3)</u>	<u>(172.0)</u>
b) Fair value (losses)/gains on derivative financial instruments			
	Six months ended 30 September 2018 (unaudited) £m	Six months ended 30 September 2017 (unaudited) £m	Year ended 31 March 2018 (audited) £m
Fair value gains on interest rate swaps	5.3	18.2	3.6
Fair value (losses)/gains on index-linked swaps	(18.8)	57.8	71.2
Fair value gains on trading derivatives	6.8	1.1	5.2
Total fair value (losses)/gains on derivative financial instruments	<u>(6.7)</u>	<u>77.1</u>	<u>80.0</u>

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 gain or loss) 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 swap is £192m (March 2018: £192m) and the notional value of the index-linked swaps is £618m (March 2018: £631m).

Notes to the condensed consolidated interim financial statements

4. Taxation

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Current tax			
Current tax on loss for the year	-	-	(0.4)
Current tax on research and development credit	-	-	0.3
Adjustment in respect of prior periods	0.9	-	(0.9)
	-	-	(1.0)
Deferred tax			
Current year movements	(5.8)	10.5	(2.2)
Adjustment in respect of prior periods	(0.9)	-	1.0
	(6.7)	10.5	(1.2)
Taxation (credit)/charge	(5.8)	10.5	(2.2)
Analysis of amounts charged to the statement of Comprehensive Income and Revaluation Reserve	£m	£m	£m
Defined benefit pension schemes	2.5	2.3	2.1
Reallocation of tax from income statement - pension payments in excess of service charge	0.4	0.3	0.7
	2.9	2.6	2.8
Revaluation of fixed assets	20.2	17.2	26.9
	20.2	17.2	26.9
(Loss)/profit before tax	(34.2)	62.2	(13.2)
(Loss)/profit before tax multiplied by the corporation tax rate in the UK of 19% (six months to 30 September 2017 and year ended 31 March 2018: 19%)	(6.5)	11.8	(2.5)
Effects of:			
Other permanent differences	0.5	0.4	0.9
Effect of pension payment in excess of service charge	(0.4)	(0.3)	(0.7)
- Difference in standard rate of corporation tax (19%) and rate used for deferred tax (17%)	0.6	(1.4)	-
Adjustments in respect of prior years	-	-	0.1
	(5.8)	10.5	(2.2)

The group 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.

Notes to the condensed consolidated interim financial statements

5. Revaluation reserve

	30 September 2018 (unaudited) £m
Revaluation reserve as at 1 April 2018	1,142.8
Revaluation of assets	119.2
Depreciation charge on revalued assets	(36.6)
	82.6
Deferred tax on revaluation	(20.2)
Deferred tax on depreciation charge	6.3
	(13.9)
Revaluation reserve as at 30 September 2018	1,211.5

6. Property, plant and equipment

	Freehold land & buildings £m	Infrastructure assets £m	Operational structures £m	Plant, equipment, computer hardware £m	Total £m
Valuation					
At 1 April 2018	41.7	2,362.3	4,089.0	263.2	6,756.2
Revaluation	-	26.8	-	-	26.8
Additions	-	54.2	125.3	4.9	184.4
Disposal	-	-	-	(2.0)	(2.0)
At 30 September 2018	41.7	2443.3	4214.3	266.1	6965.4
Accumulated depreciation					
At 1 April 2018	21.3	-	1,177.0	261.8	1,460.1
Revaluation	-	(26.1)	(66.3)	-	(92.4)
Charge for the period	0.4	26.1	103.9	5.9	136.3
Released on disposal	-	-	-	(1.9)	(1.9)
At 30 September 2018	21.7	-	1,214.6	265.8	1,502.1
Net book value					
At 30 September 2018 (unaudited)	20.0	2,443.3	2,999.7	0.3	5,463.3
At 31 March 2018 (audited)	20.4	2,362.3	2,912.0	1.4	5,296.1
At 30 September 2018 (unaudited) - historic cost basis	20.0	1,765.6	2,217.8	0.3	4,003.7

The net book value of fixed assets includes £62.8 million (March 2018: £55.4 million) of capitalised interest. The board has approved capital expenditure for the year of £473 million. While only a portion of this amount has been formally contracted for as at 30 September 2018, the Group is effectively committed to the total as part of its overall capital expenditure programme.

Notes to the condensed consolidated interim financial statements

7. Trade and other receivables

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Amounts falling due within one year			
Trade receivables	378.3	362.5	556.7
Less provision for impairment of receivables	(91.8)	(81.9)	(83.8)
Trade receivables - net	286.5	280.6	472.9
Prepayments and accrued income	94.5	93.3	87.3
Amounts owed by group undertakings	0.6	0.1	0.7
Other receivables	22.8	6.6	16.4
	404.4	380.6	577.3

8. Trade and other payables

	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Current			
Trade payables	46.1	41.8	44.9
Capital payables	42.9	53.2	60.2
Other taxation and social security	10.4	7.2	3.4
Accruals and deferred income	281.2	263.3	454.7
	380.6	365.5	563.2
Non-current			
Deferred income	249.6	222.9	234.0

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 date may be analysed as:	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Cash and cash equivalents	223.0	111.0	277.4
Debt due after one year	(2,845.3)	(2,519.2)	(2,844.6)
Debt due within one year	(25.5)	(25.7)	(27.4)
Finance lease obligations	(435.9)	(446.5)	(435.9)
Accrued interest	(79.4)	(72.7)	(51.2)
	(3,386.1)	(3,064.1)	(3,359.1)
Net debt	(3,163.1)	(2,953.1)	(3,081.7)

Notes to the condensed consolidated interim financial statements

b) The movement in net debt during the period may be summarised as:	30 September 2018 (unaudited) £m	30 September 2017 (unaudited) £m	31 March 2018 (audited) £m
Net debt at start of period	(3,081.7)	(2,907.7)	(2,907.7)
Movement in net cash	(54.4)	40.6	207.0
Movement in debt arising from cash flows	19.1	(44.6)	(327.2)
Movement in net debt arising from cash flows	(35.3)	(4.0)	(120.2)
Movement in accrued interest	(28.2)	(23.6)	1.6
Indexation of index-linked debt	(17.7)	(18.0)	(55.3)
Other non-cash movements	(0.2)	0.2	(0.1)
Movement in net debt during the period	(81.4)	(45.4)	(174.0)
Net debt at end of period	(3,163.1)	(2,953.1)	(3,081.7)

10. Financial risk management and financial instruments

The group'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 consolidated 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 group's annual financial statements for the year ended 31 March 2018. 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 group 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 group's trading and treasury derivatives are categorised at Level 2 and as at 30 September 2018 were valued as follows:

- assets: trading derivatives £11.3m, treasury derivatives £3.6m. (March 2018: trading derivatives £4.8m, treasury derivatives £3.5m).
- liabilities: trading derivatives £nil, treasury derivatives £418.7m. (March 2018: trading derivatives £0.3m, treasury derivatives £405.1m).

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

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

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11. Subsequent event

A high court judgement announced on 27 October 2018 ruled that pension schemes must ensure that they adjust for any inequality between males and females in the Guaranteed Minimum Pension (GMP), relevant to employees who were contracted out of the State Earnings Related Pension Scheme up to 5 April 1997. While previous legislation has required equalisation up to 17 May 1990, schemes are now required to take into account the effect of unequal GMP accrual between 1990 and 1997.

As at the date of signing these interim financial statements it is difficult to assess the impact on the Group's pension scheme (the Scheme); the Department of Work and Pensions has indicated that it is likely to issue guidance in late December 2018 which is expected to include the method(s) of calculation, timing and the extent of the backdating.

Estimates of the potential level of inequality in UK pension schemes currently range from around 1% to 4% of total scheme liabilities. Having taken advice from the Scheme actuary, the Directors estimate the Group's exposure to be at the lower end of this range, owing to the design and history of the Scheme; at this level (1%, or £4m). An adjustment will be made for an appropriate amount in the second half of this financial year.