Dŵr Cymru Cyfyngedig

Interim report and accounts

for the six months ended 30 September 2022

Contents

Directors and advisers

Directors

Alastair Lyons (Non-Executive Chair of the Board)
Pete Perry (Chief Executive Officer)
Mike Davis (Chief Financial Officer)
Graham Edwards (Senior Independent Director)
Debra Bowen Rees (Non-Executive Director)
Jane Hanson (Non-Executive Director)
Joanne Kenrick (Non-Executive Director)
Lila Thompson (Non-Executive Director) (appointed 6 September 2022)
Tom Crick (Non-Executive Director)

Company Secretary

Nicola Williams

Independent auditor

KPMG LLP
Cardiff

Solicitor

Linklaters LLP
London

Principal banker

National Westminster Bank Plc
Brecon

Interim management report

The directors have pleasure in presenting their management report, together with the financial statements for the six months to 30 September 2022 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 2022 amounted to £39.6 million (September 2021: loss of £57.4 million). No dividend was declared or paid during the period (September 2021: £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 2022 was £187.3 million (September 2021: £60.6 million). Revenues were higher (by £27 million) principally reflecting growth in customer numbers, consumption and price increases in the last six months. Operating expenditure (excluding infrastructure renewals expenditure and depreciation) has increased by 14% to £187 million (September 2021: £164 million), reflecting the impact of price rises in energy and chemicals and additional operational costs incurred due to the hot dry weather experienced during the summer period. Operating profit has decreased to £33 million (September 2021: £40 million); the net increase of £4m which reflects the revenue and operating expenditure movements noted above is offset by a £6m increase in our infrastructure renewal costs as a result of increased leakage activity and £4m increase in the depreciation charge due to depreciation on our revalued assets.

"Customer reserves" (the company's regulatory capital value less net debt) now stand at over £2.8 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 £1.9 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 2022 (unaudited) £m**	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Revenue	*2*	**426.7**	399.6	807.0
Operating costs				
- Operational expenditure		**(186.9)**	(163.8)	(346.7)
- Other operating income		**-**		6.0
- Exceptional items	*3*	**-**	-	3.8
- Infrastructure renewals expenditure		**(37.8)**	(31.8)	(61.8)
- Depreciation and amortisation		**(168.6)**	(164.3)	(327.2)
Operating profit		**33.4**	39.7	81.1
Financial expenses				
- Financial income	*4*	**5.1**	2.1	4.1
- Financial expenses	*4*	**(225.8)**	(102.4)	(281.0)
- Fair value gains on derivative financial instruments	*4*	**147.7**	3.2	80.4
		(73.0)	(97.1)	(196.5)
Loss before taxation		**(39.6)**	(57.4)	(115.4)
Taxation	*5*	**2.2**	(52.6)	(34.3)
Loss for the period		**(37.4)**	(110.0)	(149.7)

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 2022 (unaudited) £m**	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Loss for the period		**(37.4)**	(110.0)	(149.7)
Items that will not be reclassified to profit or loss:				
Actuarial gain/(loss) recognised in the pension scheme		**130.6**	(29.9)	10.5
Related deferred tax	*5*	**(32.6)**	12.7	2.7
Revaluation of property, plant and equipment	*6*	**349.7**	184.0	448.4
Related deferred tax	*5*	**(87.4)**	(129.0)	(192.3)
Total items that will not be reclassified to profit or loss		**360.3**	37.8	269.3
Total comprehensive income/(expense) for the period		**322.9**	(72.2)	119.6

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

Interim balance sheet

	Note	At 30 September 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	*7*	**6,623.4**	5,972.0	6,264.1
Intangible assets		**188.7**	206.9	203.2
Employee benefits		**52.3**		-
Other financial assets: derivative financial instruments		**32.6**	14.8	10.4
		6,897.0	6,193.7	6,477.7
Current assets				
Inventories		**4.8**	4.3	4.3
Trade and other receivables	*8*	**423.3**	400.1	590.9
Cash and cash equivalents		**484.5**	511.0	503.7
Other financial assets: derivative financial instruments		**47.1**	11.6	31.4
		959.7	927.0	1,130.3
Total assets		**7,856.7**	7,120.7	7,608.0
Liabilities				
Current liabilities				
Trade and other payables	*9*	**(435.6)**	(370.3)	(614.5)
Provisions		**(2.9)**	(8.2)	(2.8)
Other financial liabilities:				
- borrowings		**(93.8)**	(103.8)	(83.3)
- derivative financial instruments		**(48.9)**	(43.3)	(46.9)
		(581.2)	(525.6)	(747.5)
Net current assets		**378.5**	401.4	382.8
Non-current liabilities				
Trade and other payables	*9*	**(470.9)**	(418.2)	(447.1)
Employee benefits		**(2.3)**	(121.0)	(80.7)
Provisions		**(5.7)**	(7.5)	(6.3)
Other financial liabilities:		-		-
- borrowings		**(4,287.1)**	(4,049.3)	(4,145.8)
- derivative financial instruments		**(65.2)**	(242.4)	(177.0)
Deferred tax (net)		**(814.8)**	(641.9)	(697.0)
		(5,646.0)	(5,480.3)	(5,553.9)
Total liabilities		**(6,227.2)**	(6,005.9)	(6,301.4)
Net assets		**1,629.5**	1,114.8	1,306.6
Reserves		**1,629.5**	1,114.8	1,306.6

The condensed interim financial statements on pages 4 to 16 were approved by the Board of Directors on 11 November 2022 and were signed on its behalf by:

Mike Davis
Chief Financial Officer

Interim statement of changes in reserves

	Note	Six months ended 30 September 2022 (unaudited) Share capital £m	Six months ended 30 September 2022 (unaudited) Capital redemption reserve £m	Six months ended 30 September 2022 (unaudited) Revaluation reserve £m	Six months ended 30 September 2022 (unaudited) Retained earnings £m	**Six months ended 30 September 2022 (unaudited) Total £m**	Six months ended 30 September 2021 (unaudited) Total £m	Year ended 31 March 2022 (audited) Total £m
Reserves at start of period		309.9	166.2	914.7	(84.2)	**1,306.6**	1,187.0	1,187.0
Loss for the period		-	-	-	(37.4)	**(37.4)**	(110.0)	(149.7)
Actuarial loss net of tax		-	-	-	98.0	**98.0**	(17.2)	13.2
Revaluation net of tax	*6*	-	-	262.3	-	**262.3**	55.0	256.1
Transfer to retained earnings		-	-	(40.0)	40.0	**-**	-	-
Reserves at end of period		309.9	166.2	1,137.0	16.4	**1,629.5**	1,114.8	1,306.6

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 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Cash flows from operating activities			
Loss for the period	**(37.4)**	(110.0)	(149.7)
Adjustments for			
- Depreciation and amortisation	**168.6**	164.3	327.2
- Net finance cost	**73.0**	97.1	196.5
- Net tax (credit)/charge	**(2.2)**	52.6	34.3
Changes in working capital			
- Increase in Inventories	**(0.5)**	-	-
- Decrease/(increase) in trade and other receivables	**165.4**	167.6	(23.5)
- (Decrease)/increase in trade and other payables	**(170.5)**	(167.8)	50.6
- Decrease in provisions	**(0.5)**	(0.6)	(7.2)
Cash generated from operating activities	**195.9**	203.2	428.2
Interest paid	**(37.1)**	(33.5)	(117.5)
Income tax received	**0.5**	1.1	2.3
Net cash flow from operating activities	**159.3**	170.8	313.0
Cash flows from investing activities			
Interest received	**5.1**	2.1	4.1
Purchases of property, plant and equipment	**(152.2)**	(115.3)	(237.1)
Purchase of intangible assets	**(4.6)**	(20.8)	(37.3)
Proceeds from sale of property, plant and equipment	**0.3**	0.2	23.1
Grants and contributions received	**23.3**	11.3	0.8
Net cash flow from investing activities	**(128.1)**	(122.5)	(246.4)
Net cash flow before financing activities	**31.2**	48.3	66.6
Cash flows from financing activities			
Repayment of borrowings	**(2.6)**	(0.1)	2.5
Intercompany loan received	**-**	298.0	300.0
Bond issue costs		-	(2.9)
Long term loans repaid	**(18.6)**	(13.3)	(31.2)
Loan repaid to group undertaking	**(12.5)**	(15.9)	(24.5)
Payment of lease liabilities	**(16.7)**	(14.8)	(15.6)
Net cash flow from financing activities	**(50.4)**	253.9	228.3
Net increase/(decrease) in cash and cash equivalents	**(19.2)**	302.2	294.9
Cash and cash equivalents at start of period	**503.7**	208.8	208.8
Cash and cash equivalents at end of period	**484.5**	511.0	503.7

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 2022. 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 2022. 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 2022 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 2022. 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 deteriorations in cash collection.

A further source of estimation uncertainty pertains to the inflation risk premium (IRP) which has been set at 0.4% for the interim reports (March 22: 0.4%). This a significant area of judgment, with a 0.1% change expected to have an impact of increasing the obligation by circa £5m.

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.

We are the custodian of a long-term business and long-term viability is built into every aspect of our risk management and business planning processes. We ensure the continued robustness of our risk management controls and financial forecasting through regular Board challenge of our risk identification and assessment and our forecasting assumptions. These processes are ongoing and have been designed to monitor inherent and existing risks and to capture emerging risks at the earliest level.

The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The financial plan has been subjected to a number of severe but plausible downside scenarios in order to assess the group's ability to operate within existing covenants and facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact arising in the assessment period; low and high inflation environments; elevated levels of bad debt; outcome delivery incentive penalties; interest rate fluctuations affecting our financial

Notes to the condensed interim financial statements

1. Basis of preparation (continued)

Going concern (continued)

derivatives and pension scheme; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include: deferral of capital expenditure; a reduction in other discretionary totex spend; early termination of expensive debt; and an extension of revolving credit facilities. The directors have also assessed the potential impacts resulting from the conflict in Ukraine with primary impacts linked to cost volatility associated with energy prices and high inflation, and secondary supply chain and chemical price impacts, none of which pose a significant concern to disclose in relation to the Group's ability to continue as a going concern.

Reduced cash flows would impact on key financial metrics, in particular interest cover ratios. In the extreme downside scenario, gearing and interest covers retain headroom within the trigger levels specified in borrowing covenants; and whilst the reduced cash flows weaken our financial metrics, they remain within rating agencies' guidance for our current ratings.

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 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Regulated revenue			
Water	**172.5**	158.8	321.6
Sewerage	**225.1**	207	424.2
Retail	**25.3**	30.6	55.0
Total regulated revenue	**422.9**	396.4	800.8
Other (non-regulated)	**3.8**	3.2	6.2
Total revenue	**426.7**	399.6	807.0

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

In the year to 31 March 2022 we recognised an exceptional item totalling £(3.8) million. This item represents a release of the bad debt provision as a result of anticipated bad debt charges associated with the Covid-19 pandemic not materialising during the year; this is disclosed as exceptional due to its nature and with the corresponding Covid-19 charge having, in the previous year, been shown as exceptional.

Notes to the condensed interim financial statements

4. Financial expenses

a) **Financial expenses before fair value gains**	**Six months ended 30 September 2022 (unaudited) £m**	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Financial income	**5.1**	2.1	4.1
Financial expenses			
Interest payable on bonds	**(210.4)**	(98.3)	(226.6)
Interest payable on finance leases	**(4.4)**	(2.4)	(37.9)
Other interest payable and financial costs	**(22.4)**	(10.6)	(32.0)
Net interest charge on pension scheme liabilities	**(0.9)**	(0.9)	(0.9)
Capitalisation of borrowing costs under IAS 23	**12.3**	9.8	16.4
	(225.8)	(102.4)	(281.0)
Net financial expenses before fair value adjustments	**(220.7)**	(100.3)	(276.9)

b) **Fair value gains/(losses) on derivative financial instruments**	**Six months ended 30 September 2022 (unaudited) £m**	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Fair value gains/(losses) on interest rate swaps	**88.8**	(56.4)	(158.4)
Fair value gains on index-linked swaps	**47.7**	40.9	207.4
Fair value gains on trading derivatives	**11.2**	18.7	31.4
Total fair value gains on derivative financial instruments	**147.7**	3.2	80.4

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 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Current tax			
Current tax on research and development credit	**-**	-	(0.1)
Adjustment in respect of prior periods	**-**	-	0.2
	-	-	0.1
Deferred tax			
Current year movements	**11.1**	10.6	20.5
Adjustment in respect of prior periods	**(8.9)**	-	(0.2)
Effect of tax rate change	**-**	(63.2)	(54.7)
	2.2	(52.6)	(34.4)
Taxation	**2.2**	(52.6)	(34.3)

Notes to the condensed interim financial statements

5. Taxation (continued)

Analysis of amounts charged to the Statement of Comprehensive Income and Revaluation Reserve	**30 September 2022 (unaudited) £m**	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Defined benefit pension schemes	**32.6**	(5.7)	2.0
Increase in corporation tax rate - pension scheme	**-**	(7.0)	(4.7)
Credited to the statement of comprehensive income	**32.6**	(12.7)	(2.7)
Revaluation of fixed assets	**87.4**	35.0	85.2
Increase in corporation tax rate - revaluation of fixed assets	**-**	94.0	107.1
Charged to the revaluation reserve	**87.4**	129.0	192.3

Tax reconciliation	**30 September 2022 (unaudited) £m**	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Loss before taxation	**(39.6)**	(57.4)	(115.4)
Loss before taxation multiplied by the corporation tax in the UK of 19% (comparatives: 19%)	**7.5**	10.9	21.9
Effects of:			
- Adjustments in respect of prior years	**(8.9)**	-	-
- Other permanent differences	**(1.8)**	(1.4)	(3.0)
- Super deduction for plant and machinery	**1.0**	1.1	1.5
- Effect of closing rate for deferred taxes from 19% to 25%	**-**	(63.2)	(54.7)
- Difference in standard rate of corporation tax (19%) and rate used for deferred tax (17%)	**4.3**	-	-
	2.2	(52.6)	(34.3)

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 deferred taxes for interest rate swaps which were expected to reverse after March 2023 when the corporation tax rate would be 25%, and therefore deferred taxes were calculated at 31 March 2022 using this rate. As the temporary difference has reversed in the current period in which the corporation tax rate is 19%, the additional tax charge of £8.9m has been shown as a prior year item as it relates to a judgement made in a previous period.

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 £1.0m has arisen in respect of qualifying expenditure incurred in the 6 months ended 30 September 2022.

Deferred taxes have been calculated at 25% (2021: 25%) with the exception of temporary differences with a tax value of £21m which are expected to reverse prior to 31 March 2023. These have been calculated using a corporation tax rate of 19% which will apply for the year ending 31 March 2023; after which the 25% rate will apply.

A deferred tax credit of £4.3m has arisen from deferred tax movements relating to the current period which have been recognised at 25% (the tax rate for the period in which they are expected to reverse) whereas the standard rate of corporation tax for the period is 19%.

6. Revaluation reserve

	30 September 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Revaluation reserve as start of period	**914.7**	732.1	732.1
Revaluation of assets	**349.7**	184.0	448.4
Depreciation charge on revalued assets	**(53.4)**	(43.3)	(90.7)
	296.3	140.7	357.7
Deferred tax on revaluation	**(87.4)**	(129.0)	(192.3)
Deferred tax on depreciation charge	**13.4**	8.2	17.2
	(74.0)	(120.8)	(175.1)
Revaluation reserve at end of period	**1,137.0**	752.0	914.7

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 2022	42.6	3,029.5	4,891.6	281.4	8,245.1
Revaluation	-	132.3	-	-	132.3
Additions net of grants and cash	-	71.6	90.3	2.9	164.8
Disposals	-	-	-	(1.4)	(1.4)
At 30 September 2022	**42.6**	**3,233.4**	**4,981.9**	**282.9**	**8,540.8**
Accumulated depreciation					
At 1 April 2022	25.0	-	1,682.7	273.3	1,981.0
Revaluation	-	(34.2)	(183.2)	-	(217.4)
Charge for the period	0.4	34.2	119.2	1.4	155.2
Release on disposal	-	-	-	(1.4)	(1.4)
At 30 September 2022	25.4	-	**1,618.7**	**273.3**	**1,917.4**
Net book value					
At 30 September 2022 (unaudited)	**17.2**	**3,233.4**	**3,363.2**	**9.6**	**6,623.4**
At 31 March 2022 (audited)	17.6	3,029.5	3,208.9	8.1	6,264.1
At 30 September 2022 (unaudited) - historic cost basis	17.2	2,168.2	2,347.79	9.6	*4,542.7*

The net book value of fixed assets includes £106.9m (March 2022: £96.5m) of capitalised interest. The Board has approved capital expenditure for the year to 31 March 2023 of £457m. While not all of this amount has been formally contracted for as at 30 September 2022, 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 2022 (unaudited)	30 September 2021 (unaudited)	31 March 2022 (audited)
Amounts falling due within one year	**£m**	£m	£m
Trade receivables	**371.9**	366.8	558.0
Less provision for impairment of receivables	**(71.2)**	(78.2)	(69.5)
Trade receivables - net	**300.7**	288.6	488.5
Prepayments and accrued income	**113.9**	105.0	92.3
Other receivables	**8.7**	6.5	10.1
	423.3	400.1	590.9

9. Trade and other payables

	30 September 2022 (unaudited)	30 September 2021 (unaudited)	31 March 2022 (audited)
Current	**£m**	£m	£m
Trade payables	**46.6**	50.2	49.5
Capital payables	**34.0**	14.4	38.4
Amounts due to group undertakings	**0.9**	1.4	1.3
Other taxation and social security	**3.8**	3.4	3.8
Accruals and deferred income	**350.3**	300.9	521.5
	435.6	370.3	614.5
Non-current			
Deferred income	**470.9**	418.2	447.1

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 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Cash and cash equivalents	**484.5**	511.0	503.7
Debt due after one year	**(3,864.7)**	(3,627.1)	(3,727.7)
Debt due within one year	**(59.9)**	(55.7)	(58.2)
Lease liabilities	**(378.9)**	(396.1)	(395.6)
Accrued interest	**(77.5)**	(74.3)	(47.6)
	(4,381.0)	(4,153.2)	(4,229.1)
Net debt	**(3,896.5)**	(3,642.2)	(3,725.4)

10. Analysis and reconciliation of net debt (continued)

b) The movement in net debt during the period may be summarised as:	**30 September 2022 (unaudited) £m**	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Net debt at start of period	**(3,725.4)**	(3,612.9)	(3,612.9)
Movement in net cash	**(19.2)**	302.2	294.9
Movement in debt arising from cash flows	**50.4**	(253.6)	(229.1)
Movement in net debt arising from cash flows	**31.2**	48.6	65.8
Movement in accrued interest	**(29.9)**	(25.8)	0.9
Indexation of index-linked debt	**(172.1)**	(51.7)	(178.5)
Other non-cash movements	**(0.3)**	(0.4)	(0.7)
Movement in net debt during the period	**(171.1)**	(29.3)	(112.5)
Net debt at end of period	**(3,896.5)**	(3,642.2)	(3,725.4)

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 £38.8m, Treasury derivatives £29.4m. (March 2022: Trading derivatives 17.1m; Treasury derivatives £2.7m)).

- **Liabilities**: trading derivatives £nil, Treasury derivatives £114.1m (March 2022: Trading derivatives £nil, Treasury derivatives £223.9m).

Level 3:

- **Assets**: trading derivatives £11.5m. (March 2022: Trading derivatives £22.0m).

- **Liabilities**: trading derivatives £nil (March 2022: 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.