

Dŵr Cymru (Holdings) Limited

Annual report and financial statements
for the year ended 31 March 2017

Registered office

Pentwyn Road
Nelson
Treharris
Mid Glamorgan
CF46 6LY

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Strategic report for the year ended 31 March 2017

The directors present the strategic report of Dŵr Cymru (Holdings) Limited for the year ended 31 March 2017.

Principal activity

The principal activity of the company is to act as an intermediate holding company within the Glas Cymru Holdings Cyfyngedig group.

Financial results and future prospects

Profit for the financial year was £30,226,000 (2016: £320,521,000) and relates to dividend income received from Dŵr Cymru Cyfyngedig. The balance sheet on page 6 shows that the company held net assets of £427,953,000 at the year-end (2016: £427,953,000).

The company has not conducted any business in the current or prior year and no change is anticipated to the activity of the company in the coming year.

During the year dividends of £30,226,000 were received from Dŵr Cymru Cyfyngedig and dividends amounting to £30,226,000 were paid to the immediate parent company, Glas Cymru (Securities) Cyfyngedig. Although the company has not traded in the year it's principal activity is to act as of a holding company and is therefore deemed to be a going concern.

Principal risks and uncertainties

The direct risk to the company is any impairment of its investment in subsidiaries. The directors have considered the carrying value of the company's investments as at the balance sheet date and are satisfied that there is no impairment.

All other principal risks and uncertainties are indirect and integrated with the principal risks of the Glas Cymru Holdings Cyfyngedig group; they are therefore not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the company, are disclosed within the group's annual report which does not form part of this report.

Key performance indicators ('KPIs')

The directors of the Glas Cymru Group manage the group's operations on an overall basis. For this reason, the company's directors believe that analysis using KPIs is neither necessary nor appropriate for an understanding of the development, performance or position of the business of Dŵr Cymru (Holdings) Limited. The development, performance and position of the group, which includes the company, are discussed within the group's annual report which does not form part of this report.

By order of the Board



N Williams
Company Secretary

8 June 2017

Directors' report

The directors have pleasure in presenting their Directors' report to the shareholder, together with the audited financial statements for the year ended 31 March 2017 on pages 5 to 12.

Directors

The directors, who served throughout the year and up to the date of signing the financial statements, were C A Jones, P D Perry and P J Bridgewater.

Dividends

Dividends paid during the year to the immediate parent company, Glas Cymru (Securities) Limited, totalled £30,226,000 (2016: £nil); this followed the receipt of dividends of the same value (2016: £320,521,000) from a subsidiary company, Dŵr Cymru Cyfyngedig.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2016: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

KPMG LLP will be proposed as the company's auditor for the financial year ending 31 March 2018 and a resolution relating to this appointment will be put to the company's members.

By order of the Board



N Williams
Company Secretary

Registered office:
Pentwyn Road
Nelson
Treharris
Mid Glamorgan
CF46 6LY

8 June 2017

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Dŵr Cymru (Holdings) Limited

We have audited the financial statements of Dŵr Cymru (Holdings) Limited for the period ended 31 March 2017 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

8 June 2017

Income statement for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Operating profit	2	-	-
Income from shares in group undertakings	10	30,226	320,521
Profit before taxation		<u>30,226</u>	<u>320,521</u>
Taxation	4	-	-
Profit for the year		<u>30,226</u>	<u>320,521</u>

All profits of the company are from continuing operations.

The company has no recognised gains or losses other than the results above, therefore no separate statement of comprehensive income has been presented.

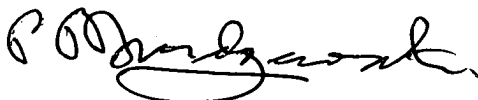
The notes on pages 9 to 12 form part of the financial statements.

Balance sheet as at 31 March 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Investments	5	424,530	424,530
Current assets			
Trade and other receivables	6	3,502	3,502
Liabilities			
Other current liabilities	7	(79)	(79)
		<u>427,953</u>	<u>427,953</u>
Equity			
Share capital	8	30	30
Retained earnings		<u>427,923</u>	<u>427,923</u>
Total equity		<u>427,953</u>	<u>427,953</u>

The notes on pages 9 to 12 form part of the financial statements.

The financial statements on pages 5 to 12 were approved by the Board of directors on 8 June 2017 and were signed on its behalf by:



P J Bridgewater
Director

Registered N^o 03954867

Statement of changes in reserves for the year ended 31 March 2017

	Retained earnings £000	Share capital £000	2017 Total £000	2016 Total £000
Balance at 1 April	427,923	30	427,953	107,432
Profit for the year	30,226	-	30,226	320,521
Dividends paid	(30,226)	-	(30,226)	-
Balance at 31 March	427,923	30	427,953	427,953

Cash flow statement for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Cash flow from investing activities			
Dividend received	10	30,226	-
Net cash flow from investing activity		30,226	-
Net cash flow before financing activity		30,226	
Cash flow from financing activities			
Dividends paid to immediate parent company	10	(30,226)	-
Net cash flow from financing activity		(30,226)	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 April		-	-
Cash and cash equivalents at 31 March		-	-

Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

Dŵr Cymru (Holdings) Limited (the "company") is a private company incorporated, domiciled and registered in Wales in the UK. The registered number is 03954867 and the registered address is Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Going concern

Dŵr Cymru (Holdings) Limited is a holding company and does not trade; the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Long-term investments held as non-current assets are stated at cost less amounts written off or provided to reflect impairment in value.

Trade and other payables

Trade payables are obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year, or in the normal operating cycle of the business.

Taxation

Current taxation is corporation tax in the United Kingdom based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations.

Financial risk management

The company's financial risk management is performed at group level; more information can be found in Glas Cymru's annual report and financial statements.

Notes to the financial statements

1 Segmental information

The company's business is solely to act as a holding company and therefore it operates in a single segment.

2 Operating profit

The auditor's remuneration of £2,000 (2016: £2,000) has been borne by a fellow group company.

3 Directors and employees

(a) Directors' emoluments

No remuneration was paid or is payable by the company (2016: £nil). The directors are employed by other companies in the group and consider their duties to this company incidental to their other activities within the group. As a result, no qualifying services have been performed.

(b) Staff costs

The company had no employees during the year other than the directors (2016: nil).

4 Taxation

	2017 £000	2016 £000
Current tax		
Current tax on profit for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

The effective rate of tax for the year is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017 £000	2016 £000
Profit before tax	<u>30,226</u>	<u>320,521</u>
Profit before tax multiplied by the corporation tax rate in the UK of 20% (2016: 20%)	6,045	64,104
Effect of:		
Non-taxable income	(6,045)	(64,104)
	<u>-</u>	<u>-</u>

The non-taxable income relates to dividends received from Dŵr Cymru Cyfyngedig.

Notes to the financial statements (continued)

5 Investments

Shares in subsidiary undertakings £000

Cost and net book value

At 1 April 2016 and 31 March 2017

424,530

The company owns 100% of the following entities:

	Principal activities	Country of incorporation	Holding
Dŵr Cymru Cyfyngedig	Provider of regulated water and sewerage services	England and Wales	£1 ordinary shares
Dŵr Cymru (Financing) Limited	Investment company	Cayman Islands	£1 ordinary shares

The dormant entities Dŵr Cymru Customer Services Limited, Welsh Water Utilities Finance plc and Hydro 1 Limited were all put into liquidation during the year.

The registered address for all subsidiary companies is Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY.

6 Trade and other receivables

	2017 £000	2016 £000
Amounts falling due within one year		
Amounts owed by group undertakings	<u>3,502</u>	<u>3,502</u>

7 Other current liabilities

	2017 £000	2016 £000
Amounts owed to group undertakings	<u>79</u>	<u>79</u>

Notes to the financial statements (continued)

8 Share capital

	2017 £000	2016 £000
Authorised		
1,000 (2016: 1,000) ordinary shares of £1 each	1	1
30,000 (2016: 30,000) redeemable preferred ordinary (non-voting) shares of £1 each	30	30
	<u>31</u>	<u>31</u>
Allotted, called-up and fully paid		
1 (2016: 1) ordinary share of £1	-	-
30,000 (2016: 30,000) redeemable preferred ordinary (non-voting) shares of £1 each	30	30
	<u>30</u>	<u>30</u>

The relative rights and restrictions attaching to the redeemable preferred ordinary shares and the ordinary shares are as follow:

- (a) of the profit which the company may from time to time decide to distribute:
 - (i) the first £50 million of such profits shall be distributed to the holder of ordinary shares;
 - (ii) the first 5% of the balance of any profits shall be distributed to the holder of the redeemable preferred ordinary shares;
 - (iii) the remainder of any profits shall be distributed pari passu to the holder of the redeemable preferred ordinary shares and the holder of ordinary shares;
- (b) the company may redeem at par some or all of the redeemable preferred ordinary shares for the time being in issue on 31 March and/or 30 September in any year;
- (c) on any return of capital (whether on a winding up or otherwise) the amount in question shall be applied:
 - (i) first in paying to the holder of each redeemable preferred ordinary share a sum equal to the amount paid up on each redeemable preferred ordinary share;
 - (ii) secondly as to any remaining amount, in repaying the capital paid up on each ordinary shares;
 - (iii) thirdly, as to any remaining balance after the payments under sub-paragraphs (i) and (ii) above, in paying 99% of such balance to the holder of the ordinary shares and the remaining 1% to the holder of the redeemable preferred ordinary shares; and
- (d) each redeemable preferred ordinary share entitles the holder to receive notice of, but does not entitle the holder to attend and vote, at general meetings of the company unless the business of the meeting includes the consideration of a resolution directly or indirectly modifying or varying any of the special rights, privileges or restrictions attached to the redeemable preferred ordinary shares.

9 Immediate and ultimate holding company

The immediate parent company is Glas Cymru (Securities) Cyfyngedig and the ultimate holding company and controlling party is Glas Cymru Holdings Cyfyngedig, both of which are registered in England and Wales. Registered Office: Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY. The largest and smallest group within which the results of the company are consolidated is that headed by Glas Cymru Holdings Cyfyngedig whose consolidated financial statements can be obtained from the Company Secretary at the registered address of Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY.

10 Related party transactions

Dividends of £226,000 and £30,000,000 were received from Dŵr Cymru Cyfyngedig in July 2016 and March 2017 respectively (2016: £320,521,000). Dividend received in 2016 was a non cash transaction, as a result no activity took place in the cash flow statement.

Dividends of £226,000 and £30,000,000 were paid to the immediate parent company Glas Cymru (Securities) Cyfyngedig in July 2016 and March 2017 respectively (2016: £nil).

Notes to the financial statements (continued)

11 Parent company guarantee

As part of the group's bond programme a security package was granted by Dŵr Cymru Cyfyngedig ('DCC') for the benefit of holders of senior bonds, finance lessors and other senior financial creditors. The obligations of DCC are guaranteed by the company, Glas Cymru (Securities) Cyfyngedig and Glas Cymru Anghyfyngedig.

The main elements of the security package are:

- i. a first fixed and floating security over all of DCC's assets and undertakings, to the extent permitted by the Water Industry Act, its licence and other applicable law; and
- ii. a fixed and floating security given by the company and the other guarantors referred to above which are secured on each of these companies' assets, including in the case of the company a first fixed charge over its shares in DCC.