Registered Nº: 2366777

Dŵr Cymru Cyfyngedig

Annual report and financial statements for the year ended 31 March 2026

Registered office
Linea
Fortran Road
St Mellons
Cardiff
CF3 0LT

Contents | Page

Directors and advisers

Directors

J Hanson	Chair	
P Perry	Chief Executive Officer	(resigned 5 January 2026)
R Cheroux	Chief Executive Officer	(appointed 5 January 2026)
M Davis	Chief Financial Officer	(resigned 7 May 2025)
M Jeavons	Chief Financial Officer	(appointed 11 June 2026)
J Kenrick	Non-executive Director	
T Crick	Non-executive Director	
D Bowen Rees	Non-executive Director	
L Thompson	Non-executive Director	(resigned 6 November 2025)
D James	Non-executive Director	
D Pope	Non-executive Director	
A Wilcox	Non-executive Director	
J Bevan	Non-executive Director	

Company Secretary

Nicola Foreman

Independent auditor

Deloitte LLP
Fusion Point 2,
Dumballs Rd
Cardiff
CF10 5BF

Solicitor

Linklaters LLP
One Silk St
London
EC2Y 8HQ

Principal banker

National Westminster Bank Plc
27 High St
Brecon
LD3 7LF

Strategic report

The Directors present the Strategic report of Dŵr Cymru Cyfyngedig for the year ended 31 March 2026.

Principal activities
The principal activities of the Company are the supply of water and the treatment and disposal of wastewater under the Instrument of Appointment made by the Secretary of State for Wales under the Water Act 1989.

Business financial review
Performance in FY26
Loss after tax and cash outflows have reduced as higher customer bills have only partially been offset by higher operational, financial and transformation costs.

Revenue
Revenue increased by £254 million, driven by a c.30% uplift in household bills reflecting AMP8 regulatory allowances which had a £265 million impact. Our prices are determined every five years through Ofwat's price review process, which sets the framework for investment in our services and infrastructure.

Customer growth contributed £4 million to FY26 revenue however, increased metering uptake, as customers actively manage their bills, and an increase in customers on social tariffs, reduced revenue by £15 million and £2 million respectively. During the year, we contributed £14 million (FY25: £14 million) in support of over 150,000 customers (FY25: 148,000).

Operational performance
Operating profit increased by £181 million to £172 million primarily reflecting revenue growth. Underlying operating expenses (operational expenditure and impairment of trade and other receivables, excluding transformation and restructuring costs) increased by 7% (£28 million), due to higher energy costs and increased doubtful debt charges in line with higher bills, offset by efficiency savings associated with the Trawsnewid programme. Trawsnewid (Transformation in Welsh), is a Company-wide change programme that is designed to make our business more efficient and effective. IRE was unchanged year on year recognising continued leakage and mains repairs investment.

People costs
Gross people costs (before capitalisation of staff costs) increased by £9 million, reflecting a 3.5% annual pay award. People costs reported in operational expenditure (excluding redundancy costs reported within transformation and restructuring) reduced by £1 million, driven by increased capitalisation of staff costs (£10 million) as we expanded our capital delivery capability to support our £4 billion AMP8 investment programme.

Power
Power costs increased by 19% (£14 million), driven by a 15% year-on-year increase in the weighted-average price of imported electricity, which rose to £202/MWh. Higher grid imports and reduced self-generation further contributed to the increase. In line with our hedging strategy, we hedge 70% of our wholesale price exposure which materially protects the business against price volatility. Our transformation programme identified in-year business efficiencies of £1 million.

Doubtful debt
Doubtful debt charges increased by £13 million, reflecting a £7 million one-off release recognised in the prior year and higher underlying charges of £6 million in line with increased household revenue (c.30%) offset by business improvements. Doubtful debt as a percentage of regulated revenue reduced to 2.9% (2025: 3.1% excluding one-off release). Collection performance remained resilient, with 76% of household customers on direct debit (FY25: 75%). Proactive engagement and tailored support measures ensured customers in financial difficulty remained engaged through structured payment plans.

Atypical
A £4 million charge was recognised following the announcement of Ofwat's enforcement package in relation to the operation of our wastewater treatment works and network between 2017 and 2023 relating to wastewater treatment works, reflecting investment to improve river water quality in sensitive catchments. While the year experienced fewer extreme weather events overall, Wales recorded its warmest summer, and among the top driest, on record. A major burst at Broughton (Flintshire) which disrupted supplies to over 22,000 properties, resulted in £3 million of unplanned operating and customer compensation costs.

IRE
IRE of £121 million remained consistent reflecting continued investment in leakage and mains renewals to improve security of supply and support long-term resilience.

Transformation and restructuring

Transformation and restructuring costs totalling £23 million relate to Trawsnewid, our multi year transformation programme designed to improve efficiency, effectiveness and customer outcomes. This includes a substantial redesign of the company, through which we are targeting a headcount reduction of c.12% (up to 500 roles) over the period to September 2028. During FY26, a total of c.180 employees were identified in the first phase of the restructuring programme (£7 million), with cash severance costs of £3 million incurred (c.90 employees), and £4 million provision for future restructuring costs (c.90 employees).

The programme has been supported by a professional services firm, at a cost of £15 million in FY26. As well as strengthening the delivery of the Trawsnewid programme through the provision of specialist expertise, independent challenge and proven delivery methods, this approach enabled the redesign and restructure of the entire organisation (c.4,000 roles) within a period of 5 months, with the provision of industry benchmarks and recommendations of capability enhancements. It allowed us to increase the pace of implementation, whilst reducing delivery risk to the programme and day-to-day operations.

Net finance costs

Net finance costs of £242 million were 19% higher. The combined impact of debt issuances totalling £750 million (FY25: £950 million) and the rising cost of debt, inflated interest charges by £43 million. Higher average inflation rates resulted in additional non-cash indexation charges totalling £20 million. These costs were partially mitigated through repayment of finance leases (£8 million) and an increased return on our treasury deposit investment, driven by higher liquidity (£14 million).

Our effective interest cost remained stable at 5.1% (FY25: 5.1%). We continue to secure efficient funding in line with the Glas Cymru Holdings Cyfyngedig (GCHC) Group's Treasury Policy, which ensures that our interest rate risk is mitigated with a diverse range of debt instruments. Recent issuances at tight pricing led to competitive credit spreads compared to the sector average. After considering the effect of swaps, 56% of our debt is index-linked, with the remainder at a floating (7%) or fixed rate (37%) (FY25: 70%, 5% and 25% respectively).

Gain/losses on financial instruments

The fair value of losses recognised during the year was driven by non-cash valuation movements of our derivatives (£53 million), reflecting lower discounting driven by a fall in SONIA (FY25: gain £8 million). Net settlements received during the year amounted to £36 million, £4 million lower than FY25. Two instruments reached maturity on 31 March 2026 and were settled for a combined £81 million in line with the maturing of the associated C3 Bond. See Note 4 for further information. Fair values fluctuate in line with market movements, which can be volatile, and this can give rise to significant gains and losses in the income statement.

Capital investment

Capital investment excluding IRE was £496 million, down £12 million. The capital programme is well set to deliver a step up in investment through the remainder of AMP8, with the supply chain already in place and with visibility of the plan for the next four years. We are investing more time than originally anticipated in scheme design, looking to ensure programmes are efficiently structured, plus there has been some re-phasing of the plan, including the impact of delays in finalising the National Environment Programme (NEP).

Balance sheet

Our balance sheet remains strong with total available liquidity of £974 million and net assets of £1,508 million. Our adjusted net debt (on a CTA basis) increased 5% to £5,069 million (2025: £4,816 million), driven by an in-year trading cash outflow of £84 million and non-cash indexation of £170 million. Our regulated gearing, based on the RCV published by Ofwat, is 61% (2025: 62%).

Net debt

We access financial markets and institutions to provide cash flow where the timings of cash flows on large capital project and customer receipts are mismatched. Ultimately all available investment is only sourced from customer bills. As a result of in-year trading cash outflow flows of £84 million and non-cash increases of £170 million reflecting indexation charges and accrued interest, net debt increased 5% to £5,069 million (FY25: £4,816 million). Funding our capital investment programme and the accretion of inflation-linked debt were the main contributors to this rise in net debt.

At 31 March 2026, total liquidity stood at £974 million (FY25: £1,271 million), comprising unrestricted cash and cash equivalents of £595 million and undrawn credit and loan facilities of £400 million. The reduction in liquidity requirements reflects reduced level of bonds maturing in the next 12 months (£257 million) compared to the prior year (FY25: £490 million). We target a liquidity ratio of at least 1.25:1, with cash flow requirements funded beyond a 12-month period. We invest cash in deposits with highly rated banks and money market liquidity funds. We also regularly review the list of counterparties and report this to the Audit and Risk Committee.

Our average debt maturity is 10.3 years (FY25: 10.1 years), reflecting the long-term nature of our asset base. Under the terms of our whole business securitisation, no more than 20% of our debt can fall due within a rolling 24-month period.

Financial resilience
We presently remain well within our covenanted financial ratios. Notably gearing is below 85% and we have significant headroom over our senior interest cover ratios, a measure of pre and post capital maintenance cash flows over interest in a given period. However, we are not immune from potential emerging risks impacting our credit rating metrics. For further information, see our long-term viability assessment on pages 49 to 53 in Glas Cymru Holdings Annual Reports and Accounts and going concern on pages 19 and 20.

Our ratings remain among the highest in the UK utilities sector. Strong credit ratings promote investor confidence and allow us to access efficiently priced debt to fund our investment programme while keeping bills affordable for our customers. The Group's Class A Bonds of £1,260 million (2025: £1,223 million) benefit from a guarantee from Assured Guaranty UK Limited. Assured Guaranty's credit rating is graded as A1/AA by Moody's and Standard & Poor's, respectively and is not rated by Fitch. The credit rating of the Class A bonds has therefore defaulted to the higher of the financial guarantors' rating or the underlying rating of these bonds, of A1/A- from Moody's and Fitch, respectively. On 8 May 2026 we withdrew Standard & Poor's credit ratings. The underlying rating (Baa1/A-) reflects the standalone credit quality of these bonds without the benefit of the guarantee from Assured Guaranty and is the same as the credit ratings of the Group's Class B bonds of £2,677 million (2025: £2,362 million). The Group's Class C bonds of £300 million (2025: £500 million) were rated by Baa3/BBB by Moody' and Fitch, respectively.

Dividends
As a Group ultimately limited by guarantee we do not pay dividends to shareholders. No dividends were paid during the year (2025: none). No intra-group dividends have been declared. Any surpluses realised from our regulated business are retained for the benefit of our customers.

Taxation
No corporation tax will be payable for FY 26. As in previous years, taxable profits are more than offset by capital allowances on our investment programme.

Our existing business plan
We develop a business plan every five years to cover the forthcoming asset management period (AMP) and propose levels of investment to maintain and enhance services to both customers and the environment. Our existing business plan covers 2025–2030 (AMP8) and is based on the outcome of the latest price review (PR24) which concluded in December 2024. It includes the performance targets detailed below. In the first year of AMP8 our performance has fallen short of these targets in a number of areas. Wherever possible, as we develop our new strategy and long-term operational plan (see previous page) we will look to put in place investment and operational initiatives which improve our performance to target levels.

Going concern:
The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Company has 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 (see note 1).

Financial key performance indicators
The Company is part of a group controlled by Glas Cymru Holdings Cyfyngedig (GCHC, the "Group"). The Directors use group-wide key performance measures as indicators to the development, performance and position of the Company. These are discussed in the 2025-2026 Annual Report and Accounts of GCHC which does not form part of this report (available on the Group's website at Corporate Reports).

The regulatory targets are supplemented by our internal business and financial planning processes. Every year targets are discussed and agreed by the Board of Directors. The Executive team is held to account by our Non-Executive Directors to ensure that the targets are sufficiently challenging and to monitor performance in accordance with those targets.

The targets are deliberately stretching and are designed to ensure we deliver for our customers, communities and the environment. During the year, overall performance against regulatory targets was below our expectations across a number of metrics, reflecting the scale of operational, environmental and asset-related challenges we are addressing. However, our year-on-year performance reflects underlying progress in several areas.

Detailed information in relation to each metric, including year-on-year performance and performance against our Ofwat regulatory targets and Board-approved key metrics, is set out on pages 181 to 187 of the Glas Cymru Holdings Annual Reports and Accounts. Information about our operational and financial performance is also included on pages 5 and 6 and pages 54 to 58.

Strategic report (continued)

Principal risks and severity

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the GCHC group and are not managed separately and are discussed in the 2025-26 Annual Report and Accounts of GCHC. These include:

- Environmental performance and drainage management
- Business continuity and asset health
- Climate resilience and carbon transition
- Health, safety and wellbeing
- Cyber and digital resilience
- Operational performance and costs
- Customer trust and satisfaction
- People, talent and diversity
- Finance

Emerging risks are discussed in depth by the Board twice each year and are also discussed in the 2025-26 Annual Report and Accounts of GCHC.

- Affordability and financeability
- Wye group action
- Substances of emerging concern (Wastewater and Drinking Water)

S172 statement

Under Section 172 of Companies Act 2006, Directors are Case study required to act in good faith in a way they believe is most likely to promote the success of the Company, taking into account, among other matters:

- The likely long-term consequences of any decision.
- The interests of employees.
- The need to foster business relationships with suppliers, customers and other stakeholders.
- The impact of operations on the community and the environment.
- The importance of maintaining a reputation for high standards of business conduct.

In discharging their duties, Directors also have regard to the need to act fairly between the Members of the Company, recognising their role in holding the Board to account on behalf of customers and future generations.

All matters presented to the Board are supported by management papers that include information on relevant stakeholder interests and the potential impact of decisions. This ensures that the Board gives appropriate attention to stakeholder concerns and considers these interests throughout its decision-making process. In addition, the Board takes into account insights gathered through the various engagement channels outlined on pages 14 to 16 in Glas Cymru Holdings Annual Reports and Accounts. In accordance with Section 172, Directors exercise their judgement in good faith, recognising that balancing stakeholder interests requires careful consideration of competing priorities and finite resources.

Given our vision, 'Fostering thriving communities by providing world-class water services', and our ambitions to enrich lives and strengthen communities and the economy, many Board decisions have long-term implications. The availability of water is influenced by environmental factors, climate change and demographics and usage trends. Accordingly, the Board receives regular updates on these long-term trends and incorporates strategies for carbon, energy, water and wastewater resource management into its decision-making processes.

As a not-for-profit organisation, we have a duty to operate efficiently, responsibly and in a way that delivers the greatest possible benefit for communities across Wales. However, our resources are finite and stakeholder priorities do not always align, and as a result the Board often faces difficult choices and must balance competing interests. It does so by carefully considering what matters most to each stakeholder group and, after weighing all relevant factors, makes informed decisions that serve the long-term interests of our customers and communities and best promotes the long-term success of the Company.

Examples of Board decisions made in relation to our stakeholders during the financial year ended 31 March 2026 can be found on page 18 of the Glas Cymru Holdings Annual Reports and Accounts. The Governance report, detailing the Board and subcommittees' responsibilities and key activities can be found on pages 60 to 111.

As is very much aligned to our Purpose, the decisions the Board makes will have long-term implications for our customers and communities now and for generations to come. This is particularly true in relation to the long-term availability of water which is impacted by the environment, climate change and the demographics and usage habits of the communities we serve. The Board receives regular updates on long-term trends and considers long-term strategies for carbon, energy, water, and wastewater management resource planning within its decision making processes.

By direct engagement with employees through feedback from the annual employee survey, employee engagement sessions, informal meetings with managers, and by conducting operational site visits (see page 97 in GCHC ARA for more details) the Board is able to see and experience how the Company's culture and values are applied across the business. Maintaining an effective and distinctive culture within Welsh Water, under our not- for-shareholder constitution, is a key component to support the delivery of our strategies and the Board's decision making to promote the long-term success of the Company. Read more on our culture and values at pages 8 to 10 of GCHC ARA report.

By order of the Board

Nicola Foreman
Company Secretary
15 July 2026

Directors' report

The Directors present their report together with the audited financial statements of the Company for the financial year ended 31 March 2026.

Page references denoted by * in the Directors' report refer to the Glas Cymru Holdings Annual Reports and Accounts where further information is available.

Information incorporated by reference
The following information is incorporated by reference into the Directors' Report:

- The performance review within the Strategic Report on pages 2* to 58*, particularly the Chief Executive's review (pages 5* to 7*), Performance (page 13*), and the Business Financial Review on pages 2 to 6.
- Details of the Company's business model and strategy, sector context, the operation of its business, future developments and the results and financial position for FY26 within the Strategic Report on pages 5* to 12* and in the Business Financial Review.
- Details of the Company's process for addressing the principal risks and uncertainties facing the Company set out in the Risk Management section on pages 39* to 48*.
- The Corporate Governance Report set out on pages 60* to 111*.

Financial performance
As at 31 March 2026, gearing remained strong at 61%. Further details are provided in the Business Financial Review section above.

Dividend policy
No dividends are paid outside the GCHC group. The Group's non-shareholder model ensures the business operates for the benefit of customers both now and in the future and to protect the environment.

Dŵr Cymru Cyfyngedig – Appointed business
In March 2016 the Board approved a dividend policy to permit up to £100 million of funds to be distributed within the GCHC Group, but outside the regulatory ringfence, to fund commercial projects. Under this policy, intra-Group dividends totalling £30.2 million were paid in 2016–2017. No further intra-Group dividends have been paid. The current Dividend Policy was approved by the Board in February 2026 and is available at https://corporate.dwrcymru.com/en/library/company-statements/dividend-policy. While no dividends are expected to be paid in the foreseeable future, any future recommendation will consider the GCHC group's performance commitments, including customer service, regulatory obligations and pricing.

Financial instruments
Information on financial risk management and financial instruments is provided in Notes 1, 14 and 15 to the financial statements on pages 25 and 26 and 44 to 47.

Research and development
Details of the Company's investment in technical and innovation projects are included in the Strategic Report on page 24*.

Directors
The Directors in office at the date of this Annual Report, are listed on page 2. During the year ended 31 March 2026, Mike Davis, Peter Perry served as Directors. Mike Davis stepped down from the Board and retired from the Company on 7 May 2025. Peter Perry stepped down from the Company on 5 January 2026. Peter remained available to support a smooth leadership transition until 31 March 2026, when he retired from the Company. Lila Thompson also stepped down from the Board on 6 November 2025, due to the increasing demands of her executive and wider professional commitments.

Directors' indemnity
The Company maintains Directors' and Officers' insurance covering legal action against Directors and provides an indemnity where a Director has not acted fraudulently or dishonestly. The indemnity qualifies under the Companies Act and benefits all Directors. No claims have been made against this policy since the date of the last report.

Employees
The Board recognises the importance of attracting, developing and retaining talent. In line with best practice, the Company's employment policies provide equal opportunities for all employees regardless of sex, race, disability, age, sexual orientation, gender reassignment, religious beliefs, marital status or being pregnant or on maternity leave. We are an accredited Disability Confidence Leader. We give full and fair consideration to employment applications made by disabled people and training and career development is available to all employees based on each individual's ability and experience. In the case of employees who become disabled while in our employment, we make every effort to retain them and provide necessary training.

Directors' report (continued)

Engagement with employees and other stakeholders
Details of how the Directors engage with employees are set out on pages 14* and 72*. Information on how the Directors engage with and consider the interests of the Company's customers, suppliers and other stakeholders, and the impact of these considerations on principal decisions is provided on pages 14* to 18* and 72*.

Amendment of articles of association
Unless otherwise specified, the Company's Articles of Association may be amended by a special resolution of the Group's Members.

Political donations
It is Board policy not to make donations to political parties or to incur political expenditure. A charitable donation of £30,000 was made during the year to Step Change, a debt advice charity, to support its work in providing debt advice to those we serve. None of the donation provided was used directly to support Step Change's campaign work. No other donations or payments were made that require disclosure under section 366 of the Companies Act 2006.

WaterAid
The Company does not engage in corporate sponsorship but supports WaterAid, which works to provide clean water and sanitation in deprived areas overseas.

Persons of significant control
The Company maintains a register of persons with significant control in compliance with the requirements of the Small Business, Enterprise and Employment Act 2015.

Greenhouse gas emissions (GHG)
Information on the Group's annual GHG emissions and energy efficiency is provided on pages 25* and 27*, in accordance with the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

Effectiveness of risk management and internal controls
The Board has delegated responsibility for overseeing the effectiveness of the Company's risk management framework and internal controls to the Audit and Risk Committee. The Audit and Risk Committee devotes significant time to fulfil this responsibility and conducts regular reviews (see pages 85* and 87*).

Audit information
Deloitte LLP acted as External Auditor for the year ended 31 March 2026. The Directors confirm that, as far as they are aware, there is no relevant audit information of which the External Auditor is unaware, and they have taken all necessary steps to ensure that the External Auditor is aware of such information.

Going concern
The financial statements for FY26 have been prepared on a going concern basis. The Directors' Going Concern statement including details of why the going concern assumption is considered appropriate is set out on pages 19 and 20.

Human rights
The Company is committed to respecting human rights across its workforce and supply chain. The internal Code of Conduct is supported by policies including Anti-bullying and Harassment, Whistleblowing, Anti-bribery and Corruption, and Anti-Fraud. All policies are available at https://corporate.dwrcymru.com/en/library/company-statements.

Data protection and information security
The Company is committed to handling personal information responsibly and in compliance with data protection legislation. The Company's Privacy Statement is available at https://corporate.dwrcymru.com/en/legal-privacy/privacy-policy.

By order of the Board

N Foreman
Company Secretary
Registered office:
Linea
Fortran Road
Cardiff
CF3 0LT
15 July 2026

Statement of Directors’ responsibilities in respect of the Strategic Report, the Directors’ Report and the financial statements

The Directors are responsible for preparing the Annual Report, 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 year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards 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 Company’s assets, liabilities, financial position and 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 UK-adopted international accounting standards;
- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors’ Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider the financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for stakeholders to assess the Company’s position and performance, business model and strategy.

Independent auditor's report to the members of Dwr Cymru Cyfyngedig

Report on the audit of the financial statements

Opinion

In our opinion:
- the financial statements of Dwr Cymru Cyfyngedig (the 'company') give a true and fair view of the state of the company's affairs as at 31 March 2026 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the material accounting policy information; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:
- Dwr Cymru Cyfyngedig forms part of the Glas Cymru Anghyfyngedig group forming the securitised group where financing is considered as a whole and accordingly we consider the funding arrangements and associated maturity profiles for the Glas Cymru Anghyfyngedig group;
- assessing the level and coupon of new debt issuance forecast by the directors and the feasibility of these assumptions;
- assessing the appropriateness of the length of the outlook period used by the directors in their assessment;
- assessing the assumptions used in the cash flow forecasts for consistency with Board approved budgets;
- testing the arithmetic accuracy of the cash flow forecast;
- assessing the appropriateness and impact of severe but plausible downside scenarios;
- evaluating covenant compliance and headroom on those covenants;
- evaluating the risks associated with credit rating metrics and the impact of any downgrades, should they arise;
- evaluating the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the directors' going concern disclosures in light of the above assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor’s report to the members of Dwr Cymru Cyfyngedig (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company’s industry and its control environment, and reviewed the company’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company’s business sector.

Independent auditor's report to the members of Dwr Cymru Cyfyngedig (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the license conditions imposed by The Water Services Regulatory Authority (Ofwat), Environment Agency, Drinking Water Inspectorate, Natural Resources Wales, GDPR and Health & Safety.

We discussed among the audit engagement team and shared with relevant internal specialists such as tax, pensions, IT, treasury and ESG regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the measured income accrual in Dŵr Cymru Cyfyngedig, and our procedures performed to address it are described below:

- obtaining an understanding of relevant controls over the valuation of the measured income accrual;
- performing an independent calculation of the measured income accrual using the underlying consumption data for a sample of customers;
- assessing and challenging the key assumptions in the methodology;
- testing the accuracy of the underlying consumption data which the model relies upon; and testing a sample of measured customers to assess the appropriateness of manual adjustments made by management.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, reviewing correspondence with HMRC, Ofwat and other relevant regulatory authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Dwr Cymru Cyfyngedig (continued)

Use of our report

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.

Delyth Jones (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
15 July 2026

Income statement for the year ended 31 March 2026

Continuing activities	Note	2026 £m	Restated 2025 £m
Revenue	2	**1,169.8**	915.7
Operating costs:			
- Operational expenditure	3	**(413.4)**	(398.2)
- Impairment of trade and other receivables	3	**(33.9)**	(21.2)
- Other operating income	3	**15.5**	5.4
- Transformation and restructuring costs		**(22.8)**	
- Infrastructure renewals expenditure	3	**(120.7)**	(120.7)
- Depreciation and amortisation	3	**(422.8)**	(390.0)
		(998.1)	(924.7)
Operating profit/(loss)		**171.7**	(9.0)
Profit on disposal of fixed asset		**0.3**	-
Profit/(loss) before interest		**172.0**	(9.0)
Financial expenses:			
Financial income	4	**42.3**	28.1
Financial expenses	4	**(308.3)**	(194.7)
Fair value gains on derivative financial instruments		**5.8**	23.6
Total financial expenses		**(260.2)**	(143.0)
Loss before taxation		**(88.2)**	(152.0)
Taxation	5	**19.5**	43.6
Loss for the year		**(68.7)**	(108.4)

The comparators for financial expenses and fair value gains on derivative financial instruments have been restated. There is no impact on the loss for the prior year. More information is available under note 1 to these financial statements.

The notes on pages 19 to 59 form part of these financial statements.

Statement of comprehensive income for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Loss for the year		**(68.7)**	(108.4)
Items that will not be reclassified to profit or loss			
Actuarial gain recognised in the pension scheme	21	**8.1**	19.5
Revaluation of property, plant and equipment	7	**278.0**	(58.5)
Related deferred tax	6	**(69.5)**	14.6
		216.6	(24.4)
Total comprehensive income/(expense) for the year		**147.9**	(132.8)

Balance sheet as at 31 March 2026

	Note	2026 £m	2025 £m
Assets			
Non-current assets			
Property, plant and equipment	8	**8,010.1**	7,530.7
Intangible assets	9	**174.1**	195.6
Trade and other receivables	10	**1.5**	-
Other financial assets:			
- derivative financial instruments	14	**1.2**	0.7
- Employee benefits	21	**63.5**	52.5
		8,250.4	7,779.5
Current assets			
Inventories		**9.7**	8.5
Trade and other receivables	10	**794.1**	714.2
Cash and cash equivalents	11	**572.0**	619.5
Other financial assets:			
- derivative financial instruments	14	**6.4**	2.6
		1,382.2	1,344.8
Total assets		**9,632.6**	9,124.3
Liabilities			
Current liabilities			
Trade and other payables	12	**(748.4)**	(734.9)
Provisions	16	**(6.0)**	(1.4)
Other financial liabilities:			
- borrowings	13	**(257.4)**	(693.4)
		(1,011.8)	(1,429.7)
Net current assets/(liabilities)		**370.4**	(84.9)
Non-current liabilities			
Trade and other payables	12	**(972.9)**	(886.1)
Employee benefits	21	**(2.0)**	(3.2)
Provisions	16	**(8.6)**	(4.6)
Other financial liabilities:			
- borrowings	13	**(5,348.4)**	(4,702.7)
- derivative financial instruments	14	**(18.3)**	(25.0)
Deferred tax - net	6	**(764.7)**	(715.0)
		(7,114.9)	(6,336.6)
Total liabilities		**(8,126.7)**	(7,766.3)
Net assets		**1,505.9**	1,358.0
Equity			
Share capital	17	**309.9**	309.9
Capital redemption reserve		**166.2**	166.2
Revaluation reserve	7	**1,219.9**	1,121.9
Retained earnings		**(190.1)**	(240.0)
Total equity		**1,505.9**	1,358.0

The financial statements on pages 14 to 59 were approved by the Board of Directors on 15 July 2026 and were signed on its behalf by:

Mick Jeavons
Chief Financial Officer

Registered № 2366777

Statement of changes in equity for the year ended 31 March 2026

	Share capital £m	Capital redemption reserve £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2024	**309.9**	**166.2**	**1,271.2**	**(256.5)**	**1,490.8**
Loss for the year	-	-	-	(108.4)	**(108.4)**
Actuarial loss net of tax	-	-	-	19.5	**19.5**
Revaluation net of tax	-	-	(43.9)	-	**(43.9)**
Transfer to retained earnings	-	-	(105.4)	105.4	**-**
At 31 March 2025	**309.9**	**166.2**	**1,121.9**	**(240.0)**	**1,358.0**
Loss for the year	-	-	-	(68.7)	**(68.7)**
Actuarial gain net of tax	-	-	-	8.1	**8.1**
Revaluation (net of tax)	-	-	208.5	-	**208.5**
Transfer to retained earnings	-	-	(110.5)	110.5	**0.0**
At 31 March 2026	**309.9**	**166.2**	**1,219.9**	**(190.1)**	**1,505.9**

Cash flow statement for the year ended 31 March 2026

	Note	2026 £m	Restated 2025 £m
Cash flow from operating activities			
Cash generated from operations	18a	**534.4**	411.3
Income tax received		**0.6**	0.2
Net cash inflow from operating activities		**535.0**	411.5
Cash flow from investing activities			
Interest received		**37.1**	22.2
Purchase of property, plant and equipment		**(489.6)**	(502.0)
Purchase of intangible assets		**(31.0)**	(39.5)
Grants and contributions received		**24.3**	33.3
Proceeds from sale of property, plant and equipment		**0.2**	-
Net cashflow from investing activities		**(459.0)**	(486.0)
Net cash flow before financing activities		**76.0**	(74.5)
Cash flow from financing activities			
Bond issue		**577.1**	743.3
Bond issue costs		**(2.4)**	(2.2)
Intercompany loan received		**175.0**	200.0
Long-term loans repaid		**(76.0)**	(73.5)
Loan repaid to group undertaking		**(17.5)**	(97.5)
Interest paid	18b	**(158.6)**	(108.2)
Payments for redemption or termination of derivative financial instruments		**(80.8)**	(63.9)
Receipts on derivative financial instruments	18c	**-**	1.0
Payments on derivative financial instruments	18c	**(5.1)**	(1.2)
Payment of lease liabilities		**(30.4)**	(49.9)
Term loan issue costs		**(0.6)**	(1.2)
Payments for redemption of bonds		**(504.2)**	-
Net cashflow from financing activities		**(123.5)**	546.7
(Decrease)/increase in cash and cash equivalents	19b	**(47.5)**	472.2
Cash and cash equivalents at 1 April		**619.5**	147.3
Cash and cash equivalents at 31 March	11	**572.0**	619.5

Transformation and restructuring costs of £22.8 million are included in cash generated from operations. This can be split by cash paid in the year of £17.3 million, with £5.5 million remaining on the balance sheet; split £4.1 million provisions (note 16), and £1.4 million accruals (note 12).

The comparators for interest paid and receipts/payments on derivative financial instruments have been restated. There is no impact on net cash outflow for the prior year. More information is available under note 1 to these financial statements.

1. Accounting policies for the year ended 31 March 2026

Dŵr Cymru Cyfyngedig ('the Company') is a private company incorporated, domiciled and registered in Wales in the UK. The registered number is 2366777 and the registered address is Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

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

Basis of preparation
The financial statements of Dŵr Cymru Cyfyngedig have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") and applicable law. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets, other financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. The presentational and functional currency in these accounts is sterling and all balances are shown rounded in £m.

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas including a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on pages 26 to 30.

Going concern
The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Company has 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. As set out in the strategic report on page 2, the majority of funding for the Company is provided by Dŵr Cymru (Financing) UK plc a fellow group Company and as a result the going concern assessment is primarily prepared at a Group (GCHC) level with specific Company level considerations where appropriate.

The Directors have undertaken a detailed review, utilising the latest Board approved financial projection, to assess the liquidity requirements of the Company compared against the cash and facilities currently available to the Company, compliance with our debt covenants and other conditions as governed in the Common Terms Agreement (CTA). The assessment period considered the ongoing requirement to raise debt to fund our growing investment programme, part of our business model, with a period of 18 months to 30 September 2027 deemed appropriate.

The Directors have assessed current market conditions, considered plausible downside scenarios, and evaluated the potential effectiveness of mitigating actions. The base financial plan has been stress-tested against these scenarios to assess the Company's ability to operate within existing covenants and facilities.

- Liquidity – The Company retains sufficient liquidity over the going concern period even under the most severe of the plausible downside scenarios.
- Debt covenants – The Company retained headroom against all default criteria within its debt covenant (where Class A interest cover ratio is required to exceed 1.6:1 and retention of two investment grade credit ratings for the class A and B bonds), with no plausible scenario identified resulting in a default event.

<u>Liquidity</u>

At 31 March 2026, the Company had liquidity of £972 million, comprising £572 million of cash and cash equivalents and £400 million of undrawn committed bank facilities expiring in February 2029. This level of liquidity is forecast to cover the requirements of the business for a period of 15 months before new borrowings are required to meet ongoing operational requirements.

The financial plan forecasts approximately £1.0 billion of new funding over the next 18 months to maintain current liquidity levels and fund debt repayments of c.£0.3 billion and capital investment in accordance with our investment programme. The maturity profile of our borrowings is detailed in note 15.

The Company maintains strong relationships with a diversified lender base and closely monitors market conditions, noting regular, well-subscribed debt issuances in the sector. The Directors are confident in the Company's ability to raise the required funding, supported by its track record, strong credit ratings, and access to alternative funding sources, including private placements and term loans. Liquidity is considered sufficient to meet operational requirements.

Debt covenants

Glas Cymru Anghyfyngedig, a subsidiary of Glas Cymru Holdings Cyfyngedig, has a CTA structured to align with, and enhance, its regulatory protections. The CTA establishes a single covenant framework, together with shared security and intercreditor arrangements, applying consistently across debt providers.

The CTA distinguishes between a Trigger Event and an Event of Default. A Trigger Event operates as an early-warning mechanism to support creditworthiness and reduce the risk of an Event of Default. One consequence of a Trigger Event could be a restriction on raising additional debt; however, it does not permit enforcement of security and is therefore not considered a going concern issue at the point of trigger. In addition to senior interest cover ratio thresholds (2.0:1), the CTA requires at least one credit rating for Class A debt and Class B debt rated at or above Baa1/BBB+. The financial projections show compliance with all debt covenants and trigger event thresholds.

Sensitivity

The base financial projection has been stress-tested against two severe scenarios, consistent with the stress testing underpinning the long-term viability assessment. The first scenario applies a weighted impact reflecting the concurrent crystallisation of all principal risks. The second scenario models the full exposure of the operational performance and cost risks (primarily operating and capital cost overruns of £44 million and £15 million respectively over the assessment period) together with financing and funding risks, including higher inflation leading to increased interest costs of approximately £60m and higher energy and other operating costs of approximately £35m.

The sensitivities described above would negatively affect short-term financial ratios; however, they are not forecast to result in breaches of debt covenants associated with Events of Default. While these scenarios increase the risk of credit rating downgrades due to pressure on interest cover ratios, the Directors do not expect a Trigger Event to arise within the assessment period. This reflects the anticipated positive impact of higher inflation in the medium term on key financial ratios, driven primarily by inflation-linked increases in revenues.

Based on the Company's existing committed liquidity facilities and forecast cash flows, the Directors do not expect the downside scenarios, while resulting in additional cash outflows, to have a significant impact on liquidity within the going concern assessment period. While continued access to debt markets is assumed in the forecast, the Company has sufficient committed facilities in place to support operations in the event of a temporary disruption to market access.

Conclusion

While the severe but plausible scenarios indicate an increased risk of credit rating downgrades, the Directors do not consider it plausible that such downgrades would crystallise sufficiently early in the assessment period to result in a material adverse impact on the Company's liquidity position, covenant compliance, or ability to continue operations.

Having considered these matters, the Directors do not believe that any material uncertainties exist that would cast significant doubt on the Group's ability to continue as a going concern.

Changes in accounting policies and disclosures
The following new standards, amendments and interpretations have been adopted by the Company for the first time for the financial year beginning on 1 April 2025:
Amendments

- Lack of Exchangeability (Amendments to IAS 21).
- Nature-dependent Electricity Contracts (Amendments toIFRS 9 / IFRS 7).
- Annual Improvements to IFRS Accounting Standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7).

The adoption of these standards, amendments and interpretations has not had a material impact on the Company's financial statements.

Future changes to accounting standards
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2026 reporting periods and have not been early adopted by the Company. These include:

- IFRS 18, Presentation and disclosure of financial statements, for which the main impact on the financial statements will be presentational.
- IFRS 20, Regulatory Assets and Regulatory Liabilities, is likely to present a material change to the financial statements. The impact remains under assessment by management.
- Amendments to IFRS 9 relating to the derecognition of financial instruments, including electronic payments, are effective from 1 January 2026. The Group does not expect these amendments to have a material impact on its financial statements.

Otherwise, these standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

The Company is also aware of new standards and amendments under development, which are not yet issued, which may have a material impact in future reporting periods, management are currently assessing the potontial impact.

Revenue recognition

Revenue represents the income receivable in the ordinary course of business for performance obligations delivered, excluding value added tax. Revenue is segmented into two income streams, regulated revenue and other (non-regulated) revenue.

Regulated revenue relates to the provision of water, sewerage and related retail services, regulated by Water Services Regulation Authority (Ofwat). Revenue from customers with meters is recognised when the service is provided and is measured based on actual meter readings and estimated consumption for the period between the last meter reading and the year end based on tariffs from the scheme of charges published annually. For customers who are not metered, the performance obligation is the ability to provide water and sewerage services throughout the period. Such customers are charged on an annual basis, coterminous with the financial year and revenue is recognised on a straight-line basis over the financial year.

All water companies have a legal obligation to allow third parties to establish an authorised connection to their networks and a number of activities may be necessary in order to achieve this, giving rise to the following transactions and accounting treatments under IFRS 15:

- Connection charges: these are amounts received from developers for connection to the network which the Company recognise as income on delivery of that performance obligation.
- Infrastructure income and requisitions: third party contributions towards the Company’s obligation to ensure future service provision to the connection or mains over its life; the Company estimate that an average connection lasts for 80 years and defer the release of charges over that period.
- Diversions: payment in return for moving a water or sewer main to accommodate other infrastructure changes. The performance obligation is to move the main, with no additional asset creation, therefore revenue is recognised when that obligation has been delivered.

The Company also receives income from developers for new connections to the water and sewerage networks in the form of adopted infrastructure assets, which are recognised as a deferred income balance at the fair value of the assets adopted which is released to the income statement as an equivalent to the depreciation of the associated assets to which they relate.

Other (non-regulated) revenue relates to income streams which are not subject to Ofwat’s price control.

Other operating income principally relates to sales of gas. Revenue from sales of gas is recognised upon delivery. Exports of renewable electricity is included with power costs as it is treated as a natural hedge to consumption. The Company’s energy strategy is to enter into contracts which fix the price of consumption less exports of future power purchases in order to reduce the impact of power price variances. Exports of electricity is recognised upon delivery.

Presentation of operating costs

The Company presents operating costs on the face of the income statement using a presentation that reflects both the nature and purpose of the expenditure, aligned to how management monitors performance and allocates resources. Certain costs are presented by their specific nature (e.g. depreciation and amortisation, impairment), while others reflect distinct categories of operational or strategic activity (e.g. operational expenditure, transformation and restructuring costs).

Items are presented separately where they are material in size or nature, or where separate disclosure enhances the understanding of the Company's financial performance. Judgement is applied to ensure that the level of disaggregation provides relevant and reliable information without obscuring key trends. The classification and presentation of operating costs are applied consistently from period to period unless a change is considered to provide more relevant and reliable information.

Property, plant and equipment
The economic value of the Company's water and sewerage business is derived from the Regulatory Capital Value (RCV) set by Ofwat during its price reviews every five years and accordingly is deemed an appropriate measure of the fair value of its assets. The Company considers that a fair value approach to valuing its assets better reflects the underlying value of the assets than historical cost accounting which understates the assets' current value in use. As the RCV is an unobservable input being a regulatory benchmark to assess the economic value rather than observable market data, the valuation of property, plant and equipment is classified within Level 3 of the IFRS 13 fair value hierarchy. The valuation is carried out on an annual basis by members of the Company's regulatory and finance teams, with oversight from the Directors.

As at 31 March 2026 the total value of tangible fixed assets have been revalued to their fair value with reference to the 'shadow RCV' of the Company, being the 31 March 2026 RCV published by Ofwat in its PR24 Final Determination with cost sharing adjustments including the impact of any totex over/underspend and the Price Control Deliverables adjustments. The carrying value of the Group's intangible assets is deducted from the 'shadow RCV' to arrive at the estimated fair value of property, plant and equipment. Timing variance adjustments are excluded as, although these are part of the RCV for regulatory reporting, for property, plant and equipment valuation purposes it is deemed inappropriate to reflect capital spend not yet incurred. The classes of asset impacted are infrastructure assets and operational structures.

The carrying value of assets is reviewed for impairment if circumstances dictate that the carrying value may not be recoverable; asset lives, and residual values are reviewed annually.

Property, plant and equipment comprise:

a. Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls);

b. Operational structure assets (being over-ground operational structures and equipment); and

c. Other assets (including properties, plant and equipment, computer hardware and fixtures and fittings).

Infrastructure assets
Infrastructure assets comprise principally impounding reservoirs and a network of underground water and wastewater systems. For accounting purposes, the water system is segmented into components representing categories of asset classes with similar characteristics and asset lives. The wastewater system is segmented into components representing geographical operating areas, reflecting the way the Company operates its wastewater activities.

Expenditure on infrastructure assets relating to increases in capacity, enhancements or material replacements of network components is treated as additions, which are included at cost. Expenditure incurred in repairing and maintaining the operating capability of individual infrastructure components, 'infrastructure renewals expenditure', is expensed in the year in which the expenditure is incurred.

The depreciation charge for infrastructure assets is determined for each component of the network and is based on each component's cost, estimated residual value and the expected remaining average useful life. The useful average economic lives of the infrastructure components range principally from 35 to 150 years, with a small number representing approximately 4% of the total number of infrastructure assets falling outside of this range.

Operational structure assets and other assets
Other assets are depreciated on a straight-line basis over their estimated useful economic lives, which are as follows:

Freehold buildings	30 – 60 years
Operational structures	5 – 80 years
Plant, equipment and computer hardware	3 – 40 years

Assets in the course of construction are not depreciated until commissioned. Land is not depreciated.

Capitalised borrowing costs
Capitalised borrowing costs are general and specific borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Adopted assets
Adopted assets at no cost comprise principally sewers. They are recognised as additions to infrastructure assets or operational structures at fair value and depreciated on a straight-line basis over an estimated useful economic life of 80 years.

Intangible assets
Intangible assets comprise computer software and development costs. Intangible assets are initially included at cost less accumulated amortisation, which is amortised on a straight-line basis over their estimated useful economic lives. Cost reflects purchase price together with any expenditure directly attributable to bringing the asset into use, including directly attributable internal costs.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets', that the asset arises from the development phase of a project rather than the research phase, and only from the date that the following can be demonstrated.

- the asset will generate probable future economic benefits
- intention and ability to complete the asset
- ability to reliably measure the expenditure attributable to the asset development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when the relevant recognition criteria are met.

The Company expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' (SaaS) basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the Company controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the Company's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the Company controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally 7 to 10 years.

The carrying values of intangible assets are reviewed for impairment if circumstances indicate they may not be recoverable. Intangible assets are amortised on a straight-line basis over their estimated useful economic lives, 7 years for development costs and ranging between 7 and 20 years for software. These asset lives are reviewed annually.

Leases
At inception of a contract the Company assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability is recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the interest rate implicit in the lease or, if that is not readily available, the Company's incremental rate of borrowing. Generally, the Company uses its incremental borrowing rate as the discount rate. After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease. Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the Company applies the short-term lease recognition exemption available under IFRS 16. The Company applies the low value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low value leases are instead charged to operating costs on a straight-line basis over the period of the lease.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

Grants and customer contributions
Grants and customer contributions in respect of expenditure on property, plant and equipment have been offset against these assets.

Capital expenditure programme incentive payments
The Company's agreements with its construction partners involved in delivering capital expenditure programmes incorporate incentive bonuses which are paid after completion. The cost of property, plant and equipment additions includes an accrual for incentive bonuses earned to date, based on management's best estimate, relating to projects substantially completed at the year-end, where the likelihood of making the incentive payment is considered probable.

Amounts recoverable from contract partners relating to targets not being achieved are recognised only on completed projects.

Inventory
Inventories are stated at the lower of cost and net realisable value.

Trade and other receivables
Trade receivables are recognised initially at fair value and measured subsequently at amortised cost less provision for impairment. They are first assessed individually for impairment, or collectively where the receivables are not significant individually. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are assessed collectively for impairment based on the expected credit loss. Movements in the provision for impairment are recorded in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents include highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition and typically include cash in hand and deposits with banks or other financial institutions.

Pension benefits

i) Defined benefit scheme
The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less present value of the defined benefit obligation at the year end, net of the deferred tax liability recognised in relation to the pension scheme surplus. The fair value of these assets has been estimated based on the latest available observable prices, updated with reference to movements in comparable observable indices to the reporting date, and adjusted for judgements to reflect differences in the liquidity and credit components of the asset pricing. The defined benefit obligation is calculated annually by an independent actuary using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. More information is provided in Note 21.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

ii) Defined contribution scheme
Obligations for contributions to this scheme are charged as employee costs and recognised as an expense in the income statement in the period in which they arise. The Company has no further payment obligations once the contributions have been paid.

Other financial liabilities
Debt is measured initially at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost. Debt issue costs are amortised over the expected term of such instruments at a constant rate on the carrying amount and are recognised in in the income statement under financial expenses.

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.

Derivative instruments utilised by the Company are interest rate swaps, inflation swaps (RPI-linked) and power hedges. Derivative instruments are used for hedging purposes to alter the risk profile of existing underlying exposures within the Company. Derivatives are recognised initially and subsequently re-measured at fair value. During the year to 31 March 2025, only one of the Company's derivatives qualified for hedge accounting (2025: one), but the Company elected not to apply hedge accounting. All instruments are carried at fair value with changes in fair value being recognised immediately in the income statement.

Loans receivable
Loans receivable are measured at fair value on initial recognition. After initial recognition, loans receivable are subsequently measured at amortised cost using the effective interest rate method whereby interest is credited to the income statement and added to the carrying value of loans receivable at a constant rate in proportion to the loan amount outstanding. The Company recognises a loss allowance for expected credit losses (ECL) on its loans receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Financing income and expenses
Financing expenses include interest payable, indexation on index-linked borrowings, index-linked swaps and finance charges on lease liabilities recognised in profit or loss using the effective interest method. Borrowing costs (financing expenses excluding swap settlement) that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation
Income tax for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in reserves. Current tax is the expected tax payable on the taxable income for the year using rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred taxation
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax has been recognised in relation to rolled-over gains except for where reinvestment has been made in certain operational assets which the Company plans to use until the end of their useful economic life. The Company anticipates that these assets will then be scrapped for negligible proceeds, or proceeds less than their tax base, and therefore no chargeable gain is expected to arise in the future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been estimated reliably. More information is provided in Note 16. Provisions are not recognised for future operating losses.

Where there is a number of similar uninsured claims, the likelihood that an outflow will be required is determined by considering the class of claims as a whole. These claims reflect for example, clean water leaks or bursts and repairing the damage this has caused to the surrounding area, such as property damage or damages to highways.

Financing risk management objectives and policies

Treasury activities are managed, at a Glas Cymru Anghyfyngedig (GCA) consolidated level, within a formal set of treasury policies and objectives, which are reviewed regularly and approved by the Board at least annually to ensure compliance with the Common Terms Agreement (CTA). The policies specifically prohibit any transactions of a speculative nature and the use of complex financial instruments. Certain detailed policies for managing interest rate, currency, inflation risk and liquidity risk are approved by the Board and may be changed only with the consent of Dŵr Cymru Cyfyngedig's Security Trustee. The risk is mitigated further by limiting the level of exposure to any one counterparty.

The Company uses financial instruments to raise finance and manage operational risk; these instruments principally include listed bonds, leases, bank loan facilities and derivatives.

Credit risk
The Company's Board approved treasury policy adopts a prudent approach to cash management and timed deposits are placed for a maximum of three months with banks subject to minimum long-term rating criteria of A-/A3/A-. Bonds can be purchased from certain AA-rated counterparties with maturities of up to one year and commercial paper purchases of up to one year can be placed with certain AAA-rated supranationals only. During the year ended 31 March 2026 the maximum cash investment with a single counterparty was £200 million (2025: £150 million).

Interest rate risk
The GCA group is covenanted to hedge at least 85% of its total outstanding financial liabilities into either index-linked or fixed rate obligations. As at 31 March 2026, the GCA group had hedges covering 100% of its total outstanding financial liabilities into either index-linked or fixed rate obligations, including free cash balances (2025: 100%). For this purpose, floating rate interest liabilities are hedged through a combination of derivative instruments and cash balances. The regulatory framework under which revenues and the regulatory asset value are indexed also exposes the Company to inflation risk. Therefore, subject to market constraints and Board approval, the Company may seek to raise new debt through index-linked instruments or enter into appropriate hedging transactions.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Of total borrowings of £5,606 million as at 31 March 2026 (2025: £5,396 million), £378 million related to floating rate debt (2025: £250 million). The Company therefore considers overall interest rate exposure at the balance sheet date to be minimal.

As at 31 March 2026, 93% (2025: 95%) of the GCA group's gross debt was at fixed or index-linked (RPI) rates of interest after taking into account interest rate and RPI swaps. The hedges established to manage interest rate risks are generally economic in nature, but do not satisfy the specific requirements in order to be treated as hedges for accounting purposes. Accordingly, all movements in the fair value of the Company's derivative financial instruments are reflected in the income statement. This has resulted in a net liability of £10.7 million in the Company's balance sheet at 31 March 2026 (2025: £21.7 million) but, assuming that the swaps are held to maturity, this will ultimately reduce to £nil as payments are made.

Power price hedges
The Company enters into contracts which fix the price of a proportion of future power purchases in order to reduce the impact of power price variances. These contracts qualify as financial instruments and are included within the financial statements.

Refinancing risk
Refinancing risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of borrowings across a range of instruments, types and maturities. The GCA group's policy is to ensure that the maturity profile does not impose an excessive strain on its ability to repay loans. Under this policy, no more than 20% of the principal of GCA group borrowings of £5,249 million (2025: £5,023 million) can fall due in any 24 month period.

Liquidity risk
The GCA group maintains committed banking facilities in order to provide flexibility in the management of its liquidity. Under the Common Terms Agreement which governs obligations to bondholders and other financial creditors, the GCA group is required to have cash available to fund operations for 12 months.

As at 31 March 2026, the GCA group had committed borrowing facilities of £400 million, which remained undrawn (2025: £650 million), and cash and cash equivalents (excluding debt service payments account) of £572 million (2025: £620 million). There is also a £10 million overdraft facility renewable on an annual basis.

As at 31 March 2026 there was also a special liquidity facility of £175 million (2025: £175 million); this is required in order to meet certain interest and other obligations that may not be funded through operating cash flow in the event of a standstill being declared by the Security Trustee, following an event of default under the GCA group's debt financing covenants. The facility has been provided by an insurance provider and is renewable on a rolling five-year evergreen basis.

Capital risk
The Group's objective when managing capital is to safeguard its ability to continue as a going concern. Given the regulatory environment in which the Group operates, capital is monitored on the basis of the gearing ratio. This is calculated as net debt (as defined in borrowing covenants) as a proportion of the Group's Regulatory Capital Value as determined by Ofwat and linked to the movements in the Consumer Prices Index (CPIH) and the Retail Prices Index (RPI). As at 31 March 2026 the measure of regulatory gearing was 61% (2025: 62%).

In respect of the risks detailed above, further quantitative disclosures are provided in note 15.

Critical accounting estimates and judgements

The preparation of financial statements under IFRS requires management to make judgements in applying accounting policies and to make estimates, based on assumptions about the future, that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of the amount, event or actions, given the information available. Changes to these judgements and estimates could have a material effect on the financial statements, and where this is the case sensitivity analysis has been included.

On an ongoing basis, management evaluate the estimates using historical experience, consultation with experts and other methods considered reasonable. As estimates carry with them an inherent level of uncertainty, sensitivity analysis is performed where practicable and where, in management's opinion, it provides useful and meaningful information to understand a range of outcomes that could be considered reasonably possible. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements which management assess to be significant, following consideration of the extent to which the estimates give rise to a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year.

1) Provision for impairment of trade receivables
Expected credit losses ('ECL') for trade receivables with similar credit risk are calculated using a statistical model and reasonable forecasts of the future impact of external economic factors on the Company's collection of trade receivables.

ACCOUNTING JUDGEMENT

The criteria determined by management to calculate the provision for expected credit losses is as follows:

- Standardised historic collection rates based on 3-year observable trend;
- Risk categorisation of customers, split by household and non-household customers, segregated by high, medium and low risk based on historic recoverability;
- Statistical model projected for 4 years, excluding charging order recoverability reflecting management's long-term collection strategy.

ACCOUNTING ESTIMATE

The probability of failing to recover a debt is based on ECL, determined by past experience as shown in the bullet points below, and expected future movements in collection rates, adjusted for changes in external factors. There are a variety of macroeconomic factors that might impact household disposable income and therefore the expected credit losses on trade receivables, such as inflation, interest rates and Government support. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

The Company has observed collection rates of 99% for low and medium risk customers within 4 years, with a small proportion of our customer base struggling to pay their debts on time and are therefore under debt management (high risk). Our recoverability of debts under this category principally contribute to our provision for impairment of trade receivables, with collection rates based on historical data below:

Debt age	Measured	Unmeasured
Less than 6 months	8.6%	9.9%
Between 6-12 months	26.3%	16.2%
Between 1-2 years	39.3%	36.1%
Between 2-3 years	49.5%	47.8%
Between 3-4 years	56.1%	58.6%
Between 4-5 years	61.1%	64.1%

Further recoverability rates have been applied to the following debt categories:

- 90% of debt subject to a charging order reflecting management's long-term recoverability strategy
- 100% of 'final' debt – representing balances that have fully progressed through our collection processes and are awaiting either approval for write-off or the conclusions of debt collection agency actions.

Management consider a range of scenarios when forecasting future impacts to expected credit losses, taking into account cash collection rates in the current year compared to recent years, incorporating the current economic uncertainty and projections, all of which may impact recoverability of household receivables. The recoverability of household receivables, and the adequacy of our ECL allowance, will continue to be kept under review.

Sensitivities:
At 31 March 2026, an allowance for ECL of £96.8 million (2025: £87.0 million) was supported by a three-year cash collection projection. The key sensitivities established by management to assess the reasonableness of the bad debt provision are as follows:

- A 1% deterioration in collection rates for our high-risk cohort of customer would increase the provision by £2.7 million.
- A 5% deterioration to the recoverability of the Company's long-term debt collection strategies, from a 90% historical trend, would increase the provision by £0.6 million.

2) Pension benefits

ACCOUNTING ESTIMATE
The results of the latest triennial funding valuation at 31 March 2025 have been used to inform the Company's best estimate assumptions to use in calculating the defined benefit pension obligation reported at 31 March 2026, under IAS 19 (see also note 21). The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the pension obligations, which impacts on the Company's balance sheet, income statement and statement of comprehensive income, is dependent on the IAS 19 actuarial calculation. The key assumptions are the discount rate, price inflation and salary increases, and mortality rates. These assumptions are used to calculate the present value of the estimated future cash outflows that will be required to meet the pension obligations. More information on these assumptions and sensitivity analysis on each is provided in note 21.

ACCOUNTING ESTIMATE

Included within the defined benefit pension scheme's asset are assets with a fair value of £103.6 million (2025: £109.3 million) that are categorised as Level 3 financial assets within the IFRS 13 Fair value measurement hierarchy, meaning that their value is not observable at 31 March 2026. These assets comprise alternatives pooled funds and are considered to be the least liquid and hardest to value and are therefore subject to a higher degree of estimation. The fair value of these assets has been estimated based on the latest available observable prices, updated with reference to movements in comparable observable indices to the reporting date, and adjusted for judgements to reflect differences in the liquidity and credit components of the asset pricing. A 5% movement in the fair value of these Level 3 financial assets would increase or decrease the overall carrying value of the pension asset by £5.2 million (2025: £5.5 million).

ACCOUNTING JUDGEMENT

The tax liability associated with the pension surplus has been treated against the surplus as management judge that any tax arising on the surplus does not meet the definition of an income tax under IAS 12 and therefore follow the guidance of IFRIC 14 to recognise the surplus net of the 25% tax charge

3) Fair Value Estimation
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 asset or liability, either directly (prices) or indirectly (derived from prices).
- **Level 3**: inputs for the asset or liability not based on observable market data.

ACCOUNTING ESTIMATE

All of the Company's treasury derivatives are categorised as Level 2. In accordance with IFRS 13 an adjustment factor has been applied to the swaps based on industry standard practice to take into account credit risk by estimating future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors which are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate.

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 31 March 2026 the fair values of derivatives were as follows:

Level 2: **Assets**: Trading derivatives £7.6 million (March 2025: Trading derivatives £3.3 million).

Liabilities: Trading derivatives £0.2 million, Treasury derivatives £18.1 million (March 2025: Trading derivatives £0.7 million, Treasury derivatives £25.0 million).

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.

4) Capitalisation
There is a high degree of judgement involved in determining whether costs, both initial and subsequent expenditure, including employee and other internal expenditure on both infrastructure and non-infrastructure assets meet the relevant criteria for capitalisation (directly attributable to the asset, provide probable economic benefit and can be measured reliably) and therefore are included in the valuation of property, plant and equipment, or alternatively should be expensed immediately.

ACCOUNTING JUDGEMENT
The Company capitalises expenditure relating to employee costs on both a direct and an indirect basis, through the use of timesheets and estimation of overhead costs that is attributable to a capital project. Management review at least annually, at a department level, whether time spent is on capital or operational activities.

ACCOUNTING ESTIMATE
Management's estimate of time spent on capital projects is used to determine capitalisation rates. Were the capitalisation percentage to increase or decrease by 5% this would result in a financial impact of £11.3 million (2025: £10.8 million), based on total employment costs.

This is monitored continually through a process of capital programme cost challenge and operating cost scrutiny, complemented by a third-party analysis of the capital programme breakdown between maintenance costs charged to the income statement and property, plant and equipment additions to the balance sheet.

5) Useful economic life impact on depreciation

ACCOUNTING ESTIMATE
The estimated useful economic lives of Property, plant and equipment (PPE) and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PPE and intangibles investment to the Company, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £423 million (2025: £389 million). A 10 per cent increase in average asset lives would have resulted in a £38 million (2025: £35 million) reduction in this figure and a 10 per cent decrease in average asset lives would have resulted in a £47 million (2025: £43 million) increase in this figure.

Due to the total value of tangible and intangible fixed assets being revalued to the 'shadow RCV' of Dŵr Cymru Cyfyngedig, as outlined in the Property Plan and Equipment accounting policy above, for any increase or reduction to the depreciation and amortisation expense there would be a corresponding reduction or increase to net revaluation gains recognised in the Statement of Comprehensive Income, and therefore there would be no impact on net assets or total reserves.

6) Property, plant and equipment fair value estimation
The Group's property, plant and equipment is reported at fair value, using a shadow RCV (as defined under the accounting policy for property plant and equipment above).

ACCOUNTING ESTIMATE
There is an inherent uncertainty involved in valuing property, plant and equipment using shadow RCV. A 1% increase or decrease in the RCV benchmark would result in a 1.3% increase or 1.0% decrease in the fair value of PPE. This reflects the degree to which the valuation is influenced by regulatory assumptions rather than observable market data.

7) Climate change
The Company is continually reviewing the impact climate change has on our financial statements.

The Company is exposed, due to the nature of its operations, to the constantly changing natural environment, influencing our strategy to ensure how our water and wastewater services are delivered in the future. The Company has set out ambitious climate-related targets over the short and long term, obtaining investment to deliver these targets, introducing assets required to deliver such services.

Notes to the financial statements (continued)

The Company continuously evaluates its strategic planning activities that incorporate defined climate scenarios, mitigation pledges and long-term climate models, reducing its exposure to a material impact in the valuation of its assets and liabilities. This incorporates the impact of climate change, adaptation to improve asset resilience, minimisation and mitigation of contributory impacts to climate change and its transition to net zero and the investment or replacement of assets required.

The Company has considered both its contribution and the affect of the natural environment in the preparation of these financial statements and the value of its assets and liabilities across a number of areas, predominantly the valuation of property, plant and equipment. The main considerations are detailed below.

The present risk to our reported financials resulting from climate change, environmental legislation or the Company's net zero measures surrounds the useful economic life of our property, plant and equipment. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be obsolete or for which no further use is planned, in part as a result of the Company's net zero strategy. No material accelerations were required in the current financial year, however this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

Detailed in the Group's TCFD report on pages 28 to 38 of the Group Annual Report & Accounts, the Company is exposed to flood risk resulting from extreme weather events, the frequency of which are expected to increase as the effects of climate change become more apparent. The Company reviews operational assets following large-scale flooding, facilitated through identification of assets most at risk, and identifies items damaged beyond repair resulting in write downs through accelerated depreciation. The Company has and will continue to invest in flood defenses and other resilience measures at the most vulnerable facilities to protect its assets. No such charges were required in the current financial year.

The UK climate also presents challenges with more prolonged periods of hot and dry weather through the summer, and an increase in average rainfall through the winter. This could impact our water operations reliant on water intake from the natural environment or dam water levels, possibly affecting the viability of certain types of assets in future years or require a strategic reconfiguration of assets to respond to such challenges. We expect any such material impacts would materialise in the medium to long term, and therefore no financial impact has been identified in the current year.

Further information on our climate-change strategy is available on page 30 of Glas Cymru Holdings Annual Reports and Accounts.

8) Income from connections to the water and sewerage network

ACCOUNTING JUDGEMENT
The Company receives income from developers for new connections to the water and sewerage networks in the form of adopted infrastructure assets. In assessing this income, we have judged the contract to be outside the scope of IFRS 15 and therefore recognised a deferred income balance at the fair value of the assets adopted which is released to the income statement as an equivalent to the depreciation of the associated assets to which they relate. Any connection charges to developers or domestic customers for new connections to the network are recognised immediately in revenue on completion of the new connection as that is judged to be the performance obligation under IFRS 15. During the year the Company received infrastructure assets with a fair value of £84.9 million (2025: £161.7 million).

9) Unbilled revenue recognition

ACCOUNTING ESTIMATE

The Company raises bills in line with the regulatory price review processes setting out its entitlement to receive revenue. Metered customers are billed based on consumption of use, with estimations required for the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis and the Company recognises revenue for unbilled amounts based on estimated usage from the last two bills through to each reporting date. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in revenues being adjusted in future periods. Revenue recognised for unbilled amounts for these customers at 31 March 2026 was £134.4 million (2025: £ 97.9 million). Had actual consumption deviated by 5%, revenue for unbilled amounts would have moved by £4.9 million (2025: £3.6 million).

Restatement

The income statement for the year to 31 March 2025 has been restated for the presentation of fair value gains and losses on derivatives and financial expenses, with £39.9 million of settlements accruing on derivative financial instruments received by Dŵr Cymru (Financing) UK plc rather than the Company directly now reflected in the financial expenses line item rather than being disclosed as settlements accruing on derivative financial instruments reflecting the on-lend agreement between the two companies. There is no impact on total net financial expenses or the loss for the year.

The cashflow statement for the year to 31 March 2025 has also been restated for the presentation of settlements accruing on financial derivatives of £39.9 million relating to Dŵr Cymru (Financing) UK plc rather than the Company within the receipts and payments on derivatives line items, as well as £40.6 million relating to the FY24 equivalent which was accrued from FY24 but settled in FY25. There is no impact on total cashflow from financing activities or net cashflow for the year.

2. Revenue

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 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. The Dŵr Cymru Executive is the Company's chief operating decision maker with reports provided to it on this basis.

While the Company operates in a single segment, its activities can be disaggregated into the following principal income streams:

	2026	2025
	£m	£m
Regulated revenue		
Water	**449.6**	340.8
Sewerage	**607.7**	503.2
Retail	**100.6**	62.8
Total regulated revenue	**1,157.9**	906.8
Other (non-regulated)	**11.9**	8.9
Total revenue	**1,169.8**	915.7

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 and England and Wales, regulated by The Office of Water Trading (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 Company's core water and sewerage business.

Notes to the financial statements (continued)

3. Operating profit/(loss)

The following items have been included in arriving at the operating (loss)/profit:

	2026 £m	2025 £m
Operating expenditure		
Power	**85.5**	71.9
Chemicals	**21.6**	22.2
Materials and equipment	**14.4**	11.7
Vehicles and plant	**4.2**	6.8
Office expenses	**8.8**	7.0
Property costs	**3.9**	3.8
Insurance	**9.2**	8.2
Water and Sewerage contractors	**14.2**	15.4
Laboratories and analytical services	**2.1**	1.9
Collection commissions	**1.5**	1.0
IT contracts	**23.1**	20.4
Bought-in services and other costs	**50.8**	56.4
	239.3	226.7
Employee costs (note 20)	**225.1**	216.1
Staff costs capitalised or classified as infrastructure renewals expenditure	**(108.4)**	(98.4)
	116.7	117.7
Research and development credit	**(0.3)**	(0.2)
Rates	**29.5**	18.9
Natural Resources Wales/Environment Agency charges	**18.5**	18.8
Fees payable to auditors	**1.1**	1.1
Atypical Costs	**8.6**	15.2
Total operational expenditure	**413.4**	398.2
Impairment of trade and other receivables	**33.9**	21.2
Other operating income	**(15.5)**	(5.4)
Transformation and restructuring costs		
Employee related costs	**8.9**	-
Professional service fees	**13.4**	-
Other	**0.5**	-
Total transformation and restructuring costs	**22.8**	-
Infrastructure renewals expenditure	**120.7**	120.7
Depreciation and amortisation		
Depreciation property, plant and equipment	**382.2**	355.5
Release of deferred income	**(13.1)**	(11.8)
Amortisation of intangible assets	**53.7**	46.3
Total depreciation and amortisation	**422.8**	390.0
Total operating costs	**998.1**	924.7

The Company incurred insignificant expenses relating to short-term leases, leases of low-value assets or variable lease payments in 2026 and 2025.

Staff costs in the year of £4.5 million (2025: £4.7) have been classified to infrastructure renewals expenditure.

Other operating income principally comprises £9.7 million of reservoir operating agreements (2025: £nil) and £5.8 million income from the export of internally generated gas (2025: £5.4 million).

3. Operating profit/(loss) (continued)

Movement in deferred income relates to the income recognised on assets adopted by the Company at nil cost where the assets are initially recognised at fair value within fixed assets and depreciated over their useful economic life with a corresponding balance in deferred income.

Atypical costs reflect the one-off impacts from the Broughton (Flintshire) mains burst (£3 million), drought costs (£1 million) and provision for environmental remediation activities as part of our Ofwat Wastewater Treatment works redress package (£4 million). (2025: £15.2 million for the one-off impacts from Storm Burt, Storm Darragh and the Bryn Cowlyd mains burst).

Exports of renewable electricity is included within power costs as it is treated as a natural hedge to our consumption. Our energy strategy is to enter into contracts which fix the price of consumption less exports of future power purchases in order to reduce the impact of power price variances. During the year, consumption charges amounted to £104 million (2025: £89 million) with exports of £8 million (2025: £11 million).

Services provided by the Company's auditors

During the year the Group headed by Glas Cymru Holdings obtained the following services from its auditors; £986k was paid by Dŵr Cymru Cyfyngedig, £90k by Dwr Cymru (Financing) UK plc whilst the remainder were paid by the subsidiaries in the Welsh Water Holdings Limited group (Welsh Water Holdings is a wholly owned subsidiary of the Glas Cymru Holdings group):

	2026	2025
Audit fees	**£000**	£000
Audit of parent company and consolidated financial statements	**66**	64
Audit of subsidiary companies	**710**	738
Total audit fees	**776**	802
Audit-related assurance services	**115**	112
Other assurance services	**235**	156
Total cost of services provided by the Group's Auditors	**1,126**	1,070

Audit-related assurance services include audit work in respect of regulatory requirements: the Annual Performance Report. Other assurance services include review of interim financial statements, bond assurance procedures and other agreed upon procedures.

The Board has adopted a formal policy with respect to services received from external auditors. All non-audit work will be subject to prior competitive tendering or approval by the Audit Committee.

TRANSFORMATION AND RESTRUCTURING COSTS

During the year, the Company incurred £22.8 million (2025: £nil) of Transformation and Restructuring costs, disclosed separately due to their size, nature and non-recurring characteristics. The item is included within operating costs in the Consolidated Income Statement:

Transformation and restructuring costs comprise direct, incremental costs incurred as a result of the Company's Trawsnewid transformation programme, a Board-approved, time-limited strategic initiative designed to fundamentally change the Group's operating model in support of its medium- to long-term strategy. These costs primarily comprise employee-related costs and professional service fees. These costs are separately identifiable from normal operating costs, do not relate to the ongoing day-to-day trading activities of the Company and are not expected to recur in the same form once the transformation programme is completed.

Cash outflows relating to transformation and restructuring activities were £17.3 million, with the remaining payments expected in 2026/27.

4. Financing costs

	2026 £m	Restated 2025 £m
Interest on investments	**38.4**	26.1
Net interest income on pension scheme liabilities	**3.9**	2.0
Finance income	**42.3**	28.1
Financial expenses:		
Interest payable on loans (includes indexation)	**(296.8)**	(224.1)
Interest payable on leases (including swaps to RPI)	**(6.6)**	(12.0)
Modification gain on borrowings	**-**	51.5
Other interest payable and finance costs	**(25.3)**	(28.9)
Capitalisation of borrowing costs under IAS 23 (2026: 5.8%; 2025: 5.4%)	**20.4**	18.8
Financial expenses before fair value gains/(losses) on derivative financial instruments	**(308.3)**	(194.7)
Settlements accruing on derivative financial instruments	**(5.1)**	(0.2)
Fair value gains/(losses) on interest rate swaps	**0.7**	(6.7)
Fair value gains on index-linked swaps	**5.6**	29.0
Fair value gains on trading derivatives	**4.6**	1.5
Fair value gains on derivative financial instruments	**5.8**	23.6
Net finance cost	**(260.2)**	(143.0)

The comparators for financial expenses and fair value gains on derivative financial instruments in the year have been restated. Financial expenses have reduced by £39.9 million with a corresponding decrease in fair value gains on derivatives. There is no impact on the loss for the year. More information is available under note 1 to these financial statements.

Included within financial expenses are amounts payable to group undertakings of £293.9 million (2025: £219.3 million).

Derivative financial instruments are held for economic hedging purposes although they do not qualify as accounting hedges. Consequently, the Company'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. (See note 14 in respect of derivative financial instruments recognised on the balance sheet.)

Interest rate swap movements are caused by fluctuations in long-term swap rates, while the index-linked swap movements result from fluctuations in the value of index-linked gilts.

During the previous year an element of the intercompany loan was amended to convert £100m of principal balance from RPI linked to fixed rate. This corresponded to the termination of an external swap agreement in Dwr Cymru (Financing) UK Plc. The amendment was deemed substantial and so that element of the loan was derecognised and subsequently measured at fair value. A total gain of £51.5m was recognised being the difference between the amortised cost (£194.9m) of the loan at amendment date and the new fair value (£79.5m) net of settlement fee of £63.9m.

5. Taxation

Analysis of tax credit in the year:

	2026	2025
	£m	£m
Current tax		
- Current tax on loss for the year	**0.2**	4.9
Current tax on research and development credit	**(0.1)**	
Adjustment in respect of prior years	**0.1**	0.5
Total current tax	**0.2**	5.4
Deferred tax		
- Origination and reversal of timing differences	**19.2**	38.2
- Adjustment in respect of prior years	**0.1**	-
Total deferred tax credit (note 6)	**19.3**	38.2
Taxation credit	**19.5**	43.6

Current tax is corporation tax which is payable on a company's profit or loss adjusted for tax purposes, and is only charged where a taxable profit arises after these tax adjustments - see current tax reconciliation. Current taxes in respect of prior years of £0.1 million (2025: £0.5 million) relate to tax credits for R&D and the remediation of contaminated land.

Pillar Two legislation, reflecting the OECD's Base Erosion Profit Shifting framework is effective for periods beginning 1 January 2024. The Company has applied the mandatory temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules. As the Company meets the requirements of the 'routine profits test' under the UK's transitional safe harbour, the new rules do not impact the company's tax charge for the current period.

Deferred taxes have been calculated at 25% (2025: 25%).

The effective rate of tax for the year is lower (2025: lower) than the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are explained below:

	2026	2025
Total tax reconciliation	**£m**	£m
Loss before tax	**(88.2)**	(152.0)
Loss before tax multiplied by the corporation tax rate in the UK of 25% (2025: 25%)	**22.0**	38.1
Effect of:		
Adjustments in respect of prior years	**0.2**	0.5
Depreciation charged on non-qualifying assets	**(2.4)**	(2.8)
Expenses not deductible for tax purposes	**(0.3)**	(0.2)
Waiver/release of intercompany loan – not taxable	**-**	8.0
Taxation	**19.5**	43.6

5. Taxation (continued)

Current tax reconciliation
The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year.

	2026	2025
	£m	£m
Loss before tax	**(88.2)**	(152.0)
Expected tax credit 25% (2025: 25%)	**22.0**	38.1
Depreciation in excess of capital allowances	**(33.1)**	(61.5)
Pension costs in excess of payments	**1.0**	0.5
Expenses not deductible for tax purposes	**(0.2)**	(0.2)
Fair value movements in derivatives - non taxable	**2.7**	6.5
IFRIC 18 - release of income not taxable	**3.3**	2.9
Waiver of intercompany debt – not deductible	**-**	13.0
Movement in provisions deductible when paid	**(0.7)**	0.9
Capitalised interest - tax deductible when capitalised	**5.1**	4.7
Adjustments in respect of prior years	**0.1**	0.5
Total current taxation	**0.2**	5.4

The Company invests heavily in capital expenditure and is therefore able to claim tax relief in the form of capital allowances, a Government tax relief which aims to stimulate this type of investment. As the Company has no shareholders the surpluses it generates help keep water bills down and are also reinvested to improve the quality of services to customers, rather than being paid to shareholders as dividends. This reinvestment is often in the form of capital expenditure which attracts further capital allowances. As a result of the Company’s profit forecasts and the capital allowances it is able to claim, the Company does not expect to pay corporation tax during AMP 8 (2026 – 2030).

The most significant factor impacting the Company's current tax charge is the difference between depreciation charged on property, plant and equipment in the financial statements and the tax relief claimed for this expenditure (capital allowances). Deferred taxes are recognised on the temporary difference between the carrying amount of the fixed assets in the accounts and the amount that will be deductible for tax purposes in future years. Depreciation exceeds the claim for capital allowances as the company is able to determine the amount of capital allowances it claims during each period in accordance with the tax legislation. Capital allowances have not been fully claimed this year, or in the prior period.

Treasury derivative financial instruments are carried at their fair value. Fair value gains and losses (excluding payments and receipts) arising between balance sheet dates are recognised in the income statement but are not subject to corporation tax. Deferred taxes are recognised on the temporary difference which is equal to the net fair value of the derivatives in the financial statements less the amounts which have been deducted for tax purposes.

The company has elected to be treated as a 'qualifying infrastructure company' under the Public Benefit Infrastructure Exemption provided for within the corporate interest restriction legislation. As a result there is no interest restriction for the current period (2025: £nil).

6. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2025: 25%). The movement in the deferred tax provision is as shown below:

	2026	2025
	£m	£m
At 1 April	**715.0**	768.3
(Credit) to Income statement	**(19.3)**	(38.2)
Less: charge to Income statement associated with pensions	**(0.5)**	(0.5)
Charge/(credit) to statement of comprehensive income in respect of the revaluation of fixed assets	**69.5**	(14.6)
At 31 March	**764.7**	715.0

	2026	2025
Effect of:	**£m**	£m
Tax allowances in excess of depreciation	**310.3**	294.7
Deferred tax on revaluation of fixed assets	**550.1**	517.4
Capital gains rolled over	**4.0**	4.0
Deferred tax liability	**864.4**	816.1
Deferred tax on tax losses c/f	**(99.5)**	(99.5)
Deferred tax on losses on derivative financial instruments	**(2.6)**	(5.4)
Other tax differences	**2.4**	3.8
Net deferred tax	**764.7**	715.0

An analysis of the movements in the major deferred tax liabilities and assets recognised by the company is set out below:

	Accelerated tax depreciation	**Tax losses**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 April 2024	881.7	(100.5)	(12.9)	768.3
Charge/(credit) to income	(51.0)	0.9	11.4	(38.7)
Charge/(credit) to equity	(14.6)	-	-	(14.6)
At 1 April 2025	**816.1**	**(99.6)**	**(1.5)**	**715.0**
Charge/(credit) to income	**(21.3)**	**-**	**1.5**	**(19.8)**
Charge/(credit) to equity	**69.5**	**-**	**-**	**69.5**
At 31 March 2026	**864.3**	**(99.6)**	**-**	**764.7**

Deferred taxes have been recognised on the temporary difference between the carrying amount of the fixed assets in the accounts and the amounts that will be deductible for tax purposes (capital allowances) in future years. As capital allowances have exceeded the depreciation charged on the fixed assets to date, there is a deferred tax liability of £310.3 million at the balance sheet date (2025: £294.7 million).

A deferred tax liability of £550.1 million (2025: £517.4 million) has also been recognised in relation to revaluation surpluses arising from revaluing fixed assets to reflect Ofwat's 'shadow regulatory capital value'. The associated deferred tax charge is charged to the revaluation reserve.

The company had tax losses of £398.0 million carried forward at 31 March 2026 (2025: £398.0 million).

Deferred tax assets have been recognised in respect of all tax losses and temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets which will reverse in the same periods.

Deferred tax has not been provided on £133.0 million of chargeable gains which have been rolled over where the new asset has been classified as operational structures, for example concrete tanks. These assets are typically demolished or scrapped at the end of their useful economic life and therefore we do not expect a chargeable gain will arise in the future. If deferred tax were recognised in respect of these gains, then the deferred tax liability at 31 March 2026 would increase by £33.3 million (2025: £33.3 million) being the rolled over gain multiplied by the rate used to calculate deferred taxes of 25% (2025: 25%).

7. Revaluation reserve

The economic value of the Company's water and sewerage business is derived from the Regulatory Capital Value (RCV) set by Ofwat during its five yearly price reviews. The Company considers that a fair value approach to valuing its assets better reflects the underlying value of the assets than historical cost accounting which understates the assets' current value in use.

As at 31 March 2026 tangible fixed assets have been revalued to their fair value with reference to the Company's 'shadow RCV', being the 31 March 2026 RCV published by Ofwat in its PR24 Final determination with cost sharing adjustments including the impact of any totex over/underspend and Price Control Deliverables (PCD) adjustments, excluding timing variance adjustments. The carrying value of the Group's intangible assets is deducted from the 'shadow RCV' to arrive at the estimated fair value of property, plant and equipment. Timing variance adjustments are excluded as, although these are part of the RCV for regulatory reporting, for property, plant and equipment valuation purposes it is deemed inappropriate to reflect capital spend not yet incurred. The classes of asset impacted are infrastructure assets and operational structures.

The carrying value of assets is reviewed for impairment if circumstances dictate that the carrying value may not be recoverable, asset lines and residual values are reviewed annually.

Revaluation reserve movement	**2026** **£m**	2025 £m
Revaluation reserve as at 1 April	**1,121.9**	1,271.2
Revaluation of assets to RCV	**278.0**	(58.5)
Depreciation charge on revalued assets	**(147.3)**	(140.6)
	130.7	(199.1)
Deferred tax on revaluation	**(69.5)**	14.6
Deferred tax on depreciation charge	**36.8**	35.2
	(32.7)	49.8
Revaluation reserve as at 31 March	**1,219.9**	1,121.9

8. Property, plant and equipment

2026	Freehold land and buildings £m	Infrastructure assets £m	Operational structures £m	Plant, equipment, computer hardware £m	Total £m
Cost or valuation					
At 1 April 2024	42.0	3,692.4	5,377.9	284.0	9,396.3
Reclassification	36.0	-	(41.2)	5.2	-
Additions net of grants and contributions	-	311.5	335.3	4.4	651.2
Disposal	-	-	-	(0.7)	(0.7)
At 1 April 2025	**78.0**	**4,003.9**	**5,672.0**	**292.9**	**10,046.8**
Additions of net grants and contributions	**4.4**	**253.8**	**322.6**	**2.8**	**583.6**
Disposal	**-**	**-**	**-**	**(1.2)**	**(1.2)**
At 31 March 2026	**82.4**	**4,257.7**	**5,994.6**	**294.5**	**10,629.2**
Accumulated depreciation					
At 1 April 2024	25.9	-	1,802.9	274.0	2,102.8
Reclassification	(3.0)	-	8.7	(5.7)	-
Revaluation	-	29.1	29.4	-	58.5
Charge for the year	1.4	74.8	276.0	3.3	355.5
Released on disposal	-	-	-	(0.7)	(0.7)
At 1 April 2025	**24.3**	**103.9**	**2,117.0**	**270.9**	**2,516.1**
Revaluation	**-**	**(142.3)**	**(135.7)**	**-**	**(278.0)**
Charge for the year	**1.4**	**84.9**	**295.7**	**0.2**	**382.2**
Released on disposal	**-**	**-**	**-**	**(1.2)**	**(1.2)**
At 31 March 2026	**25.7**	**46.5**	**2,277.0**	**269.9**	**2,619.1**
Net book value					
At 31 March 2026	**56.7**	**4,211.2**	**3,717.6**	**24.6**	**8,010.1**
At 31 March 2025	53.7	3,900.0	3,555.0	22.0	7,530.7
At 31 March 2026 (historic cost)	**56.7**	**2,952.8**	**2,778.4**	**24.9**	**5,812.8**
At 31 March 2025 (historic cost)	53.7	2,755.3	2,629.1	22.3	5,460.4

The net book value of Property, plant and equipment includes £304.1 million (2025: £318.0 million) in respect of assets in the course of construction, comprising £148.2 million in infrastructure assets and £155.9 million in operational structures.

The net book value of Property, Plant and equipment includes £140.5 million of borrowing costs capitalised in accordance with IAS 23 (2025: £126.7 million), of which £19.2 million were additions in the year (2025: £17.4 million).

The net book value of freehold land and buildings includes £15.9 million in respect of land, which is not depreciated (2025: £15.9 million).

During the previous year to 31 March 2025 buildings assets (visitor centres) with a net book value of £33m were reclassified from Operational Structures to Freehold Land and Buildings.

8. Property, plant and equipment (continued)

Right-of-use assets
Included within the above are right-of-use assets as analysed below:

	Infrastructure assets £m	Operational structures £m	Total £m
Net book value at 1 April 2024	396.7	0.1	396.8
Disposal	(73.9)	-	(73.9)
Revaluation	(3.1)	-	(3.1)
Depreciation	(24.4)	-	(24.4)
Net book value at 1 April 2025	**295.3**	**0.1**	**295.4**
Disposal	**(34.3)**	**-**	**(34.3)**
Revaluation	**10.5**	**-**	**10.5**
Depreciation	**(19.2)**	**-**	**(19.2)**
Net book value at 31 March 2026	**252.3**	**0.1**	**252.4**
Net book value at 31 March 2025	295.3	0.1	295.4
Net book value at 31 March 2026 (historical cost basis)	**180.5**	**0.1**	**180.6**
Net book value at 31 March 2025 (historical cost basis)	208.6	0.1	208.7

The disposal of £34.3 million (2025: £73.9 million) represents the termination of a lease arrangement, with the Company retaining ownership of the underlying assets.

The Company's leases are principally made up of water and sewerage treatment infrastructure assets and equipment in order to carry out its operations.

9. Intangible assets

	Computer software £m	Development costs £m	Total £m
Cost			
At 1 April 2024	477.4	101.9	579.3
Additions	29.0	11.9	40.9
At 31 March 2025	**506.4**	**113.8**	**620.2**
Additions	**22.0**	**10.2**	**32.2**
At 31 March 2026	**528.4**	**124.0**	**652.4**
Accumulated amortisation			
At 1 April 2024	327.8	50.5	378.3
Charge for the year	33.7	12.6	46.3
At 31 March 2025	**361.5**	**63.1**	**424.6**
Charge for the year	**39.5**	**14.2**	**53.7**
At 31 March 2026	**401.0**	**77.3**	**478.3**
Net book value at 31 March 2026	**127.4**	**46.7**	**174.1**
Net book value at 31 March 2025	144.9	50.7	195.6

Intangible assets includes £13.3 million of borrowing costs capitalised in accordance with IAS 23 (2025: £13.5 million), of which £1.2 million were additions in the year (2025: £1.4 million).

The net book value of intangible assets includes £17.3 million in respect of assets in the course of construction (2025: £26.5 million).

Computer software includes one individual asset (2025: one) with a material net book value, being the customer billing system, which has a net book value of £15.3 million (2025: £18.9 million) and a remaining amortisation period of 9 years. There are no other intangible assets with an individually material net book value (2025: none).

10. Trade and other receivables

	2026	2025
	£m	£m
Current		
Trade receivables	**696.9**	637.3
Less provision for impairment of receivables	**(96.8)**	(87.0)
Trade receivables - net	**600.1**	550.3
Prepayments	**9.5**	12.4
Accrued income	**154.5**	120.8
Other receivables	**30.0**	30.7
	794.1	714.2
Non-current		
Other receivables	**1.5**	-
Total trade and other receivables	**795.6**	714.2

The carrying amounts of trade and other receivables were approximate to their fair value at 31 March 2026 and 31 March 2025

As at 31 March 2026, based on a review of historical collection rates it was considered that £96.8 million (2025: £87.0 million) of trade receivables were impaired and these have therefore been provided for. The impaired receivables relate mainly to the measured and unmeasured supply of water and sewerage services. Trade receivables aged greater than one month are past due; the net column shows amounts deemed not to be impaired.

The ageing of receivables was as follows:

Current year **Trade receivables**	**Total** **£m**	**Provided for** **£m**	**Net** **£m**
Billings in advance	**465.0**	**-**	**465.0**
Under one month	**23.4**	**(2.9)**	**20.5**
Between one and six months	**61.4**	**(13.0)**	**48.4**
Between six months and one year	**40.0**	**(14.8)**	**25.2**
Between one and two years	**42.8**	**(24.3)**	**18.5**
Between two and three years	**29.8**	**(20.0)**	**9.8**
Over three years	**34.5**	**(21.8)**	**12.7**
	696.9	**(96.8)**	**600.1**

Prior year **Trade receivables**	**Total** **£m**	**Provided for** **£m**	**Net** **£m**
Billings in advance	453.1	-	453.1
Under one month	20.1	(5.8)	14.3
Between one and six months	39.1	(10.9)	28.2
Between six months and one year	35.4	(8.5)	26.9
Between one and two years	35.3	(20.8)	14.5
Between two and three years	27.2	(19.3)	7.9
Over three years	27.1	(21.7)	5.4
	637.3	(87.0)	550.3

Movements in the provision for impairment of trade receivables are as follows:

	2026	2025
	£m	£m
At 1 April	**87.0**	84.2
Charge to income statement	**33.9**	21.2
Receivables written off during the year as uncollectable	**(24.1)**	(18.4)
At 31 March	**96.8**	87.0

10. Trade and other receivables (continued)

During the year the Company has written off £24.1 million of debt which had been provided for in full (2025: £18.4 million).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The majority of trade receivables relates to a large number of small customer bills (household and non-household) such that the concentration risk is deemed low.

Debtors includes £7.1 million in other receivables (2025: £11.9m) and £19.2 million in accrued income (2025: £18.6 million) due from one quasi-governmental body.

Accrued income represents contract assets in respect of timing differences between customer bills and Company's year end. All amounts held in relation to these contract assets at the start of the reporting period have been recognised in the income statement during the year.

The creation and release of provision for impaired receivables have been included in operational expenditure.

The risk of impairment of other classes of trade and other receivables is very low. All trade and other receivables are denominated in sterling.

The tables below illustrate the impact of applying the "expected loss" model in accordance with IFRS 9. Debt provisioning is based on historical experience as adjusted for certain forward-looking factors.

2026	**Historical default rates %**	**Forward-looking adjustment %**	**Adjustment total %**	**Historical impairment £m**	**Forward-looking adjustment £m**	**Total impairment £m**
Billed in advance	-	-	-	-	-	-
< 1 month	**12.3%**	-	**12.3%**	**2.9**	-	**2.9**
1 > 6 months	**21.1%**	-	**21.1%**	**13.0**	-	**13.0**
6 months > 1 year	**37.0%**	-	**37.0%**	**14.8**	-	**14.8**
1 > 2 years	**56.9%**	-	**56.9%**	**24.3**	-	**24.3**
2 > 3 years	**67.1%**	-	**67.1%**	**20.0**	-	**20.0**
> 3 years	**83.5%**	-	**83.5%**	**21.8**	-	**21.8**
				96.8	-	**96.8**

2025	Historical default rates %	Forward-looking adjustment %	Adjustment total %	Historical impairment £m	Forward-looking adjustment £m	Total impairment £m
Billed in advance	-	-	-	-	-	-
< 1 month	28.8%	-	28.8%	5.8	-	5.8
1 > 6 months	28.0%	-	28.0%	10.9	-	10.9
6 months > 1 year	24.0%	-	24.0%	8.5	-	8.5
1 > 2 years	58.9%	-	58.9%	20.8	-	20.8
2 > 3 years	70.9%	-	70.9%	19.3	-	19.3
> 3 years	79.8%	-	79.8%	21.7	-	21.7
				87.0	-	87.0

The Company holds around 7,300 charging orders as collateral against £11.9 million of debt (2025: 7,700 orders against £12.7 million of debt).

The Company's trade receivables provisioning methodology applies the simplified approach allowed under IFRS 9 to measure expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables and accrued income. The impact on the accrual as at 31 March 2026 is £5.6 million, being a revenue provision of 4% against a gross balance of £134.4 million (2025: £4.7 million and 5% against a gross balance of £97.9 million). The impact on amounts billed in advance as at 31 March 2026 is £19.1 million, being a deferred income provision of 4% against a gross balance of £503.6 million (2025: £26.3 million and 5% against a gross balance of £499.8 million).

11. Cash and cash equivalents

	2026 £m	2025 £m
Cash at bank and in hand	**24.3**	46.3
Short-term deposits	**547.7**	573.2
	572.0	619.5

The effective interest rate on short-term deposits as at 31 March 2026 was 3.9% (2025: 4.5%) and these deposits had an average maturity of 49 days (2025: 47 days). All cash and cash equivalents were held in sterling.

12. Trade and other payables

	2026 £m	2025 £m
Current		
Trade payables	**54.2**	64.2
Capital payables	**42.1**	26.9
Amounts due to group undertakings	**1.3**	2.5
Social security and other taxes	**4.5**	4.3
Other creditors	**3.4**	-
Accruals	**144.6**	151.5
Deferred income	**498.3**	485.5
	748.4	734.9

	2025 £m	2025 £m
Non-current		
Accruals	**31.4**	14.9
Deferred income	**941.5**	871.2
	972.9	886.1

13. Other financial liabilities – borrowings

	2026 £m	2025 £m
Current		
Interest accruals	**26.1**	12.1
Loans due to group undertakings	**169.0**	575.9
Term loans	**60.9**	74.8
Other unsecured loans	**0.2**	0.2
Lease liabilities	**1.2**	30.4
	257.4	693.4

	2026 £m	2025 £m
Non-current		
Loans due to group undertakings	**4,953.1**	4,251.3
Term loan	**300.6**	355.5
Lease liabilities	**94.7**	95.9
	5,348.4	4,702.7

Interest accruals includes £23.3 million (2025: £4.3 million) intercompany interest owed to Dŵr Cymru (Financing) UK plc.

A security package was granted by Dŵr Cymru Cyfyngedig (DCC), as part of the Company’s bond programme 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 Dŵr Cymru (Holdings) Limited. The main elements of the security package are:

13. Other financial liabilities – borrowings (continued)

i) a first fixed and floating security over all of DCC's assets and undertaking, to the extent permitted by the Water Industry Act, other applicable law and its licence; and

ii) a fixed and floating security given by the guarantors referred to above which are accrued on each of these companies' assets including, in the case of Dŵr Cymru (Holdings) Limited, a first fixed charge over its shares in DCC. All of the Group's bonds are on-lent from Dŵr Cymru (Financing) UK Plc (DCF) to Dŵr Cymru Cyfyngedig (DCC).

The Group's Class A Bonds of £1,260 million (2025: £1,223 million) benefit from a guarantee from Assured Guaranty UK Ltd. Assured Guaranty's credit rating is graded as A1/AA by Moody's and Standard & Poor's respectively and is not rated by Fitch. The credit rating of the Class A bonds has therefore defaulted to the higher of the financial guarantor's rating or the underlying rating of these bonds of A1/A- from Moody's and Fitch respectively. On 8 May 2026 we withdrew Standard & Poor's credit ratings. The underlying rating (Baa1/A-) reflects the standalone credit quality of these bonds without the benefit of the guarantee from Assured Guaranty, and is the same as the credit ratings of the Group's Class B bonds of £2,677 million (2025: £2,362 million).

The Group's Class C bonds of £300 million (2025: £500 million) were rated Baa3/BBB by Moody's and Fitch respectively.

All of the Group's bonds are on-lent from Dŵr Cymru (Financing) UK Plc (DCF) to Dŵr Cymru Cyfyngedig (DCC).

Terms loans of £362 million (2025: £430 million) comprise amortising loans from European Investment Bank:

Term Loans	**Type**	**Rate**	**Maturity**	**Outstanding balance 31 March 2025 £m**
88379 tranches 1 & 2	Index-linked	O/N SONIA plus margin	15 January 2030	101.3
88379 tranche 3	Index-linked	Margin + RPI	15 May 2031	60.2
85397	Floating	Margin + RPI	15 December 2033	200.0
				361.5

14. Derivative financial instruments

Derivative financial instruments are held for economic hedging purposes. However, they do not qualify as accounting hedges and movements in their fair value are taken to the income statement (see note 4).

2026	**Fair values**	
	Assets £m	**Liabilities £m**
Current		
Power hedging swaps	**6.4**	**-**
	6.4	**-**
Non-current		
Index-linked swaps	**-**	**(6.0)**
Interest rate swaps (intercompany)	**-**	**(12.1)**
Power hedging swaps	**1.2**	**(0.2)**
	1.2	**(18.3)**
Total	**7.6**	**(18.3)**

14. Derivative financial instruments (continued)

2025	Fair values	
	Assets	Liabilities
	£m	£m
Current		
Power hedging swaps	2.6	-
	2.6	-
Non-current		
Index-linked swaps	-	(8.7)
Interest rate swaps (intercompany)	-	(15.6)
Power hedging swaps	0.7	(0.7)
	0.7	(25.0)
Total	3.3	(25.0)

The Company has reviewed all contracts for embedded derivatives that are required to be accounted for separately if they do not meet certain requirements set out in IFRS 9; the Company has no such embedded derivatives.

Interest rate swaps
At 31 March 2026 an interest rate swap fixes the interest rate on £192 million (2025: £192 million) of floating liabilities held by Dŵr Cymru (Financing) Limited and on-lent to the company. The maturity date of the swap is 31 March 2031 and the annual fixed interest rate is 5.67%, payable quarterly.

Index-linked swaps
The index-linked swaps have the effect of index-linking the interest rate on £96 million (2025: £126 million) of lease liabilities by reference to the Retail Prices Index (RPI).

The notional amount of index-linked swaps allocated to leases as at 31 March 2026 was £92 million (2025: £123 million), representing the average balance on the leases subject to floating interest rates for the year to 31 March 2026. The notional amount amortises over the life of the swaps to match the average floating rate balances of the leases.

The principal terms of the index-linked swaps are as follows:

- Notional amount: £92 million amortising (2025: £123 million amortising)
- Average swap maturity: 12 years (2025: 13 years)
- Average interest rate: 1.50% fixed plus RPI (2025: 1.50% fixed plus RPI)

15. Financial risk management

The policies of the Company in respect of financial risk management are included in the accounting policies note on pages 34 and 35. The numerical financial instrument disclosures as required by IFRS 7 are set out below.

a) Interest rate risk
The effective interest rates at the balance sheet dates were as follows:

	2026	2025
Assets:		
Cash and cash equivalents	3.9%	4.5%
Liabilities:		
Intercompany loans	5.3%	5.2%
Term loans	4.1%	4.5%
Other unsecured loans	4.6%	4.6%
Lease obligations	4.6%	4.7%

Trade and other receivables and payables are non interest-bearing.

At 31 March 2026 an interest rate swap fixes the interest rate on £192 million (2025: £192 million) of floating liabilities held by Dwr Cymru (Financing) UK PLC and on-lent to the Company. The maturity date of the swap is 31 March 2031 and the quarterly fixed interest rate is 5.67%.

The effective interest rates ignore the effect of the interest rate and index-linked swaps set out in note 14. They also exclude the indexation charge applicable to certain portions of the intercompany loan.

15. Financial risk management (continued)

b) Liquidity risk

2026	**Within 1 year £m**	**1 - 2 years £m**	**2 - 5 years £m**	**> 5 years £m**	**Total £m**
Assets:					
Cash and cash equivalents	572.0	-	-	-	572.0
Trade and other receivables	794.1	1.5	-	-	795.6
	1,366.1	1.5	-	-	1,367.6
Liabilities:					
Intercompany loan	169.0	499.7	1,186.6	3,266.8	5,122.1
Term loans	60.9	60.9	157.5	82.2	361.5
Other unsecured loans	0.2	-	-	-	0.2
Finance lease obligations	1.2	1.3	4.9	88.5	95.9
Trade and other payables	748.4	14.5	42.5	915.9	1,721.3
Derivative financial instruments	4.9	4.9	13.0	2.6	25.4
Future interest payable	193.8	182.9	449.4	1,329.5	2,155.6
	1,178.4	**764.2**	**1,853.9**	**5,685.5**	**9,482.0**

2025	Within 1 year £m	1 - 2 years £m	2 - 5 years £m	> 5 years £m	Total £m
Assets:					
Cash and cash equivalents	619.5	-	-	-	619.5
Trade and other receivables	714.2	-	-	-	714.2
	1,333.7	-	-	-	1,333.7
Liabilities:					
Intercompany loan	575.9	164.0	1,203.6	2,883.7	4,827.2
Term loans	74.8	59.6	178.9	117.0	430.3
Other unsecured loans	0.2	-	-	-	0.2
Finance lease obligations	30.4	1.2	4.5	90.2	126.3
Trade and other payables	734.9	11.8	35.8	838.5	1,621.0
Derivative financial instruments	4.7	3.9	11.0	6.3	25.9
Future interest payable	182.2	170.1	400.7	1,224.2	1,977.2
	1,603.1	**410.6**	**1,834.5**	**5,159.9**	**9,008.1**

The minimum lease payments fall due as follows:

	2026 £m	2025 £m
Gross lease liabilities		
Within one year	**5.6**	36.4
Between two and five years	**22.9**	21.8
After five years	**114.1**	118.4
	142.6	176.6
Future interest	**(46.7)**	(50.3)
Net lease liabilities	**95.9**	126.3
Net lease liabilities are repayable as follows:		
Within one year (note 13)	**1.2**	30.4
Between two and five years	**6.2**	5.7
After five years	**88.5**	90.2
Total over one year (note 13)	**94.7**	95.9

15. Financing risk management (continued)

c) Fair values

The fair values of the Company's derivative financial instruments are set out in note 14. The fair value of the intercompany loan is £4,158.4 million (2025: £3,918.3 million). The fair values of the Company's other non-derivative financial instruments are equal to the book values.

d) Borrowing facilities

As at 31 March 2026 the Group had available committed borrowing facilities of £400 million, of which £400 million remains undrawn, in respect of which all conditions precedents have been met (2025: £650 million, of which £650 million remained undrawn).

	2026	2025
	£m	£m
Expiring in more than 1 year	**400**	650

The committed borrowing facilities are available for three years.

At 31 March 2026 Dŵr Cymru (Financing) UK PLC had a special liquidity facility of £175 million (2025: £175 million), which is required to maintain in order to meet certain Group interest and other obligations that cannot be funded through operating cashflow of the Company, in the event of a standstill being declared by the Security Trustee. A standstill would arise in the event that Dŵr Cymru Cyfyngedig defaults on its debt financing covenants. The facility is a 5 year evergreen facility provided by an insurance provider.

All of the above facilities are at floating rates of interest.

e) Capital risk management

Gearing ratio (GCA Group level)

	2026	2025
	£m	£m
Total borrowings	**(5,249.1)**	(5,023.2)
Less: cash and cash equivalents	**573.8**	621.0
Net debt before CTA required adjustments	**(4,675.3)**	(4,402.2)
Unamortised issue costs and discounts	**(20.1)**	(22.1)
Swap indexation	**(377.2)**	(394.0)
Accrued interest receivable	**3.5**	2.8
Net debt	**(5,069.1)**	(4,815.5)
Regulatory capital value (RCV)	**8,345.0**	7,723.1
Gearing ratio	**61%**	62%

The Group monitors its capital structure based on a regulatory gearing ratio which compares its adjusted net debt (total borrowings less cash and cash equivalents adjusted for unamortised bond issue costs, accrued settlements on derivative financial instruments, indexation on bonds where swaps convert the fixed rates to RPI excluding the fair value of derivatives) to the Ofwat published RCV (Property, Plant and Equipment revaluation is based on shadow RCV, an internal measure, which reflects adjustments to RCF for under or overperformance on measures such as totex and outcome delivery incentives). This is managed at the GCA level to ensure compliance with the terms of the CTA.

16. Provisions

2026	**Transformation & Restructuring provision £m**	**Claims loss provision £m**	**Other provisions £m**	**Total £m**
At 1 April 2025	**-**	**4.3**	**1.7**	**6.0**
Charged to Income Statement	**7.5**	**-**	**4.0**	**11.5**
Insured losses	**-**	**2.2**	**-**	**2.2**
Unused amounts reversed	**-**	**(0.8)**	**(0.6)**	**(1.4)**
Utilised in year	**(3.4)**	**-**	**(0.3)**	**(3.7)**
At 31 March 2026	**4.1**	**5.7**	**4.8**	**14.6**
Split as amounts to be utilised:				
Within one year	**4.1**	**1.9**	**-**	**6.0**
After more than one year	**-**	**3.8**	**4.8**	**8.6**
At 31 March 2026	**4.1**	**5.7**	**4.8**	**14.6**

	Restructuring provision £m	Claims loss provision £m	Other provisions £m	Provision for loss on swap closure £m	Total £m
2025					
At 1 April 2024	1.0	6.8	2.4	0.4	10.6
Charged to income statement		1.6	(0.6)	(0.4)	0.6
Insured Losses		(2.4)	-	-	(2.4)
Unused amounts reversed	(0.6)	-	(0.1)	-	(0.7)
Utilised in year	(0.4)	(1.7)	-	-	(2.1)
At 31 March 2025	-	4.3	1.7	-	6.0
Split as amounts to be utilised:					
Within one year	-	1.4	-	-	1.4
After more than one year	-	2.9	1.7	-	4.6
At 31 March 2025	-	4.3	1.7	-	6.0

Transformation and restructuring provision

This provides for employee-related costs incurred as a direct result of the Company's Trawsnewid transformation programme. We are targeting a headcount reduction of c.12% (up to 500 roles) over the period to September 2028, this figure may reduce depending on operational requirements and identified efficiencies. During FY26, a total of c.180 employees were identified as part of our restructuring programme, with cash severance costs of £3.4 million incurred (c.90 employees) and £4.1 million provision for future restructuring costs (c.90 employees) to be utilised in FY27.

Claims loss provision

This provision is in respect of claims against the Company, where claims are partly or fully covered by insurance a corresponding a corresponding insurance receivable is recognised in other receivables. The net loss provision after deducting an insurance receivable of £2.2 million (2025: £nil million) is £3.5 million (2025: £4.3 million).

The utilisation period of these liabilities is uncertain due to the nature of claims but is estimated to be within five years.

Other provisions

Other provisions are made for certain other obligations which arise during the ordinary course of the Company's business.

At 31 March 2026, other provisions included £4.1 million (2025: £nil) in relation to the enforcement package proposed by Ofwat following its investigation into wastewater treatment compliance. This relates to schemes identified for environmental benefit where the expenditure is expected to be operational in nature rather than capital planned to take place in FY28 to FY30. The remaining £0.5 million (2025: £1.5 million) relates to management's estimate of expected fines related to known regulatory prosecutions. The utilisation period of these liabilities is uncertain due to the nature of claims but is estimated to be within five years.

17. Share capital

	2026 £m	2025 £m
Authorised		
501,050,000 (2025: 501,050,000) ordinary shares of £1 each	**501.1**	501.1
Allotted and fully paid		
309,876,374 (2025: 309,876,374) ordinary shares of £1 each	**309.9**	309.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18. Net cash flow from operating activities

a) Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from operations:	2026 £m	2025 £m
Operating profit/(loss)	**171.7**	(9.0)
Adjustments for:		
Depreciation and amortisation	**422.8**	390.0
Changes in working capital:		
(Increase) in trade and other receivables	**(82.8)**	(69.6)
Increase in trade and other payables	**15.9**	104.4
(Increase) in inventories	**(1.2)**	(0.6)
Pension contributions above service cost	**(0.6)**	0.7
Increase/(decrease) in provisions	**8.6**	(4.6)
	(60.1)	30.3
Cash generated from operations	**534.4**	411.3

b) Interest paid

	2026 £m	Restated 2025 £m
Interest payable per Income Statement	**308.3**	194.7
Less non-cash items:		
Indexation on index-linked bonds	**(146.2)**	(117.2)
Indexation on index-linked debt	**(7.1)**	(7.2)
Amortisation of bond issue costs	**(1.9)**	(1.6)
Amortisation of bond issue premium	**0.8**	0.8
Gain on modification of intercompany loan	**-**	51.5
Effect of capitalisation under IAS 23	**20.4**	18.8
(Decrease in debtors)	**-**	(40.6)
(Increase)/decrease in accruals	**(15.7)**	8.9
	(149.7)	(86.9)
Interest paid	**158.6**	108.2

The comparator for Interest payable per Income Statement has been restated. There is no impact on the overall net cash outflow for the prior year. More information is available under note 1 to these financial statements.

The comparator for decrease in debtors has also been restated by £40.6 million. This was previously included under Settlements accruing on derivative financial instruments (see also note 18c) Settlements accruing on derivative financial instruments). There is no impact on the overall net cash outflow for the prior year.

18. Net cashflow from operating activities (continued)
c) Derivative financial instruments settlements in the year

	2026 £m	Restated 2025 £m
Settlements accruing on derivative financial instruments	**(5.1)**	(0.2)
Net receipts/(payments) on derivative financial instruments	**(5.1)**	(0.2)

The comparator for settlements accruing on derivative financial instruments has been restated, and is now included under Interest paid (see also note 18b) Interest paid). There is no impact on the overall net cash outflow for the prior year.

19. Analysis and reconciliation of net debt

Net debt is defined as the value of cash and cash equivalents and the intercompany loan less net accrued interest and total borrowings.

a) Net debt at the balance sheet date may be analysed as:	2026 £m	2025 £m
Cash and cash equivalents	**572.0**	619.5
	572.0	619.5
Debt due after one year	**(5,253.7)**	(4,606.8)
Debt due within one year	**(230.1)**	(650.9)
Lease liabilities	**(95.9)**	(126.3)
Accrued interest	**(26.1)**	(12.1)
	(5,605.8)	(5,396.1)
Net debt	**(5,033.8)**	(4,776.6)

b) The movement in net debt during the year may be summarised as:	2026 £m	2025 £m
Net debt at start of year	**(4,776.6)**	(4,495.2)
Movement in net cash	**(47.5)**	472.2
Movement in debt	**(121.0)**	(655.1)
Movement in net debt arising from cash flow	**(168.5)**	(182.9)
Movement in accrued interest	**(14.0)**	10.5
Settlement receipted post year end	**-**	(40.5)
Indexation of index-linked debt	**(72.5)**	(124.4)
Gain on modification of intercompany loan	**-**	51.5
Other non-cash movements	**(2.2)**	4.4
Movement in net debt during the year	**(257.2)**	(281.4)
Net debt at end of year	**(5,033.8)**	(4,776.6)

20. Employees and Directors

a) Directors' emoluments

The aggregate emoluments of the Directors of Dŵr Cymru Cyfyngedig for their services as Directors of the Company are set out below:

	2026	2025
	£000	£000
Salary (including benefits in kind)	1,391	901
Fees	807	706
	2,198	1,607
Highest paid Director: M Davis (2025: P Perry)		
Aggregate emoluments[1]	652	501

[1] excluding pension accrual and long-term incentive plan

Retirement benefits are accruing for none of the Directors (2025: none) under defined benefit schemes. None of the Directors are a member of the defined contribution scheme (2025: none).

Peter Perry (former Chief Executive Officer) stepped down from the Board on 31 December 2025 and, to support a smooth leadership transition, remained actively employed before retiring from the Group on 31 March 2026. Mike Davis (former Chief Financial Officer) stepped down from the Board and left the Group on 30 June 2025.

In accordance with the terms of his service agreement and the Remuneration Policy, a payment was made to Mike Davis, in respect of loss of office. The payment comprised contractual entitlements, including notice period obligations and any accrued benefits, and was subject to the Company's standard governance and approval processes. No additional discretionary payments were made.

Peter Perry received remuneration in line with the Policy for his full year of service during 2026. Accordingly, and as a retiree, he remained a participant in the AVP and Long Term Variable Pay Scheme (LTVPS) for the full year. However, no payment will be made to him under the AVP or, at vesting, the LTVPS, due to the breach of the PRP rules during FY26.

After a global search, Roch Cheroux joined as Chief Executive Designate on 6 October 2025 and became Chief Executive, and was appointed to the Board, on 5 January 2026. The Nomination Committee and Board worked extremely hard throughout the process to secure Roch, who had alternative opportunities he could have pursued.

Setting the appropriate pay level for Roch has been particularly challenging against a backdrop of rapidly evolving and upward-moving external benchmarks, driven by the increasing scale, complexity and scrutiny associated with restoring the industry to long-term operational, environmental and financial resilience. This has been compounded by wider inflationary pressures in the executive labour market, both within and beyond the regulated utilities sector, where demand for proven, transformation-capable leadership has intensified.

In this context, the Committee took a deliberately measured approach at appointment, setting the CEO base salary at a level which, at the time, represented a conservative midmarket position relative to external benchmarks, but which was nonetheless sufficient to secure Roch's appointment. Following extensive deliberation, the starting salary was positioned at the lower end of the £550,000 - £600,000 range considered appropriate by the Committee. A one-off relocation allowance, equivalent to 15% of base salary, was also agreed to support Roch and his family's move from Australia.

20. Employees and Directors (continued)

Subsequently, the Committee has continued to closely monitor external market movements and emerging remuneration trends across the sector, noting that a number of major water companies have initiated or signalled material revisions to executive pay frameworks and positioning for 2026. Against this backdrop and taking into account that Roch's initial salary was intentionally set at a conservative point, aligned to Roch completing his 6-month performance review period, the Committee determined that an adjustment was necessary to maintain an appropriate and defensible competitive position. Accordingly, a salary increase of 10.9% was approved, moving base salary from £550,000 to £610,000 with effect from 1 April 2026 (aligned to Roch completing his initial 6-month performance review period). The Committee is satisfied that the salary for FY27 is competitive but not excessive relative to market. In making this judgement, the Committee has reviewed market benchmarks for our peer water companies in England & Wales based on the most up to date publicly available salary information. The Committee remains alert to the fact that the external market for talent in the sector is challenging, and that this will inevitably have an impact on salary inflation. With this in mind, the Committee is comfortable that the salary for 2027 enables us to keep pace with the market and the Committee will continue to monitor this matter closely. Roch will also participate in the AVP and LTVPS on a prorate basis from date of joining.

(Further details are provided in the 2026 Remuneration Report which forms part of GCHC's 2026 annual report and consolidated financial statements.)

b) Staff costs during the year

	2026 £m	2025 £m
Wages and salaries	**195.3**	181.0
Social security costs	**22.9**	18.9
Other pension costs	**15.8**	16.2
	234.0	216.1
Less: Transformation and restructuring costs (including severance costs of £7.5 million)	**(8.9)**	-
Employee costs excluding transformation and restructuring costs (note 3)	**225.1**	216.1

Of the above, £108.4 million (2025: £98.4 million) has been capitalised or classified within infrastructure renewals expenditure, being the investment cost of employees' work on the capital programme.

Average monthly number of people (including executive Directors) employed by the Company	**2026 Number**	2025 Number
Regulated water and sewerage activities	**4,056**	4,047

The Board delegates certain of the Company's strategic and operational activities to the Dŵr Cymru Executive, a senior management group comprising both executive Directors and employees. Total remuneration of these key personnel was as follows:

	2026 £m	2025 £m
Executive Directors	**1.4**	0.9
Other key personnel	**3.5**	3.7
	4.9	4.6

21. Pension commitments

The Company operates a funded defined benefit pension scheme for current employees (based on final pensionable salary and pensionable service), the DCWW Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. There were no plan amendments, curtailments or settlement during the year.

The DCWW Pension Scheme was closed to new members from 31 December 2005. A new defined contribution scheme, the DCWW Group Personal Pension Plan, was introduced from 1 January 2006. During the year, the Company made £15.7 million (2025: £16.0 million) of contributions to the defined contribution scheme, which are included in employee costs in the income statement (note 3).

Notes to the financial statements (continued)

21. Pension commitments (continued)

During 2011, the Company put arrangements in place via an Employer-Financed Retirement Benefit Scheme (EFRBS) for four 'capped' Executive Members of the scheme. The accrual of benefits under this agreement is conditional on remaining a member of the DCWW Pension Scheme. At 31 March 2026, there were two remaining Executive Members with entitlements under this arrangement, one of whom is in receipt of his benefits.

DEFINED BENEFIT SCHEME

Assets and liabilities recognised on the balance sheet are as follows:

	2026	2025
	£m	£m
Present value of funded obligations	**(324.3)**	(341.0)
Fair value of plan assets	**409.0**	411.0
	84.7	70.0
Deferred tax liability allocated to pension scheme (note 6)	**(21.2)**	(17.5)
Defined benefit asset (non-current assets)	**63.5**	52.5
EFRBS unfunded liability (non-current liabilities)	**(2.7)**	(3.2)
Deferred tax asset associated with unfunded liability	**0.7**	-
Unfunded liability (non-current liabilities)	**(2.0)**	(3.2)
Net defined benefit asset	**61.5**	49.3

The difference between the pension assets and liabilities is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the Group has an unconditional right to any excess funds that may exist following the closure of the pension scheme once all members have left the plan and their benefits have been settled.

Charges to the income statement and other comprehensive income are as follows:

	2026	2025
	£m	£m
Income statement:		
Service costs (included in employee costs)	**0.1**	0.2
Net interest expense/(income) (included in financing income)	**(3.9)**	(2.0)
Total (credited) to the income statement	**(3.8)**	(1.8)
Other comprehensive income:		
Return on plan assets, excluding interest income	**(7.0)**	(10.5)
Actuarial gain on defined benefit obligation	**17.8**	36.5
Deferred tax associated with pension scheme	**(2.7)**	(6.5)
Total credit to the statement of comprehensive income	**8.1**	19.5

Regulatory Framework

The Scheme is funded and governed in line with the requirements of the Pensions Regulator. No allowance has been made for any minimum funding requirements under IFRIC14.

The Scheme operates under Trust law and the corporate trustee (Welsh Water Pension Trustee Limited) is required by law to act in the interests of all relevant beneficiaries and is responsible for day-to-day governance and administration of the benefits. The Trustee is assisted in the management of the Scheme by experienced professionals such as actuaries, administrators, and investment consultants.

The Trustee has put in place a diversified investment strategy which aims to meet the liabilities of the Scheme. Details are set out in the Statement of Investment Principles, which is available on the Group's website. Day-to-day decisions around asset selection have been delegated to the trustee's fiduciary investment manager, which was BlackRock until January 2026, and Insight from February 2026.

21. Pension commitments (continued)

Risks

Through the Scheme, the Group is exposed to numerous risks, the most significant of which are detailed below:

• **Asset volatility:**

Scheme liabilities are calculated using discount rates set with reference to bond yields (although discount rate methodology differs for accounting and funding purposes). If Scheme assets deliver a return which is lower than the discount rate, this will create or increase the Scheme deficit (all other things being equal). The Scheme holds various return seeking assets which are expected to outperform bonds in the long-term, albeit at the risk of short-term volatility.

• **Movement in bond yields:**

A decrease in corporate bond yields will increase the Scheme liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. The Scheme's current investment strategy aims to limit this risk by being fully hedged against movements in inflation.

• **Inflation risk:**

As a large majority of the members' benefits are linked to inflation (subject to maximum annual caps), a high level of inflation will result in an increase of benefits attributable to the members, which will in turn increase the Scheme's liabilities. The Scheme's current investment strategy aims to limit this risk by being fully hedged against movements in interest rates.

• **Life expectancy**:

The Scheme's obligations are to provide members with benefits for the remainder of their lives, so an increase in life expectancy will result in the Scheme paying members' benefits over a longer period, which will in turn increase the Scheme's liabilities.

Actuarial valuations

Under UK legislation there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. Defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and therefore that benefits can be paid. The most recent full actuarial valuation of the Scheme was undertaken as at 31 March 2025 by Joanne Eynon of Quantum Advisory, an independent, professionally qualified actuary, using the projected unit method.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits' for financial reporting, with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Under IAS 19 scheme assets and liabilities are valued on a consistent basis between companies with required disclosures regarding assumptions and sensitivities, so that the relative positions of companies are comparable.

21. Pension commitments (continued)

Assumptions and sensitivity analysis

For the purposes of the IAS 19 valuation for these financial statements the 31 March 2025 full actuarial valuation has been updated by an independent actuary as at 31 March 2026. The principal assumptions made were:

	2026	2025
Discount rate	**5.99%**	5.55%
RPI Inflation assumption	**3.18%**	3.07%
Rate of uncapped pension increases	**2.88%**	3.07%
Rate of capped pension increases	**3.10%**	3.00%
Post retirement mortality (life expectancy)		
– Current pensioners aged 65 – males	**86.5 years**	86.2 years
– Current pensioners aged 65 – females	**89.0 years**	88.6 years
– Future pensioners aged 65 (currently aged 45) – males	**87.4 years**	87.2 years
– Future pensioners aged 65 (currently aged 45) – females	**90.1 years**	89.7 years

The mortality disclosures at 31 March 2026 use the CMI 2025 mortality projection model, with a long-term trend rate of 1.0% p.a. The inflation risk premium (IRP) remains the same as the prior year at 0.4%.

	Change in assumption	Increase/(decrease) in Liabilities £m
Discount rate	**+0.25%/-0.25%**	**(9.2)/9.6**
Discount rate	**+1.00%/-1.00%**	**(34.2)/41.3**
Price inflation	**+0.25%/-0.25%**	**9.3/(9.0)**
Price inflation	**+1.00%/-1.00%**	**39.5/(31.3)**
RPI 0.4% Inflation Risk Premium	**Removal**	**13.6**
Mortality long term improvement rate	**+0.25%**	**1.4**
Life expectancy age rating	**1 year**	**7.0**

The above sensitivity analysis is based on isolated changes in each assumption while holding all other assumption constant. This approach does not take into account that there is likely to be some level of correlation between the movements in different assumptions, however it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus.

Discount rate assumption - in determining the discount rate to use, the Group considers market yields of high-quality corporate bonds, denominated in sterling, that have time to maturity approximating the terms of the pension liability. Were this discount rate to reduce or increase by 0.25%, the carrying value of the pension obligations as at 31 March 2026 would increase by £9.6 million or reduce by £9.2 million (2025: an increase of £10.3 million or a decrease of £9.8 million). It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Additionally, as long as credit spreads remain stable, the increase/decrease to the value of pension obligation resulting from discount rate changes will largely be offset by an increase/decrease in the value of the scheme's assets through changes to bond holdings and other instruments designed to hedge this exposure.

21. Pension commitments (continued)

Price inflation assumption - a 0.25% movement in the inflation assumption would have resulted in an increase of £9.3 million or decrease of £9.0 million movement (2025: an increase or decrease of £9.6 million). A significant proportion of the schemes' benefit obligations are linked to inflation. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation has been volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature. Consistent with market practice, in deriving a best estimate of future RPI, the Group have applied an inflation risk premium of 0.4% (2025: 0.4%) reflecting the volatility of inflation predictions in the market. Removing this inflation risk premium would increase the defined benefit obligation by £13.6 million (2025: £16.1 million. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.

Mortality assumption – this is broken down into current mortality rates (base table) and future improvements. For the present value calculation, the S$PxA base tables have been used, adjusted for weightings of 103% for males and 99% for females, with improvements in line with the CMI 2025 projection model, with a long-term trend rate of 1.0% p.a. The CMI model is used by UK pension schemes and insurance companies which need to make assumptions about future mortality rates. An increase in the life expectancy assumption of one year would have resulted in a £7.0 million increase to the scheme's total liabilities (2025: £7.2 million). An increase in the mortality long-term improvement rate of 0.25% would have resulted in a £1.4 million increase in the scheme's total liabilities (2025: £1.7 million). The majority of the scheme's obligations are to provide benefits for the life of the member and, as such, the scheme's liabilities are sensitive to these assumptions.

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2026 **£m**	2025 £m
At 1 April	**341.0**	377.9
Current service cost	**0.1**	0.2
Interest expense	**18.4**	17.4
Actuarial (gains) arising from changes in financial assumptions	**(12.6)**	(37.8)
Actuarial losses/(gains) arising from changes in demographic assumptions	**2.1**	(0.5)
Actuarial losses arising from experience	**(7.3)**	1.8
Benefits paid	**(17.4)**	(18.0)
At 31 March	**324.3**	341.0

Effect on future cashflows

The level of contributions is reviewed at each triennial valuation, the latest of which was 31 March 2025.

Under the current Schedule of Contributions, no deficit recovery contributions or future service contributions are expected to be paid for the year-ending 31 March 2027,

The duration of the Scheme's liabilities is approximately 12 years, and is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

Scheme assets

Changes in the fair value plan assets are as follows:

	2026 **£m**	2025 £m
At 1 April	**411.0**	420.0
Interest income	**22.3**	19.4
Return on plan assets (excluding interest income)	**(7.0)**	(10.5)
Employer contributions	**0.1**	0.1
Benefits paid	**(17.4)**	(18.0)
At 31 March	**409.0**	411.0

21. Pension commitments (continued)

At 31 March 2026	**Underlying assets £m**	**Fair value of derivatives £m**	**Total assets £m**	**Scheme Assets %**
Cash	10.2	-	**10.2**	2%
Equity and Bonds	322.6	(109.1)	**213.5**	52%
Pooled investment funds	81.7	-	**81.7**	20%
Alternatives pooled funds	103.6	-	**103.6**	26%
Total fair value of Scheme assets	**518.1**	**(109.1)**	**409.0**	**100%**

At 31 March 2025	Underlying assets £m	Fair value of derivatives £m	Total assets £m	Scheme Assets %
Cash	49.6	-	49.6	12%
Equity and Bonds	266.0	(13.9)	252.1	61%
Alternatives pooled funds	109.3	-	109.3	27%
Total fair value of Scheme assets	424.9	(13.9)	411.0	100%

The Scheme has entered into a variety of derivative transactions to change the return characteristics of the assets held to help manage risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

With the exception of cash, assets consist of equity and bonds and pooled investment funds, which are not quoted on an active market. Total assets include £103.6 million of Level 3 financial assets (2025: £109.3 million), comprising the alternatives pooled funds, which are diversified funds holding investments not bought or sold frequently and not homogenous, for example infrastructure projects, private companies and property. These are therefore considered to be the assets least liquid and hardest to value and are therefore subject to a higher degree of estimation, as detailed under the critical accounting estimates in Note 1.

Virgin Media Ltd v NTL Pension Trustees II Ltd & ORS

The Group is aware of the High Court ruling, upheld by the Court of Appeal in July 2024, in the case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Ors, concerning the validity of certain changes made to pension schemes which were contracted-out on a salary related basis from 6 April 1997 to 5 April 2016, and in particular the actuarial certification formalities which applied at the relevant time, as required by section 37 of the Pension Schemes Act 1993. The Group's defined benefit scheme was contracted out during the period in question. The Group has taken legal advice on whether the Scheme is exposed, and based on this advice does not consider there to be any material issues. Therefore no provision for any liabilities resulting from this ruling has been made.

22. Lessor

	2026	2025
Operating lease	**£m**	£m
Lease income- waste facility sites to Welsh Water Organic Waste Limited	**0.1**	0.1

The Company leases land to Cardiff Council, currently the site of a composting facility which is operated by a fellow Group company, Welsh Water Organic Energy Limited, providing food and green waste services. The Company has classified this lease as an operating lease because it does not transfer substantially all the risks and rewards incidental to the ownership of the land. The lease payments are index-linked to RPI.

The remaining term of the lease is 7 years, with the total undiscounted current minimum lease receipts amounting to £0.7m.

23. Capital and other financial commitments

The Company's business plan at 31 March 2026 forecasts net capital expenditure and infrastructure renewals expenditure of £824 million (2025: £639 million) during the next financial year. While only a portion of this amount has been formally contracted for, the Company is effectively committed to a majority of the total as part of the capital investment programme approved by its regulator, Ofwat.

During the year, the Company accepted the proposed findings of Ofwat's investigation into the management of wastewater treatment works and sewer networks. The forecast capital expenditure includes the agreed redress package, which will fund environmental improvements and measures to reduce storm overflow impacts. Approximately £41 million will be invested in reducing spills from priority overflows and addressing groundwater infiltration into the sewer network, including targeted interventions and network investigations and improvements.

24. Related party transactions

Remuneration to key management personnel has been disclosed in note 20.

Intercompany interest payable to Dŵr Cymru (Financing) UK plc (DCF), another member of the GCHC group, was £293,886,062 during the year (2025: £219,332,155). As at 31 March 2026 the balance outstanding on the intercompany loan and accrued interest from DCF stood at £4,765,457,002 (2025: £4,435,383,486). All borrowings raised by DCF are immediately on-lent to the company on an arms-length basis. The intercompany loan is subject to the terms and conditions of the whole business securitisation structure of Glas Cymru Anghyfyngedig and its subsidiaries. DCC, in its capacity as debtor, repays such principal and interest as is due on each borrowing on the due date plus 0.01%. Intercompany loans from Glas Cymru Anghyfyngedig of £1,970,694 (2025: £1,970,694) and from Dŵr Cymru Holdings Limited of £2,596,458 (2025: £2,692,458) remain outstanding as at 31 March 2026. Interest payable on these loans has been waived.

As at 31 March 2026 intercompany trading balances owing to the Company were: Welsh Water Organic Energy (Cardiff) Limited £1,258,958 (2025: £233,598), Cambrian Limited £nil (2025: £25,419), Welsh Water Organic Waste £40,576 (2025: £66,471 owed by the Company) and Glas Cymru Anghyfyngedig £8,481 (2025: £8,481). Intercompany trading balances owed by the Company were Glas Cymru Holdings Limited £189,003 (2025: £156,524).

During the year, the Company wrote off an intercompany trading balance of £25,419 due from Cambrian Limited. The write-off was recognised in the income statement.

During the year no dividends were paid or received (2025: £nil). There were no other transactions with companies that are part of the GCHC Group.

25. Contingent liabilities

Contingent liabilities represent potential future cash outflows which are either possible but not probable or probable but cannot be measured with sufficient reliability.
The Environment Agency is undertaking an industry-wide investigation into compliance at sewerage treatment works, including the Company, which remains ongoing. The Company is co-operating fully with requests for information as they are received. At this stage there is no indication of a probable outflow in relation to this investigation.

On 8 October 2025 the Company received claims on behalf of 693 claimants relating to allegations that its activities have caused pollution in the rivers Wye, Lugg and Usk, and their tributaries. Solicitors acting for the claimants state that there are more than 4,000 claimants with further claims to be issued periodically with a total of 1,309 received to date. Avara Foods Limited and Freemans of Newent Limited are also named as defendants.

The first High Court hearing took place on 27 April 2026: no ruling on liability or the merits of the claims was made at that stage. The Company denies liability and plans to defend the case robustly. It is not considered probable that an outflow of economic benefits will arise and accordingly no provision has been recognised.

The Company is subject to other ongoing investigations (pollution, water quality and compliance) by environmental regulators which could result in financial outflows, however the likelihood of financial outflow is not considered probable at this stage, and any potential exposure cannot be reliably estimated.

26. Elan Valley Trust Fund

In 1984 Dŵr Cymru Authority entered into a conditional sale and purchase agreement with Severn Trent Water Authority for the sale of the aqueduct and associated works by which the bulk supply to Severn Trent reservoirs is conveyed.

The sum of £31.7 million, representing the consideration for the conditional sale, was invested in a trust fund. The principal function of the fund was to provide an income to Dŵr Cymru Authority, whilst preserving the capital value of the fund in real terms. Dŵr Cymru Authority’s interest in this fund was vested in Dŵr Cymru Cyfyngedig under the provisions of the Water Act 1989.

The assets of the fund are not included in these financial statements. As at 31 March 2025 the market value of the trust fund was £88 million (2025: £89.0 million). Interest receivable includes £4.0 million (2025: £3.8 million) in respect of distributions from the Elan Valley Trust Fund.

27. Immediate and ultimate holding company

The immediate parent Company is Dŵr Cymru (Holdings) Limited and the ultimate holding Company and controlling party is Glas Cymru Holdings Cyfyngedig a company limited by guarantee, both of which are registered in England and Wales. The largest and smallest group within which the results of the Company are consolidated is that headed by Glas Cymru Holdings Cyfyngedig and Glas Cymru Anghyfyngedig (subsidiary of Glas Cymru Holdings Cyfyngedig and parent company of the entities governed by the Common Terms Agreement (CTA)) respectively. Both consolidated financial statements can be obtained from the Company Secretary at Linea, Fortran Road, St Mellons, Cardiff, CF3 0LT.

GLOSSARY

Anaerobic digestion	A process by which organic material is broken down by bacteria and other micro-organisms to generate renewable energy.
Assets	These include infrastructure such as water mains and sewers, dams and reservoirs, water and sewage treatment works, pumping stations, company laboratories, depots and workshops.
Catchment	An area of land through which water drains into a body of water (such as a river or reservoir).
Common terms agreement	A common terms agreement establishes common terms across contracts, increasing efficiency and reducing the risk of misunderstandings and disputes.
Credit rating	Credit ratings provide an assessment of the credit quality of a company which can affect the cost of borrowing.
Discharge permits	Legal agreements issued by the environmental regulator relating to the amount, quality and frequency of wastewater that can be returned to the environment.
EDI	Equality, Diversion and Inclusion
Effluent	Water that flows from a sewage treatment plant after it has been treated.
Glas Cymru	Glas Cymru is the generic name used to refer to the Group holding company. Glas Cymru Cyfyngedig was formed in 2000 to own, finance, and manage Dŵr Cymru Welsh Water. During 2015-16 Glas Cymru Cyfyngedig was reregistered as Glas Cymru Anghyfyngedig and Glas Cymru Holdings Cyfyngedig was created to be the holding company for the Glas Cymru Group.
Groundwater	Water that can be found in the saturated zone of the soil.
Group	Glas Cymru and all its subsidiaries.
Leakage	Water lost between the treatment works and the customer's premises.
Liquidity	The availability of readily convertible assets into cash. This represents cash and cash equivalents and revolving credit facilities for the Group.
Megalitres (ML)	One megalitre is equal to 1,000 cubic metres or one million litres. A standard Olympic-size swimming pool contains 2.5 megalitres of water.
PR24	Ofwat's Price Review process 2024, which culminated in a Determination in December 2024, to set prices for AMP8 (2025-2030).
Pumping station	Used to pump water or sewerage from one place to another.
Representative Concentration Pathways (RCP)	Representative Concentration Pathways (RCP) are climate change scenarios to project future greenhouse gas concentrations. They have been formally adopted by the Intergovernmental Panel on Climate Change, and describe different climate change scenarios, all of which were considered possible depending on the amount of greenhouse gases (GHG) emitted in the years to come. The numeric values in RCP labelling indicate the change in radiative forcing (broadly the net absorption of energy in the Earth's atmosphere) from the year 1750 to the year 2100, with a higher value indicating a likely higher effect on global warming.
Real terms	The change in a financial number after removing the effect of inflation.
Regulatory Capital Value (RCV)	The asset value of Dŵr Cymru, determined by Ofwat, on which our investment returns (or Regulatory Returns) are allowed to be made. This is, in effect, a proxy for the economic value in use of the appointed business of Dŵr Cymru Cyfyngedig.
Reservoir	A natural or artificial lake where water is collected and stored until needed.
Return of Value	Payments made for the benefit of our customers from distributable profits, that could otherwise be paid out to shareholders as dividends in a shareholder-owned company.
Rising main	A pumped pipeline that carries wastewater.
Scorecard	A statistical record used by Welsh Water to measure achievement or progress towards particular goals.
Sewer	An underground pipe that takes household and non-household wastewater and surface water away from properties for treatment and disposal.
Sewer flooding	Occurs when wastewater escapes from sewer pipes through a manhole cover or a drain, or by backing up through toilets.

Storm overflows	Storm overflows (SO) act as relief valves to prevent the overloading of pipe networks which could otherwise lead to flooding of properties and treatment works. A combined storm overflow acts in the same way but where untreated rainwater and wastewater and sewage are carried together in a combined network.
Surface water	Run-off from rainwater that falls onto customers' properties (such as roofs, paths and driveways).
Totex	An Ofwat abbreviation for total expenditure. The total sum of capital expenditure and operational expenditure.
Trunk main	A main through which water is fed into a water distribution system. A trunk main will often run from a water treatment works to a service reservoir.
Wastewater	Waste matter from household or non-household properties that is carried away from properties in sewers or drains.
Wastewater treatment works (WWTW)	Wastewater treatment works are designed to remove biological or chemical waste products from water before it is returned to water sources.
Water main	A large pipe that carries treated water to households.
Water Resource Management Plan (WRMP)	This outlines how a water company will maintain a sustainable balance between water supplies and demand over the next 25 years.
Water treatment works (WTW)	Water treatment plants produce drinking water for public consumption or industrial water for manufacturing or other business operations.