Interim report and accounts

for the six months ended 30 September 2024

Contents

Notes:

(1) References to Glas Cymru and the Group in this document refer, respectively, to Glas Cymru Holdings Cyfyngedig and the group of companies of which it is the parent; references to Welsh Water relate to Dŵr Cymru Cyfyngedig, the principal trading company in the Group.

(2) The Directors of Dŵr Cymru Cyfyngedig use group-wide key performance measures as indicators of the development and performance of the Company. We measure our performance via eight "Outcomes" which are based on broad groupings of targets set by Ofwat at the last price review – performance commitments (PC's). The groupings represent the key elements of the essential services we provide to our customers across our supply area. 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 Board sets stretching but achievable targets, independently, based on sector benchmarks. 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. Our Company vision to Earn the Trust of our Customers Every Day, underpins our approach to delivering services, and the Board is conscious of the need to set targets which maintain and build on that trust. The Board also takes into account the views expressed by customers and other stakeholders in the extensive engagement exercises which were undertaken, both in establishing Welsh Water's published 2050 strategy, and in the course of setting the Company's five-year business plan for 2020-25.

Chief Executive's Statement

After a number of challenging years for the company and sector more widely, we will soon begin a new phase in our history as we move into a new Asset Management Period (AMP) of record investment (subject to Ofwat's approval). This presents significant opportunities for the future and allows us to build on those areas where we have made underlying improvements over the past 6 months on some key performance measures (drinking water quality, internal sewer flooding, and treatment works compliance). However, there are also areas where we need to make step changes in our performance and we have a detailed plans in place to address these areas in Water Services (customer acceptability, leakage, and interruptions to supply) and in Wastewater Services (external sewer flooding and pollution incidents) as we are currently falling short of customer expectations. We are working closely with regulators and stakeholders to deliver transformation and recovery plans to drive these required improvements and have invested £295 million over the past 6 months – compared to £221 million over the same period last year.

We have also remained focused over the last 6 months on accelerating our investment to protect the environment, recognising in particular that coastal and river water quality continues to be a key concern for customers and stakeholders. While this has meant ensuring improving compliance at our wastewater treatment works and delivering a number of capital investment schemes ahead of schedule, we need to invest even more in our wastewater infrastructure to make it more resilient to the growing impacts of climate change and this will be a key priority for 2025-30. Natural Resources Wales (NRW) announced its Environmental Performance Assessment (EPA) in July, our maintaining a 2 star rating . We will not shy away from the challenges we face and are already implementing plans to recover this performance and aim to routinely achieve a 4-star EPA rating during AMP8 : as, however, improvement is dependent on investment it will take time to complete this recovery. We are utilising increased levels of SMART AI technology to help identify potential pollution incidents before they occur and are targeting our capital investment to improve performance.

Ofwat's decision in September to open enforcement cases into four more water and wastewater companies - including ourselves - as part of its ongoing investigation into how companies manage their wastewater treatment works and networks means that enforcement activities are now underway against all 11 water and wastewater companies in England and Wales. The investigation covers companies' environmental performance (and compliance with the Urban Wastewater Treatment Regulations) and how often there are spills from storm overflows.

Welsh Water first established a Flow Compliance Strategy and Programme Group with its environmental regulators in 2014 in order to share with NRW information on flow governance and assurance issues and agree a process to address the resulting compliance issues, and from June 2015 the meetings of this group also included attendance by the EA. It has met throughout AMP7 and helped steer progress in relation to flow compliance that was reported to Ofwat through the annual APR process. We have, therefore, been consistently transparent with our regulators about our performance and proposed mitigating actions. For example, our RainScape programme in Llanelli was agreed on the back of detailed discussion about the Urban Wastewater Regulations resulting in over £150m investment to upgrade the sewer network in the area.

We will always be open and transparent in how we work, as evidenced by the official launch of the Storm Overflow map on our website earlier this year. This was developed following a full consultation with bathing groups in Wales and informs customers and water users if overflows are operating, not operating, or if they have operated recently (in the past 24 hours). This map builds on existing work that we are undertaking, and we are proud to be among the first in the water industry to publish our Open Data strategy. The strategy is designed to instil an "open-by-default" culture, signifying a fundamental shift for the industry, where data will be published unless specific safeguards, such as protecting personal information, dictate otherwise. We hold a huge amount of data (e.g. water consumption, water quality, reservoir levels) on our assets and performance and by making this data 'open', it is available for all – our customers, scientists, regulators and the wider industry.

Chief Executive's Statement

In July, we received Ofwat's Draft Determination (DD) for our proposed AMP8 investment programme (between 2025 and 2030) which sought to provide a balance between improving services, tackling the issues that matter most to our customers – especially the environment - and investing for the future, whilst also maintaining significant financial support for those customers who struggle to make ends meet. Our Business Plan, which was assessed as "Standard", outlined our most ambitious ever £4.2 billion capital investment programme (68% bigger than forecast AMP7 total), with £1.9 billion of wastewater investment to protect the environment. However, the DD from Ofwat reduced our overall expenditure by £0.7bn (12%) and removed some flagship enhancement schemes. These would, therefore, have to be funded out of base expenditure allowances which are already stretched. While the overall allowed total expenditure was £5.2bn (in 22/23 prices), which is £1.5bn or 42% higher than the PR19 FD allowance for AMP7 in real terms, we will therefore continue to engage with Ofwat, Welsh Government and other regulators to ensure that we have a Final Determination (expected in December) which is both financeable and deliverable and ensures we have the investment we need to recover our performance across those key performance measures where we are currently lagging the sector.

We remain in a strong financial position after two decades of prudent financial management which is essential if we are to deliver our ambitious plans for 2025-30. This was reinforced by our successful issuance of £600m of new bonds to investors in September. This was one of the largest bond issues in the UK Sterling market so far this year with the company's strong credit ratings securing access to funding at a lower cost compared to recent public sterling bond issues in the sector.

We announced in September that Alastair Lyons, who joined the Board in 2016, will retire as Chair at the end of this year. After an extensive internal and external recruitment process, Jane Hanson, current Chair of our Audit Committee and Non-Executive Director, has been appointed as Chair from 1st January 2025. I wish to put on my record my thanks to Alastair: he has played a key role in guiding the company through two regulatory price reviews (PR19 and the current price review period, PR24) and the Covid pandemic, whilst also playing a leading role in helping us maintain a robust financial foundation during a challenging period for the sector and credit ratings that are amongst the strongest in the sector. Likewise, I look forward to working with Jane who has substantial executive and non-executive experience and has been Chair of the Audit Committee at Dŵr Cymru since 2021.

While these are difficult times, we will continue to support our colleagues across the business and are proud to have been awarded a prestigious RoSPA Gold Medal Award for high standards of health and safety management for the eighth year running. This demonstrates our dedication to ensuring our colleagues and contractors arrive home safely at the end of every working day.

As we finalise preparations for the 2025-30 investment cycle, we are mindful that the context in which we operate is changing as evidenced by the Water Services (Special Measures) Bill which was published in early September. We will work with the Welsh Government and others to understand its application here in Wales. We know that there are no quick fixes to the challenges we face but I want to emphasise that we will continue to invest as much as we can finance and go as fast as we can. This is why we are ensuring that we have £400 million of 'shovel ready' schemes due to be implemented in the first twelve months of the next investment cycle. While we remain the most trusted water company in England and Wales (CCWater's Water Matters report, 2024), our focus, as we end the current AMP period, is foremost on performance improvement and ensuring that every penny of investment is used to maximum effect for the benefit of customers, the environment and the communities we serve.

Peter Perry
Chief Executive, Welsh Water
31 October 2024

Performance overview

Service Delivery

- Overall compliance with the Drinking Water Inspectorate Compliance Risk Index (CRI) so far this calendar year at 3.58 is better than last year's performance (2023: 6.88) which was largely due to a failure at our largest treatment works at Felindre (Swansea).

- Customer acceptability (i.e. number of times the company is contacted by customers due to the taste and odour of drinking water, reported per 1,000 population) at 2.13 was behind last year's performance (2023: 1.91). These issues are primarily caused by iron and manganese deposits in cast iron trunk mains of which we still have 7,000 miles. We will continue to replace these mains during the next investment period with a proposed £150m committed to reducing discolouration in our water network. We have started mains replacement schemes across South Wales investing £30m this financial year.

- The average number of minutes that a customer has had their supply interrupted in the firsr half was 11.42 minutes against our target of 5.00 minutes. Although our performance is slightly behind the same period last year (2023: 10.53), two major trunk mains bursts in Trelewis and Abergavenny in May (caused by a contractor and third party respectively) during this period had a significant impact on this performance measure, resulting in 60% of our supply interruptions being due to third party damages. We are confident that the organisational changes establishing 24/7 Operational Response Hubs will allow us to respond more rapidly and effectively to supply interruptions reducing the duration of interruptions and improving performance.

- In terms of leakage, this remains behind our target which is expressed as a 3-year average: on this basis we have outturned an increase in leakage of 16.0% (251.8 Ml/D) compared to our target of a 9.0% (240.9 Ml/D)) increase. We've experienced repeated mains failures in rural locations, particularly in South West Wales where it can be difficult to locate and access burst mains. We have targeted investment to replace some of these rural mains starting next year. We are well underway with implementing our Leakage Recovery Plan and in the first half of this year experienced a 6.5% improvement on the same period last year.

- We continue to perform well on Ofwat's measure of customer satisfaction, C-MeX. Our combined score for Quarter 1 sees us in fifth position out of all water and wastewater companies.

Environment:

- Overall treatment works compliance at 98.73% is better than last year (2023: 98.16%). We will need to monitor this closely over coming months as maintaining this level of performance becomes more challenging during the wetter winter months.

- Our performance in relation to internal sewer flooding at 0.67 (per 10,000k of sewer connections) is better than last year's performance (2023: 0.75) but behind our target of 0.47. This commitment is significantly influenced by the weather as we experienced higher than average rainfall in April (154%) and May (110%). This was also adversely impacted by a sewer collapse and significant internal flooding in May in Ross on Wye. Having renewed part of the sewer network, we are continuing to work closely with Herefordshire Council and local stakeholders to explore how best to manage flood risks in the town centre.

- We recorded 5 serious pollution incidents up to September 2024, compared to 5 during the same period last year. However, the overall number of pollution incidents was 27.59 which is worse than last year (2023:18.48) and behind our target of 16.28. While third party blockages remain the highest cause of incidents (nearly 50%), several storm events over the past 6 months have resulted in an increased number of pollutions incidents occurring from hydraulic overload within our network. Our Pollution Reduction Strategy includes measures to target blockages which can cause pollution.

- With river water quality continuing to be a key concern for customers and stakeholders, we have continued to make progress in terms of length (km) of river improved with Natural Resources Wales confirming that we improved a record 223km of rivers in 2023-24. This brings the total km of rivers improved to 345km since 2020. We are keen to maintain this level of investment and our proposals for 2025-30 aim to improve over 720km of rivers in Wales as well as other key outputs such as reducing by 90% our phosphate contribution to the six Special Area of Conservation (SAC) rivers by 2030.

Performance overview

Sustainability

- We currently generate 22% of our own energy needs through wind, hydro, solar and advanced anaerobic digestion (AAD) with the rest procured from 100% renewable energy resources. We anticipate this to be the case across the remainder of the financial year and plan to be 35% energy self-sufficient by summer 2026. Our proactivity in switching to self-generation of renewables is a key component of our plan to be 100% energy self-sufficient - or energy neutral - by 2050.

- We now source around £500,000 a year (1%) of our electricity needs directly from Welsh Community-owned renewable generators to align with our broader sustainability ambitions.

- We are building on the success of our Water Resilient Communities Project (a place-based approach aimed at bringing together colleagues from different teams - vulnerable customers, education, career, debt, water efficiency and wastewater network – to provide targeted support in a certain area) by working with stakeholders in Bangor and Cardigan to introduce this project into these communities.

- 44,410 children attended our education programme over the past 6 months (exceeding our target of 43,000) learning about water efficiency. This was supplemented by an extensive summer roadshow focussing on the theme, ‘Water’s Precious – Let’s Not Waste It’ where we had 40,000 face-to-face interactions with customers across a series of national, regional and local events.

- Our Visitors’ Centre at the Llanishen/Lisvane reservoirs (Cardiff) was awarded ‘Land Management & Sustainable Development’ project of the year at the RICS (Royal Institution of Chartered Surveyors) Awards in October. The award recognises outstanding building projects that promote economic growth, social wellbeing, environmental protection, and cultural preservation.

Financing

- Since April, the typical combined water and wastewater bill for household customers fell by between 0.1% and 1.3% respectively. The reduction reflected compensation for customers for supply interruptions and leakage during previous years.

- We are helping over 131,000 (September 2023: 131,000) customers through our extensive range of affordability schemes. We monitor customer payment behaviour to proactively identify customers who may be struggling to pay and use targeted early intervention communications to increase awareness of support and flexible payment plans, as well as water efficiency advice

- We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs and are delighted to have been accredited with the Fair Tax Mark again in 2024 for the fourth year running.

People

- We have been awarded a RoSPA Gold Medal Award for high standards of health and safety management for the eighth year running.

- 0 (zero) employee RIDDOR injuries in the last 6 months (i.e. these are injuries which must be reported to the Health & Safety Executive

- the results of our latest Health & Safety Climate Survey (conducted every 2-3 years) also showed further improvements in all aspects and were above the HSE industry average benchmarks.

Performance overview

Financial overview

In the six months to 30 September 2024:

- Our revenue decreased marginally by 1% to £461 million (2023: £464 million), reflecting bill reductions noted above.

- Operating expenditure (excluding infrastructure renewals expenditure and depreciation) has increased slightly by 2% to £186 million (2023: £182 million) reflecting an inflationary rise in employee costs.

- Infrastructure renewal expenditure (maintenance spend on our below ground network) of £75m is £26m higher than last year (£49m), due mainly to significantly higher volumes of leakage repairs to support delivery of leakage performance commitments.

- The operating loss of £1 million, compared with a profit of £38 million in 2023, reflects movements noted above as well as a non-cash related £6 million increase in the depreciation charge on our operational fixed assets mainly caused by the valuation of our fixed assets increasing by c.3% compared to September 2023.

- Net interest payable in the period (excluding fair value movements on derivatives) has decreased by 30% to £85 million (2023: £122 million) reflecting mainly reduced indexation on bonds due to falling inflation rates.

- Net capital investment totalled £295 million (2023: £221 million) and the company is forecasting to complete £2.1 billion of investment for the five years to March 2025 (AMP7) to benefit customer service and the environment.

- the fair value liability of the company’s interest rate and energy price swaps has increased by £7 million to £404 million compared to March 2024 (£397 million). This change is driven by financial market movements which is as expected considering the macro-economic environment.

- the Group reported a total loss before tax of £54 million (2023: loss of £21 million).

- The Group has cash, short-term deposits and undrawn syndicated bank facilities of £1.1 billion (March 2024: £0.5 billion), giving the Group a high level of financial liquidity.

- Gearing has increased to 61% since March 2024 (60%) but remaining well within the threshold of our covenants and existing credit rating.

- Credit ratings continue to be amongst the highest in the sector at A-/A3/A for senior Class B debt from Standard and Poor’s, Moody’s and Fitch respectively. Moody’s and Fitch have both affirmed our senior and junior debt ratings during 2024, both with a stable outlook.

- The Group’s performance on environmental, social and governance (ESG) issues has been reviewed by Sustainable Fitch. Sustainable Fitch has concluded that the Group ‘evidences a good ESG profile’ with a score of 2 (where 1 = ‘excellent’, 5 = ‘poor’). The full report from Sustainable Fitch can be found on the Group’s Investors website.

Common performance commitments

The table shows our performance for the six months ended 30 September 2024 for Ofwat's performance commitments. These performance measures are measured throughout the year (unlike some other measures which are measured annually) thereby allowing us to provide in year updates. These performance measures are common to all water and sewerage companies in England and Wales. In some instances, the business plan targets, shown below, set by the Board differ to the Final Determination target set by Ofwat. The Board has independently set stretching but achievable targets that are based on sector benchmarks.

C = measured from the start of the calendar year (January to September 2024). All other commitments are measured from the start of the financial year (April to September 2024). A definition of each Performance Commitment can be found in the Appendix on page 27.

Performance Commitments		Actual performance 6 months to 30/09/2024	Actual Performance 6 months to 30/09/2023	Target Performance 6 months to 30/09/2024
Water quality compliance (CRI) **C**		3.58	6.88	3.38
Water Supply Interruptions (minutes : seconds)		11.42	10:53	5:00
Mains Repairs (per 1000km of water network)		81.5	69.5	64.2
Unplanned outage %		0.27	0.29	0.75
Treatment works compliance % **C**		98.73	98.16	99.00
Pollution incidents (Per 10,000km of sewer) **C**		27.59	18.48	16.28
Per Capita Consumption * (reduction in 3 year average)	% reduction	-2.9	-5.5	-2.1
	l/hd/d	149.9	153.8	148.8
Leakage * (reduction in 3 year average)	% reduction	-16.0	-14.3	-9.0
	Ml/d	251.8	248.1	240.9
Internal sewer flooding (per 10,000 sewers connections)		0.67	0.75	0.47
Sewer collapses (per 1,000 km of sewers)		2.62	2.53	2.97
C-MeX		5th	5th	Top 3
Priority Services for Customer in Vulnerable Circumstances Reach %		12.5	11.0	12.0

"*" Both the Per Capita Consumption and Leakage metrics use a reduction as their target measure, therefore the negative values reflect an increase in the period in these measures.

Statement of Directors' responsibilities and other matters

The Directors have voluntarily complied with the Disclosure and Transparency Rules. The Group, including Dŵr Cymru Cyfyngedig, has committed to publish information about its interim results as if it were subject to the Listing Rules of the Financial Conduct Authority.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared and approved by the Directors in accordance with IAS 34 as contained in UK adopted IFRS.

- the interim management report includes a true and fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

Directors

The following Directors are responsible for the preparation of this half-yearly report:

Alastair Lyons (Non-Executive Chair of the Board)
Pete Perry (Chief Executive Officer)
Mike Davis (Chief Financial Officer)
Debra Bowen Rees (Non-Executive Director)
Tom Crick (Non-Executive Director)
Jane Hanson (Non-Executive Director)
Joanne Kenrick (Non-Executive Director)
Lila Thompson (Non-Executive Director)
Barbara Moorhouse (Non-Executive Director)

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group for the six months to 30 September 2024 are materially unchanged from those presented on pages 56 to 66 of the Group's published Annual Report and Accounts for the year ended 31 March 2024. The Annual Report and Accounts are published on the Group's website, www.dwrcymru.com, and are available from the Company Secretary on request. These key risks faced by the Group are as follows: public concerns about environmental issues; business continuity; climate change impacts and transition risks; health and safety major incident; information security, cyber risk and risk of IT system loss; performance and cost; loss of customer trust; loss of key talent, capability and competence; and macroeconomic risk that includes the cost-of-living crises and inflation and access to funding. Ofwat will also publish its Final Determination of the AMP8 price control in December 2024 which will determine our plans and associated risk for 2025-30.

Emerging risks which could affect the Group's ability to achieve its 2020-25 business plan or longer-term strategic goals are also closely monitored. The current two emerging risks identified are; public health (micropollutants in drinking water and plastics in wastewater) and legislative divergence (increased costs from compliance with obligations that may diverge in England and Wales). These emerging risks are also discussed in the 2023/24 Annual Report and Accounts of Glas Cymru on page 66. Furthermore, the Secretary of State for the Environment, Food and Rural Affairs, the Deputy First Minister for Wales have established an Independent Commission to be chaired by Jon Cunliffe, to develop a set of recommendations to reform the water sector regulatory system which could have wide-ranging impact on the company and wider sector.

Statement of Directors' responsibilities and other matters

Significant matters with the potential to impact the company

Ofwat and Environment Agency - Investigation into wastewater operations

In November 2021 Ofwat and the Environment Agency announced investigations into all water and wastewater companies in England and Wales, after several water companies explained that they might not be treating as much sewage at their wastewater treatment works as they should be, and that this could be resulting in sewage discharges into the environment at times when this should not be happening. On 16 July 2024 Ofwat announced that Dŵr Cymru had been served formal notice to gather evidence for the investigation under Section 203 of the Water Industry Act 1991. The Section 203 notice enables Ofwat to request information to ascertain whether there has in-fact been any non-compliance in relation to our wastewater treatment processes and ultimately whether any actions are required to ensure compliance on a forward-looking basis. A Section 203 notice does not imply that Ofwat will conclude that there has been any operating licence contravention or that they will pursue formal enforcement action or impose a financial penalty. We are cooperating fully with both Ofwat and the Environment Agency's investigations and are responding to formal information requests which continue to be received.

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group and parent company have adequate resources for a period of at least 12 months from the date of their approval and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting the Directors have reviewed the resources available to the Group in the form of cash and committed bank facilities headroom, which stands at £1,119m at 30 September 2024, as well as consideration of the Group's capital adequacy. The Group presently has £400m revolving credit facilities available to use at its discretion and should the Group deem beneficial. The Group's revolving credit facilities currently have a termination date of February 2027. This level of liquidity is considered adequate to meet operational needs in the short-term and means we would not require further funding beyond our existing revolving credit facilities until March 2026, where our next material debt repayment is due to occur.

The Group has maintained active relationships with a number of lenders and also monitors market trends, being aware of the regular, well-subscribed debt issuances in the sector. Considering the Group's credit ratings being among the highest in the industry, the Directors are confident in the Group's ability to raise the required funds, in a timely manner and at a competitive rate.

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

Having considered these matters, the Directors do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern.

By order of the Board

Nicola Foreman
Company Secretary
31 October 2024

Condensed consolidated income statement for the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 Restated (unaudited) £m	Year ended 31 March 2024 (audited) £m
Revenue	*2*	**460.8**	464.3	927.9
Operating costs				
- Operational expenditure		**(186.1)**	(181.6)	(370.3)
- Impairment of trade and other receivables		**(11.0)**	(12.2)	(28.3)
- Other operating income		**2.6**	2.4	5.2
- Infrastructure renewals expenditure		**(75.0)**	(48.8)	(101.3)
- Depreciation and amortisation		**(192.6)**	(186.9)	(386.7)
Operating (loss)/profit		**(1.3)**	37.2	46.5
Profit/(loss) on disposal of fixed assets		**0.1**	0.3	(0.1)
(Loss)/profit before interest and taxation		**(1.2)**	37.5	46.4
Financial expenses				
- Financial income	*3*	**10.3**	10.8	21.2
- Financial expenses	*3*	**(95.7)**	(132.8)	(270.0)
- Fair value gains on derivative financial instruments	*3*	**32.6**	64.0	30.1
Settlements accruing in the period		**21.0**	(1.7)	37.4
Other movements on derivative financial instruments		**11.6**	65.7	(7.3)
		(52.8)	(58.0)	(218.7)
(Loss) before taxation		**(54.0)**	(20.5)	(172.3)
Taxation	*4*	**12.2**	3.9	41.4
(Loss) for the period		**(41.8)**	(16.6)	(130.9)

	Note	2024 £m	2023 £m	Year 2024 £m
Underlying loss				
(Loss) before taxation per income statement		**(54.0)**	(20.5)	(172.3)
Adjustment for:				
- Fair value (gains) on derivative financial instruments	*3*	**(32.6)**	(64.0)	(30.1)
Underlying loss for the period		**(86.6)**	(84.5)	(202.4)

The notes on pages 15 to 25 are an integral part of these condensed consolidated interim financial statements.

The 30 September 2023 comparators for financial expenses and fair value gains on derivative financial instruments have been restated. There is no impact on the loss for the period. More information is available under note 1 to these financial statements.

Condensed consolidated statement of other comprehensive income for the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
(Loss) for the period		**(41.8)**	(16.6)	(130.9)
Items that will not be reclassified to profit or loss:				
Actuarial gain recognised in the pension scheme		**12.2**	43.4	26.4
Related deferred tax	*4*	**(3.1)**	(16.7)	(6.6)
Revaluation of property, plant and equipment	*5*	**20.1**	168.7	141.8
Related deferred tax	*4*	**(5.0)**	(42.2)	(35.4)
Total items that will not be reclassified to profit or loss		**24.2**	153.2	126.2
Total comprehensive income/(expense) for the period		**(17.6)**	136.6	(4.7)

The notes on pages 15 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated balance sheet as at 30 September 2024

Assets	Note	At 30 September 2024 (unaudited) £m	At 30 September 2023 (unaudited) £m	At 31 March 2024 (audited) £m
Non-current assets				
Property, plant and equipment	*6*	**7,412.2**	**7,178.7**	7,303.3
Intangible assets		**201.9**	**197.2**	201.4
Trade and other receivables	*7*	**0.6**	**0.7**	2.2
Employee benefits		**41.5**	**38.0**	31.6
Other financial assets: derivative financial instruments		**0.3**	**5.3**	-
		7,656.5	**7,419.9**	7,538.5
Current assets				
Inventories		**7.8**	**6.3**	7.9
Trade and other receivables	*7*	**463.5**	**463.0**	645.7
Cash and cash equivalents		**711.9**	**324.8**	167.1
Other financial assets: derivative financial instruments		**1.5**	**1.3**	1.2
		1,184.7	**795.4**	821.9
Total assets		**8,841.2**	**8,215.3**	8,360.4
Liabilities				
Current liabilities				
Trade and other payables	*8*	**(424.1)**	**(450.9)**	(627.9)
Provisions		**(1.3)**	**(2.9)**	(5.4)
Other financial liabilities:				
- borrowings		**(189.5)**	**(123.2)**	(237.7)
		(614.9)	**(577.0)**	(871.0)
Net current assets/(liabilities)		**569.8**	**218.4**	(49.1)
Non-current liabilities				
Trade and other payables	*8*	**(800.1)**	**(601.6)**	(740.4)
Employee benefits		**(2.7)**	**(2.4)**	(2.6)
Provisions		**(5.5)**	**(5.4)**	(4.8)
Other financial liabilities:				
- borrowings		**(4,702.7)**	**(4,133.4)**	(4,008.7)
- derivative financial instruments		**(405.8)**	**(375.5)**	(398.6)
Deferred tax (net)		**(805.1)**	**(856.7)**	(812.3)
		(6,721.9)	**(5,975.0)**	(5,967.4)
Total liabilities		**(7,336.8)**	**(6,552.0)**	(6,838.4)
Net assets		**1,504.4**	**1,663.3**	1,522.0
Revaluation reserve		**1,658.7**	**1,768.6**	1,696.2
Retained earnings		**(154.3)**	**(105.3)**	(174.2)
Reserves		**1,504.4**	**1,663.3**	1,522.0

The condensed consolidated interim financial statements on pages 10 to 25 were approved by the Board of Directors on 31 October 2024 and were signed on its behalf by:

Peter Perry
Chief Executive Officer

Mike Davis
Chief Financial Officer

Condensed consolidated statement of changes in reserves for the six months ended 30 September 2024

	Note	Six months ended 30 September 2024 (unaudited) Revaluation reserve £m	Six months ended 30 September 2024 (unaudited) Retained earnings £m	**Six months ended 30 September 2024 (unaudited) Total £m**	**Six months ended 30 September 2023 (unaudited) Total £m**	**Year ended 31 March 2024 (audited) Total £m**
Reserves at start of period		1,696.2	(174.2)	**1,522.0**	**1,526.7**	1,526.7
Loss for the period		-	(41.8)	**(41.8)**	**(16.6)**	(130.9)
Actuarial gain net of tax		-	9.1	**9.1**	**26.7**	19.8
Revaluation net of tax	*5*	15.1	-	**15.1**	**126.5**	106.4
Transfer to retained earnings		(52.6)	52.6	**-**	**-**	-
Reserves at end of period		1,658.7	(154.3)	**1,504.4**	**1,663.3**	1,522.0

The notes on pages 15 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 September 2024

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 Restated (unaudited)	Year ended 31 March 2024 (audited)
Cash flow from operating activities	**£m**	**£m**	**£m**
Operating (loss)/profit for the period	**(1.3)**	37.2	46.5
Adjustments for			
- Depreciation and amortisation	**192.6**	186.9	386.7
Changes in working capital			
- Decrease in trade and other receivables	**182.0**	182.3	1.1
- Decrease/(Increase) in inventories	**0.1**	(1.0)	(2.6)
- (Decrease) in trade and other payables	**(195.9)**	(211.7)	(37.8)
- (Decrease) in provisions	**(3.4)**	(14.9)	(13.0)
Cash generated from operating activities	**174.1**	178.8	380.9
Income tax received	**0.2**	0.5	0.5
Net cash flow from operating activities	**174.3**	179.3	381.4
Cash flow from investing activities			
Interest received	**8.1**	10.4	21.2
Purchase of property, plant and equipment	**(209.5)**	(167.9)	(372.4)
Purchase of intangible assets	**(21.6)**	(16.7)	(39.3)
Proceeds from sale of plant and equipment	**-**	0.3	-
Grants and contributions received	**10.7**	12.7	32.2
Net cash flow from investing activities	**(212.3)**	(161.2)	(358.3)
Net cash flow before financing activities	**(38.0)**	18.1	23.1
Cash flow from financing activities			
Term loan repayments	**(129.0)**	(34.9)	(65.4)
Payment of lease liabilities	**-**	-	(12.6)
Loan issue costs	**(1.6)**	-	(1.9)
Long term loans received	**125.0**	-	230.0
Bond issue proceeds	**597.7**	-	-
Bond issue costs	**(1.9)**	-	-
Interest paid	**(46.5)**	(36.1)	(193.2)
Receipts on derivative financial instruments	**45.9**	5.4	8.7
Payments on derivative financial instruments	**(6.8)**	(7.1)	(11.8)
Loan termination payments	**-**	-	(189.2)
Net cash flow from financing activities	**582.8**	(72.7)	(235.4)
Net increase/(decrease) in cash and cash equivalents	**544.8**	(54.6)	(212.3)
Cash and cash equivalents at start of period	**167.1**	379.4	379.4
Cash and cash equivalents at end of period	**711.9**	324.8	167.1

The notes on pages 15 to 25 are an integral part of these condensed consolidated interim financial statements.

The 30 September 2023 comparators for interest paid and receipts/payments on derivative financial instruments have been reclassified following a change in accounting policy. There is a £37.8 million increase to net cash inflow from operating activities with a corresponding increase to net cash outflow from financing activities. There is no impact on overall net cashflow. More information is available under note 1 to these financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

Glas Cymru Holdings Cyfyngedig (the Company) is a company domiciled in England and Wales. These condensed consolidated interim financial statements for the six months ended 30 September 2024 comprise the Company and its subsidiaries (together referred to as the Group). The Group's principal activity is the operation of a water and sewerage services business in the UK.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 31 March 2024. They do not include all of the information required for a complete set of IFRS financial statements, however selected explanatory notes are included to explain items that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. For details of future changes to accounting standards and how these will impact on the Group please refer to the published Annual Report and Accounts for the year ended 31 March 2024. No new IFRS standards have been issued or come into effect since 31 March 2024.

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the published Annual Report and Accounts for the year ended 31 March 2024.

The Annual Report and Accounts are published on the Group's website www.dwrcymru.com and are available from the Company Secretary on request.

These condensed consolidated interim financial statements are unaudited. The interim financial results do not comprise the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2024 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. No events or transactions took place during the current interim period which are material to one's understanding of these financial statements.

The Company is limited by guarantee and does not have any share capital. In the event of the Company being wound up, the liability of its members is limited to £1 each.

Estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenditure. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period were the same as those that applied to the consolidated financial statements for the year ended 31 March 2024, with the exception of amended judgements related to the pension scheme and changes in estimates that are required in determining the provision for income taxes, outlined below. The significant judgements and estimates relate to the provision for impairment of trade receivables, pension benefits, fair value estimation of derivative financial instruments, capitalisation of property, plant and equipment, useful economic life impact on depreciation and income from connections for the water and sewerage network Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual earnings. The Group has reviewed assets held for any indications of impairment and has made provisions against trade debtors and the measured income accrual related to a deterioration in cash collection. The mortality assumption used to calculate the present value of the pension obligations has been updated since 31 March 2024 to use the CMI 2023 projection model rather than 2022 model. A source of estimation uncertainty pertains to the inflation risk premium (IRP) which is used in the setting of the inflation rate assumptions for pension benefits, set at 0.4% for the interim reports (March 24: 0.4%). This a significant area of judgment, with a 0.3% change expected to have an impact of increasing the obligation by circa £14m.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation (continued)

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group and parent company have adequate resources for a period of at least 12 months from the date of their approval and that there are no material uncertainties to disclose. Further information on the basis of the Board's conclusion is available on page 9.

Restatements

The income statement and cashflow statement comparators for 30 September 2023 have been restated for the presentation of financial expenses, with £1.7m million now disclosed as payments on derivative financial instruments as an element of the fair value gain on derivatives rather than being included in the financial expenses heading. There is no impact on total financial expenses, the loss for the period or net cashflow for the period.

The cashflow statement comparators for 30 September 2023 have been restated for a change in accounting policy for the classification of interest paid on the cash flow statement. Interest paid is now classified as a financing activity as this is deemed to better reflect the nature of the cash flows. There is a £37.8 increase to net cash inflow from operating activities with a corresponding increase to net cash outflow from financing activities. There is no impact on net cash outflow for the period.

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 Group has only domestic activities there is also only one geographical segment; therefore, the disclosures for this segment have also already been given in these financial statements. Whilst the Group operates in a single segment, its activities can be disaggregated into the following principal income streams:

	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
Regulated revenue			
Water	**179.7**	**184.7**	374.2
Sewerage	**245.8**	**247.7**	495.6
Retail	**27.6**	**25.7**	46.8
Total regulated revenue	**453.1**	**458.1**	916.6
Other (non-regulated)	**7.7**	**6.2**	11.3
Total revenue	**460.8**	**464.3**	927.9

Regulated revenue relates to the provision of water, sewerage and related retail services operating under Dŵr Cymru Cyfyngedig's licence as part of the water industry in England and Wales, regulated by the Water Services Regulation Authority (Ofwat). Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control; these principally comprise organic energy generation and certain other activities which are peripheral and/or complementary to the Group's core water and sewerage business.

3. Financial expenses

	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 Restated (unaudited) £m	Year ended 31 March 2024 (audited) £m
Financial income	**10.3**	**10.8**	21.2
Financial expenses			
Interest payable on bonds	**(53.6)**	**(50.5)**	(102.0)
Indexation on index-linked bonds	**(19.9)**	**(59.5)**	(115.3)
Indexation on index-linked loan	**(4.9)**	**(9.7)**	(11.7)
Interest payable on leases (including swaps to RPI)	**(5.8)**	**(11.6)**	(28.9)
Other loan interest	**(14.6)**	**(10.2)**	(23.7)
Other interest payable and finance costs	**(5.6)**	**(3.5)**	(7.0)
Net interest charge on pension scheme liabilities	**-**	**0.3**	-
Capitalisation of borrowing costs under IAS 23	**8.7**	**11.9**	18.6
Financial expenses before fair value gains/(losses) on derivative financial instruments	**(95.7)**	**(132.8)**	(270.0)
Settlements accruing on derivative financial instruments	**21.0**	**(1.7)**	37.4
Fair value gains/(losses) on interest rate swaps	**12.0**	**71.5**	1.5
Fair value gains/(losses) on trading derivatives	**(0.4)**	**(5.8)**	(8.8)
Fair value gains on derivative financial instruments	**32.6**	**64.0**	30.1
Net finance costs	**(52.8)**	**(58.0)**	(218.7)
Fair value (gains)/losses excluded for covenant reporting	**(11.6)**	**(65.7)**	7.3
Net finance costs for covenant reporting	**(64.4)**	**(123.7)**	(211.4)

The comparators for financial expenses and fair value movement on derivative financial instruments for the six months to 30 September 2023 have been restated. Financial expenses have reduced by £1.7m with a corresponding decrease in fair value gains on derivatives. There is no impact on net finance costs for the period. More information is available under note 1 to these financial statements.

Derivative financial instruments are held for economic hedging purposes although they do not qualify as accounting hedges. Consequently, the Group's interest rate and index-linked swaps are fair valued at each balance sheet date with the net loss or gain disclosed in the income statement. Over the life of these swaps, if held to maturity, these fair value adjustments will reverse and reduce to zero. As at 30 September 2024 the notional value of the interest rate swap was £192m (March 2024: £192m) and the notional value of the index-linked swaps was £2,013m (March 2024: £1,984m).

Notes to the condensed consolidated interim financial statements

4. Taxation

	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
Current tax			
Adjustment in respect of prior periods	-	-	0.1
Total current tax	-	-	0.1

	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
Deferred tax			
Current year movement	**12.2**	**3.8**	39.8
Adjustment in respect of prior periods	**-**	**0.1**	1.5
Total deferred tax	**12.2**	**3.9**	41.3
Taxation credit	**12.2**	**3.9**	41.4

Analysis of amounts charged to the Statement of Comprehensive Income and Revaluation Reserve	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
Defined benefit pension scheme	**3.1**	**16.7**	6.6
Credit to the statement of comprehensive income	**3.1**	**16.7**	6.6
Revaluation of fixed assets	**5.0**	**42.2**	35.4
Charged to the revaluation reserve	**5.0**	**42.2**	35.4

Tax reconciliation	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
(Loss)before taxation	**(54.0)**	**(20.5)**	(172.3)
(Loss) before taxation multiplied by the corporation tax in the UK of 25%	**13.5**	**5.1**	43.1
Effects of:			
Adjustments in respect of prior years	**-**	**0.1**	1.6
Other permanent differences	**(1.3)**	**(1.3)**	(2.6)
Expenses not deductible for tax purposes	**-**	**-**	(0.7)
Tax credit	**12.2**	**3.9**	41.4

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

Deferred taxes have been calculated at 25%.

Pillar Two legislation, reflecting the OECD's Base Erosion Profit Shifting framework is effective for periods beginning 1 January 2024. The Group 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. The Group has assessed its exposure to Pillar Two income taxes and the new rules are not expected to impact the tax charge of the Group for the current period.

Notes to the condensed consolidated interim financial statements

5. Revaluation reserve

	Six months ended 30 September 2024 (unaudited) £m	Six months ended 30 September 2023 (unaudited) £m	Year ended 31 March 2024 (audited) £m
Revaluation reserve at start of period	**1,696.2**	**1,692.0**	1,692.0
Revaluation of assets to RCV	**20.1**	**168.7**	141.8
Depreciation charge on revalued assets	**(70.1)**	**(66.6)**	(136.3)
	(50.0)	**102.1**	5.5
Deferred tax on revaluation	**(5.0)**	**(42.2)**	(35.4)
Deferred tax on depreciation charge	**17.5**	**16.7**	34.1
	12.5	**(25.5)**	(1.3)
Revaluation reserve at end of period	**1,658.7**	**1,768.6**	1,696.2

6. Property, plant and equipment

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures £m	Plant, equipment, computer hardware £m	Total £m
Valuation					
At 1 April 2024	42.0	3,692.0	5,395.1	284.2	9,413.3
Additions	-	124.4	140.1	1.7	266.2
Disposal	-	-	-	(0.5)	(0.5)
At 30 September 2024	**42.0**	**3,816.4**	**5,535.2**	**285.4**	**9,679.0**
Accumulated depreciation					
At 1 April 2024	25.9	-	1,810.2	273.9	2,110.0
Revaluation	-	(10.0)	(10.1)	-	(20.1)
Charge for the period	0.3	36.1	139.3	1.7	177.4
Released on disposal	-	-	-	(0.5)	(0.5)
At 30 September 2024	**26.2**	**26.1**	**1,939.4**	**275.1**	**2,266.8**
Net book value					
At 30 September 2024 (unaudited)	**15.8**	**3,790.3**	**3,595.8**	**10.3**	**7,412.2**
At 31 March 2024 (audited)	**16.1**	**3,692.0**	**3,584.9**	**10.3**	**7,303.3**
At 30 September 2024 (unaudited) - historic cost basis	***17.4***	***2,593.4***	***2,573.2***	***10.3***	***5,194.3***

The net book value of fixed assets includes £119.3m (March 2024: £113.2m) of capitalised interest. The Board has approved capital expenditure for the year to 31 March 2025 of £557m. While only a portion of this amount has been formally contracted for as at 30 September 2024, the Group is effectively committed to the total as part of its overall capital investment programme.

7. Trade and other receivables

	30 September 2024 (unaudited) £m	30 September 2023 (unaudited) £m	31 March 2024 (audited) £m
Current			
Trade receivables	**367.8**	399.0	559.1
Less provision for impairment of receivables	**(87.0)**	(75.9)	(84.2)
Trade receivables – net	**280.8**	323.1	474.9
Prepayments	**16.5**	30.0	15.4
Accrued income	**132.7**	101.8	98.7
Other receivables	**33.5**	8.1	56.7
	463.5	463.0	645.7
Non-current			
Other receivables	**0.6**	0.7	2.2
	0.6	0.7	2.2
Total trade and other receivables	**464.1**	463.7	647.9

8. Trade and other payables

	30 September 2024 (unaudited) £m	30 September 2023 (unaudited) £m	31 March 2024 (audited) £m
Current			
Trade payables	**41.4**	55.3	61.3
Capital payables	**55.8**	32.9	58.0
Other taxation and social security	**6.6**	4.1	4.0
Accruals	**128.9**	149.2	127.3
Deferred income	**191.4**	209.4	377.3
	424.1	450.9	627.9
Non-current			
Accruals	**25.4**	-	26.0
Deferred income	**774.7**	601.6	714.4
	800.1	601.6	740.4
Total trade and other payables	**1,224.2**	1,052.5	1,368.3

9. Analysis and reconciliation of net debt

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

a) Net debt at the balance sheet date may be analysed as:	**30 September 2024**	**30 September 2023**	**31 March 2024**
	(unaudited)	**(unaudited)**	**(audited)**
	£m	**£m**	**£m**
Cash and cash equivalents	**711.9**	324.8	167.1
Debt due after one year	**(4,572.3)**	(3,713.3)	(3,877.9)
Debt due within one year	**(90.7)**	(78.5)	(169.6)
Lease liabilities	**(176.3)**	(378.1)	(176.3)
Accrued interest	**(53.0)**	(86.7)	(22.6)
	(4,892.3)	(4,256.6)	(4,246.4)
Net debt	**(4,180.4)**	(3,931.8)	(4,079.3)

b) The movement in net debt during the period may be summarised as:	**30 September 2024**	**30 September 2023**	**31 March 2024**
	(unaudited)	**(unaudited)**	**(audited)**
	£m	**£m**	**£m**
Net debt at start of period	**(4,079.3)**	(3,806.2)	(3,806.2)
Movement in net cash	**544.8**	(54.6)	(212.3)
Movement in debt arising from cash flows	**(590.2)**	34.6	39.2
Movement in net debt arising from cash flows	**(45.4)**	(20.0)	(173.1)
Movement in accrued interest	**(30.4)**	(36.4)	27.7
Indexation of index-linked debt	**(24.8)**	(69.2)	(127.7)
Other non-cash movements	**(0.5)**	-	-
Movement in net debt during the period	**(101.1)**	(125.6)	(273.1)
Net debt at end of period	**(4,180.4)**	(3,931.8)	(4,079.3)

c) Net debt for covenant reporting purposes	**30 September 2024**	**30 September 2023**	**31 March 2024**
	(unaudited)	**(unaudited)**	**(audited)**
	£m	**£m**	**£m**
Net debt	**(4,180.4)**	**(3,931.8)**	**(4,079.3)**
Unamortised issue costs	(17.5)	(11.5)	(12.7)
Swap indexation	(468.4)	(416.4)	(434.0)
Accrued derivative settlements	22.3	-	40.5
Cash and cash equivalents outside of GCA group	(20.2)	(17.3)	(17.4)
Net debt for covenant reporting	**(4,664.2)**	**(4,377.0)**	**(4,502.9)**
Regulatory Capital Value	7,604.3	7,365.1	7,475.7
Gearing	**61%**	**59%**	**60%**

Net debt for covenant reporting purposes is per definition in the Common Terms Agreement, total borrowings less cash and cash equivalents held in the Glas Cymru Anghyfyngedig (GCA) Group adjusted for unamortised bond issue costs, outstanding payments/receipts on derivative financial instruments, indexation on bonds where swaps convert the fixed rates to RPI. Gearing is defined as the ratio of net debt for covenant reporting purposes (see above) relative to the Regulatory Capital Value.

10. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024. There have been no changes in the risk management department or in any risk management policies since the year end.

In accordance with IFRS 13 Fair Value Measurement trading and treasury derivatives of the Group are categorised into different levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability not based on observable market data.

All of the Group's treasury derivatives are categorised at 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 and market risk, where appropriate.

Trading derivatives relating to power price hedges are categorised as Level 2 where marked to market valuation 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.

As at 30 September 2024, the fair values of derivatives were as follows:

Level 2

- assets: trading derivatives £1.8 million (March 2024: £1.2 million)
- liabilities: trading derivatives £1.0 million, treasury derivatives £404.8 million (March 2024: trading derivatives £nil, treasury derivatives £439.1 million).

Trading derivatives relate to power hedges. Treasury derivatives relate to interest rate swap contracts. All derivatives are recorded on the balance sheet at fair value. Level 2 debt instruments are valued using a discounted cash flow approach, which discount the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

11. Contingent liabilities

On 25 July 2024, the Court of Appeal upheld the High Court’s decision in the case of Virgin Media Ltd v NTL Pension Trustees II Ltd & Ors, which concerned 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 Court of Appeal confirmed that confirmation was required for changes to future service benefits (as well as changes to past service benefits). The Group’s defined benefit scheme was contracted out during the period in question. The Group is continuing to monitor future developments across the pensions industry in connection with the case and liaise with the Trustee of the Scheme, as appropriate. The Group is continuing to take legal advice on the development of this finding and to review whether the pension scheme is exposed.

On 16 July 2024 Ofwat announced an enforcement case against a Group company, Dŵr Cymru Cyfyngedig, into potential non-compliance with conditions of environmental permits and sewer overflows. The Group has provided all information requested in October 2024 to support the investigation; at this stage it is not deemed probable that formal action will result in any financial liability, which under the terms of the Water Industry Act 1991 is up 10% of the relevant annual turnover (sewerage turnover of £496m), i.e. £50m maximum exposure. The Environment Agency investigation is ongoing, and the Group is co-operating fully with requests for information as they are received.

The Group is subject to other ongoing investigations (pollution, water quality and compliance) by environmental regulators which could result in a financial outflow, however the likelihood of financial outflow is not deemed probable at this stage.

Independent review report to Glas Cymru Holdings Cyfyngedig for the six month period ended 30 September 2024

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 11.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th September 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent review report to Glas Cymru Holdings Cyfyngedig for the six month period ended 30 September 2024 (continued)

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Cardiff
31 October 2024

Appendix – definitions

Performance commitment	Definition
Water quality compliance (CRI)	A CRI score is calculated for every individual compliance failure at water supply zones, supply points and treatment works, and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure reported during the year (see the DWI Compliance Risk Index guidance for further detail on the full calculations).
Water Supply Interruptions	The average number of minutes that customers are without water within our supply area (includes both planned and unplanned interruptions). It is calculated as the average number of minutes lost per customer for the whole customer base for interruptions that lasted three hours or more.
Mains Repairs	This measure includes all physical repair work to mains from which water is lost. It is reported as the number of mains repairs per thousand kilometres of the entire water main network (excluding communication and supply pipes).
Unplanned outage %	This measure is a means of assessing asset health (primarily for non-infrastructure – above ground assets), for water abstraction and water treatment activities. It is defined as the annualised unavailable flow, based on the peak week production capacity. This measure is proportionate to both the frequency of asset failure as well as the criticality and scale of the assets that are causing an outage.
Treatment works compliance %	For each water and wastewater treatment works there is a permit which regulates the quality of wastewater the Company is allowed to discharge into rivers and coastal waters, which is regulated by Natural Resources Wales. The measure is the % compliance against the discharge permits.
Pollution incidents (Per 10,000km of sewer)	To meet this measure we aim to reduce the number of pollution incidents (caused by blockages or collapsed sewers). Pollution incidents are categorised as category 1, 2 or 3 incidents and reported by Natural Resources Wales and the Environment Agency. Category 1 - a major or serious impact on the environment, people or property. Category 2 - significant impact or effect on the environment, people or property. Category 3 - minor or minimal impact on the environment, people or property.
Leakage (% reduction) – 3 year average	This measure requires us to reduce our leakage levels –the percentage reduction of 3 year average leakage in megalitres per day (Ml/d) from the 2019/20 starting baseline.
Per Capita Consumption (% reduction) – 3 year average	This measure requires us to reduce per capita consumption (PCC). Annual average PCC is defined as the sum of measured household consumption and unmeasured household consumption divided by the total household population. This measure is reported as a % reduction of our 3 year average PCC.
C-MeX	C-MeX is a customer measure of experience and customer satisfaction. It is comprised of two survey elements: 1. Customer Experience Survey – a customer satisfaction survey amongst a random sample of the water company's customers; and 2. Customer Service Survey – a customer satisfaction survey amongst a random sample of those customers who have contacted their water company. The scores of each of the two surveys are weighted equally to produce the combined C-MeX measure.

Appendix - definitions

Internal sewer flooding (per 10,000 sewer connections)	The measure is calculated as the number of internal sewer flooding incidents normalised per 10,000 sewer connections including sewer flooding due to severe weather events.
Sewer collapses (Per 1,000 km of sewers)	A sewer collapse is where a structural failure has occurred to the pipe that results in a service impact to a customer or the environment and where action is taken to replace or repair the pipe to reinstate normal service. This is reported as the number of sewer collapses per 1000 kilometres of all sewers causing an impact on service to customers or the environment.
Priority Services for Customer in Vulnerable Circumstance	Priority Services register (PSR) - We provide special assistance to those customers in vulnerable circumstances who are registered on our PSR. This measure reports on the number of households on the company’s PSR as a proportion of all households in the company’s region.