Glas Cymru Anghyfyngedig

Interim report and accounts

for the six months ended 30 September 2021

Contents

Directors and advisers

Directors

Peter Perry

Mike Davis

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
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) UK plc.
- Dŵr Cymru (Financing) UK plc is a public limited company incorporated in the UK and is the 'issuer' company for the group's bonds, which are listed on the Luxembourg Bourse. 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 2021 amounted to £124 million (September 2020: loss of £134 million). No dividend was declared or paid during the period (2020: £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 2021 was £26.9 million (September 2020: loss of £65.9 million). Revenues were higher (by £14 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 (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 Group'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 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

	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*	**(68.7)**	(69.6)	(126.1)
- Fair value losses on derivative financial instruments	*4*	**(97.0)**	(68.4)	(6.8)
		(163.6)	(135.3)	(128.1)
Loss before taxation		**(123.9)**	(134.3)	(120.4)
Taxation	*5*	**(34.3)**	25.1	21.9
Loss for the period		**(158.2)**	(109.2)	(98.5)

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

Consolidated 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		**(158.2)**	(109.2)	(98.5)
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		**(120.4)**	(122.1)	(76.3)

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

Consolidated interim balance sheet

		At 30 September 2021 (unaudited)	At 30 September 2020 (unaudited)	At 31 March 2021 (audited)
Assets	*Note*	**£m**	£m	£m
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*	**401.5**	392.9	569.7
Cash and cash equivalents		**511.6**	582.1	209.1
Other financial assets: derivative financial instruments		**58.7**	40.3	32.6
		976.1	1,019.2	815.7
Total assets		**7,169.8**	6,995.3	6,831.4
Liabilities				
Current liabilities				
Trade and other payables	*9*	**(369.0)**	(349.6)	(540.0)
Provisions		**(8.2)**	(6.4)	(8.5)
Other financial liabilities:				
- borrowings		**(155.4)**	(421.8)	(78.3)
- derivative financial instruments		**(48.6)**	(25.5)	(39.2)
		(581.2)	(803.3)	(666.0)
Net current assets		**394.9**	215.9	149.7
Non-current liabilities				
Trade and other payables	*9*	**(418.1)**	(326.8)	(401.9)
Employee benefits		**(121.0)**	(143.6)	(89.9)
Provisions for liabilities and charges		**(6.8)**	(5.7)	(7.1)
Other financial liabilities:				
- borrowings		**(3,897.4)**	(3,700.9)	(3,676.6)
- derivative financial instruments		**(603.2)**	(560.5)	(478.0)
Deferred tax (net)		**(621.9)**	(459.7)	(471.3)
		(5,668.4)	(5,197.2)	(5,124.8)
Total liabilities		**(6,249.6)**	(6,000.5)	(5,790.8)
Net assets		**920.2**	994.8	1,040.6
Reserves		**920.2**	994.8	1,040.6

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

Mike Davis
Director

Consolidated interim statement of changes in reserves

	Note	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		1,157.1	(116.5)	**1,040.6**	1,116.9	1,116.9
Loss for the period		-	(158.2)	**(158.2)**	(109.2)	(98.5)
Actuarial (loss)/gain 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		1,177.0	(256.8)	**920.2**	994.8	1,040.6

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

Consolidated 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	**(158.2)**	(109.2)	(98.5)
Adjustments for			
- Depreciation and amortisation	**164.3**	167.2	333.0
- Net finance cost	**163.6**	135.3	128.1
- Net tax credit	**34.3**	(25.1)	(21.9)
Changes in working capital			
- Decrease in inventories		0.1	4.3
- Decrease/(increase) in trade and other receivables	**167.1**	179.8	(0.3)
- (Decrease)/increase in trade and other payables	**(167.2)**	(202.5)	3.3
- Decrease in provisions	**(0.6)**	(3.9)	(0.5)
Cash generated from operating activities	**203.3**	141.7	347.5
Interest paid	**(33.5)**	(32.5)	(110.7)
Income tax received	**1.1**	2.5	2.5
Net cash flow from operating activities	**170.9**	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)**	(138.3)	(277.8)
Purchase of intangible assets	**(20.8)**	(16.9)	(44.6)
Proceeds from sale, plant and equipment	**0.2**	0.1	0.2
Grants and contributions received	**11.3**	6.0	18.2
Net cash out flows used in investing activities	**(122.5)**	(146.2)	(298.9)
Net cash flow before financing activities	**48.4**	(34.5)	(59.6)
Cash flows from financing activities			
Repayment of borrowings	**-**	(2.2)	(2.2)
Bond issue	**300.0**	-	-
Bond issue costs	**(2.0)**	-	-
Bond repayments	**-**		(325.0)
Term loan repayments	**(29.1)**	(27.1)	(49.9)
Payment of lease liabilities	**(14.9)**	(12.8)	(12.9)
Net cash flows from financing activities	**254.0**	(42.1)	(390.0)
Net increase/(decrease) in cash and cash equivalents	**302.4**	(76.6)	(449.6)
Cash and cash equivalents at start of period	**209.1**	658.7	658.7
Cash and cash equivalents at end of period	**511.5**	582.1	209.1

The notes on pages 9 to 16 form 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 2021 comprise the Company and its subsidiaries (together referred to hereafter 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 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 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 the published Annual Report and Accounts for the year ended 31 March 2021. 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 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 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 an 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 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 consolidated 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 Group 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 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.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation (continued)

Going concern (continued)

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. 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 Group'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 (and peripheral commercial activities) 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. Whilst the Group 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; these principally comprise organic energy generation and certain other activities which are peripheral and/or complementary to the Group's core water and sewerage business.

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, an additional £2 million of bad debt charges and £1 million of operational costs incurred in the period are reported within operating expenditure.

Notes to the condensed consolidated interim financial statements

4. Financial expenses

a) Financial expenses before fair value losses	**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	**(47.0)**	(54.2)	(75.6)
Indexation on index-linked bonds	**(10.2)**	(4.0)	(21.2)
Indexation on index-linked loan	**(7.8)**	(1.8)	(3.2)
Interest payable on finance leases	**(2.4)**	(4.7)	(11.6)
Other loan interest	**(6.9)**	(8.0)	(16.8)
Other interest payable and finance costs	**(3.3)**	(3.4)	(7.0)
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
	(68.7)	(69.6)	(126.1)
Net financial expenses before fair value adjustments	**(66.6)**	(66.9)	(121.3)

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 (losses)/gains on index-linked swaps	**(59.3)**	(65.7)	2.5
Fair value gains on trading derivatives	**18.7**	8.7	9.5
Total fair value losses on derivative financial instruments	**(97.0)**	(68.4)	(6.8)

Whilst the Group employs an economically effective policy using interest rate and index-linked swaps, the hedge accounting criteria of IFRS 9 are not satisfied. Consequently, the Group's interest rate and index-linked swaps are fair valued at each balance sheet date with the net loss or gain disclosed in the income statement. Over the life of these swaps, if held to maturity, these fair value adjustments will reverse and reduce to zero. As at 30 September 2021 the notional value of the interest rate swap was £192m (March 2021: £192m) and the notional value of the index-linked swaps was £1,718m (March 2021: £1,435m).

Notes to the condensed consolidated interim financial statements

5. Taxation

	30 September 2021 (unaudited)	30 September 2020 (unaudited)	31 March 2021 (audited)
Current tax	**£m**	£m	£m
Current tax on research and development credit	-	-	(0.2)
Adjustment in respect of prior periods	-	-	0.4
	-	-	0.2
Deferred tax			
Current year movements	**24.1**	25.0	22.2
Adjustment in respect of prior periods	-	0.1	(0.5)
Effect of tax rate change	**(58.4)**	-	-
	(34.3)	25.1	21.7
Taxation	**(34.3)**	25.1	21.9

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

Tax reconciliation	**30 September 2021 (unaudited)**	30 September 2020 (unaudited)	31 March 2021 (audited)
	£m	£m	£m
Loss before taxation	**(123.9)**	(134.3)	(120.4)
Loss before taxation multiplied by the corporation tax in the UK of 19% (comparatives: 19%)	**23.5**	25.5	23.0
Effects of:			
Adjustments in respect of prior years	-	0.1	(0.2)
Other permanent differences	**(0.5)**	(0.5)	(0.9)
Super deduction for plant and machinery	**1.1**	-	-
Effect of tax rate change on closing deferred tax (from 19% to 25%)	**(58.4)**	-	-
	(34.3)	25.1	21.9

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.

Notes to the condensed consolidated interim financial statements

5. Taxation (continued)

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 at start of the period	**1,157.1**	1,203.7	1,203.7
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 the period	**1,177.0**	1,202.1	1,157.1

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	-	60.3	69.8	0.9	131.0
Disposal	(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	1,691.5	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
Released 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 £287m. While not all of this amount has been formally contracted for as at 30 September 2021, the Group is effectively committed to the total as part of its overall capital investment programme.

8. Trade and other receivables

Amounts falling due within one year	**30 September 2021 (unaudited) £m**	30 September 2020 (unaudited) £m	31 March 2021 (audited) £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	**105.2**	98.9	86.9
Other receivables	**7.7**	15.5	9.4
	401.5	392.9	569.7

9. Trade and other payables

	30 September 2021 (unaudited) £m	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Current			
Trade payables	**50.2**	40.1	46.0
Capital payables	**14.4**	36.8	18.0
Other taxation and social security	**3.4**	6.0	3.5
Accruals and deferred income	**301.0**	266.7	472.5
	369.0	349.6	540.0
Non-current			
Deferred income	**418.1**	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 date may be analysed as:	**30 September 2021 (unaudited) £m**	30 September 2020 (unaudited) £m	31 March 2021 (audited) £m
Cash and cash equivalents	**511.6**	582.1	209.1
Debt due after one year	**(3,525.5)**	(3,262.5)	(3,242.7)
Debt due within one year	**(57.0)**	(362.7)	(52.8)
Lease liabilities	**(396.1)**	(411.4)	(411.2)
Accrued interest	**(74.2)**	(86.1)	(48.2)
	(4,052.8)	(4,122.7)	(3,754.9)
Net debt	**(3,541.2)**	(3,540.6)	(3,545.8)

10. Analysis and reconciliation of net debt

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	**(3,545.8)**	(3,462.4)	(3,462.4)
Movement in net cash	**302.5**	(76.6)	(449.6)
Movement in debt arising from cash flows	**(253.9)**	41.8	390.3
Movement in net debt arising from cash flows	**48.6**	(34.8)	(59.3)
Movement in accrued interest	**(26.0)**	(37.6)	0.3
Indexation of index-linked debt	**(18.0)**	(5.8)	(24.4)
Movement in net debt during the period	**4.6**	(78.2)	(83.4)
Net debt at end of period	**(3,541.2)**	(3,540.6)	(3,545.8)

11. 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 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 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 (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 Group's treasury derivatives are categorised at Level 2. Trading derivatives relating to power price hedges are categorised as Level 2 where market to market valuation are received for these trades. Where market to market valuations are not received, the fair values are estimated rather than observable and are therefore categorised as Level 3. As at 30 September 2021, the fair values of derivatives were as follows:

Level 2:

- **Assets**: trading derivatives £4.4m, treasury derivatives £47.1m (March 2021: trading derivatives £3.9m, treasury derivatives £28.1m)

- **Liabilities**: trading derivatives £nil, treasury derivatives £651.8m (March 2021: trading derivatives £nil, treasury derivatives £517.2m).

11. Financial risk management and financial instruments (continued)

Level 3:

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

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

Trading derivatives relate to power hedges and treasury derivatives relate to interest rate swap contracts; all 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 of the counterparties.

Level 3 debt instrument 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.