

Glas Cymru Anghyfyngedig

Interim report and accounts

for the six months ended 30 September 2022

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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 2022 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 profit before taxation for the six month period to 30 September 2022 amounted to £193 million (September 2021: loss of £124 million). No dividend was declared or paid during the period (2021: £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 2022 was £93.2 million (September 2021: loss of £26.9 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 £186 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 Group'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 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 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
	Note			
Revenue	2	426.2	399.6	807.0
Operating costs				
- Operational expenditure		(186.3)	(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		(168.7)	(164.3)	(327.2)
Operating profit		33.4	39.7	81.1
Financial expenses				
- Financial income	4	5.0	2.1	4.1
- Financial expenses	4	(131.6)	(68.7)	(187.1)
- Fair value profit/(losses) on derivative financial instruments	4	286.2	(97.0)	(113.5)
		159.6	(163.6)	(296.5)
Profit/(loss) before taxation		193.0	(123.9)	(215.4)
Taxation	5	(55.5)	(34.3)	(8.6)
Profit/(loss) for the period		137.5	(158.2)	(224.0)

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

Consolidated interim statement of comprehensive income

		Six months ended 30 September 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
	Note			
Profit/(loss) for the period		137.5	(158.2)	(224.0)
Items that will not be reclassified to profit or loss:				
Actuarial 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		497.8	(120.4)	45.3

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

Consolidated interim balance sheet

		At 30 September 2022 (unaudited) £m	At 30 September 2021 (unaudited) £m	At 31 March 2022 (audited) £m
Assets	<i>Note</i>			
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		313.8	14.8	344.0
		<u>7,178.2</u>	<u>6,193.7</u>	<u>6,811.3</u>
Current assets				
Inventories		4.8	4.3	4.3
Trade and other receivables	8	425.4	401.5	592.6
Cash and cash equivalents		485.3	511.6	502.0
Other financial assets: derivative financial instruments		98.6	58.7	84.1
		<u>1,014.1</u>	<u>976.1</u>	<u>1,183.0</u>
Total assets		<u>8,192.3</u>	<u>7,169.8</u>	<u>7,994.3</u>
Liabilities				
Current liabilities				
Trade and other payables	9	(434.7)	(369.0)	(613.0)
Provisions		(2.9)	(8.2)	(2.8)
Other financial liabilities:				
- borrowings		(97.7)	(155.4)	(85.3)
- derivative financial instruments		(59.1)	(48.6)	(56.7)
		<u>(594.4)</u>	<u>(581.2)</u>	<u>(757.8)</u>
Net current assets		419.7	394.9	425.2
Non-current liabilities				
Trade and other payables	9	(470.9)	(418.1)	(447.2)
Employee benefits		(2.2)	(121.0)	(80.7)
Provisions for liabilities and charges		(5.2)	(6.8)	(5.7)
Other financial liabilities:				
- borrowings		(4,029.0)	(3,897.4)	(3,981.2)
- derivative financial instruments		(661.9)	(603.2)	(966.2)
Deferred tax (net)		(845.0)	(621.9)	(669.6)
		<u>(6,014.2)</u>	<u>(5,668.4)</u>	<u>(6,150.6)</u>
Total liabilities		(6,608.6)	(6,249.6)	(6,908.4)
Net assets		<u>1,583.7</u>	<u>920.2</u>	<u>1,085.9</u>
Reserves		<u>1,583.7</u>	<u>920.2</u>	<u>1,085.9</u>

The condensed consolidated 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
Director

Consolidated interim statement of changes in reserves

		Six months ended 30 September 2022 (unaudited)	Six months ended 30 September 2022 (unaudited)	Six months ended 30 September 2022 (unaudited)	Six months ended 30 September 2021 (unaudited)	Year ended 31 March 2022 (restated)
	<i>Note</i>	Revaluation reserve £m	Retained earnings £m	Total £m	Total £m	Total £m
Reserves at start of period		1,339.7	(253.8)	1,085.9	1,040.6	1,040.6
Profit/(loss) for the period		-	137.5	137.5	(158.2)	(224.0)
Actuarial gain/(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		1,562.0	21.7	1,583.7	920.2	1,085.9

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 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
Cash flows from operating activities			
Profit/(loss) for the period	137.5	(158.2)	(224.0)
Adjustments for			
- Depreciation and amortisation	168.7	164.3	327.2
- Net finance income/(charge)	(159.6)	163.6	296.5
- Net tax charge	55.5	34.3	8.6
Changes in working capital			
- Decrease/(increase) in trade and other receivables	166.7	167.1	(24.5)
- (Decrease)/increase in trade and other payables	(171.5)	(167.2)	51.3
- Decrease in provisions	(0.4)	(0.6)	(7.1)
Cash generated from operating activities	196.9	203.3	428.0
Interest paid	(37.2)	(33.5)	(116.6)
Income tax received	0.5	1.1	2.3
Net cash flow from operating activities	160.2	170.9	313.7
Cash flows from investing activities			
Interest received	4.2	2.1	4.0
Purchases of property, plant and equipment	(152.3)	(115.3)	(237.1)
Purchase of intangible assets	(4.6)	(20.8)	(37.3)
Proceeds from sale, plant and equipment	0.2	0.2	0.8
Grants and contributions received	23.3	11.3	23.1
Net cash out flows used in investing activities	(129.2)	(122.5)	(246.5)
Net cash flow before financing activities	31.0	48.4	67.2
Cash flows from financing activities			
Bond issue	-	300.0	300.0
Bond issue costs	-	(2.0)	(2.9)
Term loan repayments	(31.0)	(29.0)	(55.8)
Payment of lease liabilities	(16.7)	(14.9)	(15.6)
Net cash flows from financing activities	(47.7)	254.1	225.7
Net (decrease)/increase in cash and cash equivalents	(16.7)	302.5	292.9
Cash and cash equivalents at start of period	502.0	209.1	209.1
Cash and cash equivalents at end of period	485.3	511.6	502.0

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 2022 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 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 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 2022. 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 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 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 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 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 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 is 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 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.

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 derivatives and pension scheme; and the impact of these factors materialising on a combined basis. Mitigating actions

Notes to the condensed consolidated interim financial statements

1. Basis of preparation (continued)

Going concern (continued)

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 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 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	207.0	424.2
Retail	25.3	30.6	55.0
Total regulated revenue	422.9	396.4	800.8
Other (non-regulated)	3.3	3.2	6.2
Total revenue	426.2	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; 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

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 consolidated interim financial statements

4. Financial expenses

	Six months ended 30 September 2022 (unaudited) £m	Six months ended 30 September 2021 (unaudited) £m	Year ended 31 March 2022 (audited) £m
a) Financial expenses before fair value losses			
Financial income	5.0	2.1	4.1
Financial expenses			
Interest payable on bonds	(48.8)	(47.0)	(51.1)
Indexation on index-linked bonds	(60.7)	(10.2)	(67.0)
Indexation on index-linked loan	(17.3)	(7.8)	(17.9)
Interest payable on finance leases	(4.4)	(2.4)	(37.9)
Other loan interest	(8.1)	(6.9)	(22.2)
Other interest payable and finance costs	(3.5)	(3.3)	(5.8)
Net interest charge on pension scheme liabilities	(1.1)	(0.9)	(1.6)
Capitalisation of borrowing costs under IAS 23	12.3	9.8	16.4
	(131.6)	(68.7)	(187.1)
Net financial expenses before fair value adjustments	(126.6)	(66.6)	(183.0)
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/(losses) on index-linked swaps	186.2	(59.3)	13.5
Fair value gains on trading derivatives	11.2	18.7	31.4
Total fair value gains/(losses) on derivative financial instruments	286.2	(97.0)	(113.5)

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 2022 the notional value of the interest rate swap was £192m (March 2022: £192m) and the notional value of the index-linked swaps was £1,769m (March 2022: £1,799m).

Notes to the condensed consolidated interim financial statements

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	(32.6)	24.1	39.6
Adjustment in respect of prior periods	(22.9)	-	(0.2)
Effect of tax rate change	-	(58.4)	(48.1)
	(55.5)	(34.3)	(8.7)
Taxation	(55.5)	(34.3)	(8.6)
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)
Charged/(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 reserve	-	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	193.0	(123.9)	(215.4)
Loss before taxation multiplied by the corporation tax in the UK of 19% (comparatives: 19%)	(36.7)	23.5	40.9
Effects of:			
Adjustments in respect of prior years	(22.9)	-	-
Other permanent differences	(1.4)	(0.5)	(2.9)
Super deduction for plant and machinery	1.0	1.1	1.5
Effect of tax rate change on closing deferred tax (from 19% to 25%)	4.5	(58.4)	(48.1)
	(55.5)	(34.3)	(8.6)

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

Notes to the condensed consolidated interim financial statements

5. Taxation (continued)

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 £22.9m has been shown as a prior year item as it relates to a judgement made in a prior period.

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 £4.5m 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 at start of the period	1,339.7	1,157.1	1,157.1
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 the period	1,562.0	1,177.0	1,339.7

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	-	71.6	90.3	2.9	164.8
Disposal	-	-	-	(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
Released 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

Notes to the condensed consolidated interim financial statements

7. Property, plant and equipment (continued)

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.

8. Trade and other receivables

	30 September 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Amounts falling due within one year			
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	114.1	105.2	92.4
Other receivables	10.6	7.7	11.7
	425.4	401.5	592.6

9. Trade and other payables

	30 September 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Current			
Trade payables	46.6	50.2	49.3
Capital payables	34.0	14.4	38.4
Other taxation and social security	3.8	3.4	3.8
Accruals and deferred income	350.3	301.0	521.5
	434.7	369.0	613.0
Non-current			
Deferred income	470.9	418.1	447.2

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 2022 (unaudited) £m	30 September 2021 (unaudited) £m	31 March 2022 (audited) £m
Cash and cash equivalents	485.3	511.6	502.0
Debt due after one year	(3,610.7)	(3,525.5)	(3,567.5)
Debt due within one year	(59.8)	(57.0)	(55.6)
Lease liabilities	(379.0)	(396.1)	(395.6)
Accrued interest	(77.4)	(74.2)	(47.8)
	(4,126.9)	(4,052.8)	(4,066.5)
Net debt	(3,641.6)	(3,541.2)	(3,564.5)

Notes to the condensed consolidated interim financial statements

10. Analysis and reconciliation of net debt

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	(3,564.5)	(3,545.8)	(3,545.8)
Movement in net cash	(16.7)	302.5	292.9
Movement in debt arising from cash flows	47.2	(253.9)	(227.1)
Movement in net debt arising from cash flows	30.5	48.6	65.8
Movement in accrued interest	(29.6)	(26.0)	0.4
Indexation of index-linked debt	(78.0)	(18.0)	(84.9)
Movement in net debt during the period	(77.1)	4.6	(18.7)
Net debt at end of period	(3,641.6)	(3,541.2)	(3,564.5)

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 £38.8m, treasury derivatives £362.1m (March 2022: trading derivatives £17.1m, treasury derivatives £389.0m).
- **Liabilities:** trading derivatives £nil, treasury derivatives £721.0 (March 2022: trading derivatives £nil, treasury derivatives £1,022.9m).

Notes to the condensed consolidated interim financial statements

11. Financial risk management and financial instruments (continued)

Level 3:

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