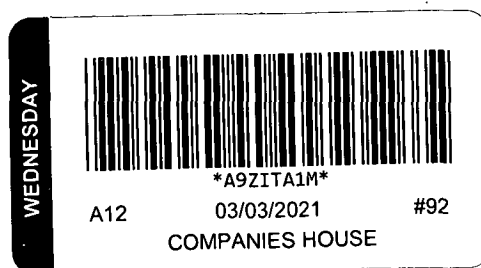


Dŵr Cymru (Holdings) Limited

Annual report and financial statements
for the year ended 31 March 2020



Registered office

Linea
Fortran Road
St Mellons
Cardiff
CF3 0LT

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Directors' report

The Directors have pleasure in presenting their annual report to the shareholder, together with the audited financial statements for the year ended 31 March 2020 on pages 6 to 11.

Directors

The Directors who served during the year and up to the date of signing the financial statements are as shown below. Certain directors benefited from qualifying third party indemnity provisions in place during the financial year.

C Jones
P Perry
P Bridgewater (resigned 31 December 2019)
P M Davis (appointed 1 January 2020)
R Morgan (appointed 1 November 2020, alternate director to P M Davis)

Dividends

No dividend was declared or paid during the year to 31 March 2020 (2019: none).

Political donations

The Company made no political donations and incurred no political expenditure during the year to 31 March 2020 (2019: none).

Business review and future developments

The principal activity of Dŵr Cymru (Holdings) Limited (the Company) is that of an intermediate holding company within the Glas Cymru Holdings Cyfyngedig group (the Group). The Company is a wholly owned subsidiary of Glas Cymru (Securities) Cyfyngedig, a company incorporated, registered and domiciled in Wales in the United Kingdom (registered number 04129132). Details of the Company's share capital and voting rights are disclosed in note 8 to the financial statements.

Profit for the financial year was £5,845,000 (2019: £nil) and relates to dividend income received from Dŵr Cymru (Financing) Limited.

The balance sheet on page 6 shows that the Company held net assets of £433,798,000 as at 31 March 2020 (2019: £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.

Financial risk management objectives and policies

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.

From the perspective of the Company, all other 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 Group, which include those of the Company, are disclosed within the Group's annual report which does not form part of this report (a copy can be obtained from the Company Secretary at the registered address of Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT).

The Directors of the Group manage its operations on an overall basis. For this reason, the Company's Directors believe that analysis using key performance indicators 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.

Going concern

The Company has not traded in the year, however its principal activity is to act as a holding company and the Directors therefore deem it to be a going concern.

Brexit

For the UK as a whole Brexit was a high-profile issue throughout the year to 31 March 2020 and the Group committed much time and effort to assessing its potential impact. While the United Kingdom (UK) withdrew from the European Union on 31 January 2020, a period of transition meant that the UK continued to participate in the European Customs Union and the European Single Market until 31 December 2020; from 1 January 2021 these have been replaced by the EU-UK Trade and Cooperation Agreement. The Directors, having regard to the Company's sources of finance and future plans, do not consider that Brexit is likely to have a material impact on the activities of the Company.

Directors' report (continued)

Covid-19

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic and the virus has continued to spread throughout the UK after 31 March 2020. The Directors have reviewed the impact of Covid-19 on the Company's activities and do not consider that the pandemic will have any significant detrimental impact on the Company's future performance or balance sheet valuation.

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.

Independent auditor

KPMG LLP will be proposed as the Company's auditor for the financial year ending 31 March 2021 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:
Linea
Fortran Road
St Mellons
Cardiff
CF3 0LT

26 February 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Dŵr Cymru (Holdings) Limited ("the Company") for the year ended 31 March 2020 which comprise the Income Statement, Balance sheet, Statement of changes in equity, Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Directors' report

The Directors are responsible for the Directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

26 February 2021

Income statement for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Operating profit	3	-	-
Income from shares in group undertakings	10	5,845	-
Profit/result before taxation		<u>5,845</u>	<u>-</u>
Taxation	5	-	-
Profit/result for the year		<u>5,845</u>	<u>-</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 13 form part of the financial statements.

Balance sheet as at 31 March 2020

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Investments	6	427,545	424,530
Current assets			
Trade and other receivables	7	6,343	3,502
Total assets		433,888	428,032
Liabilities			
Other financial liabilities:			
- loans from group undertakings	8	(90)	(79)
Total liabilities		(90)	(79)
Net current assets		6,253	3,423
Net assets		433,798	427,953
Equity			
Share capital	9	30	30
Retained earnings		433,768	427,923
Total equity		433,798	427,953

The notes on pages 9 to 13 form part of the financial statements.

These financial statements were approved by the Board of Directors on 26 February 2021 and were signed on its behalf by:

PM Davis

P M Davis
Director

Registered No 03954867

Statement of changes in equity for the year ended 31 March 2020

	Share capital £000	Retained earnings £000	Total equity £000
At 1 April 2018	30	427,923	427,953
Result for the year	-	-	-
At 31 March 2019	30	427,923	427,953
Profit for the year	-	5,845	5,845
At 31 March 2020	30	433,768	433,798

Cash flow statement for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Cash flow from financing activities			
Loan made to group undertaking		(2,812)	-
Dividend received from group undertaking		2,812	-
Net cash flow from investing activities		-	-
Decrease in cash and cash equivalents		-	-
Cash and cash equivalents at 1 April 2019		-	-
Cash and cash equivalents at 31 March 2020	7	-	-

Notes to the financial statements

1 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 Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

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 in conformity with the requirements of the Companies Act 2006 applicable to reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The presentational currency of these accounts is GBP and all balances are shown rounded in £000.

At the date of approval of these financial statements, the Amendments, which have not been applied in these financial statements, were in issue but not yet effective:

Amendments

- IAS 1 – Presentation of Financial Statements
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The Directors anticipate that the adoption of these Amendments in future periods will have no material impact on the financial statements of the Company.

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.

Taking into account the activities of the Company, the Directors do not consider that the Covid-19 pandemic will have any material impact on the Company's operations.

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 receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial risk management

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

2 Segmental information

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

3 Operating profit

The auditor's remuneration of £4,000 (2019: £2,000) has been borne by a fellow group company.

4 Directors and employees

(a) Directors' emoluments

No remuneration was paid or is payable by the Company (2019: none). 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 (2019: none).

5 Taxation

	2020 £000	2019 £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 the same as the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2020 £000	2019 £000
Profit before tax	<u>5,845</u>	<u>-</u>
Profit before tax multiplied by the corporation tax rate in the UK of 19% (2019: 19%)	<u>1,111</u>	<u>-</u>
Effect of: Non-taxable income	<u>(1,111)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The non-taxable income relates to dividends received from Dŵr Cymru (Financing) Limited.

Notes to the financial statements (continued)

6 Investments

Shares in subsidiary undertakings	2020	2019
	£000	£000
Cost and net book value		
At 1 April and at 31 March	<u>427,545</u>	<u>424,530</u>

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) UK plc	Investment company	England and Wales	£1 ordinary shares
Welsh Water Pension Trustee Limited	Dormant	England and Wales	£1 ordinary shares

On 1st August 2019 the investment in Dŵr Cymru (Financing) Limited, as shown below, was transferred to Welsh Water (Holdings) Limited for £30,000. This is included in amounts owed by group undertakings

Dŵr Cymru (Financing) Limited	Investment company	Cayman Islands	£1 ordinary shares
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Dŵr Cymru (Financing) UK plc was incorporated on 16 April 2019.

The registered address for all subsidiary companies is Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

7 Trade and other receivables

	2020	2019
	£000	£000
Current		
Amounts owed by group undertakings	<u>6,343</u>	<u>3,502</u>
Trade and other receivables	<u>6,343</u>	<u>3,502</u>

Loan interest has been waived by the Company for these loans

8 Other financial liabilities – loans from group undertakings

	2020	2019
	£000	£000
Current		
Loans from group undertakings	<u>90</u>	<u>79</u>
Other financial liabilities	<u>90</u>	<u>79</u>

Loan interest has been waived for these loans

9 Share capital

	2020	2019
	£000	£000
Authorised		
1,000 (2019: 1,000) ordinary shares of £1 each	1	1
30,000 (2019: 30,000) redeemable preferred ordinary (non-voting) shares of £1 each	<u>30</u>	<u>30</u>
	<u>31</u>	<u>31</u>
Allotted, called-up and fully paid		
1 (2019: 1) ordinary share of £1	-	-
30,000 (2019: 30,000) redeemable preferred ordinary (non-voting) shares of £1 each	<u>30</u>	<u>30</u>
	<u>30</u>	<u>30</u>

Notes to the financial statements (continued)

9 Share capital (continued)

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.

10 Related party transactions

A dividend of £5,845,139 was declared in the year from Dŵr Cymru (Financing) Limited (2019: none); £2,812,458 was received as cash with the remainder received as investment in the share capital of Dŵr Cymru (Financing) UK plc. No dividends were paid during the year (2019: none).

Included in amounts owed by group undertakings is a loan of £2,812,458 (2019: £nil) made to Dŵr Cymru Cyfyngedig; a loan of £3,500,000 (2019: £3,500,000) to Glas Cymru Anghyfyngedig and a loan to Welsh Water Holdings of £30,000 (2019: nil). The loan interest was waived by the Company.

Loans from group undertakings include £12,501 (2019: £nil) owed to Dŵr Cymru (Financing) UK plc and £78,000 (2019: £78,000) relating to group tax relief.

On 1 August 2019 the Company purchased 100% of the share capital of Dŵr Cymru (Financing) UK plc:

	£
1 ordinary share of £1 each	3,032,680
1 ordinary share of £1 each	1
49,999 ordinary shares of £1 each (£0.25)	12,500
	<u>3,045,181</u>

11 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 at Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT. The largest and smallest groups within which the results of the Company are consolidated are those headed by Glas Cymru Holdings Cyfyngedig and Glas Cymru Anghyfyngedig respectively. Both sets of consolidated financial statements can be obtained from the Company Secretary at the registered address (Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT).

Notes to the financial statements (continued)

12 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.