

**Annual report &
financial statements
2025–26**

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Officers and professional advisers

Directors

Honorary Group Captain Sally Bridgeland FIA Chair
Giles Thorley Chief Executive
Dianne Walker Senior Non-Executive Director
Iestyn Evans Non-Executive Director
Rhys Jones Non-Executive Director
Kate Methuen-Ley Non-Executive Director
Annie Ropar Non-Executive Director (appointed 1 July 2025)
Paul Oldham Non-Executive Director (appointed 17 July 2025)
Iraj Amiri Non-Executive Director (resigned 31 August 2025)
Robert Lamb Non-Executive Director (resigned 9 September 2025)
Roger Jeynes Non-Executive Director (resigned 31 October 2025)
David Staziker Chief Financial Officer
Elizabeth Hitchings Company Secretary

Registered office

Unit J,
Yale Business Village,
Ellice Way,
Wrexham
LL13 7YL

Registered number

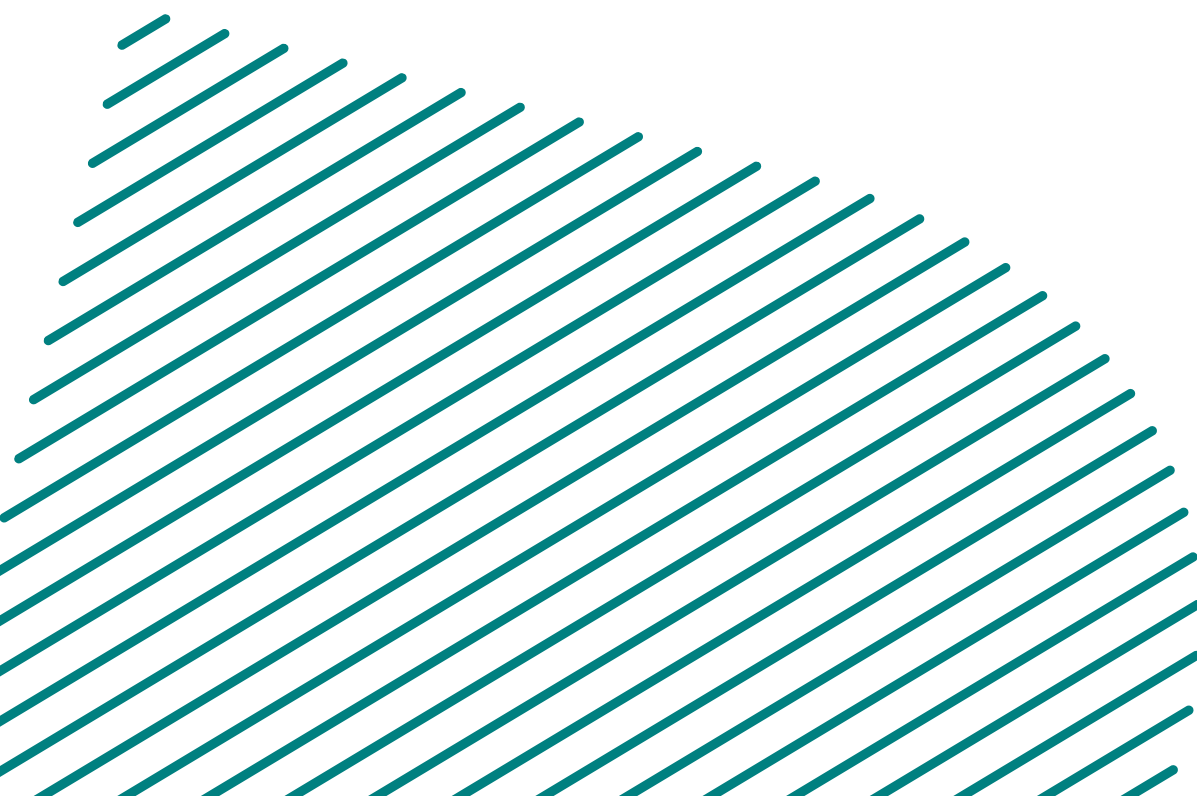
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Bankers

Barclays,
6th Floor,
5 Callaghan Square,
Cardiff
CF10 5BT

Auditors

Forvis Mazars LLP,
Statutory Auditor,
30 Old Bailey,
London
EC4M 7AU



Our purpose, mission and values

Purpose	Mission	Values
Bringing ambitions to life and fuelling possibilities for people, businesses and communities in Wales.	Unlocking potential in the Welsh economy by increasing the supply and accessibility of sustainable, effective finance.	• Smart collaboration • Entrepreneurial energy • Objective empathy • Conscious responsibility

A leading workplace



Strategic report





Chair's statement

It's been a year of strong delivery and growing confidence in the Development Bank of Wales' ability to make a practical difference for businesses and communities in every part of Wales.

In a challenging environment, we've remained focused on what matters: deploying patient, commercially grounded finance that enables jobs, strengthens local supply chains and generates lasting value for Wales.

This year we delivered £148 million of investment to 474 businesses, supporting 5,809 jobs and drawing in over £56 million of private sector co-investment. We achieved this while maintaining an excellent customer Net Promoter Score of 94 and continuing to back both new and existing customers. We're proud of these results, but even more proud of the impact behind them; entrepreneurs taking their next step, firms safeguarding skilled roles, and communities seeing opportunities created locally.

Economic value

A defining moment in our story this year was reaching the milestone of £1 billion in direct investment into Welsh businesses since our launch in 2017. That investment has generated more than £5.8 billion in jobs-based GVA, an almost sixfold return in economic value. This demonstrates our sustained and proven track record of attracting and deploying capital effectively, at scale and with purpose.

Our approach aligns closely with the priorities emerging across Wales; local jobs, community wealth, and place-based investment that strengthens the resilience of local economies. We will continue to work closely with Welsh Government and our partners to shape our offer so that it remains relevant, targeted and capable of delivering the outcomes that communities across Wales need.

Unlocking capital

We're also working to unlock more co-investment and long-term capital for Wales. I was particularly pleased to see Clwyd Pension Fund commit again to the new £40 million Wales Business Succession Fund, a timely step as the pensions landscape evolves. We've strengthened our presence with institutional investors through key moments such as the Wales Investment Summit, and by showcasing Wales at the Pensions UK conference.

Importantly, regular engagement and collaboration with other funders, including the National Wealth Fund, Innovate UK, the British Business Bank and Cardiff Capital Region, is helping to drive growth in public investment. These conversations matter because they build awareness of the opportunities in Wales and create pathways to fund the ambitions of Welsh businesses and, increasingly, larger infrastructure projects.

Listening and learning

Strong delivery depends on strong governance. During the year we welcomed leading UK finance specialists Annie Ropar and Paul Oldham as Non-Executive Directors and I would like to express the Board's thanks to Roger Jaynes and Rob Lamb who both stepped back in 2025. Our investment activity has benefitted greatly from their experience and dedication.

We also refreshed our approach to Board evaluation and complaints procedures. Together, these improvements reflect a culture of learning and accountability and create a stronger foundation for how we listen and adapt to the needs of our stakeholders.

We continue to respond to feedback and, this year, undertook a comprehensive stakeholder perceptions study to inform our strategic direction, communications and engagement with key audiences. Building on previous research, the study combined quantitative and qualitative insight from customers, intermediaries, partners and political stakeholders to provide a clear view of how we are understood and valued across Wales.

The findings reaffirmed our strong reputation as a trusted, accessible and collaborative partner, with stakeholders recognising our role in supporting businesses and contributing to economic development. At the same time, the research highlighted the need to strengthen understanding of our remit, products and impact among some audiences.

This insight is shaping our strategic focus, ensuring we communicate more clearly, engage more proactively and continue to build our influence and relevance across the stakeholders we serve. The Founder's Playbook is one example of how that insight is being put into practice. Created to support tech founders as they prepare for and navigate the investment journey, it was shaped through research, interviews and focus groups with founders, investors and ecosystem stakeholders across Wales and the rest of the UK. It now provides practical, experience-led guidance that adds value beyond funding while reflecting the needs and realities of the people we serve.

Our people and our future

Our colleagues remain at the heart of our success. Our mission attracts people who want to combine commercial thinking with public purpose, and we continue to invest in a culture where people can thrive and grow. This year we were again recognised as a Great Place to Work employer, ranking as the UK's best large company to work for in the financial services and insurance sector and number 14 in the top 100 UK large workplaces. This is a sign that we've built an organisation with the capability, values and resilience needed to deliver for Wales over the long term.

That future readiness also depends on continuing to strengthen the organisation itself. This year we launched our customer portal to streamline the customer experience, making it easier to apply for finance and manage accounts. We also made our first formal submission of sustainability-related disclosures to the Principles for Carbon Accounting Financials, strengthened ESG integration in our investment processes and secured enhanced funding for Green Homes Wales to support homeowners to decarbonise their homes.

Looking ahead, our priorities are clear. We expect to receive a new remit letter from Welsh Government later this year, which will help shape the development of our next corporate plan for 2027 onwards. As we do this, we will stay closely aligned with Welsh Government objectives, draw in more co-investment and continue unlocking greater potential for Wales through responsible, impact-driven investment.

The milestones we have reached this year are welcome, but the future potential is even greater. I would therefore like to thank Giles for his steady and trusted leadership, his energy and his openness to innovation. The Board and our stakeholders have strong confidence in his leadership as we raise our ambition for the years ahead.

Thank you to our colleagues, partners and stakeholders for your continued support, and I look forward to what we can deliver together in the years ahead.



**Honorary Group Captain Sally Bridgeland FIA
Chair**

23 September 2026





mariposa

therapeutics

Mariposa Therapeutics

Region: Cardiff

Funding: £300,000 equity

Business need:

Co-investment to support
pre-clinical development



Mariposa Therapeutics secured £750,000 in seed funding, led by the Development Bank alongside co-investment from DEBRA Research gGmbH and the founders. The investment supports pre-clinical development, regulatory engagement and further studies, positioning the business to deliver a potential first disease-modifying treatment for a rare genetic skin condition.



Chief Executive's report

This year has been shaped by continued economic uncertainty. Global pressures have affected confidence, costs and investment decisions for businesses across Wales.

Against this backdrop, access to patient, consistent finance matters more than ever.

That is the role of the Development Bank of Wales. We invest where the market falls short, align public capital with local need, and support businesses to start, grow, transition and succeed, with a clear focus on impact and value for money.

Strong performance and long-term impact

In 2025/26, we invested £148 million in 474 Welsh businesses. Over half of these were existing customers, reflecting the long-term relationships at the heart of our model. This investment supported 5,809 jobs and generated £304 million of jobs based GVA for the Welsh economy.

Performance was strong across several areas, with property, technology and fast-track lending all performing well. We also completed more exits than in the previous year, returning £19.3 million of capital for reinvestment and demonstrating the maturity of our portfolio. One example was the exit from Torfaen-based Freight Logistics Solutions (FLS), just four years after our £2.2 million investment helped strengthen its position as a leading UK provider of end-to-end supply chain programmes.

Despite ongoing nervousness in UK equity markets, we delivered more than £17.4 million of equity investment in 2025/26. That included backing start-ups such as Cardiff-based Mariposa Therapeutics, which raised £750,000 in seed funding to advance a potential first-in-class treatment for a rare genetic skin condition. We led that round with a commitment of up to £300,000 from our Wales Technology Seed Fund, alongside co-investment from specialist rare disease charity DEBRA Research GmbH and the existing founders.

We remain active investors and are on track against our longer-term equity ambitions, maintaining momentum while managing risk responsibly.

Supporting strategic priorities for Wales

We've continued to support Welsh Government throughout the year, providing strategic commercial business advice on key assets and priorities. We also welcomed the announcement of the new Sustainable Agriculture Loan Scheme, which is now providing accessible, incentivised finance for active farm businesses in Wales. Offering loans from £25,000 to £1 million at a fixed 3% interest rate, with repayment terms of up to 15 years, the scheme is designed to support smaller farms, that lack the support of private sector lenders, to make investment in areas such as energy efficiency, waste and nutrient management, renewable energy and wider farm infrastructure.

This matters not only because it supports decarbonisation and transition, but because agriculture underpins the rural economy in Wales. Strong farm businesses sustain jobs, local suppliers, food production, land stewardship and the viability of communities across rural Wales. I'm particularly keen that we continue to champion practical, long-term support for the sector, recognising the importance of patient capital in helping farm businesses invest, adapt, improve productivity and build resilience. That aligns with the wider emphasis on supporting economic security, higher living standards, attracting private investment and supporting growth through energy and infrastructure investment.

I'm also pleased that we've seen continued demand for our Green Business and Green Homes Wales loans over the last year. Both funds have been topped up by the Welsh Government, underlining the ambition around transition in businesses and households. The Green Business Loan Scheme has been extended to £20 million through a further £10 million allocation, helping more Welsh businesses invest through discounted lending, flexible repayment terms and consultancy support for decarbonisation projects. Green Homes Wales has also received more than £5 million in new funding for 2026/27, allowing us to continue supporting eligible homeowners with interest-free finance, expert retrofit advice and practical improvements that can reduce bills and carbon emissions.

Local reach and active stewardship

Our model is built on "last-mile investing". Efficient operations, combined with a strong presence on the ground across Wales, allow us to support locally owned SMEs in their communities. From Anglesey to Bridgend, and from Cardigan to Montgomery, our teams are embedded in the Welsh economy, supporting start-ups, nurturing growth and advising on funding opportunities from decarbonisation to succession planning. In North Wales alone, we invested more than £37.6 million in businesses during the year, reflecting strong demand for finance across the region.

That local reach is matched by a disciplined approach to portfolio management. We work closely with our customers throughout the investment lifecycle, combining commercial oversight with practical support to strengthen performance, manage change and create long-term value. We also manage risk actively and proportionately, drawing on deep investment, portfolio and restructuring expertise across the team to make sound decisions, protect public capital and support positive outcomes.

The depth of skills within our organisation enables us to back businesses at every stage of their journey — from start-up and seed funding through to growth capital, equity and exit. That includes market-leading Welsh businesses such as Space Forge and LITELOK, alongside the wider businesses, property projects and green investments that are vital to Wales's economy. We're here when Welsh businesses need us most, with practical, patient and dependable support.

Our people and the year ahead

My colleagues make all of this possible. I want to thank Rob Hunter and Neil Maguinness for their many years of service to the Development Bank as they now look forward to retirement.

I'm so proud of what my colleagues have achieved this year and confident in our ability to deliver against our corporate plan. My thanks go to our Chair, Board members and colleagues across the Development Bank of Wales for their continued commitment and professionalism. We've achieved a great deal, but there is more to do.

We now look forward to working closely with the new government as it takes forward its ambitions for Wales, and to receiving a new remit letter from Welsh Government later this year. This will help shape the development of our next corporate plan for 2027 onwards, ensuring we remain focused on delivering practical, responsible and long-term investment for Wales.



Giles Thorley
Chief Executive

23 September 2026





MeOmics Precision Engineering

Region: Cardiff

Funding: £300,000 equity

Business need:
Business growth



MeOmics secured £300,000 in investment, led by Women Angels of Wales, with match funding from the Wales Angel Co-Investment Fund. A £25,000 Welsh Government grant also supported the business. The funding is being used to hire new technical staff, and accelerate platform development, data generation, advancing more targeted drug development and improved patient outcomes.



Chief Financial Officer’s report

The purpose of this report is to provide a clear picture of the Group’s financial performance for the year ended 31 March 2026.

Our financial year

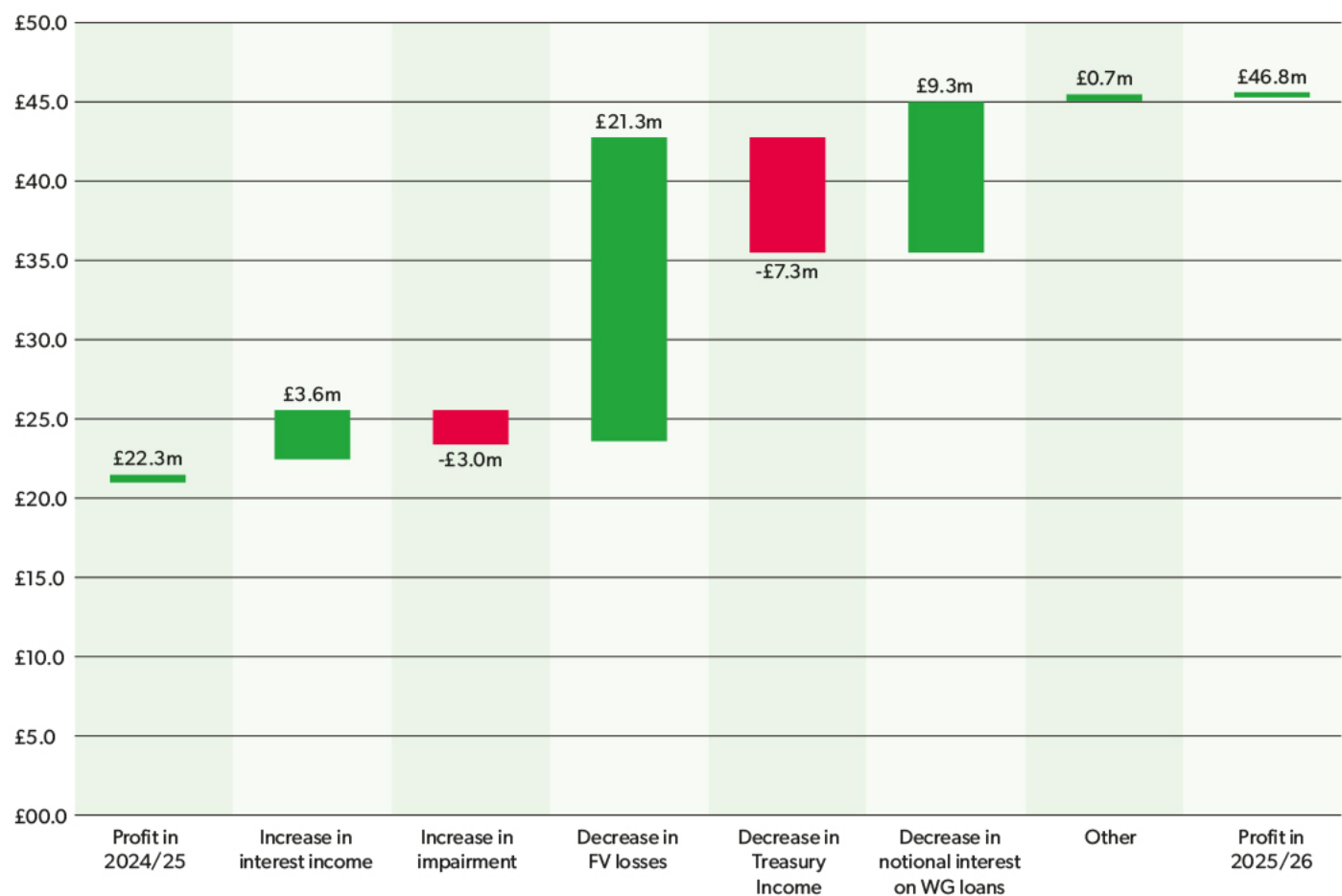
This year’s operational achievements have translated into positive financial results for the Group. Our disciplined approach to investment, active portfolio management, and commitment to supporting Welsh Government priorities have ensured that we remain resilient and responsive to evolving market needs.

The Group delivered a profit before tax of **£46.8 million** in 2025/26, compared with a profit of **£22.3 million** in the previous year.

The year-on-year movement is driven primarily by a reduction in losses arising from equity fair value movements, together with a lower notional interest charge on Welsh Government loans. These positive factors were partly offset by lower treasury income as interest rates continued to moderate from the elevated levels seen in the prior year.

The chart below illustrates the key drivers behind the year-on-year increase in profit before tax:

Profit Bridge 2024/25 and 2025/26



To support with understanding the performance of the Group, we continue to present our income statement in two distinct segments, these being Operations and Funds for Investment. This approach reflects the different drivers that underpin each part of the business and helps explain the Group's financial performance more clearly.

The Operations business provides the services required to manage and administer our funds and generates relatively stable and predictable financial results, similar to those of a professional services organisation. In contrast, the Funds for Investment business reflects the performance of the investment portfolio and is significantly influenced by accounting valuations required under financial reporting standards. As a result, reported profits and losses in this area can fluctuate materially from year to year and are often driven by factors outside the Group's direct control, including economic conditions, market sentiment and borrower performance.

Given the long-term nature of our investment funds, annual reported results do not necessarily reflect their underlying performance or eventual returns. The success of a fund can only be fully assessed over its full lifecycle, with accounting

valuations providing a point-in-time measure rather than a definitive indicator of value creation.

The most significant sources of volatility within the Funds for Investment results are all non-cash accounting movements and include expected credit loss provisions, equity portfolio valuations, notional interest on Welsh Government funding and the valuation of Help to Buy - Wales shared equity investments. These items can have a substantial impact on reported profitability in any given year but do not affect the Group's underlying liquidity or ability to continue investing.

Our Operations business remains resilient and self-sustaining, generating the resources required to support the delivery of our investment objectives. The Group therefore continues to be well positioned to invest at the levels agreed with Welsh Government and other funding partners over the coming years.

Analysis of the Group's activities

As outlined above, the two core areas of our Group activities are Operations and Funds for Investment. The difference between these two areas is explained below:

Operations	Funds for Investment
Purpose	
Provide operational services to both our own and third-party funds. Services provided cover the lifecycle of our products including facilitating investment, ongoing monitoring, collection of repayments and eventual exit. This part of the business also includes the ongoing operational activities required to support our fund management services such as facilities, IT, finance, communications and HR. All service activity associated with Angels Invest Wales and Economic Intelligence Wales is also included.	Hold cash for investments - all transactions directly associated with our financial products go through the funds side of the business. The Group provides loans or purchases shares in businesses in Wales or provides shared equity to new home buyers in Wales. Decisions about these transactions are in the main made by the Operations side of the Group.
How does each area generate revenue?	
Revenues include fees received for fund management and fund holding services. Such fees are paid for by the funds.	Revenues include arrangement and monitoring fees charged to customers, interest received on loans, receipts when shares are sold or shared equity loans redeemed, and gains or losses on investment which are revalued at the year end to their current (fair) value.
What cost does each area incur?	
Costs include employees, facilities and bought in services (such as IT).	Costs include fees paid for fund management services, provisions for losses on investments, and fund operating costs like legal fees or audit fees.
Performance assessment	
An annual review will show whether this part of the group is covering its operational costs.	The duration of each of our funds is diverse and can range from five to twenty years. The profitability and performance of a fund varies from year to year and is dependent on its maturity phase, as well as the macro-economic environment. Fund results include volatility caused by year-on-year movements in assets held at fair value which are estimates and unrealised. An annual review of the aggregated position of all our funds is not an effective way of assessing an individual fund's performance.

Consolidated Group performance

The analysis in Table A below shows the results of the Operations and Funds for Investment areas and the overall consolidated Group performance. The £46.8 million Group profit before taxation (2024/25 £22.3 million) includes the £2.6 million profit (2024/25 £3.0 million) from Operations and the £44.1 million profit (2024/25 £19.2 million) from Funds for Investment. The profits for the two areas of the business are explained in more detail in Tables B and C respectively.

In the consolidated income statement, the Group's profit after tax is analysed between a £46.1 million profit (2024/25 £20.4 million) attributable to Welsh Ministers

as our equity shareholders, and a £0.5 million loss (2024/25 £1.4 million loss) attributable to a non-controlling interest.

It's worth noting that the current year loss is due to the year-on-year movement in equity fair value of one investment within the Wales Management Succession Fund and that, despite this reduction, the value of this investment continues to substantially exceed its cost, as does the fair value of the portfolio as a whole. This non-controlling interest is the share of profit or loss from the Funds for Investment area of the business that is due to Clwyd Pension Fund as a result of its equity investment in the Wales Management Succession Fund. See Table C and associated notes for details.

Table A: High-level analysis of 2025/26 and 2024/25 consolidated income statement

	2025/2026			2024/2025		
	Operations £m	Funds £m	Group* £m	Operations £m	Funds £m	Group* £m
Income	49.7	79.1	86.7	48.7	80.8	88.0
Provisions released / (made)	-	(7.6)	(7.6)	-	(4.6)	(4.6)
Changes in equity book value	-	2.3	2.3	-	(19.0)	(19.0)
Other expenses	(47.1)	(32.1)	(37.0)	(45.7)	(31.1)	(35.2)
Profit / (loss) before Welsh Government notional interest	2.6	41.7	44.4	3.0	26.1	29.2
Notional interest on Welsh Government loans	-	2.4	2.4	-	(6.9)	(6.9)
Profit / (loss) after Welsh Government notional interest	2.6	44.1	46.8	3.0	19.2	22.3
Taxation	(1.6)	0.4	(1.2)	(1.4)	(1.9)	(3.3)
Profit / (loss) post tax	1.0	44.5	45.6	1.6	17.3	19.0

*These Group figures are less than the total of the Operations and Funds for Investment areas of the business figures due to the elimination of intergroup transactions between the two.

The material impacts on the profit for the year are a mixture of non-cash items comprising impairment, equity fair value and notional interest on Welsh Government loans and cash items comprising treasury interest and fund interest income.

Increase in provisions made

Under IFRS 9, provisions are recognised based on expected future credit losses rather than only losses incurred during the year. While the gross loan portfolio increased by 4%, from £383 million to £397 million, the updated loss assumptions, particularly for Stage 3 exposures, resulted in a 6% increase in the overall loss allowance. Consequently, the provision coverage ratio increased slightly from 17.1% to 17.5%. Further details can be found in Note 4 to the financial statements – Credit risk management.

Reduction in the fair value losses on the equity book

The movement in fair value of the equity book is a combination of realised and unrealised gains and losses on equity investments that the Group holds. Realised gains or losses occur when shares in an entity are sold or no longer hold value as the company has been liquidated. Unrealised gains or losses represent an estimate of the valuation of equity investments that the Group still holds as at the balance sheet date, valued in accordance with applicable accounting policies and bases.

Movements in the fair value of an equity portfolio are **normal and to be expected**. The value of equity investments can rise or fall each year due to factors such as individual company performance, broader economic conditions, market sentiment, industry developments, or global events.

The movement in the fair value of the realised and unrealised equity book as at the year-end is a profit of £2.3 million in comparison to a loss of £19.0 million in 2024/25. The improvement was driven by several significant valuation uplifts across the portfolio, combined with fewer material reductions in value than experienced in 2024/25. Increased equity investment activity during the year also contributed to a greater proportion of investments being held at recent transaction values. As a result, valuation movements across the portfolio were significantly less pronounced than in the previous year.

Net realised profits of £1.0 million (2024/25 losses of £1.8 million) were incurred on disposal of several equity investments, and unrealised gains of £1.3 million (2024/25 losses of £17.2 million) on revaluation were recognised.

A formal process of equity valuation is followed biannually which is overseen by our Valuations Committee. The methods used to arrive at the fair value of equity are set out in Note 19 of the financial statements.

It's worth noting that the Group never seeks to hold a controlling interest in any of our equity investments and will always seek to participate as a minority shareholder, investing alongside other experienced investors where possible or drawing those investors in. As at the balance sheet date, the Development Bank of Wales held no controlling interest in any of its equity investments. An annual review of equity investments is undertaken each year to identify potential associates (entities over which the Group is able to exercise significant influence but not control or jointly control). As at the year-end date 1 investee entity was identified as an associate (2024/25: 1 entity). Further information can be found in Note 28.

Decrease in notional interest on the Welsh Government loans

The decrease in notional interest on the Welsh Government loans is £9.3 million being the difference between the £2.4 million notional interest credit in 2025/26 and the £6.9 million charge in 2024/25.

Loans from the Welsh Government are issued to the Group at a 0% interest rate. However, applicable accounting policies dictate that regardless of this 0% interest rate, we should still recognise an interest charge in the Group's accounts. This is what we describe as 'notional interest'. For clarity, this doesn't represent interest payable by the Group to the Welsh Government, it is an accounting adjustment rather than a cash movement.

The main driver for the £2.4 million credit is the extension of the Wales Residential Property Fund repayment date by seven years to March 2042 causing a £7 million credit. The c. £250 million increase in Public Equity/decrease in Welsh Government liabilities is due to the accounting impact of the 15-year extension of the repayment date for the Wales Flexible Investment Fund to 2059/60. This extension was approved in March 2026 and so its impact on the annual Welsh Government loans notional interest is less significant this year end but will materially impact the notional interest next year when there will be a full year's impact.

Performance of Operations

This area of the business provides fund management services to both our own and third-party funds. During the year we employed an average of 286 employees, compared to 283 in 2024/25, to invest and monitor the funds that we manage and provide support services for the fund investment activities.

The Operations area of the business is where the operating costs of the Group are incurred. Its performance is more stable and

predictable than the Funds for Investment business. Fundraising activities also form part of the support activity. To ensure ongoing fund availability, the Operations area of the Group continues to look for new opportunities to support the Welsh Government's policies through new fund creation and seeks funding from other third-party sources.

Overall Operations profit before tax has decreased year on year by £0.4 million.

Table B: Services 2025/26 and 2024/25 income statement analysis

	2025/26	2024/25	Commentary
	£m	£m	
Fund management income	49.7	48.7	Average Group funds under management in FY26 and FY25 including FW Capital were £2.6 billion and £2.5 billion respectively, an increase of 5.1 %. Average fee income compared to average funds under management has remained consistent at 1.9 % (2024/25 1.9%). **
Total revenue	49.7	48.7	
Staff costs	(23.1)	(21.5)	Average number of employees has increased from 283 in 2024/25 to 286 in 2025/26. Average cost per employee has increased from £76,095 to £80,678 (an increase of 6%). This is ahead of March 2026 CPI increase of 3.3% and is reflective of a combination of factors, including pay inflation, competitive recruitment market conditions, and the timing of employee recruitment and departures during the year.
Other costs	(24.0)	(24.2)	Other costs have remained stable year on year, reflecting continued focus across the Group on cost discipline and operational efficiency.
Total costs	(47.1)	(45.7)	
Profit before tax	2.6	3.0	

Operations profit and sustainability

It should be noted that the profit noted above is not available for distribution. It is already earmarked as part of the Group's build-up of operating cash reserves and £90.5 million contribution requirement by 2030 into the Wales Flexible Investment Fund. This profit will be used alongside the legacy returns from the Wales Business Fund and other funds in realisation mode, such as the Wales JEREMIE fund and the Wales SME Fund.

These legacy fund returns and the cumulative profit available from the services business amount to c. £174 million as at 31 March 2026 (£141 million as at 31 March 2025).

**It should be noted that £5 million of fund legacy was transferred earlier than planned into the Wales Flexible Investment Fund in 2020/21 to bridge a shortfall in the fund whilst Welsh Government funds were diverted to the CWBLS Fund, reducing the requirement above from £90.5 million to £85.5 million.

Performance of Operations against annual operational plan

As shown in Table B, the profit before tax generated by the service businesses decreased by £0.4 million (13%) from 2024/25. A small profit of £0.5 million was forecast in the 2025/26 annual operational plan. The improved performance was principally driven by project spend either no longer being required or being postponed to 2026/27 as well as the addition of unbudgeted fee income from new fund mandates won in the year.

We seek to charge fund management fees in line with market rates to generate sufficient income to cover our costs. We leave any difference between actual fees charged and market rate fees in each fund to maximise the amount each fund can invest into businesses. These reserves allow the Group to achieve our key objective of remaining self-funded, as illustrated by our ability to operate without Grant in Aid from the Welsh Government. We can forecast the income and expenditure for the Operations area of the business with reasonable certainty for the next three years which shows this part of the business remains in a cumulative self-funded profit position. This means that we are able to make our long-term viability statement over the next three years in the Directors' Report, irrespective of whether the Funds part of our business is in profit or loss.

Performance of our Funds for Investment business

The Group receives funds from investors including the Welsh Ministers, the British Business Bank and the Clwyd Pension Fund. We invest these funds in line with guidelines set, collect repayments, and we then either repay the investor or reinvest the repayments into new or existing funds. The breadth of the funds we offer is outlined on page 23 of the strategic report. During the year new funding of £45 million was received from the Welsh Government to support their priorities compared to £47.5 million in 2024/25. The performance in Table C reflects the combined results of 17 funds that are in their investment period as well as six funds in their realisation period (2024/25 17 and 6 respectively) that the Operations area manages. The Funds for Investment area is reporting a profit before tax of £44.1 million this year as compared to a profit before tax of £19.2 million in the prior year. As noted in the high-level summary, the main drivers for this positive movement are the reduction in losses arising from equity fair value movements, together with a lower notional interest charge on Welsh Government loans. These positive factors were partly offset by lower treasury income as interest rates continued to moderate from the elevated levels seen in the prior year.

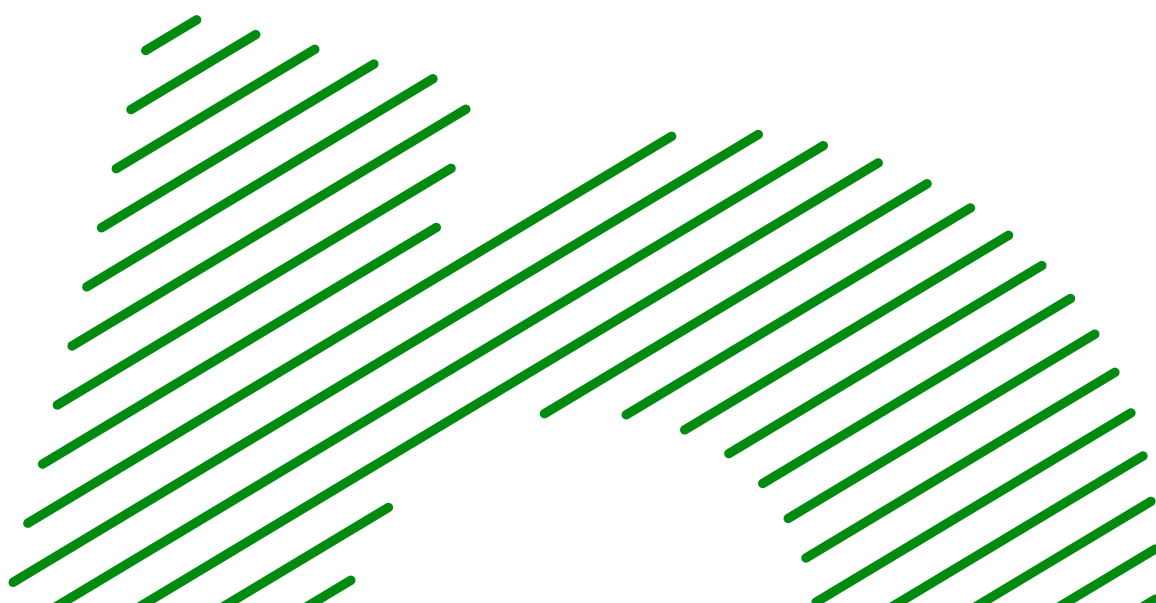


Table C: Funds for Investment 2025/26 and 2024/25 income statement analysis

	2025/26	2024/25	Commentary
	£m	£m	
Fees received	4.3	4.4	Fees received includes arrangement fees charged on loans as well as due diligence fees recovered. The value of fees charged depends on the size and complexity of the deal. The consistent fee level reflects similar levels of investment year-on-year.
Dividends and interest income	29.9	25.1	Interest income increased by £4.8 million, reflecting growth in the SME loan portfolio from £383 million to £397 million and the continued impact of the higher interest rate environment experienced in recent years. As lower-yielding legacy loans, including CWBLS loans at 2%, have matured and been repaid, a greater proportion of the portfolio now earns interest at more recent and higher prevailing rates. In addition, the interest-bearing HTB-W portfolio also increased from £146.0 million to £150.8 million, contributing a further £0.3 million of interest income.
Notional interest on CWBLS loans	1.0	2.1	This balance represents the additional notional interest that would have been charged if the CWBLS loans had been issued at market rates. See additional commentary below. This balance is declining each year as the portfolio of loans is paid down.
Total fees, dividends and interest income	35.2	31.6	
Release of grant income	3.0	1.4	This reflects the release of grant income received from the Welsh Government to support the delivery of the Leaseholder Support Scheme, Help to Stay - Wales and Green Homes Wales. The increase in grant income recognised during the year was primarily driven by growth in Green Homes Wales lending activity, with subsidised loans increasing from £0.4 million to £4.7 million and resulting in an additional £1.2 million of grant income being released.
Treasury and other interest received	40.9	47.8	The reduction in Bank of England base rate over the course of the financial year and the consequential fall in average interest rates earned on the Group's deposits over the course of the year from 4.23% in 2024/25 to 3.74% in 2025/26 is primarily responsible for this decrease.
Help to Buy - Wales Fair value changes:			
Realised gain on disposal	13.2	9.2	The increase in realised gains is primarily driven by a rise in the number of redemptions from 900 in 2024/25 to 1,223 in 2025/26, a 36% increase. There was a slight increase in the average redemption value from £10,199 in 2024/25 to £10,781 in the current year.
Unrealised fair value gain in year	11.7	13.1	Please see commentary below. Note that this is a non-cash movement to reflect the fair value of the equity book as at the year end. See Note 3 for details of the accounting judgements applied in the calculation.
Increase in amount owed to principal shareholders	(24.9)	(22.3)	This is the sum of the above realised and unrealised gains which is subtracted from the amount owed to the Group's principal shareholder.
Net Help to Buy - Wales fair value change recorded in income statement	-	-	
Total net income	79.1	80.8	
Fund management fees paid	(27.7)	(27.1)	Fund management fees increased by £0.6 million, reflecting the launch of new funds during the year and growth in existing fund mandates.
Other costs	(4.4)	(4.0)	
Subtotal costs	(32.1)	(31.1)	
Provisions made	(7.6)	(4.6)	Provisions have increased by £3 million. See Increase in Provisions made section above.
Other fair value loss	2.3	(19.0)	See commentary in the 'Changes in fair value of the equity book' section above for further detail.
Notional interest on Welsh Government loans	2.4	(6.9)	This represents the year-on-year movement in notional interest charged on Welsh Government loans. Refer to 'Decrease in notional interest on the Welsh Government loans' section above for further detail.
Total cost	(35)	(61.6)	-
Profit before tax	44.1	19.2	-

Further commentary:**Help to Buy - Wales shared equity loan fund for new house buyers**

As shown in Table C, the value of the Group's Help to Buy - Wales shared equity portfolio is sensitive to movements in house prices and wider market assumptions. Consequently, changes in these assumptions can result in significant year-on-year movements in the portfolio's fair value.

The portfolio recorded an unrealised fair value gain of £11.7 million in 2025/26, compared with £13.1 million in the previous year. The valuation is primarily driven by forecasts for the House Price Index ('HPI') and the discount rate applied to future cash flows. While short-term house price forecasts remain subdued, medium- and longer-term expectations have improved, resulting in a modest increase to the overall valuation compared with the prior year.

The discount rate increased marginally from 5.80% to 5.81%, which had a small adverse impact on the valuation. However, expected house price growth remains the most significant valuation driver and continued to support a positive fair value movement in the year.

Further details of the critical accounting judgements and estimation uncertainty applied in the valuation of the portfolio are provided in Notes 3 and 19.

Non-controlling interest

The Wales Management Succession Fund includes capital provided by the Clwyd Pension Fund. As at 31 March 2026, the original £10 million commitment had been fully invested, with £8.3 million returned to the Clwyd Pension Fund. During the year, the fund was expanded through a further £40 million commitment, funded equally by the Clwyd Pension Fund and the Welsh Ministers, of which £3.7 million had been drawn at the year end.

As the Group is deemed to control the fund for accounting purposes, its results are consolidated within the Group financial statements. The proportion attributable to the Clwyd Pension Fund is disclosed separately as a non-controlling interest in the consolidated balance sheet and income statement.

Treatment for Covid-19 Wales Business Loan Scheme ("CWBL") Loans

During 2020/21, the Development Bank of Wales invested £92 million through the Covid-19 Wales Business Loan Scheme, supporting more than 1,300 Welsh businesses. The loans were provided at a below-market interest rate of 2%, reflecting financial support made available on behalf of the Welsh Government.

Under accounting standards, the loans were initially recognised at a discounted fair value of £72 million, with the £20 million difference representing the value of the interest rate subsidy provided to businesses. A corresponding adjustment was recognised in relation to the associated Welsh Government funding, resulting in no net impact on the Group's reported profit at the point of investment.

Over the life of the portfolio, IFRS 9 requires interest income to be recognised using a market-based effective interest rate rather than the contractual rate charged to borrowers. As a result, the Group recognised £1.0 million of additional notional interest income during 2025/26 (2024/25: £2.0 million). This adjustment is non-cash in nature and will reduce as the portfolio approaches maturity in 2026/27.



David Staziker
Chief Financial Officer
23 September 2026





Fronteifi Lodges

Region: Cardigan

Funding: £180,000

Business need:
Development of
holiday lodges



A loan of £180,000 from the Development Bank has supported the creation of Fronteifi Nature Lodges, an eco-friendly tourism development in Cardigan. Developed by Tim and Julia Percival, the project delivers high-quality, accessible accommodation that supports the local visitor economy. The investment has enabled construction of sustainable lodges and infrastructure, bringing a nature-led destination to life.

Who we are and what we do

The Development Bank of Wales provides sustainable finance to help businesses, projects and communities across Wales to start up, scale up and grow.

We focus on areas where access to finance is limited, stepping in to support viable opportunities that are not fully served by the private sector. In doing so, we help unlock economic growth, innovation and entrepreneurship across the Welsh economy.

As a development bank, we play a counter-cyclical role; continuing to invest when wider market conditions make funding harder to access. Our approach combines commercial discipline with a supportive, long-term perspective, ensuring that businesses can access the funding they need while enabling capital to be recycled over time.

Working on behalf of the Welsh Government, we invest public money through repayable funds that meet Treasury requirements and allow money to be reinvested in the future.

We operate across all regions of Wales, with teams embedded in local communities. This strong regional presence allows us to build lasting relationships, understand local economic needs, and deliver funding that reflects the realities of each area.

What we do in practice

- **Help businesses start, grow and scale**

We provide finance to micro, small and medium-sized businesses, from start-up loans through to growth capital and equity investment. Our flexible funding approach allows us to tailor support to individual business needs.

- **Enable property development**

We fund smaller-scale and larger property developments, helping to unlock housing and commercial projects across Wales.

- **Support homeowners**

We manage major schemes on behalf of the Welsh Government, including Help to Buy - Wales and targeted support for homeowners facing financial or safety challenges. We also deliver innovative programmes such as Green Homes Wales to improve energy efficiency.

- **Provide research and insight**

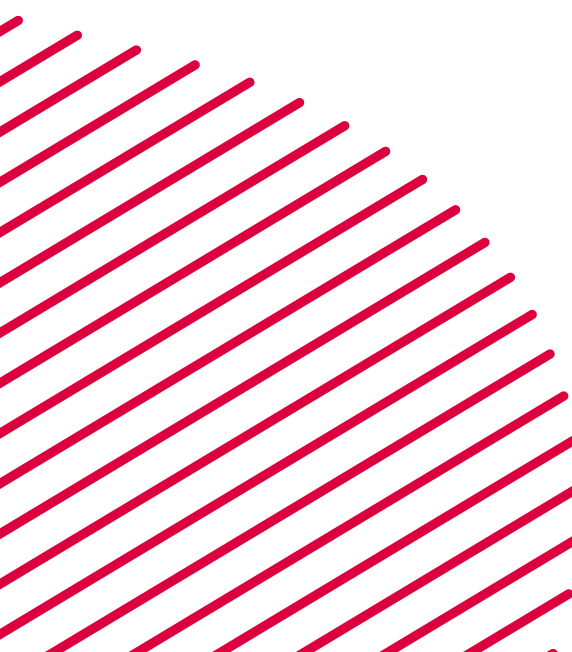
Through Economic Intelligence Wales, bespoke reports and practical information resources such as the Founder's Playbook, we provide evidence, analysis and insight to help businesses, policymakers and partners make informed decisions.

- **Strengthen the business ecosystem**

Through Angels Invest Wales, the Recovery Support Group and our wider work with co-investors, we help bring additional investment, expertise and support into Wales, strengthening the networks that enable businesses to start, grow and scale.

- **Manage strategic investments**

We provide portfolio and fund management services, supporting the Welsh Government with the delivery of wider public sector investment programmes. We also act as the public sector equity shareholder in the Welsh Government's infrastructure schemes through the Mutual Investment Model.



Our business model

We create long-term financial and social value by using the capital we raise, the people we employ and our relationships with stakeholders and the wider business community across Wales.

We use these resources in line with our core values, which guide how we deliver against our objectives and support our vision and mission.

We back Welsh businesses to start, grow and scale by providing the finance they need. This supports stronger, more resilient businesses, helps to increase productivity and enables more value to be retained in Wales.

Our activity supports the wider economy by encouraging businesses to grow, creating jobs and opportunities in local communities, and helping to build long-term economic strength across Wales. Returns on our investments are reinvested to support further business growth or returned to the Welsh public purse.

We measure this value through our investment activity, the private sector funding we attract alongside us, and the outcomes we support, including job creation and safeguarding, and the development of housing and commercial space.

Resources

Funds	People	Relationships
We manage a range of funds totalling £2 billion.	Headquartered in Wrexham, we employ 285 people. Our teams have the local knowledge that we know business owners and co-investors really value.	Strong engagement with our customers and stakeholders drives our understanding of market needs.

Processes

Investment activity	Services
Our investment activity covers fund management services such as investing and collecting repayments along with support functions such as finance, marketing and people and development.	These services include our research arm, business angel network, management services to Welsh Government for Help to Buy - Wales, Self Build Wales and our commercial fund management.

Business loans and equity investments	Economic Intelligence Wales	Angels Invest Wales	Help to Buy - Wales	FW Capital	Self Build Wales
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Impact

Direct investment	GVA	Jobs created or safeguarded	Co-investment	Businesses supported	New homes built	Net Promoter Score
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Our funds and services

● Equity and Debt ● Debt ● Equity

Fund	Seed	Early stage tech	Start-up business	Growth	Succession	Property	Fund admin services	Turnaround	One-off energy projects
Business Funds									
Wales Angel Co Investment Fund	£25k - £350k								
Wales Flexible Investment Fund*			£25k - £10m						
Wales Management Succession Fund					£500k - £3m				
Wales Micro Loan Fund			£1k - £100k						
Wales Rescue and Restructure Fund								£50k - £2m	
Wales Technology Seed Fund II	£50k - £350k								
Wales Tourism Investment Fund			£100k - £5m						
Local Energy Fund									£50k - £2m
Property Development Funds									
Wales Commercial Property Fund						£250k - £5m			
Wales Residential Property Fund**						£150k - £10m			
Funding for homeowners									
Help to Buy - Wales							£1k - £60k		
Self Build Wales							% of build cost		
Leaseholder Support Scheme							as required		
Help to Stay							£10k - £150k		
Green Homes Wales							£1k - £25k		
Infrastructure									
Mutual Investment Model							as required		
FW Capital									
North East Property Fund						£250k - £2m			
North East Commercial Property Investment Fund						£1m - £7m			
Northern Powerhouse Investment Fund II			£100k - £2m						
South West Investment Fund			£100k - £2m						
Teesside Flexible Fund				£100k - £3m					
South Yorkshire Debt Fund				£100k to £2m					
North East Elevate Fund			£25k to £1m						
Investment Fund for Wales			£100k - £2m						

*Includes Green Business Loan Scheme.

**Includes Green Development Incentive.

Our investment principles

Our investment principles underpin how we support economic development in Wales. They are designed to align with our shareholder's ambitions and corporate plan for 2022/27 while recognising the scale of our operations and the requirements of market regulation.

- **Addressing market gaps**

We operate where there is market failure, supporting economic opportunity by providing finance to viable businesses and responding to evolving market and customer needs.

- **Investing on commercial terms**

We price our investments fairly to reflect risk, ensuring we do not displace private sector providers. This approach enables us to generate returns that can be reinvested into new customers, creating a long-term, value-for-money asset for Wales.

- **Supporting emerging sectors**

In certain areas, such as green finance, we take a more flexible approach where there is a clear need to incentivise change and accelerate market development.

- **Taking a patient approach**

We provide accessible funding that supports the long-term sustainability and growth of the businesses we back.

- **Working in partnership**

We collaborate closely with the public and private sectors, crowding in co-investment wherever possible to increase the flow of capital across Wales.

- **Delivering wider impact**

We invest to generate both financial returns and positive wider impact in the communities we serve. Environmental, social and governance considerations are proportionately embedded in our decision-making.

- **Acting as a responsible investor**

We deliver expert, independent investment management. Our experienced team works alongside businesses throughout the life of the investment, adding value at every stage.



Academii

"Our previous relationship with the Development Bank means we understand the difference they make to the growth of a business. As a Welsh B-Corporation, rooted in Wales, wanting to do the right thing for Wales we really value their emphasis on supporting the broader societal good. Our focus is on helping everyone to be part of the AI journey, supporting job creation and retention for all."

Steve Lanigan, CEO

Our five-year objectives for 2022/27

Core: Deliver debt and equity funding with a social impact	Emergent: Promote and advance a green future in Wales	Operational: Delivery excellence, customer-first, financial sustainability
1. Facilitate an entrepreneurial culture in Wales, from foundational through to high-growth businesses	1. Use our position and influence to promote a robust, proportionate transition to a green future across the business ecosystem in Wales	1. Ensure collaborative and responsive delivery that meets customers' evolving needs
2. Support financial inclusion for underrepresented groups and create positive impact in the Welsh economy	2. Develop innovative financial instruments to advance the ambitions for a green future in Wales	2. Embed financial sustainability into the long-term through innovative use of capital for ongoing market needs
3. Work with our new and existing customers to encourage them to identify and prioritise social impact opportunities as part of their business planning	3. Continually improve our knowledge, skills and understanding of climate change impacts and the role of finance in delivering solutions	3. Make optimal use of our ability to support the delivery of government policy through our structure and expertise

Progress against targets for 2022/27

	2022/23	2023/24	2024/25	2025/26	5-year target	Achievement*
Direct investment	£124m	£125m	£152m	£148m	Over £650m	106%
Jobs created or safeguarded	4,669	4,406	6,185	5,809	Over 20,000	132%
Co-investment	£103m	£38m	£50m	£56m **	Ratio of 1:1	1:0.44
Businesses supported	435	430	502	474	2,200	105%
Customer NPS	88	91	90	94	60	157%
Employee NPS	-	60	60	63	60	105%
New homes built***	191	227	390	152	1,900	63%

* Achievement shows performance relative to the level expected by March 2026 within the five-year target period.

** Co-investment figure for 2025/26 includes property.

*** Lower housing delivery is discussed on page 29.



Performance in 2025/26

We invested £148 million in 474 businesses across Wales during 2025/26, supporting more than 5,800 jobs and leveraging £56.3 million in co-investment. Our activity reflects the breadth of our role as a development bank: fuelling ambition by providing sustainable finance where access to funding is limited, backing viable businesses across the lifecycle, and supporting projects that help build long-term economic strength across Wales.

Highlights during the year include:

- **£148 million** total investment.
- **474** businesses supported.
- **5,809** jobs created or safeguarded.
- **£56.3 million** co-investment.
- **£49.5 million** for residential and commercial property development.
- **Eight** successful exits totalling **£19.3 million**.

Early stage

We help innovative early-stage businesses access the finance and support they need to test ideas, build confidence and move towards commercial growth with debt and equity funding. This includes our technology ventures activity and the wider investment ecosystem supported through Angels Invest Wales.

Technology ventures activity in 2025/26 saw £11.9 million invested across 39 businesses, leveraging a further £25 million in private sector co-investment. This reflects our role in helping innovative businesses access patient capital where private sector funding alone may not meet market need.

Key investments during 2025/26 included K3 Metrology in north Wales, which received equity of £2.75 million to support its spinout from the National Physical Laboratory and the development of laser beam technology at the Advanced Manufacturing Research Centre in Broughton. Awen Oncology, also based in north Wales, secured follow-on investment to continue research and development of its cancer therapeutics.

Start-up

We provide accessible finance for start-up businesses across Wales, supporting entrepreneurs at the point where funding can be hardest to secure. Our regional teams are embedded in local communities, enabling us to understand local needs and deliver funding that reflects the needs of each area.

Funding from £1,000 to £10 million is available across all sectors, supporting start-ups, young entrepreneurs and early growth ambitions with both debt and equity investment. Importantly customers are supported by a dedicated person throughout the process, with signposting to partner organisations such as Business Wales where additional support is needed.

Our fast-track scheme provides a quicker route for businesses that have been trading for over two years. Offering loans of up to £100,000, decisions are made within two days. During 2025/26, the average fast-track loan value was £40,300, with uptake increasing by more than 30% compared to 2024/25.



Scale-up

We back Welsh businesses with the potential to grow, scale and strengthen productivity, providing flexible debt and equity finance where access to capital can constrain ambition. Our investment enables businesses to build capacity, enter new markets, innovate and create sustainable employment, while our teams provide long-term support throughout the life of the investment. By working alongside private investors and other funding partners, we also help increase the overall flow of capital into Welsh businesses and support long-term economic value across Wales.

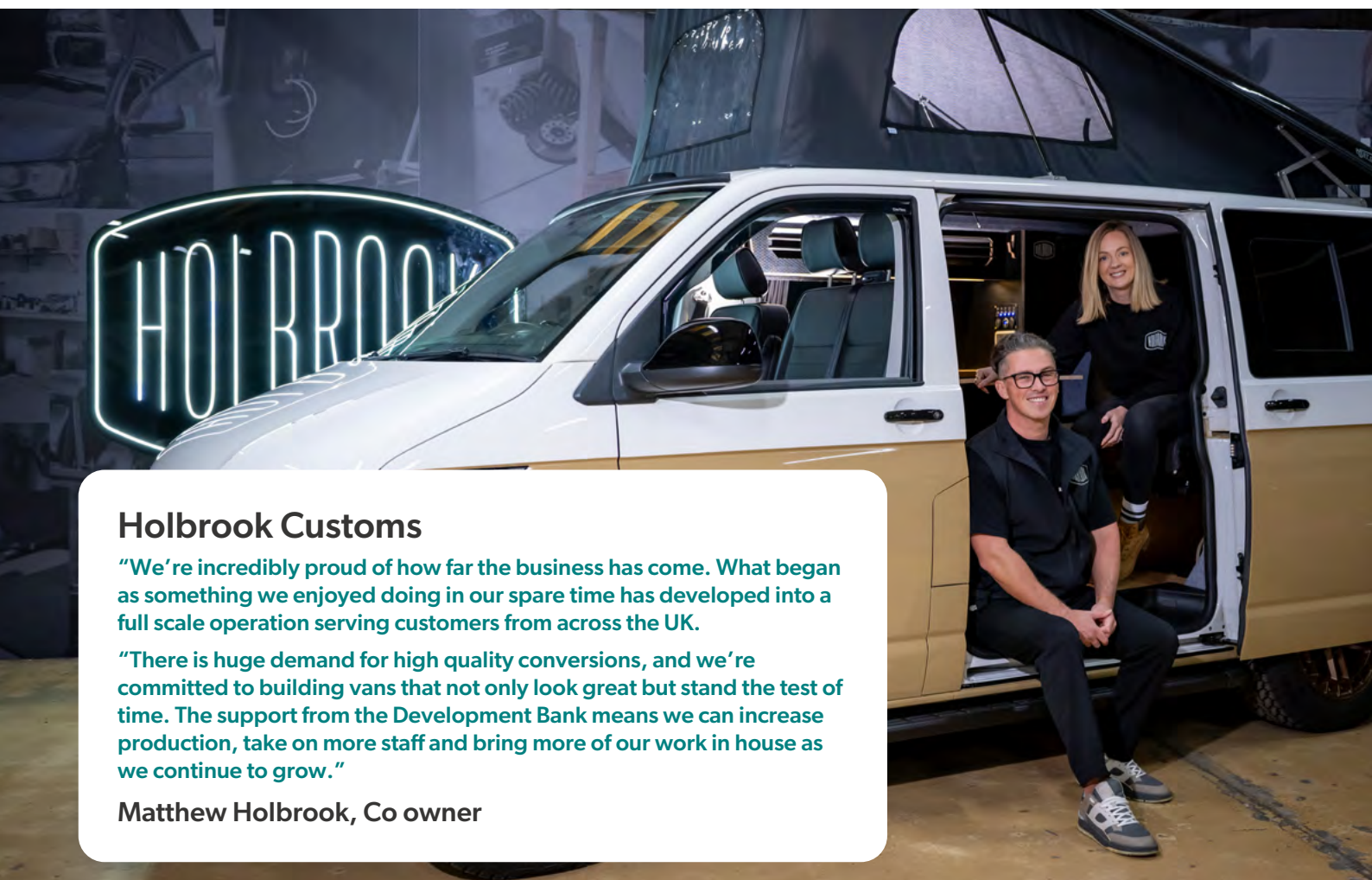
We invested £53 million in growth businesses (excluding technology ventures) during 2025/26. In total, 357 individual businesses used this funding to fund working capital, create new jobs, expand facilities and invest in long-term growth and sustainability.

From rural businesses to family-owned manufacturing firms, scale-ups like Bridgend-

based Holbrook Customs are enjoying strong growth as a result of our funding. The campervan conversion specialists have used a £300,000 investment from the [Wales Flexible Investment Fund](#) to boost production, expand the team and bring more work in house, while strengthening local job creation and a growing regional supply chain.

Our role in crowding in co-investment is also central to our scale-up activity. By working alongside private investors, banks and other partners, we facilitated co-investment of £56.3 million in 2025/26. This is a reflection of the focus we place on increasing the overall flow of capital available to Welsh businesses while maintaining commercial discipline and a long-term perspective.

Furthermore, eight successful exits during the year generated £19.3 million, demonstrating the value of our patient investment approach and enabling capital to be recycled into new opportunities for Welsh businesses.



Holbrook Customs

"We're incredibly proud of how far the business has come. What began as something we enjoyed doing in our spare time has developed into a full scale operation serving customers from across the UK."

"There is huge demand for high quality conversions, and we're committed to building vans that not only look great but stand the test of time. The support from the Development Bank means we can increase production, take on more staff and bring more of our work in house as we continue to grow."

Matthew Holbrook, Co owner

Succession

We provide succession finance to support ownership transitions, helping viable businesses remain rooted in Wales, protect local jobs and continue contributing to the Welsh economy. This includes management buyouts, management buy-ins and employee ownership trusts, reflecting the range of succession routes available to business owners.

During 2025/26, we invested £29 million in 55 succession transactions. In September 2025, we launched the £40 million Wales Business Succession Fund, expanding our support for ownership transitions and helping to address demand for succession finance across Wales.

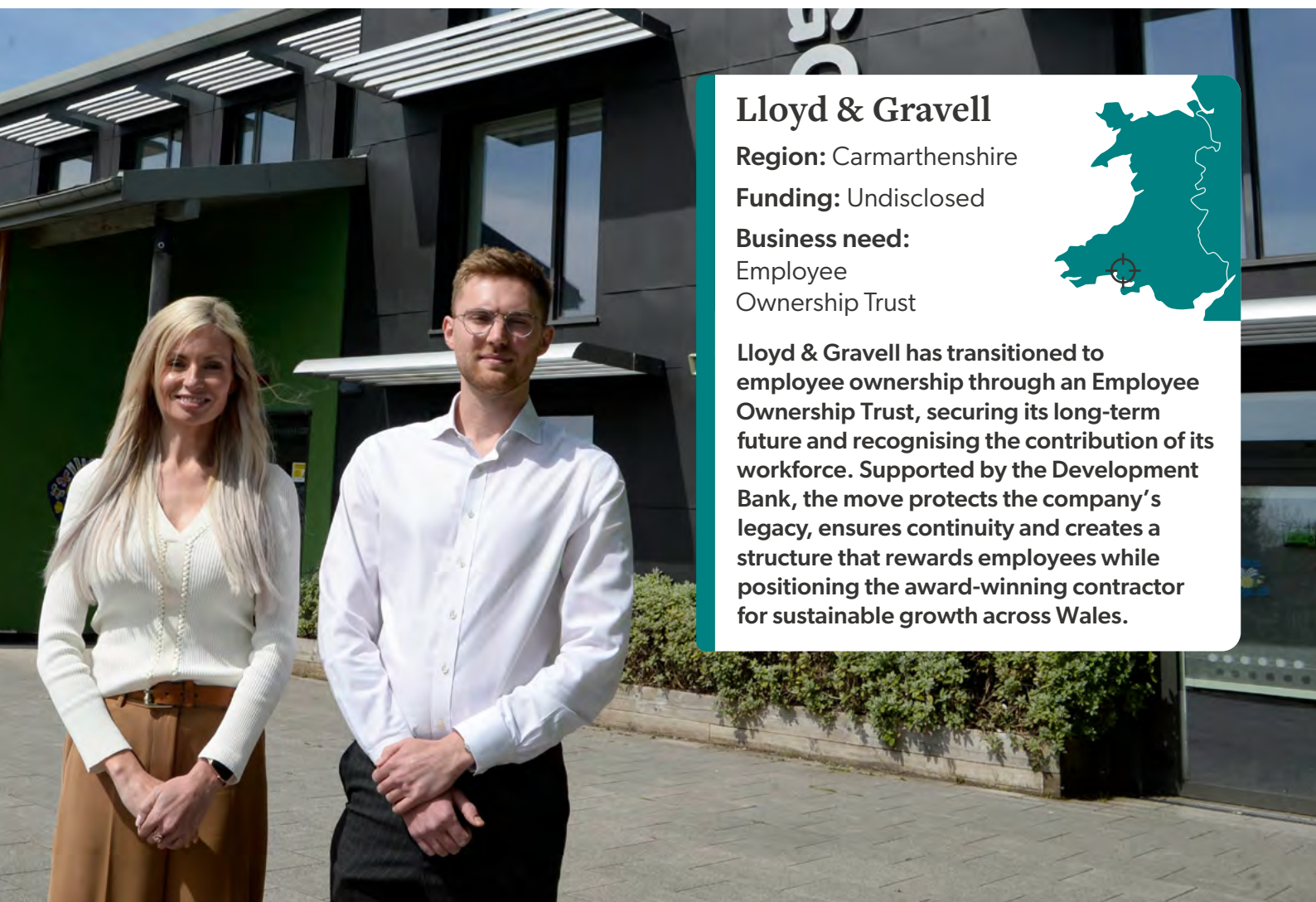
The first investment from the Wales Business Succession Fund was a £5 million package for Tredegar-based Dragon Recycling Solutions Limited, supporting a management buyout and securing the future of the business in Wales. The package, combining equity from the new succession fund with debt from the Wales Flexible Investment Fund, safeguarded 120 skilled jobs and enabled an experienced

management team to take the business forward. Dragon Recycling Solutions Limited processes around three million smart meters each year for major energy suppliers, demonstrating how succession finance can protect established Welsh businesses while supporting future growth in sectors linked to energy infrastructure.

Supporting a green transition

We provide green business loans to support businesses across Wales to improve energy efficiency, reduce carbon emissions and transition to more sustainable operating models. The Green Business Loan Scheme combines funding with advice and support, enabling businesses to invest in measures that lower costs and contribute to wider decarbonisation goals. Key achievements in 2025/26 include:

- £4 million delivered through the Green Business Loan Scheme.
- Seven businesses supported across Wales.
- Forecast lifetime carbon savings of 33,310 tonnes of CO₂.



Lloyd & Gravell

Region: Carmarthenshire

Funding: Undisclosed

Business need:

Employee

Ownership Trust



Lloyd & Gravell has transitioned to employee ownership through an Employee Ownership Trust, securing its long-term future and recognising the contribution of its workforce. Supported by the Development Bank, the move protects the company's legacy, ensures continuity and creates a structure that rewards employees while positioning the award-winning contractor for sustainable growth across Wales.

Our Local Energy Fund then supports the development of community-owned renewable energy projects across Wales, helping to increase local ownership of energy generation and contribute to national net zero ambitions. The fund plays an important role in addressing early-stage funding challenges and supporting projects through development.

During 2025/26, the fund invested £616,000 and supported the continued development of projects including Bretton Hall, Ynni Teg and Cwm Arian.

Property

We continue to provide investment to support both commercial and residential property development across Wales, contributing to business growth and the delivery of new housing.

Increased development and borrowing costs, together with ongoing affordability pressures, have placed greater strain on project viability and continue to constrain development activity, particularly within residential markets. Demand for high-quality commercial space remains more selective and focused.

Activity during the year reflects a balanced portfolio across asset types with key achievements in 2025/26 having included:

- Delivery of £49.5 million of total property investment for 11 developers spanning 12 projects across Wales.
- New deals totalling £18 million were agreed through our Green Development Incentive.
- Investment of £4.8 million into three commercial property projects, supporting the development of 71,476 square feet of commercial space.
- Investment of £44.7 million into nine residential projects, supporting the delivery of 152 housing units.
- Delivery of 110 market housing units and 42 affordable housing units, supporting access to housing across different tenures.

Property services

We deliver a range of specialist investment services, including funding for homeowners. Demand varies across the portfolio, with strong activity in Green Homes Wales, while Help to Buy - Wales and Help to Stay - Wales remain lower volume, reflecting affordability pressures and higher interest rates. The maturing Help to Buy portfolio continues to shift operational focus from new lending to ongoing customer management and risk mitigation, while sustained interest in retrofit is positioning Green Homes Wales as a key area of growth.

Key achievements in 2025/26 include:

- Delivery of a strong first-year pilot for Green Homes Wales, demonstrating demand for retrofit loan finance, grants and advice. We've secured £5 million of funding for 2026/27, with a growing delivery team in place to support potential scale-up.
- Ongoing delivery of Help to Stay - Wales, providing targeted support to customers in financial difficulty. Delivery has been strengthened through expanded eligibility and closer links with advisory services and local authorities. The Scheme has been extended to 30 September 2026 to allow further consideration to its future direction.
- Continued management of the Help to Buy - Wales portfolio, maintaining strong compliance while supporting applications, completions and redemptions. As the portfolio matures, activity has increasingly focused on arrears, collections and recoveries, with growing case complexity.
- Continued operational improvement across all schemes, including strengthened portfolio monitoring through a new risk ratings framework and further enhancements to customer systems and engagement processes.

Work is underway with Welsh Government and key stakeholders to assess the future direction of these Schemes, ensuring they remain effective, deliver value for money and continue to meet evolving customer and policy outcomes.



LM Prop

Region: Vale of Glamorgan

Funding: £2.83 million

Business need:
Property development



A £2.83 million loan from our Wales Commercial Property Fund is helping LM Prop to deliver Orchard Business Park in Llandow, creating new light-industrial space for businesses in South Wales. The development includes 44 units across two phases, supporting up to 180 jobs and strengthening the local economy by providing modern premises for business growth.



Angels Invest Wales

Angels Invest Wales supports the development of the angel investment ecosystem in Wales, facilitating investment into early-stage businesses and increasing access to finance.

Key achievements in 2025/26 include:

- Deployment of £2.2 million from the Wales Angel Co-investment Fund across 22 investment rounds, representing the highest annual level since the fund's inception.
- Facilitation of £3.5 million of direct angel investment, also a record annual level.
- Delivery of 165 individual angel investments alongside the Wales Angel Co-investment Fund, the highest annual level to date.
- Increase in the Wales Angel Co-investment Fund investment limit to £350,000 to better support angel syndicates.
- Support for Women Angels of Wales, which completed two investments and received the Best Women-Led Investment in Innovation award at the UK Business Angels Association (UKBAA) Awards 2025.

Economic Intelligence Wales

Economic Intelligence Wales (EIW) provides analysis and insight into the Welsh economy, bringing together economic data and SME research to improve understanding of the finance market. It is a collaborative initiative involving the Development Bank of Wales, Cardiff Business School, Bangor Business School, the Enterprise Research Centre and the Office for National Statistics, with oversight from a steering group including Welsh Government.

During 2025/26, EIW delivered a programme of quarterly and annual reports alongside a series of themed research outputs. This research focused on understanding demand for finance, barriers to accessing finance, and the confidence and future investment needs of Welsh businesses.

Key outputs included research on SME access to finance in Wales, delivered in partnership with the British Business Bank, alongside reports exploring productive investment and the role of financial technology in supporting access to credit.

EIW also continued to engage with policymakers, stakeholders and partners through a programme

of briefing and dissemination events. These included sessions with Senedd Members and joint events with partners to share research findings and support informed decision-making.

FW Capital

As part of the Development Bank of Wales Group, FW Capital is an FCA-authorised fund manager. It provides flexible finance to businesses across the North and South West of England and Wales, while supporting access to a wider investor base to increase the flow of finance into Wales.

Alongside managing public funds, FW Capital enables us to attract private sector investment and secure fund management opportunities, strengthening our ability to invest and building resilience for the future.

Key achievements and milestones in 2025/26 include:

- Launch of the £35 million North East Elevate Fund, supporting businesses across the North East Combined Authority area. Backed by the North East Fund, the initiative is designed to stimulate economic growth and create sustainable jobs. The North East team has also been expanded to strengthen regional delivery.
- Opening of a new office in Sheffield to support delivery of the South Yorkshire Debt Fund, with a dedicated team now in place.
- Delivery of a £10 million milestone within the South West Investment Fund, alongside securing an additional £7 million allocation from the British Business Bank.
- Delivery of a £25 million milestone within Northern Powerhouse Investment Fund II, with a further £40 million allocated by the British Business Bank to support continued investment activity.
- Delivery of a £175 million investment milestone into the North West economy, supporting regional growth and business development.
- Surpassing £400 million in total investment across FW Capital-managed funds in England.



Cafeology

Region: Sheffield

Funding: Undisclosed

Business need:
Management buy-out



Cafeology Limited completed a management buy-out, supported by FW Capital's South Yorkshire Debt Fund, enabling its senior management team to take a majority stake and secure the business's long-term future. The transaction allowed the founders to realise value while providing continuity for a well-established, ethical coffee business with a strong UK customer base.

Impact investment report

We ask our customers to share information that helps us understand our socio-economic impact in Wales. Each year, we take a sample of this information to measure and evaluate this impact using established metrics. These align with the UN Sustainable Development Goals, the Well-being of Future Generations (Wales) Act 2015, and Welsh Government policy priorities.

It is important to note that these metrics are not key performance indicators for our activity. Reporting in any given year is shaped by market conditions, individual fund investment profiles and how long a business has been a

customer. We use the data to inform investment policy and action plans, promote best practice and add value wherever possible.

The data in this report comes from a mix of customers across a range of sizes, sectors and regions, including businesses reporting for the first time and those that have been in our portfolio for a number of years. Our methodology and definitions for impact metrics are disclosed on our website: <https://developmentbank.wales/about-us/performance-and-impact>

The highlights of 2025/26



£304m

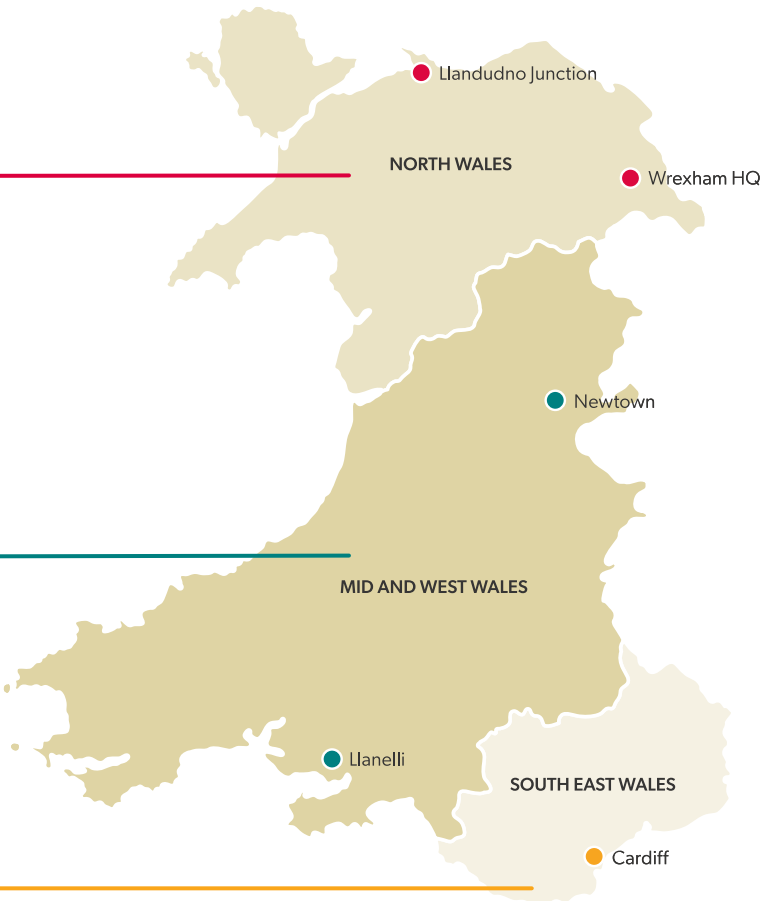
We contributed £304 million in jobs-based gross value added (GVA) to the Welsh economy in 2025/26

Regional splits 2025/26

North Wales	
SME population (%)	26%
Number of investments (%)	22%
Value of investments (%)	26%
GVA (%)	24%

Mid and South West Wales	
SME population (%)	32%
Number of investments (%)	27%
Value of investments (%)	28%
GVA (%)	31%

South East Wales	
SME population (%)	42%
Number of investments (%)	51%
Value of investments (%)	46%
GVA (%)	45%

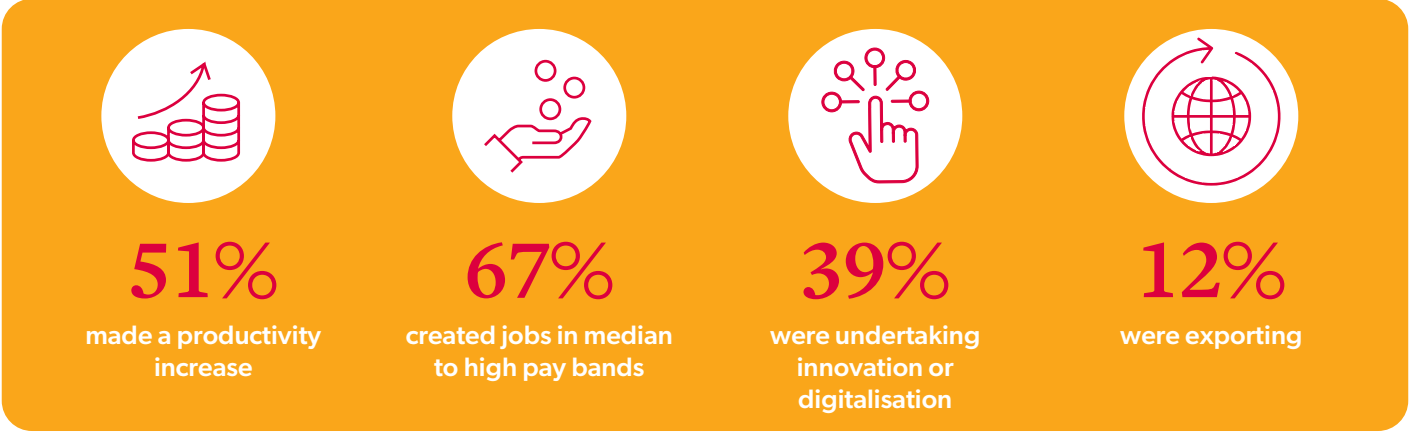


High level metric		Data highlight		Regional summary	
Productivity					
56% of our customers increased their productivity during the year.		75% of customers in our equity investment portfolio increased their productivity during the year.		North Wales	55%
				Mid & South West Wales	55%
				South East Wales	57%
Exports					
8% of our customers were exporting during the year.		28% of customers that we've backed with equity funding were exporting during the year.		North Wales	8%
				Mid & South West Wales	6%
				South East Wales	9%
Innovation					
38% of our customers were undertaking innovation or digitalisation activity during the year.		77% of customers that we've backed with equity funding were undertaking innovation or digitalisation activity during the year.		North Wales	38%
				Mid & South West Wales	34%
				South East Wales	40%
Jobs					
62% of jobs created by our customers during the year were in median to high pay roles.		95% of jobs created by our customers that we've backed with equity funding during the year were in median to high pay roles.		North Wales	69%
				Mid & South West Wales	73%
				South East Wales	55%

Among the businesses we backed in 2025/26:

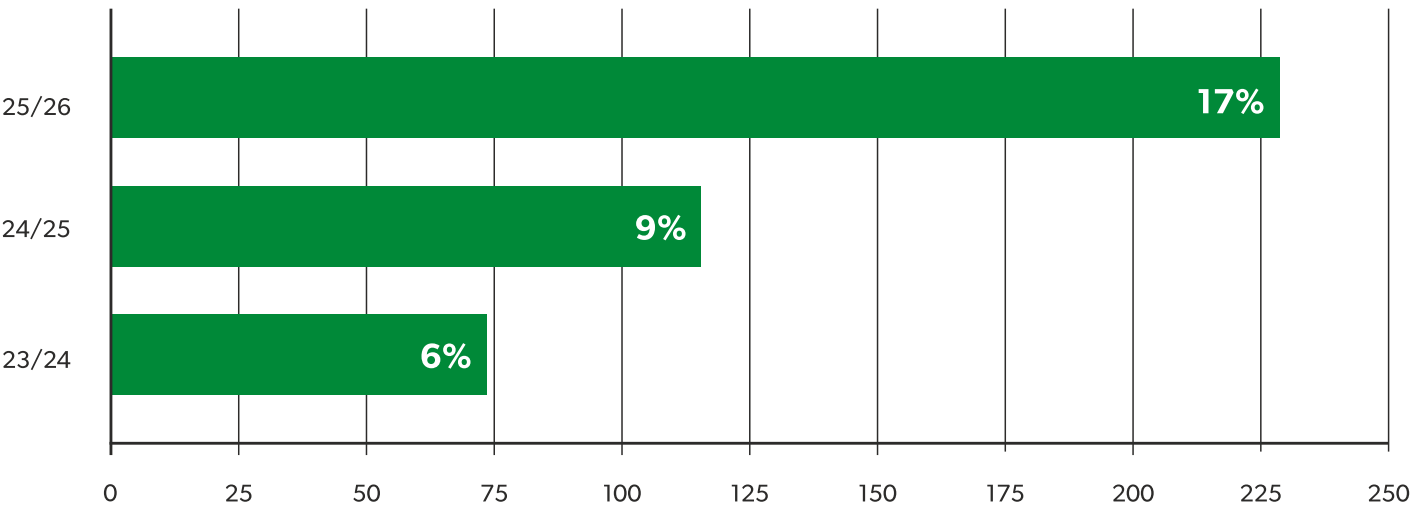


Businesses located in the top decile of the Wales Index for Multiple Deprivation*:



* The Wales Index of Multiple Deprivation is the Welsh Government’s official measure of relative deprivation. It identifies the areas of Wales facing the greatest social and economic challenges by combining information on factors such as income, employment, health, education, access to services, housing, community safety and the local environment. Areas are ranked from most deprived to least deprived, allowing organisations to understand where support and investment may be most needed.

Number of customers reporting the use of AI:



A prosperous future

By providing funding to underserved markets, we are helping businesses create employment opportunities and enabling people to benefit from the wealth generated in their communities.

In 2025/26, our investments contributed an estimated £304 million in net jobs-based gross value added (GVA) to the Welsh economy.

Our activity supported more than 5,000 jobs across Wales. More than half of the businesses we supported (56%) reported an increase in productivity, demonstrating improvements in business performance.

Innovation and technology

Investing in businesses that innovate creates highly skilled employment opportunities at the cutting edge of technology. Supporting more traditional businesses to adopt new technologies makes them more competitive and productive by helping them use resources more efficiently.

In 2025/26, 38% of supported businesses were innovators or digital adopters. Export activity continued across a range of sectors, with businesses accessing international markets.

Community and place

Investing in businesses that reflect the diversity of the communities we serve helps create a more equal, inclusive and cohesive society. Investing in the places where people live and work also supports health and well-being.

In 2025/26, 57% of supported businesses had a woman owner, director or shareholder. We also supported businesses with ethnic minority leadership and younger entrepreneurs, as well as businesses operating in more deprived areas of Wales.

Across these communities, many businesses reported increases in productivity and improvements in job quality, demonstrating the wider social impact of our investments.





Shampoooch Dog Spa

Region: Monmouthshire

Funding: £9,000

Business need:
Business growth



Shampoooch has expanded to four locations following the acquisition of a Chepstow business, with the support of a £9,000 micro loan. The funding enabled refurbishment and new equipment, supporting growth. A previous £15,000 loan also supported expansion, demonstrating how micro finance can help small businesses scale and strengthen local economies.

Section 172 (1)

S172 (1) of the Companies Act 2006 requires a director of the company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders.

In doing so, S172 (1) requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term
- interests of the company's employees
- need to foster the company's business relationships with suppliers, customers, and others
- impact of the company's operations on the community and environment
- desirability of the company maintaining a reputation for high standards of business conduct and
- need to act fairly between members of the company.

In discharging its S172 (1) duties, the Board has regard to the factors set out above. The Board also has regard to other factors which it considers relevant to the decisions it makes. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all the Group's stakeholders. By considering the Group's purpose, mission and values together with its strategic priorities and having a process in place for decision making, the Board does, however, aim to make sure that its decisions are consistent.

The Board delegates authority for the day-to-day running of the business to the Chief Executive Officer and to senior management to set, approve and oversee execution of the Group's strategy and related policies. The Board, acting on its own account and through its committees, reviews matters relating to financial and operational performance; business strategy; principal risks; stakeholder-related matters; compliance; and legal and

regulatory matters, over the course of the financial year. This is supported through the consideration of reports and presentations provided at Board meetings and regularly reviewing aspects of the Group's strategy.

Engaging with the Group's stakeholders is vital to the way the Group runs its business and is an important consideration for the Directors when making relevant decisions.

Corporate plan 2022 - 2027

Our corporate plan for the five-year period from 1 April 2022 to 31 March 2027 sets out how we will fulfil our mission of unlocking potential in the Welsh economy by increasing the supply and accessibility of sustainable, effective finance. It outlines our five-year strategic objectives as delivering debt and equity funding with a social impact; promoting and advancing a green future in Wales; and delivery excellence, customer first, financial sustainability.

As an impact investor with ESG at the foundation of our delivery, our role is to translate Welsh Government policy into practical funding solutions. We're confident we will continue to successfully deliver against our current corporate plan targets as we remain firmly focused on collaborative, long-term and expert delivery to fuel ambitions across Wales. Later in 2026, we will begin work on our next corporate plan for 2027 onwards, ensuring our future priorities continue to reflect Welsh Government policy, stakeholder needs and the long-term opportunities for the Welsh economy.



Stakeholder engagement

How we engage

The Group has a number of stakeholder groups with whom it actively engages, including its shareholder, customers, colleagues, suppliers, co-investors, intermediaries, policymakers and the wider communities in which we operate. Listening to, understanding and engaging with these stakeholders is an important role for the Board in setting strategy, overseeing delivery and making decisions that support long-term financial and social value for Wales.

The Board recognises the Group's obligations as a well-controlled financial services business, including the need to comply with regulation, deliver good customer outcomes and maintain high standards of governance. It also recognises that effective engagement supports our purpose of bringing ambitions to life and fuelling possibilities for people, businesses and communities in Wales. Working in partnership remains central to the corporate plan for 2022/27 and is reflected in our values of smart collaboration, entrepreneurial energy, objective empathy and conscious responsibility.

The Board obtains stakeholder insight through a combination of formal reporting, independent research, direct engagement and regular briefings from senior leaders. This includes performance and customer outcome reporting, risk and compliance updates, customer satisfaction measures, colleague engagement insight, market analysis from Economic Intelligence Wales and updates on stakeholder and public affairs activity.

Listening to stakeholder views

During the year, we strengthened the evidence base available to the Board through external stakeholder perceptions research. This research combined quantitative surveys and qualitative interviews across existing customers, the wider SME population, intermediaries, industry bodies and Members of the Senedd. The findings provided a rounded view of awareness, understanding, brand perception, customer experience and stakeholder expectations, helping the Board and senior management to identify where our role, remit and decision-making need to be communicated more clearly.

The research confirmed continued strengths in trust, approachability, collaboration and support for underserved businesses, while also identifying areas for improvement, including greater clarity around our commercial remit, product suitability, decision-making processes and the way we engage with intermediaries and political stakeholders. These findings are being used to shape our customer communications and stakeholder engagement activity for 2026/27.

Engagement across Wales

Board members and senior leaders also engaged directly with stakeholders through visits, briefings and events across Wales. During the year, we participated in more than 250 events across all regions of Wales, alongside national and online engagements. This included business visits, regional briefings, webinars, stakeholder roundtables and partnership events designed to test understanding, hear feedback and ensure our work reflects the needs of businesses and partners across Wales.

Examples included our £1 billion investment milestone events in Cardiff and Wrexham, property fund launch events, succession planning activity and targeted sessions with partners including the Federation of Small Businesses (FSB) and the British Business Bank. These engagements supported the Board's understanding of regional business conditions, access to finance challenges and the practical role we play within the wider business support ecosystem.



Board insight and challenge

The Board's engagement is strengthened by the direct business experience of its members. Several Board members have founded, led or continue to run successful businesses, alongside experience in investment, finance, governance and economic development. This practical experience gives the Board an active role in challenging and shaping our customer offering, ensuring that our products, processes and support remain commercially disciplined, accessible and relevant to businesses at different stages of their journey.

Putting insight into practice

A clear example of how our Board has responded to stakeholder feedback is the development and publication of the Founder's Playbook. Feedback from technology founders, investors and ecosystem partners highlighted the need for practical guidance on preparing for investment, navigating due diligence, building investor relationships and making effective use of post-investment support. In response, we developed the Founder's Playbook as a practical online resource for early-stage technology founders in Wales, helping to address knowledge gaps and strengthen our role as a long-term partner as well as a provider of finance.

Customer impact and outcomes

As a responsible investor, we measure our impact with mechanisms that are aligned with the UN Sustainable Development Goals, the Wellbeing of Future Generations (Wales) Act 2015 and the Welsh Government's Calls to Action. Balancing financial returns with social impact, we have developed four impact themes which the Board approved:

- A prosperous future
- Community and place
- A sustainable future
- Innovation and technology

We continue to invest in our programme of digital transformation with the aim of enhancing value and making sure that we continue to meet our customers' evolving needs. Net Promoter Score is now our standard measure of customer satisfaction. The results of the 2025/26 surveys for both our Wales investments and FW Capital track customer feedback on all micro loans,

larger debt, equity, technology ventures and property deals in Wales together with all transactions completed by FW Capital. This combined score of 94 places our service levels in the top quartile. The feedback is now being used to further enhance customer experience and provide a benchmark for the new financial year.

Sustainability

In 2025/26, we've continued to build on the progress made in delivering our corporate sustainability strategy and supporting our customers to create long-term value through the transition to more sustainable practices. Highlights include:

- Updating our approach to investment ESG risk assessment with targeted guidance to ensure risks are identified, considered and mitigated where necessary.
- Securing funding for a Sustainable Agriculture Loan Scheme, providing patient discretionary capital to enable farm businesses in Wales to transition to more sustainable business models.
- Working with innovative partners to help develop markets that pay for protecting and restoring nature in Wales.
- Working with the Welsh Government Energy Service to develop our corporate decarbonisation pathway.

Our communities

Our purpose is to bring ambitions to life and fuel possibilities for people, businesses and communities. Our charity and volunteering work is an important part of this.

In 2025/26, colleagues raised £88,035 for mental health charity bigmoose. This is the largest amount we have ever raised through our charity of the year partnerships.

From a 24-hour spinathon to our Destination Wrexham relay challenge, fundraising initiatives were designed to support participation across the business.

In addition to our annual charity of the year partnership, we continued our long-standing support for Barnardo's Christmas Gift Appeal. This year was our 12th year of supporting the initiative, donating gifts to over 100 children and young people.

Our suppliers

We're proud of the strong and beneficial relationships that we have with our suppliers. We adhere to the Prompt Payment Code, and in Wales we have successfully used the Welsh Government procurement portal Sell2Wales throughout the year to source suppliers. We have also accessed government framework contracts to support our own growth and our ongoing digital transformation programme.

The Board received regular updates on the Group's principal procurement activities through the monthly executive management report and policy updates from the Audit and Risk Committee.

Our colleagues

To achieve our ambitions and deliver on our purpose, we've continued to maintain a culture and environment in which our colleagues can thrive and develop. We encourage and support career progression, with 51% of roles filled by internal candidates during 2025/26.

A structured career development pathway supports this approach, resulting in 22 promotions during the year. This continues to play an important role in attracting and retaining the people we need to deliver future growth.

Our training is delivered both online and face to face, in line with our hybrid working model. During 2025/26, colleagues received an average of 4.8 days of training, supporting ongoing professional development across the organisation.

We also continued to strengthen colleague engagement, with an employee net promoter score of 63.

The awards as UK's Best Workplaces™ 2026 by Great Place to Work®, recognise the strength of our culture, employee experience and commitment to supporting communities. We're proud to have been named as the UK's best large company to work for in the financial services and insurance sector and number 14 in the top 100 UK large workplaces.

This is the second consecutive year that we've earned a place on the national list. 2025/26 also saw us being accredited as a Real Living Wage employer and achieving Disability Confident status, reflecting our commitment to supporting our people.

Equality, diversity and inclusion

Our policies are designed to provide equality of opportunity for all colleagues, regardless of age; disability; gender; gender reassignment; marital and civil partnership status; pregnancy and maternity; race; religion or belief, or absence of religion or belief; sexual orientation or trade union affiliation.

We demonstrate our commitment to equality, diversity and inclusion through our recruitment and employment practices. During the year, 16.7% of new starters were from ethnic minority groups. At year end, 9.1% of colleagues were from ethnic minority backgrounds, compared to 89.5% who identified as white British and 1.4% who preferred not to say.

We continue to support all colleagues, including those with disabilities (4.2%), adapting working practices where necessary to support productivity and engagement.



Giles Thorley
Chief Executive

23 September 2026



Colleague profile

A portrait of Jo Criddle, a woman with dark hair, smiling, wearing a black sleeveless top and a necklace. The background is a blurred office setting with yellow and black structural elements.

"It is important to me that I work for an organisation where I feel like we're making a real difference. What I enjoy most is driving tangible improvements that strengthen how we support our customers. Being part of a collaborative, purpose-led organisation, with a shared commitment to delivering impact and supporting economic growth across Wales, makes the role both rewarding and inspiring."

Jo Criddle - Group Transformation and Operations Director

Jo is responsible for leading the optimisation and transformation of operational delivery across our Group, driving efficiency, consistency, and service excellence.

With extensive international experience, Jo has worked in senior roles with global financial institutions including Goldman Sachs and Citi, across London, Hong Kong and Singapore. She has particular expertise in shaping operating models, driving business change and enabling

organisations to deliver strategic priorities at pace in complex, global environments.

With a background in mathematics from Imperial College London and as a Chartered Management Accountant, Jo combines analytical rigour with a practical, delivery-focused approach that ensures the Development Bank operates at the highest standards while continuing to evolve to meet the needs of Welsh businesses.

Risk management



Risk management

We operate a robust risk management framework that supports the delivery of our strategic objectives while maintaining appropriate levels of risk. Horizon scanning for new significant strategic risks is part of the Board's routine which also includes the status of principal risks, emerging risks and those risks that have been mitigated.

Our Board holds overall accountability for risk management across the Group, supported by the Audit and Risk Committee, which provides independent oversight and helps set the "tone from the top" in promoting a strong risk culture. The Board sets organisational risk tolerance and reviews this formally on an annual basis. There is a well-established process whereby organisational risk tolerance is embedded into our processes and is a 'live' topic of discussion. The Board approves the Group's risk management framework, including the principal risks, at least annually.

The senior management team is responsible for implementing the Risk Management and Assurance Policy and ensuring effective risk practices throughout the organisation, with all colleagues playing an active role in identifying and managing risk. The framework is underpinned by the industry recognised three lines of defence model, providing clarity over risk ownership, oversight and independent assurance, and is designed to remain proportionate to the size, scale and complexity of the Group.

Our progress

Our strength lies in clear strategic risk planning and effective deployment. Each year, we evolve our risk management framework and approach to support continual improvement and effective decision making across the business. Progress with risk priorities this year includes:

- **Refreshing the Group's principal risks and risk tolerance framework**, shifting from narrative statements to a more practical model underpinned by key risk indicators and qualitative triggers.

- **Maturing our three lines of defence assurance plan as a core assurance tool**, to better inform internal audit and compliance activity, supporting a more targeted and risk based approach to assurance planning, reducing duplication across the three lines of defence, and highlighting areas where assurance coverage could be strengthened.
- **Strengthening senior management team ownership of risk through structured strategic sessions**, including pre session surveys and in depth focussed discussions. These sessions have been designed to test the effectiveness of current risk management practices, facilitate timely identification of emerging risks, and have directly informed improvements to principal risks, tolerances and escalation arrangements.
- **Rationalising and consolidating key departmental risk registers**, including Finance, Marketing & Communications, and investments. Reducing duplication, improving clarity of ownership, and strengthening alignment between operational risks, principal risks and assurance activity.
- **Progressing policy governance and control standardisation**, supporting clearer accountability and greater consistency in how policies, risks and controls are managed across the organisation.

The Group's principal risks, those with the potential to significantly impact strategy, reputation, operations or financial performance, have remained broadly stable during the year, reflecting the effectiveness of the existing control environment.

Where risk exposures have increased or new risks have emerged, these have been escalated appropriately to the senior management team, the Board and the Audit and Risk Committee, enabling timely and proportionate management action. In several cases, targeted mitigation has resulted in risks being successfully stabilised or de-escalated during the year, demonstrating the effectiveness of our risk management framework in practice.

Alongside our principal risks, we consider key areas of emerging and evolving risks which have the potential to affect our ability to deliver against our priorities and objectives. Key emerging risk areas include:

- Adoption of Artificial Intelligence / emerging technologies.
- Artificial Intelligence governance and the associated operational risk.
- Geopolitical instability.
- Heightened cyber risk from outsourced services.

Principal risks

The principal risks as defined by our Board are set out below:

Failure to deliver the Development Bank of Wales corporate plan and commitments to our stakeholders amid an evolving political landscape

Principal risk category
Strategic
Rationale
The Group continues to grow against a backdrop of changing market expectations, and the broader macroeconomic and political climate, presenting challenges to the ongoing delivery of stretching targets.
Mitigations
• Robust governance, clear objectives and comprehensive management information support delivery of the Group's business case. • Regular Board and shareholder performance reporting on core business and project work. • Regular engagement with the Welsh Government Partnership Team, other Welsh Government departments and strategic stakeholders on delivery of the current plan and new fund initiatives.
Change in Risk
Unchanged

Failure to ensure the continued availability of funding or budget cover in terms of type or sufficiency

Principal risk category
Funding
The long-term continuity of the Development Bank of Wales Group is dependent on the performance of existing funds under management, the ability of Welsh Government to provide further funds to invest and the continued success of FW Capital in raising funds or winning new fund management contracts. The on-going budgetary implications of the change to the Group's ONS classification mean that budget cover is just as important as availability of funds to enable us to continue to support businesses seeking funding.
Mitigations
• Regular Reporting and Communication with Welsh Government, and other funders. • Project board oversight. • Annual ongoing budget cover. • Close monitoring of fund performance against agreed key performance indicators. • Senior management review of forecasts, budgets and funding requirements. • Segregation of duties and key financial controls.
Change in Risk
Unchanged

Failure to comply with legal and regulatory requirements

Principal risk category
Compliance
The Development Bank continues to operate in a complex and evolving legal and regulatory environment, which straddles both the public and private sectors. This regulatory landscape results in an increased risk of non-compliance for the Group.
Mitigations
• Suite of compliance policies, procedures and training. • Compliance monitoring, file sampling and thematic reviews. • Customer due diligence, sanctions and screening controls. • Independent compliance review and internal audit assurance.
Change in Risk
Increasing as the evolving regulatory landscape, particularly in relation to Artificial Intelligence and data usage, continues to heighten inherent compliance risk exposure.

Failure to understand or adapt to the needs of our customers, or to maintain effective customer engagement results in poor customer outcomes, detriment or reputational damage.

Principal risk category
Conduct
Rationale
Our mission is to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. Strong customer and stakeholder engagement is a critical driver of our effectiveness. Customer engagement failings (or the perception thereof) results in a negative view of the Development Bank and its subsidiaries. Failure to understand and adapt to customer needs (particularly in the regulated areas of activity) could cause poor outcomes or detriment for customers.
Mitigations
• Complaints policies, procedures and root cause monitoring. • Customer and stakeholder communications controls. • Customer satisfaction monitoring including root cause analysis. • Complaints sampling and vulnerable customer reviews. • Training on customer needs and vulnerable customer support.
Change in Risk
Unchanged



Failure to meet fund performance objectives

Principal risk category
Investment mandate
Rationale
Macroeconomic policy and geo-political uncertainty may adversely impact the ability of some customers to service debt and therefore suppress investment returns, resulting in adverse impact on fund performance. These external influences may also impact the demand for, and quality of applications received for funding (both positively and negatively).
Mitigations
• Investment operating guidelines and procedures, delegated authorities and governance controls. • Customer due diligence and AML controls, along with risk based ongoing monitoring. • Conduct, complaints and vulnerable customer considerations embedded in end to end investments lifecycle. • Portfolio monitoring and fund performance reporting. • Succession planning, training and responsible investment controls.
Change in Risk
Unchanged

Failure to optimise operational resilience, data governance, efficiency and effectiveness in managing change

Principal risk category
Operational
Rationale
Operational resilience remains key risk to firms across the financial services industry. It also continues to be at the centre of the Financial Conduct Authority's focus. As the Development Bank of Wales Group continues to grow and change, with new processes, people and technology (including the widespread adoption of Artificial Intelligence) the importance of strong governance increases.
Mitigations
• Business continuity planning and resilience testing. • Project Management Office (PMO) and Change Management Office (CMO) governance and oversight. • AI policy, governance and working group oversight. • Data management, governance and protection policies. • File reviews and targeted compliance monitoring.
Change in Risk
Increased risk is driven by the accelerating adoption of Artificial Intelligence and emerging technologies across the financial services sector. There is a risk that slower adoption relative to peer organisations may limit efficiency gains, reduce competitiveness, and increase reliance on legacy processes, thereby elevating inherent operational risk.



Managing cultural change and failure to recruit and retain appropriately skilled and experienced colleagues

Principal risk category
Operational
Rationale
Our people are key to our success. We must remain agile to changing employment practices if we are to attract, recruit, develop and retain staff with the right skills, experience and values to deliver our objectives. This underscores why it is integral for the Development Bank to offer an attractive proposition to our colleagues.
Mitigations
• Code of Conduct and SMCR governance. • Learning and development policy, structured performance management process, and annual training plans. • People and development, Board and committee reporting on people matters. • Recruitment policy, market benchmarking and approval controls. • Succession planning along with fit and proper assessments.
Change in Risk
Unchanged

Vulnerability to cybercrime, data security breaches and the risk of poor IT resilience

Principal risk category
Operational
Rationale
The cyber threat landscape continues to evolve due to advances in Artificial Intelligence , geopolitical tensions, and increased reliance on digital systems. Threat factors are now more capable and better resourced, leading to a surge in high-profile cyber incidents such as ransomware attacks, data breaches, and supply chain compromises. This risk extends further than just the prevention of a cyber-attack, to the resiliency of IT systems more generally.
Mitigations
• IT suite of policies, including incident response, business continuity and disaster recovery. • Monthly ICT performance and availability monitoring. • Ongoing oversight by key ICT personnel. • Cyber incident, patching and service desk monitoring. • Managed cyber services and security awareness training. • Business continuity and disaster recovery testing
Change in Risk
Increasing as the threat landscape continues to evolve, with increased exposure arising from emerging technologies and reliance on outsourced service providers.



Failure to manage the contribution of and the risk associated with third-party providers to the successful delivery of the Development Bank of Wales strategic plan

Principal risk category
Interface
Rationale
This remains a risk due to the reliance on managed service providers, and third-party suppliers, and particularly due to the presence of multiple “High” risk outsourced suppliers in the IT space.
Mitigations
• Procurement and third-party risk management policies. • Framework oversight for large and high-risk procurements. • Ongoing monitoring of supplier performance and service levels. • Project team oversight for major procurements.
Change in Risk
Increasing as driven by continued reliance on outsourced service providers, particularly within technology and cyber domains, which increases inherent exposure to supplier resilience, data security and service continuity risks.

Failure to proactively manage the sustainability of Group business activities, products and relationships

Principal risk category
Reputational
Rationale
To remain relevant as a delivery mechanism for Welsh Government, attract new third-party funds and talented employees, we must continue to improve both how we capture and report our ESG impact.
Mitigations
• Board, Investment Committee and Governance forums oversee sustainability related risks and impacts. • ESG considerations embedded within policies, procedures, controls and governance arrangements. • ESG factors incorporated in procurement and funding decisions. • ESG focused initiatives and funds. • Responsible Investment Policy. • Company and fund disclosures.
Change in Risk
Unchanged

M. Brodie
Mollie Brodie
Risk Assurance Director



Slate and Soil Gardens

Region: Newtown, Powys

Funding: £10,000
micro loan

Business need:
Business start-up

A £10,000 micro loan enabled young entrepreneurs Luke Aldridge and Stephanie Hicks to establish Powys-based Slate and Soil. The funding has allowed the lifelong gardeners to invest in equipment and a vehicle, helping them establish operations and deliver a range of gardening and landscaping services for domestic and commercial customers across north-west Wales.



Governance



Governance

We’re committed to maintaining high standards of corporate governance that promote the interests of our stakeholders, reinforce accountability, and support organisational performance.

The Development Bank is governed by:

- The Welsh Ministers who have overall responsibility for the company.
- The Chief Executive Officer of the Development Bank as Accounting Officer and the Director General for Economy, Treasury and Constitution as Additional Accounting Officer.
- The Group’s Board which, supported by its sub-committees and senior management team, has collective responsibility for overseeing the work of the Group and providing oversight, scrutiny and assurance to ensure that the Group is achieving its aims and objectives with an appropriate level of internal control.

Our governance framework is underpinned by our Articles of Association and a Framework Agreement between the Development Bank and the Welsh Ministers. See page 62 for details of the Group’s Corporate Governance Statement.

This section explains how our governance and risk management framework underpins the delivery of our strategic objectives. It outlines how we manage the interests of our shareholder and wider stakeholders, the role, composition and effectiveness of the Board and its Committees, and the principal risks facing the Group together with the approach taken to manage them.

These processes also support the Board’s overall responsibility to ensure that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide stakeholders with the information necessary to assess the Group’s business model, strategy and performance.

This section includes or refers to the following reports and statements:

Report/Statement	Purpose
Directors’ report	Profiles Board members and includes various statutory performance disclosures required by S477 Companies Act 2006 including our climate related disclosures. It also lists the responsibilities of the Directors in the preparation of the annual report and financial statements.
Corporate governance statement	Discloses the Group’s governance framework, the role and responsibility of the Board of Directors and includes annual reports of the Board’s three Committees: Nominations, Audit and Risk and Remuneration, it also records Board/Committee attendance and other operational information.
Risk management and internal control <i>(Statement included in the strategic report)</i>	This section details the risks the Development Bank is exposed to and how they’re mitigated. It describes the roles of the Board, management and staff, the risk management framework, risk culture and tolerance, principal risks, and the risk assurance framework.

Directors' report

The Directors present their annual report together with the audited financial statements and independent Auditor's report for the Development Bank of Wales plc for the year ended 31 March 2026.

The following information required by the Companies Act 2006 can be found as follows:

- Details of the Group's objectives and future developments can be found on page 25 of the strategic report.
- The Group's risk management disclosures are set out in the strategic report on pages 66-70.
- Information about the use of financial instruments by the Group is given in Note two to the financial statements;
- The Group's capital structure is discussed in Note 19 to the financial statements. The principal activity of the Group is carried out in Wales and the North East, North West and South West of England.

Important post-balance sheet events

There were no important events affecting the Group which have occurred since the end of the financial year.

Dividends

The Directors do not recommend payment of a dividend (2025: £nil).

Our Board

Our Board oversees all our activities providing leadership and strategic vision and has a crucial role to play in ensuring that we achieve the objectives as set out in the Welsh Government's remit letter. It ensures that high standards of corporate governance and ways of working are maintained. It operates collectively with a focus on:

- ensuring effective arrangements are in place to provide oversight and governance on all company activities including the stewardship of public funds entrusted to it.
- strategic and significant issues affecting the operations of the Development Bank of Wales Group of companies in delivering its remit.
- the implementation of the Board's strategy. It steers, scrutinises and challenges the effectiveness and efficiency of Group performance, ensuring it continues to be regarded as a respected, enduring public finance institution.

The Board may delegate responsibility for the administration of day-to-day management issues to the senior management team, but they remain ultimately responsible and accountable for all matters. Our Non-Executive Directors scrutinise the performance of the senior management team in meeting agreed objectives. Members of the senior management team regularly attend Group Board meetings to present papers with recommendations and to provide up-to-date information.



During the year, the following individuals served as directors:

Name	Position	Initial appointment date	Initial appointment expiry	Reappointment effective date	Reappointment expiry
Sally Bridgeland	Chair	Sept 2024	Sept 2027	n/a	n/a
Giles Thorley	Chief Executive	Apr 2016	n/a	n/a	n/a
Iraj Amiri*	Non-Executive Director	Sept 2016	Aug 2019	Sept 2022	Aug 2025
Rhys Jones	Non-Executive Director	Mar 2020	Feb 2023	Mar 2026	Feb 2029
Roger Jeynes**	Non-Executive Director	Oct 2016	Oct 2019	Nov 2022	Oct 2025
David Staziker	Chief Financial Officer	Apr 2018	n/a	n/a	n/a
Robert Lamb***	Non-Executive Director	Apr 2021	Apr 2024	Apr 2024	Apr 2027
Kate Methuen-Ley	Non-Executive Director	Apr 2021	Apr 2024	Apr 2024	Apr 2027
Dianne Walker	Non-Executive Director	Mar 2022	Mar 2025	Mar 2025	Mar 2028
Iestyn Evans	Non-Executive Director	Mar 2022	Mar 2025	Mar 2025	Mar 2028
Annie Ropar****	Non-Executive Director	July 2025	July 2028	n/a	n/a
Paul Oldham****	Non-Executive Director	July 2025	July 2028	n/a	n/a

* Iraj Amiri resigned as a director on 31 August 2025 after serving his nine-year term.

** Roger Jeynes resigned as a director on 31 October 2025 after serving his nine-year term.

*** Robert Lamb resigned as a director on 9 September 2025.

**** Annie Ropar and Paul Oldham were appointed as Non-Executive Directors in July 2025.

The rules for the appointment and removal of directors are set out in the corporate governance statement found on page 62.

Our Board brings together the expertise and experience of seven non-executive and two executive directors, providing a strong foundation to guide our strategic direction.

Our non-executive directors contribute a broad range of skills and perspectives, reflecting their leadership in their respective fields. They provide independent judgement on matters of strategy, performance and risk, and play a key role in constructively challenging and scrutinising management.

Full biographies of all Board members are available on our website.

Responsibilities of the directors

The following should be read in conjunction with the responsibilities of the auditor set out in their report on pages 77 - 79. The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (UK-adopted IAS) in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The Directors have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Group and the Company and of the profit or loss of the Group for that year.

In preparing the Parent Company and Group's financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business for the next 12 months.

Directors' responsibilities in respect of accounting records and internal controls

The Directors are responsible for ensuring that the Company and its subsidiaries:

- Keep adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006
- Have an adequate and effective framework for risk management, governance and internal control.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 53 of the annual report and financial statements, confirms that to the best of their knowledge:

- The financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company;
- The strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties it faces; and
- The annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Company's shareholders to assess the Group and Company's position, performance, business model and strategy.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors have made an assessment of going concern, considering both current performance and the Group's outlook. This considered a downside scenario impacting income and costs arising from ongoing macroeconomic uncertainties, and in particular the impact of the cost-of-living crisis, potential trade restrictions and tariff increases and strained economic relations between the US, China, Europe, the UK and other countries and the conflicts in Ukraine, Iran and Gaza on still relatively high global inflation, energy prices and interest rates using the information available up to the date of issue of these financial statements.

As part of this assessment the Board considered:

- The liquidity of the various funds the Group manages to support existing and new customers through a period of prolonged stress;
- Other funding being made available to businesses in Wales, the North East, the North West, and South West of England through the public and private sectors;
- Ongoing funding discussions with the Welsh Government for future funds;
- Forecast financial models for the various funds the Group manages and the repayment requirements of the Group's funders;
- The forecast surplus and accumulated reserves for its Operations business;
- The operational resilience of the Group's critical functions including its IT systems and the ability for the business to operate as usual on a hybrid working basis;
- An assessment of the Group's supplier base, considering any single points of failure and focusing on suppliers experiencing financial stress. This included consideration of contingency plans should suppliers be deemed at risk;
- The regulatory and legal environment and any potential conduct risks which could arise.

As a result of this assessment, the Directors are satisfied that there are no material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and have, therefore, continued to adopt the going concern basis in preparing these financial statements, as explained in note 1 to the Accounts.

Priority Space

Region: Consett Business Park, Durham

Funding: £2 million loan

Business need:
Commercial property development

A loan of £2 million is supporting Priority Space to transform a former colliery site at Hutton Court, Durham, into 14 high-specification commercial units for SMEs. Backed by FW Capital and the North East Combined Authority, the development will drive regeneration, create jobs and meet strong demand for modern workspace in the North East.



Long-term viability statement

The Development Bank of Wales plc is owned by Welsh Ministers and its continuation as an entity is ultimately at the discretion of the Welsh Government that is in power. The Board assumes that the Group has and will continue to have Welsh Government support and that its funding arrangements, which represents 100% of the Group's repayable funding, will remain in place.

The Directors have based their assessment of viability on the Group's long-term corporate plan, which is updated and approved annually by the Board. To be a viable business, there should be a high level of confidence that both solvency and liquidity risks can be managed effectively, meaning that the Group must successfully fund its balance sheet and hold adequate capital and liquidity over the entire period covered by its viability statement.

A three-year period is considered to be the most appropriate viability period as it is the longest period over which the Board considers that it can form a reasonable view of the likely political and macroeconomic environment and associated key drivers of business performance. This is in line with market practice.

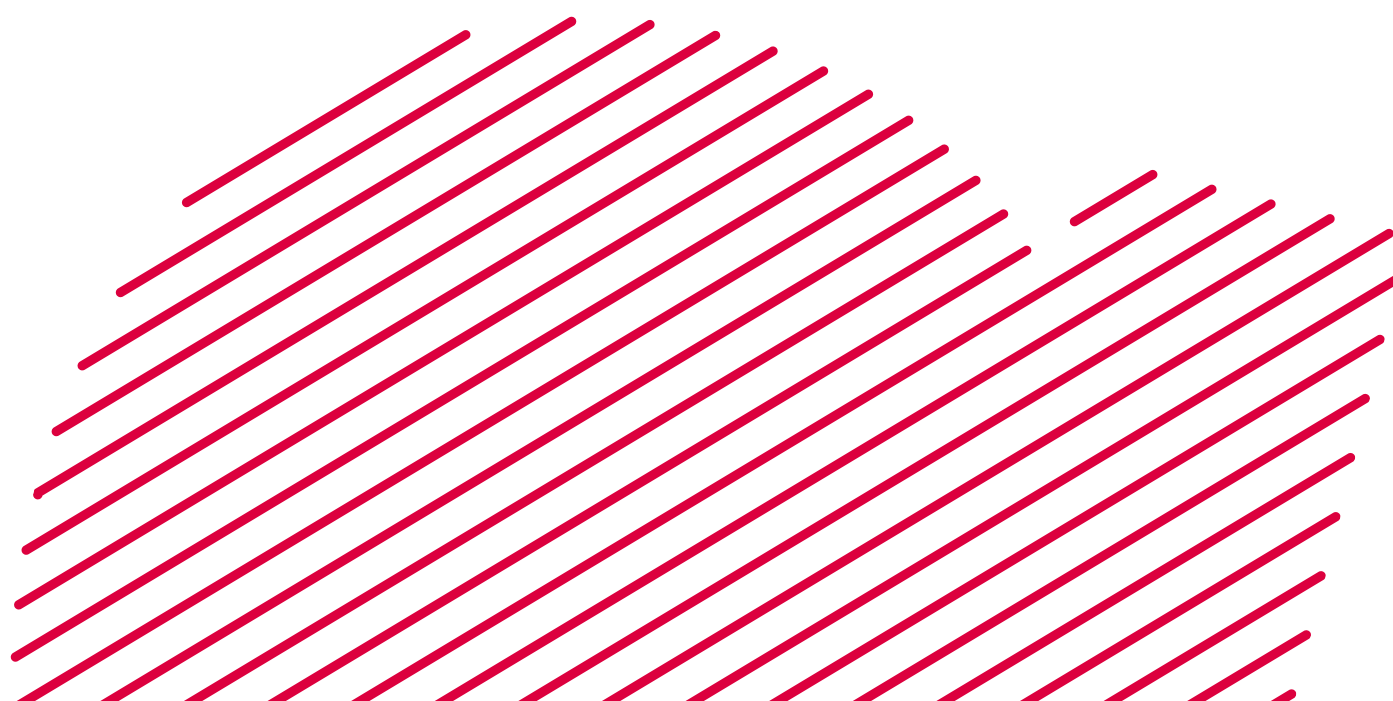
The Group's liquidity and capital positions are described in Notes 19 and 20 respectively. The Group produces a five-year corporate plan which incorporates a five-year financial forecast for the Operations business. This forecast does not include any new fund assumptions and so the outer years are less

certain and therefore the Group uses three years in its long-term viability statement. This forecast is updated annually and is based on income and expenses for existing funds only.

The same assessment process as noted above for going concern, but for the longer three-year long-term viability period, was carried out. This considered a downside scenario impacting income and costs arising from ongoing macroeconomic uncertainties, and in particular the impact of the cost-of-living crisis, potential trade restrictions and tariff increases and strained economic relations between the US, China, Europe, the UK and other countries and the conflicts in Ukraine, Iran and Gaza on still relatively high global inflation, energy prices and interest rates using the information available up to the date of issue of these financial statements.

The key considerations made for the long-term viability of the Group related to the likelihood of continued provision of investment funds from the Welsh Government, and the ongoing macroeconomic uncertainties. As a result of this assessment, the Directors are satisfied that the Group has sufficient liquidity to continue to make investments for a minimum of three years and that its Operations business remains in cumulative surplus throughout this period.

Based on these scenarios, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the three-year period considered.



Climate related disclosures

We adhere to the Streamlined Energy and Carbon Reporting (SECR) standards and provide a statement of our portfolio financed emissions using the Partnership for Carbon Accounting Financials (PCAF) framework.

Our operational emissions are reported to the Welsh Government Energy Service in line with the public sector decarbonisation programme in Wales. As a public finance institute and strategic partner for Welsh Government economic strategy, we’re developing our investment portfolio approach to deliver the national commitment of Net Zero Wales by 2050 as outlined in Wales Carbon Budgets.

Operational emissions

This is the fourth year that we have compiled a streamlined energy and carbon report for the greenhouse gas emissions of

our business operations. The following outlines an assessment of our energy and transport emissions which this year include additional reporting of rail and air travel.

The results show a marginal decrease of 1% on our total reported emissions for energy and transport (153tCO₂e) from the previous year (2024-25), but remain above baseline emissions (150tCO₂e in 2022/23).

Our emissions from electricity use have seen a decrease of 20% on the previous year, reflecting reduced consumption across office facilities following utilisation trends. The impact of this on our net emissions has been mitigated by increased business travel by car and new in year reporting of rail, air and public transport in our total emissions.

Baseline year

Baseline year	2022/23
Boundary summary	All facilities under operational control in the UK
Emission factor data source	Welsh Government Energy Service (2026)
Assessment methodology	Greenhouse Gas Protocol
Intensity ratio	Emissions per full-time employee (FTE)

Methodology

This report outlines our total annual emissions for electricity and transport following the Greenhouse Gas Protocol methodology and applying UK Government emissions factors. Our transport emissions relate to the consumption of fuel for business travel by car, rail and air and not commuting.

We do not consume any gas directly as the buildings in which we have offices are owned and managed by landlords. We therefore do not include gas in our energy emissions statement and only report electricity emissions.



Thorncliffe Building Supplies

Region: Mold

Funding: £3.2 million

Business need:

Capital investment

A £3.2 million investment from the Green Business Loan Scheme is helping Thorncliffe to reduce carbon emissions with the installation of a new wash plant and water treatment system. The project enables waste to be processed and reused on-site, cutting landfill disposal and supporting circular economy practices, helping the business transition towards more sustainable, low-carbon operations.



Metrics

Metric	Initial 2022/23 estimate	2024/25 estimate	2025/26 estimate	Trend comparison 2024/25 to 2025/26
Transport tCO ₂ e (incl. Rail, air & public transport) (tonnes)	61.02	63.30	80	26%
Electricity tCO ₂ e (tonnes)	89.18	91.50	73.1	-20%
Total tCO ₂ e (tonnes) <i>Transport & Electricity</i>	150.2	154.80	153.1	-1%
Intensity Ratio: tCO ₂ e per full-time employee	0.55	0.55	0.55	0%
Transport KW/h (excl. rail, air & public transport)	195,504	202,690	215,835	6%
Electricity KW/h	340,982	337,339	297,861	-12%
Total Energy Consumption KW/h <i>Transport & Electricity</i> (excl. rail, air & public transport)	536,486	540,029	513,696	-5%

Actions

During 2025/26 we reviewed our corporate emissions and management approach, providing key intelligence to develop our decarbonisation plan for the next upcoming corporate plan period. We continue to engage with our landlords across the estate on efficiency measures, ensure business recycling across our offices and encourage low carbon transport, including our cycle to work and electric vehicle schemes.

Financed emissions

We're a signatory of the PCAF framework, a global standard for the calculation of financed emissions. PCAF is based on the principle that financed emissions are a function of the supported entity's emissions and an attribution factor based on the relationship between the outstanding amount financed and the entity's total value.

The framework includes accounting standards based on 'asset classes'. For this statement, we've provided financed emissions estimates for business loans; and commercial property asset classes, constituting 71% of funds under management in Wales.

PCAF ranks data quality from scores 1 to 5, where score 1 is the highest quality based on an investee reporting audited data and score 5 is calculated

using sectoral emissions averages. Scores 2 to 4, combine different sources of company specific and or sectoral data, with associated quality, as outlined in the PCAF standard. Based on data availability, in this assessment 48% of portfolio emissions have been calculated on score 4 and 52% score 5 methodologies, where additional data was not available.

We acknowledge the challenges inherent in obtaining high-quality greenhouse gas (GHG) emissions data. As a result, our current financed emissions should be interpreted with caution. These estimates are expected to evolve over time as improved data and methodologies become available.

Results

For FY 2025/26 the total estimated financed emissions for private debt and commercial property are 100ktCO₂e. Of our reported financed emissions, 58% are concentrated in construction (32%), sale, maintenance and repair of vehicles; fuel; trade; hotels and restaurants (16%), petroleum, chemicals and non-metallic mineral products (10%).

We have limited exposure to the most carbon intensive sectors, these being electricity, gas and water (1%), mining and quarrying (1%); agriculture, hunting forestry & fishing (4%).

Next steps in 2026/27

In the coming year we will be building on our existing work to improve access and quality of emissions data including a review of the CEDA database.

Alongside improving our access to quality emissions data, we will work to include additional asset classes in our financed emissions statement including listed and private equity.

Estimated financed emissions by sector for the portfolio of funds under management for private debt & commercial property

Sector	Active funds under management at FYE with exclusions	Share of active funds under management at FYE with exclusions	Financed emissions – Total Scope 1-3	Share of financed emissions – Total Scope 1-3
	£ (2025-26)	% (2025-26)	(tCO ₂ e) (2025-26)	(tCO ₂ e)3 - % (20245-26)
Agriculture, Hunting, Forestry and Fishing	2,338,305	0.6%	3,928	3.9%
Construction	98,097,476	25.5%	31,487	31.5%
Electrical and Machinery	2,943,994	0.8%	461	0.5%
Electricity, Gas and Water	1,960,784	0.5%	1,217	1.2%
Financial Intermediation and Business Activity	87,616,517	22.8%	4,554	4.6%
Food Production, Beverages and Tobacco	10,585,068	2.8%	8,606	8.6%
Manufacturing and Recycling	14,345,411	3.7%	3,968	4.0%
Metal and Metal Products	8,698,316	2.3%	6,928	6.9%
Mining and Quarrying	1,772,556	0.5%	836	0.8%
Petroleum, Chemicals and Non-Metallic Mineral Products	4,444,275	1.2%	9,970	10.0%
Post and Telecommunications	560,452	0.1%	19	0.0%
Public Administration; Education; Health; Recreation; Other Services	50,895,102	13.2%	5,386	5.4%
Sale, Maintenance and Repair of Vehicles; Fuel; Trade; Hotels and Restaurants	85,578,008	22.3%	16,338	16.3%
Textiles, Leather and Wearing Apparel	2,456,131	0.6%	1,030	1.0%
Transport	7,142,099	1.9%	2,417	2.4%
Transport Equipment	2,792,178	0.7%	2,130	2.1%
Wood, Paper and Publishing	2,035,017	0.5%	788	0.8%

*All figures for Development Bank of Wales Group funds under management in Wales

Corporate and social responsibility

Details can be found in our S172 (1) statement on pages 37 to 40.

Political donations

The Group made no political donations during 2026 (2025: £nil).

Gifts and hospitality

No gifts were made by the Group. All gifts and hospitality exceeding £20 must be declared. The cumulative value of gifts and hospitality received by staff was less than £20,000 during 2026 (2025 less than £20,000).

Severance payments

There was one severance payment made in the year by the Group in the range £50,000 - £100,000 (excluding standard contractual pay elements such as payment in lieu of notice and accrued leave balance) (2025: £nil).

Loan losses/losses disposal of equity disclosure

Loan and equity write-offs of £11,754,017 were made by the Group during the year (2025 £4,826,322). These write-offs are for historic loans and equity which have already been fully provided or recorded at nil fair value and so the write-off has no in year impact on the Income Statement.

Directors' remuneration

Details of the Directors' remuneration are disclosed in Note 7 of the financial statements.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of all directors of the Company and its subsidiaries. These were in force during the financial year and remained in force at the date of approval of the financial statements.

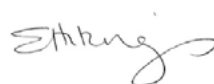
Statement of disclosure of information to the auditor

So far as each Director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. All the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

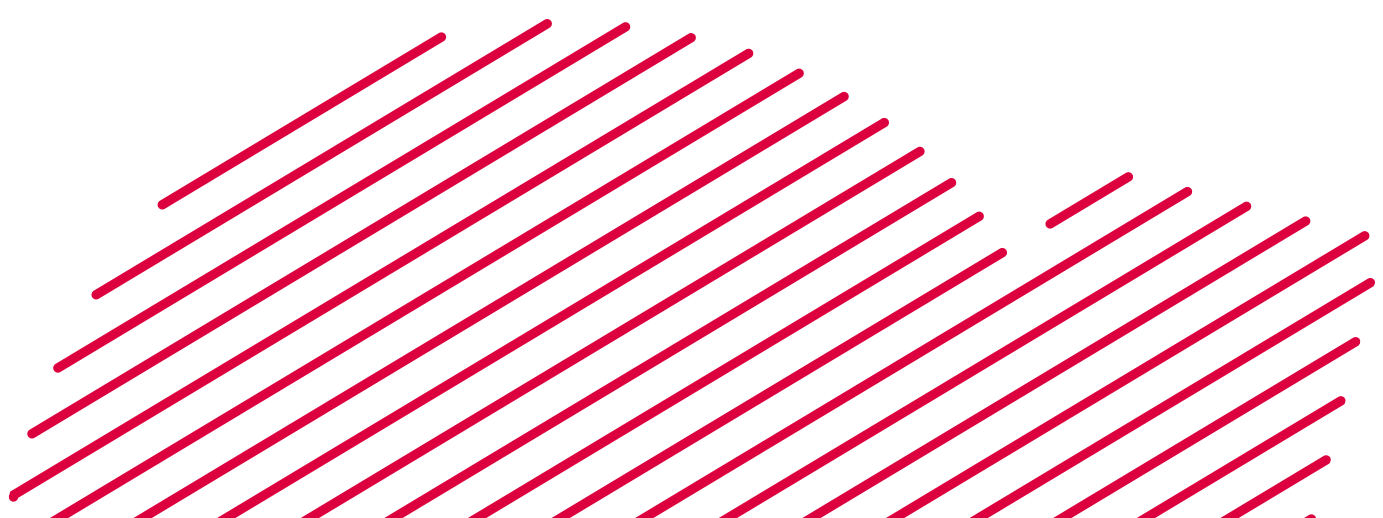
Auditors

At the Annual General Meeting on 1st October 2025 a resolution was passed that Forvis Mazars be appointed as auditor for the ensuing year. At the Annual General Meeting on 30th September 2026 a resolution will be proposed that Forvis Mazars be reappointed as auditor.

Approved by the Board of Directors and signed on behalf of the Board.



Elizabeth Hitchings
Company Secretary



Corporate governance statement

The Board is committed to maintaining high standards of corporate governance in support of the Group's long-term sustainability, effective stewardship of public funds and delivery of its strategic objectives. The Group's governance framework is designed to support robust decision-making, clear accountability and effective oversight across the business.

The constitution of Development Bank of Wales plc comprises its Articles of Association and the Framework Document agreed between Development Bank of Wales plc and the Welsh Ministers. As an organisation funded by public finances, the Group is also required to operate in accordance with the principles set out in Managing Welsh Public Money. The Chief Executive serves as Accounting Officer and is therefore responsible for the propriety and regularity of the public finances entrusted to the Group.

Whilst the Group is not formally required to comply with the UK Corporate Governance Code 2024 (the Code), the Directors recognise the importance of aligning with its principles where appropriate to the Group's size, ownership structure and public purpose. Each year, the Board receives a detailed review of the Group's alignment with the Code, prepared by the Company Secretary. The review for the year ended 31 March 2026 concluded that the Group continues to comply with the majority of those provisions of the Code that the Board feel are relevant to The Development Bank of Wales and its governance.

During the financial year, the Group continued to strengthen its alignment with the Code in a number of key areas. This included further progress in the Board's oversight of organisational culture and workforce engagement, the formalisation of the approach to Non-Executive Director reappointments, enhanced transparency in relation to Board appointments and external advisers, and the

continued embedding of the Board performance review process. The Annual Report also continues to develop its disclosure in relation to Board evaluation, succession and diversity.

The Board considers good corporate governance to be fundamental to ensuring that the Group remains aligned with the objectives of its shareholder and able to deliver sustainable long-term impact. The governance framework supports the effective execution of strategy, the prudent deployment and reinvestment of capital, and the continued development of the Group as a long-term investor in the Welsh economy.

The Chair is responsible for leading the Board, ensuring its effectiveness and promoting constructive debate and challenge. The Chief Executive leads the senior management team and is responsible for the day-to-day management of the Group and implementation of the strategy approved by the Board. The Senior Independent Director is Dianne Walker, who was appointed with effect from 1 November 2025, succeeding Roger Jeynes following the completion of Roger Jeynes' nine-year term as a Director on 31 October 2025. The Senior Independent Director works closely with the Chair, acts as a sounding board and intermediary where required, and leads the review of the Chair's performance.

Stakeholder governance

The Directors recognise the importance of effective engagement with the Group's key stakeholders in support of good decision-making and long-term value creation. The Board has regard to the interests of the Group's stakeholders, including its shareholder, customers, colleagues, investee businesses and wider communities across Wales, when discharging its duties.

See page 37 for the Directors' Section 172(1) statement.



Appointment and removal of Directors of the Company

The Framework Document provides that the appointment of the Chair, the Chief Executive and other Board members must be notified to the Director General of the Group's sponsor department, currently Enterprise, Connectivity and Energy. Appointments to the Board, Board Committees and Executive Committees are made having regard to the balance of skills, experience and contribution required to support the Group's strategic direction and effective governance.

In July 2025, we welcomed Annie Ropar and Paul Oldham to the Board. Furthermore, the Nomination Committee recommended to the Board the reappointment of Daniel Rhys Jones for a third three-year term, which was approved by the Board with effect from February 2026 in accordance with the Articles of Association. The approach to Non-Executive Director reappointments has become more formalised during the year, with the Nomination Committee applying a structured and evidence-based process to support Board decision-making.

Board information and support

The Board receives timely, relevant and high-quality information to support effective oversight, decision-making and challenge. Directors are provided with regular updates on governance developments, legislative and regulatory change, and wider industry and technical matters relevant to the Group. Information is circulated electronically to support efficiency, confidentiality and sustainability.

Board Committees

The Board has established three principal Board Committees: the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. These Committees support the Board in discharging its responsibilities and contribute to the strength of the Group's governance framework. The Board has approved terms of reference for each Committee, which are kept under review.

In addition, the Group operates a number of Executive Committees, including the Investment Committee, Risk Committee and Valuation Committee. Together, the Board, Board Committees and Executive Committees form an integrated governance structure designed to support robust oversight, effective escalation and sound decision-making across the Group.

Board and Committee attendance

The table below sets out Directors' attendance at the Board and Committee meetings during the period 1 April 2025 to 31 March 2026.

Name	Board meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Sally Bridgeland	5/5	n/a	n/a	4/4
Iraj Amiri	1/3	2/3	n/a	1/3
Iestyn Evans	5/5	5/5	n/a	4/4
Roger Jeynes	4/4	4/4	3/3	3/3
Rhys Jones	5/5	n/a	3/3	4/4
Robert Lamb	2/4	n/a	n/a	2/3
Kate Methuen-Ley	5/5	n/a	3/3	4/4
Paul Oldham	2/3	n/a	n/a	2/2
Annie Ropar	3/3	3/3	n/a	2/2
David Staziker	5/5	n/a	n/a	n/a
Giles Thorley	5/5	n/a	n/a	n/a
Dianne Walker	5/5	5/5	n/a	4/4

Conflicts of interest

Directors are subject to the duties set out in the Companies Act 2006, including the duty s.175 to avoid situations in which they have, or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. The Board considers that relevant external appointments can provide broader perspective and wider experience that may benefit the Group. Accordingly, the Board has authorised the external interests of the Chief Executive and the Chief Financial Officer, as disclosed in their biographies on the website.

Board performance review

The Board remains committed to regular review of its effectiveness and performance. In line with the Group's governance arrangements, the Board undertakes an annual review of its own performance and that of its Committees and Directors, with an externally facilitated review undertaken every third year. The external Board effectiveness review for 2026 was facilitated by BDO LLP, providing independent evaluation and insight to support continuous improvement.

The Board performance review process continues to support improvements in Board effectiveness, composition and strategic focus. During the year, the Chair continued to build on the evaluation process, with progress against priority actions reviewed regularly by the Board. Work undertaken in response to previous reviews has continued to strengthen the quality of strategic discussion and challenge in Board meetings. The Chair also undertook a review of Board skills and held individual discussions with Non-Executive Directors, helping to inform Board development and succession planning.

The Board effectiveness review undertaken in 2026 concluded that the Board was operating effectively and from a position of considerable strength, with strong governance foundations, effective oversight arrangements and a constructive Board culture. The review identified no significant concerns regarding governance effectiveness, Board capability or oversight arrangements and recognised the significant progress made in recent years. It also highlighted opportunities to further enhance the Board's strategic influence, support higher-value strategic discussion and continue to strengthen constructive challenge and participation. The Board has considered the findings and will now agree a programme of actions to support its ongoing development and effectiveness.

Approved by



**Honorary Group Captain Sally Bridgeland FIA
Chair**

23 September 2026



1st Choice Accident Repair Centre

Region: Cardiff



1st Choice Accident Repair Centre, one of the UK's largest motor vehicle repair facilities, completed a management buy-out (MBO) part-funded by an investment of £600,000 from UK Steel Enterprise. The transaction marked a successful exit for the Development Bank, exactly eight years after supporting the company's original MBO in 2018.



Audit and Risk Committee report

The Audit and Risk Committee has primary responsibility for ensuring the integrity of the Group's financial statements and the effectiveness of its risk management framework and internal controls.

Committee purpose and responsibilities

The Committee also has responsibility for the management of the internal and external audit processes and the Group's probity and whistle-blowing policies. The Chair of the Committee acts as the contact point if the whistle-blowing concern relates to the senior management team.

The Committee provides an annual report to the Welsh Government Corporate Governance Committee on its work and confirms the adequacy of the audit arrangements and assurance given by the Chief Executive Officer in respect of governance, risk management and controls.

Membership composition, skills and meetings

Our Audit and Risk Committee comprises three non-executive directors:

- Iraj Amiri (Chair until 25 June 2025 and member until 31 August 2025)
- Iestyn Evans (Chair from 25 June 2025)
- Roger Jeynes (until 31 October 2025)
- Dianne Walker
- Annie Ropar (from 1 July 2025)

Annie Ropar joined the Audit and Risk Committee in July 2025. Iraj Amiri resigned as a director on 31 August 2025 after completing his nine-year term. To facilitate succession and handover of the Chair role, Iestyn Evans was appointed Chair of the Audit and Risk Committee on 25 June 2025. Roger Jeynes resigned as a director on 31 October 2025 after completing his nine-year term.

The Audit and Risk Committee met five times during 2025/26. It is attended by our Chief Executive, Chief Financial Officer, Finance Director, Risk Assurance Director and Compliance Director, together with the internal and external auditors, and an observer from the Welsh Government. The internal and external auditors have direct access to the Chair of the Audit and Risk Committee and meet the Committee without management present at least once a year.



The key duties and responsibilities of the Audit and Risk Committee are set out below:

Report/Statement	Purpose
Financial reporting	1. Monitor integrity of the financial statements and review critical accounting policies. 2. Approve proposed materiality. 3. Assess and challenge where necessary the accounting estimates and judgements by management in preparing the financial statements. 4. Consider and challenge the going concern and long-term viability assessment prepared by management. 5. Review and monitor any significant adjustments arising from the external audit. 6. Review the annual report and financial statements and other financial reporting. 7. Advise the Board on whether, taken as a whole, the annual report and financial statements are fair, balanced and understandable.
External audit	1. Oversee the relationship with the external auditor, including remuneration, terms of engagement and consider their effectiveness, external quality assessment reviews, independence and objectivity. 2. Agree the policy for the provision of non-audit services. Challenge and agree to the external audit plan. 3. Make recommendations to the Board concerning the reappointment and removal of the external auditor. 4. Review audit findings and consider management's responses to any findings or recommendations.
Internal controls and risk	1. Oversee management's arrangements for ensuring the adequacy and effectiveness of internal controls, financial management reporting and risk management and management's approach to addressing control weaknesses. 2. Review and approve the internal control, risk management and other assurance statements in the annual report.
Probity including whistle-blowing	1. Review the whistle-blowing arrangements and receive reports on instances of whistle-blowing. 2. Review the gifts and hospitality register and arrangements. 3. Review the procedures for detecting and preventing fraud including the Fraud Response Plan. 4. Monitor the processes for compliance with laws, regulations and ethical codes of practice.
Internal audit	1. Approve the selection and appointment of internal auditors. 2. Approve the annual work plan and receive reports on individual areas of work. 3. Monitor management's responses to findings and recommendations. 4. Monitor the effectiveness of the internal audit function. 5. Monitor fund performance against fund risk appetite from time to time, including credit risk appetite.
Welsh Government	1. An observer from the Welsh Government attends all meetings and is kept fully informed on all aspects of the Committee's work. 2. An annual report is submitted to the Welsh Government Corporate Governance Committee setting out details of the Committee's work and providing assurance as to the adequacy of the audit arrangements and also on the assurances provided by CEO and the senior management team in respect of governance and control arrangements.

Significant financial statement reporting issues

A key responsibility of the Committee is to ensure that the Group's financial statements and the content of the annual report are fair, balanced and understandable. The Committee challenges the assumptions and estimates made by management in preparing the financial statements. Set out below is a summary of the significant issues that the Committee considered for this financial year.

The majority of these issues are recurring and are therefore considered by the Audit and Risk Committee on an on-going basis. The potential impact of major economic and political developments being another factor to consider for each issue on the reported results.

Valuation of Help to Buy - Wales shared equity loan portfolio

The Committee considered and challenged the key assumptions applied by management in calculating the fair value of the Help to Buy - Wales loan portfolio. This included the assumptions of future house price index ('HPI') trends, the holding period and the discount factor used following the impact of still high global inflation, energy prices and interest rates arising from the conflicts in Ukraine, Iran and Gaza, potential trade restrictions and tariff increases and strained economic relations between the US, China, Europe, the UK and other countries and Cost of Living Crisis on these assumptions. The sensitivity of the valuation calculation to key assumptions was considered, including the impact of alternative forward-looking economic scenarios. The Committee is satisfied that the fair value is appropriate. The disclosures relating to the Help to Buy - Wales valuation are set out in Notes 3, 13 and 19 of the financial statements.

Provisions for impairment of the loan book (expected credit loss provision) under IFRS 9

The Committee considered and challenged the provisioning methodology applied by management including the results of statistical loan losses to support the impairment provision and was satisfied that the estimation methods were appropriate. The Committee considered

and challenged the impairment provision which has been recognised in the financial statements and the basis for calculating expected credit losses under IFRS 9. This included the staging assumptions, the method for determining a significant increase in credit risk and the application of management judgement relating to specific provisions. The Committee also reviewed the appropriateness of forward-looking market data used to calculate the probability of default as well as historic trends used to calculate the exposure at default and loss given default. The sensitivity of the provision calculation to various assumptions was considered, including the impact of alternative forward-looking economic scenarios. The Committee was satisfied with the adequacy of the provisions recorded within the financial statements and that the assumptions and judgements applied by Management were appropriate. The disclosures relating to the impairment provision are set out in Notes 2, 4 and 14 of the financial statements.

Valuation of equity investments

IFRS 9 requires all equity investments to be held at fair value in accordance with IFRS 13. The Committee considered and challenged how management had applied the latest (December 2025) International Private Equity and Venture Capital (IPEV) Guidelines and was satisfied that they had been applied appropriately. The disclosures relating to the fair value adjustment are set out in Notes 13 and 19 to the financial statements. The Committee received the appropriate assurances from the Valuation Committee and the Chair of the Investment Committee that the classification and valuation of investments is appropriate.

The Committee is satisfied that the recognition of revenues in relation to equity realisations is appropriate and is supported by necessary documentation.



Going concern

The Audit and Risk Committee considered management's approach to, and the conclusions of, the assessment of the Group's ability to continue as a going concern. The going concern assessment period covers the period to 30 September 2027, 12 months subsequent to signing the annual report and financial statements for the year ended 31 March 2026.

The assessment considered the current capital position of the Group and liquidity requirements covering the going concern assessment period, including consideration of the impact of ongoing macroeconomic uncertainties, and in particular the impact of the cost of living crisis, potential trade restrictions and tariff increases and strained economic relations between the US, China, Europe, the UK and other countries and the conflicts in Ukraine, Iran and Gaza on still high global inflation, energy prices and interest rates. The detailed considerations taken by the Board in arriving at its going concern assessment are set out on page 55 in the Directors' report.

The Committee was satisfied that sufficient investment funds were available to meet the investment demand forecast to 30 September 2027, that there are no performance issues with any of the Group's fund management contracts and that the Group remains on track to repay its Welsh Government loans on schedule. The Committee was also satisfied that there would be sufficient cumulative surplus generated by the Operations business and associated working capital to cover all operating expenses to 30 September 2027. The Committee therefore recommended that the Board supported its conclusion that it is appropriate to adopt the going concern basis of accounting for the period of at least 12 months from the date of approval of the financial statements.

Regularity

The Committee is satisfied that there are appropriate controls in place to ensure that the Group's expenditure complies with the requirements of the Framework Agreement as set out by Welsh Ministers.

Audit and Risk Committee's performance

The performance of the Audit and Risk Committee is assessed annually, usually by means of a questionnaire sent to all Directors and senior management. This year it has been included as part of the externally facilitated Board Effectiveness Review being carried out by BDO LLP.

The review concluded that the Committee was operating effectively and providing robust oversight of risk, controls and assurance matters. The review also identified opportunities to further enhance the forward-looking application of risk insight and support strategic decision-making through greater use of horizon scanning and scenario analysis. The Committee has incorporated the findings into its ongoing development and continuous improvement activities.

Review of the annual report and financial statements

The Audit and Risk Committee met on 28 July 2026 to carry out a detailed review of a draft of the annual report and financial statements, prior to the final draft being presented to the Board on 29 July 2026. Following these discussions, the Committee advised the Board that the annual report and financial statements, taken as a whole are fair, balanced and understandable with only minor typographic changes outstanding. The Board duly approved the annual report and financial statements at the 29 July 2026 Board meeting.



External Audit

The external auditor and the Group both have safeguards to ensure the independence and objectivity of the external audit. The Group has a policy to ensure that the non-audit services provided by the external auditors are appropriate. The policy sets out the nature of work the external auditor may undertake with any assignments with fees above a defined limit requiring prior approval from the Audit and Risk Committee. The total amount paid to the external auditor in 2026 is set in Note 6 to the financial statements. The members of the Audit and Risk Committee meet at least once a year without management being present, with the external auditor.

The Committee also carries out a formal assessment of the external auditors' performance each year. In 2026 no significant issues were raised, and their performance was considered to be satisfactory. A resolution will be proposed to appoint Forvis Mazars as the Group's external auditor for 2026/27 at the Annual General Meeting in September 2026, following their successful external audit tender bid for the five years starting 1 April 2025.

Internal Audit

RSM is the Group's internal auditor. The Audit and Risk Committee reviews the Internal audit plan and ensures that the auditors have appropriate access to information to enable them to perform their audit activities effectively, and in accordance with the relevant professional standards. All findings are reviewed promptly and management's response to the findings and recommendations are regularly monitored.

The Audit and Risk Committee meet privately at least once a year with the internal auditors without management being present to discuss their remit and any issues arising from the internal audit reviews carried out. In their annual report to the Audit and Risk Committee dated 30 June 2026 our Internal Auditor's opinion as to our governance, risk management and control arrangements stated: "The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

Approved by the Chair of the
Audit and Risk Committee.



Iestyn Evans

Chair of the Audit and Risk Committee

23 September 2026



Mr Holts

"We've seen so much success in the last few years, and we wanted to make sure we could answer that increased demand by building up our capacity and taking on newer, bigger production premises. The new factory in Llangefni is exactly what we needed, while also allowing us to keep making chocolate locally and retaining important jobs on Anglesey."

"We're so pleased with the support we had from the Development Bank of Wales and co-investors Bathgate. It's allowing us to expand our operations at exactly the right time."

Richard Holt, Owner



Remuneration Committee report

The Remuneration Committee has oversight of the framework for pay, incentives and benefits across the Group.

It applies a formal and transparent procedure for remuneration matters, operating within the agreed pay protocol and providing assurance to Welsh Ministers that the remuneration policy framework is applied in a fair and responsible manner.

This report summarises the Committee's membership, responsibilities and activity during 2025/26.

Committee membership and attendance

The Remuneration Committee comprises three non-executive directors.

Committee Chair: Rhys Jones

Members: Kate Methuen-Ley and Dianne Walker

The Committee is appointed by the Board and must consist of at least two members. The Chair, Chief Executive Officer, People Director and People and Development representatives normally attend meetings, except when matters relating to their own remuneration are discussed.

The Committee reports to the Board following each meeting.

Committee responsibilities

- Determine and approve the framework and broad policy for the remuneration of non-executive directors and the senior management team, ensuring no director is involved in decisions about their own remuneration.
- Ensure that senior management are appropriately incentivised and fairly rewarded.
- Approve the design of performance-related pay schemes and the total annual payments made under those schemes.
- Determine individual remuneration packages for members of the senior management team within the agreed framework and broad policy, and in consultation with the Chair or Chief Executive Officer as appropriate.
- Oversee major changes in employee benefits.
- Operate within the scope of the pay protocol agreed with Welsh Ministers and provide assurance that the remuneration policy framework is applied in a fair and responsible manner.

Activity in 2025/26

The Committee met three times during the year and considered matters relating to pay, incentives, governance and wider people matters, in line with its terms of reference.

- Considered the Gender Pay Gap and movement across pay quartiles, including the impact of recruitment and market practices.
- Assessed senior management objectives to ensure alignment with the Corporate Plan and longer-term organisational capability.
- Considered the pay protocol and benchmarking evidence, and endorsed the approach to the 2025/26 pay review within the agreed framework.
- Approved incentive arrangements, including Northern Powerhouse Investment Fund and North East Elevate Fund arrangements, within the Committee's delegated authority.
- Reviewed its Terms of Reference and recommended updates to the Board for approval.
- Considered relevant statutory and best practice guidance on remuneration disclosure, including the UK Corporate Governance Code 2024, where appropriate.

Pay and benefits

The Group operates within a five-year pay protocol agreed with Welsh Government for the period April 2022 to March 2027.

Performance management supports the link between pay and performance and aligns individual contribution with organisational objectives. The Committee considers affordability, value for money, market benchmarking, equal pay analysis and Welsh Government expectations when reviewing pay proposals.

- The Gender Pay Gap is considered annually, with progress and underlying workforce movements monitored by the Committee.
- Pay is benchmarked using independent market data to support arrangements that are fair, transparent, proportionate and competitive.

- Non-executive director remuneration is considered within the framework and broad policy approved by the Committee, with no director involved in decisions relating to their own remuneration.

As part of our commitment to fair pay, we review our lowest paid band on an annual basis. The current minimum full-time equivalent salary is £25,878 and is aligned to the Real Living Wage.

The Chief Executive Officer's salary was 5.15 times the median workforce remuneration and is monitored annually.

Directors' remuneration

The following section provides details of the remuneration of Board members. This includes salary, incentive and pension entitlements. Non-executive directors are not members of the company pension schemes and do not receive performance incentives.

Name	Salary (incl incentive) 2025/26 £	Pension 2025/26 £	Salary (incl incentive) 2024/25 £	Pension 2024/25 £
Sally Bridgeland (from Sept 24)	60-65	-	35-40	-
Gareth Bullock (until Sept 24)	-	-	10-15	-
Iraj Amiri (until Aug 25)	10-15	-	25-30	-
Roger Jeynes (until Oct 25)	20-25	-	30-35	-
Rhys Jones	25-30	-	25-30	-
Robert Lamb (until Sept 25)	10-15	-	35-40*	-
Kate Methuen-Ley	20-25	-	20-25	-
Dianne Walker	25-30	-	20-25	-
Annie Ropar (from July 25)	25-30	-	20-25	-
Iestyn Evans	15-20	-	-	-
Paul Oldham (from July 25)	15-20	-	-	-
Giles Thorley	280-285	25-30	250-255	20-25
David Staziker	195-200	60-65	190-195	55-60

*Includes fees of £11,500 paid for additional consultancy services outside of his duties as a non-executive director.

Wider people matters

The Committee received updates on the implementation of the people strategy to ensure alignment with the Group's business strategy and future workforce requirements.

Approved by



Rhys Jones
Chair of the Remuneration Committee

23 September 2026

Colleague profile

"Before joining the Development Bank, I worked alongside the organisation on a number of transactions and saw first-hand the commercial expertise it brings to businesses across Wales. What makes it different is its willingness to look beyond a simple lending decision and work with businesses to find solutions that support long-term growth. I'm passionate about using my experience to help Welsh businesses access the funding and support they need to succeed."



Jonathan Stott - Senior Portfolio Executive

Jonathan is a Chartered Accountant trained with PwC. He has built his career across corporate finance, infrastructure and property, with extensive experience in debt and equity investment. Before joining the Development Bank in 2026, he was Finance Director at Cardiff Airport, where he worked closely with Welsh Government on long-term financial strategy and funding.

Earlier in his career, Jonathan led and advised on major transactions including acquisitions,

fundraising, private equity investments and M&A activity across a range of sectors, bringing strong commercial insight and a track record of delivering complex financial solutions. His experience across public and private sectors, combined with deep financial expertise and board-level leadership, strengthens the Development Bank's ability to support Welsh businesses with the capital and strategic input needed to grow and thrive.

Nomination Committee report

The purpose of the Nomination Committee is to consider succession planning, review the leadership needs of the organisation and identify and nominate Board members.

The Nomination Committee is chaired by Sally Bridgeland. The Nomination Committee met four times during the year. Attendance can be found on page 63.

The Committee supports the Board in promoting effective leadership and ensuring an appropriate balance of skills, experience, independence and diversity, and oversees succession planning, Board composition and development.

During the financial year 2025/26, the Committee focused on succession planning, Board composition, skills development and governance. This included:

- Maintaining oversight of Board and Committee succession planning, including development of a long-term succession plan and consideration of future Board and Committee requirements.
- Overseeing the recruitment and appointment of two Non-Executive Directors, Annie Ropar and Paul Oldham, and supporting their induction. Odgers Berndtson were appointed for the recruitment of these non-executive directors.
- Reviewing and recommending appointments to key roles, including Committee Chairs and the Senior Independent Director, and keeping Committee composition under review to ensure appropriate capability and independence.
- Maintaining and updating the Board skills audit to reflect emerging priorities such as artificial intelligence, cyber security, Welsh language and Well-being of Future Generations, and used outputs to inform recruitment, development activity and succession planning.

- Agreeing a Board development plan and overseeing annual individual Non-Executive Director evaluations, which included self-assessment, peer review and Chair-led discussions, to assess effectiveness and inform continuous improvement.
- The external Board effectiveness review.
- Recommending the reappointment of Rhys Jones following performance review and confirmation of independence.
- Reviewing and updating the Committee's Terms of Reference and considering the remit and composition of other Committees, with further review planned following the Board effectiveness review.

The Board remains committed to maintaining a diverse and effective composition. Diversity considerations continue to inform succession planning, skills assessment and recruitment decisions.

Approved by the Chair of the Nomination Committee



Sally Bridgeland
Chair of the Nomination Committee

23 September 2026

Aberystwyth Cliff Railway

Region: Ceredigion

Funding: £150,000 loan

Business need:

Maintenance and refurbishment



Aberystwyth Cliff Railway is the second longest electric funicular cliff railway in Great Britain and attracts 75,000 visitors each year to the region. A £150,000 investment by the Development Bank has been used to refurbish the Victorian railway carriages and carry out essential maintenance work. 20 jobs have been safeguarded and two new roles created.



Independent auditor's report



Independent auditor's report to the members of Development Bank of Wales Public Limited Company

Opinion

We have audited the financial statements of Development Bank of Wales Public Limited Company (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2026 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company's Balance Sheet, the Parent Company's Statement of Changes in Equity, and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and as regard to the Group financial statements, UK-adopted international accounting standards, and as regard to the Parent Company financial statements, United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2026 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; and in respect of the parent company financial statements, as applied in accordance with the provisions of the Companies Act; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities 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 Group and the Parent 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 ('FRC') 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 audit procedures to evaluate the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;

- Making enquiries of directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and the Parent Company's future financial performance;
- Evaluating the directors' going concern assessment of the Group and the Parent Company and challenging the appropriateness of the key assumptions used by the directors in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and the mitigating actions put in place in response to the current economic situation, including but not limited to, the inflation levels and interest rates;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Reading regulatory correspondence, reviewing minutes of meetings of the Audit and Risk Committee and the Board of Directors, making inquiries of management and considering post balance sheet events to identify events or conditions that may impact the Group's and the Parent Company's ability to continue as a going concern;
- Considering the consistency of the cashflow forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the going concern disclosures in the financial statements.

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 Group's and the Parent 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

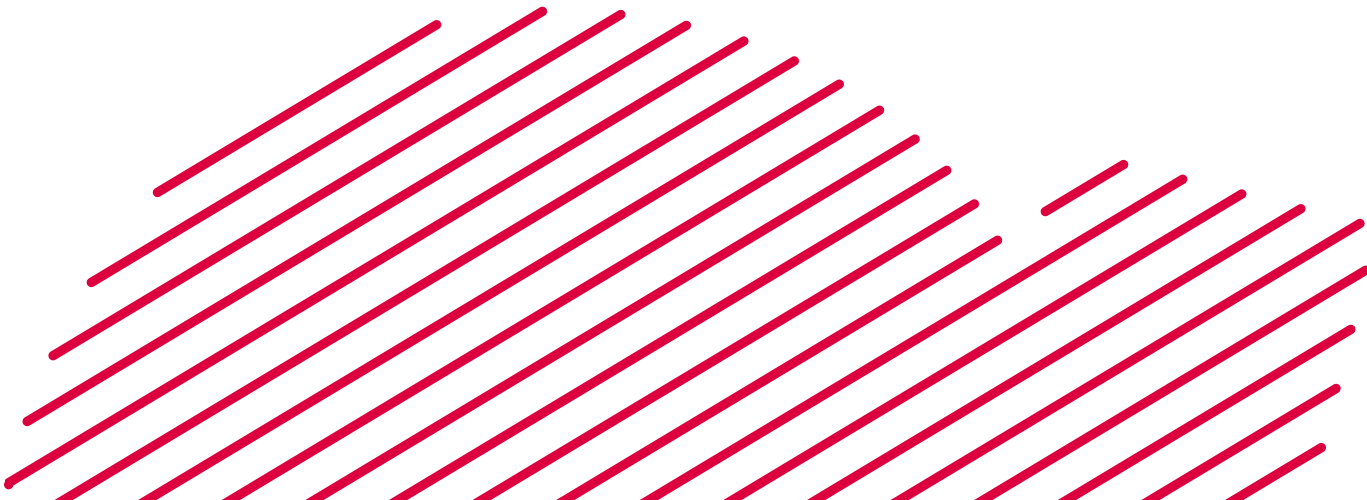
We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.



Key audit matters	How our scope addressed these matters
Identification and completeness of Stage 3 loans and advances to customers and valuation of the associated impairment Group: Allowance for impairment (Stage 3 loans): £57.5m (2025: £52.8m) Loans and advances to customers at amortised cost (Stage 3): £89.6m (2025: £76.6m) Refer to Note 2: Accounting Policies, Note 4: Credit Risk and Note 14: Other Financial Assets in the financial statements. Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. The impairment provision relating to the Group's loan portfolio requires the directors to make judgements over the ability of the Group's customers to make future loan repayments. The completeness of stage 3 loans and the provision assessment of such exposures have been identified as a Key Audit Matter. Management identifies stage 3 loans through criteria relating to days past due and being unlikely to pay. Judgement is applied in the assessment of unlikely to pay criteria. Individual impairment assessments are made for loans classified as Stage 3. Judgement is applied to assess the value and timing of recoverable cash flows. Management applies either a 100% or 50% provision on each stage 3 loan following this assessment. The level of risk has remained consistent with prior year.	Identification and completeness of stage 3 loans Our audit procedures included, but were not limited to the following: • Obtained an understanding and performed a review of the end-to-end key business process around the allowance for impairment; • Evaluated the design and implementation of key controls over the staging criteria, internal ratings allocations, annual reviews, and days past due monitoring; • Assessed management's ability to identify impairment triggers on a timely basis and to determine whether the exposure will be repaid as originally intended; • Critically assessed the methodology for determining the default criteria in accordance with IFRS 9 requirements; and • Tested a sample of Stage 1 and Stage 2 exposures against the Bank's Significant Increase in Credit Risk (SICR) and default criteria to assess the appropriateness of credit staging. In addition, we reviewed a sample of Stage 3 exposures that had migrated to non-default status to evaluate whether the return to performing classification was supported by evidence of sustained improvement in credit risk. Key assumptions used to determine the stage 3 impairment provision Our audit procedures included, but were not limited to the following: • Engaged our credit modelling specialists (Quants) to evaluate the methodology of the macroeconomic PDs for conceptual soundness. We also engaged our Economist experts to perform a review of the macroeconomic variables and scenarios for reasonableness; • Challenged the reasonableness of the assumptions used by management in supporting the use of either 50% or 100% provision on stage 3 exposures. This also included independently assessing the recovery outcomes of the associated loans; • Assessed the valuation and existence of the collateral on a sample of exposures; • Performed stand-back procedures on the impairment provision and relevant benchmarking of the key inputs used in the impairment model to assess the appropriateness of the allowance for impairment on stage 3 loans; and • Verified the completeness and accuracy of the associated disclosures in the financial statements. Our observations We concluded that the identification of stage 3 loans and the ECL assessment of stage 3 exposures are consistent with IFRS 9 requirements, and we determined that the allowance for impairment on stage 3 loans as at 31 March 2026 is reasonable.

Key audit matters	How our scope addressed these matters
Valuation of the Help To Buy - Wales Portfolio Group: £347.3m (2025: £362.9m) Refer to Note 2: Accounting Policies, Note 3: Critical Accounting Judgements and Key Sources of Estimation Uncertainty and Note 13: Financial Assets at Fair Value in the financial statements. Help to Buy Wales Portfolio ('HTBW') shared equity loans are held at fair value under the classification and measurement provisions of IFRS 13 and IFRS 9. The directors apply significant judgement in determining the fair value of the portfolio, building a model to incorporate the underlying variable inputs present in the valuations, which are subject to significant estimation uncertainty. We recognise that the valuation of the HTBW portfolio is sensitive to changes in forecast House Price Index ('HPI') growth, discount rate applied and the forecast repayment profile of the loans, noting some of these are not market observable. These inputs are subject to significant estimation uncertainty and require judgments to be made by directors. Other inputs also include forced sale discount and retail price index. The level of risk has remained consistent with prior year.	Our audit procedures included, but were not limited to the following: • Obtained an understanding and performed a review of the end-to-end key business processes around the HTBW portfolio and assessed the design and implementation of the controls identified in the process, including performing walkthroughs; • Reviewed and evaluated the HTBW valuation methodology to assess compliance with IFRS 13 and IFRS 9 requirements; • Engaged our valuation experts to review and challenge the key assumptions and inputs to the model. These includes discount rate and HPI; • Challenged management on the appropriateness of the assumptions used within the model and agreed to independent third-party sources where available; • Performed an independent benchmarking of the forecast HPI and discount rate assumptions used against relevant comparable assumptions used within the industry and other available third-party sources; • Performed independent substantive procedures on the drawdowns and repayments on a sample basis and agreeing to relevant supporting data where possible; • Performed a review of the logic and arithmetic accuracy of the HTBW valuation model by reperforming the calculation of the model, and agreeing the inputs to relevant supporting documentation where appropriate; • Assessed managements repayment profile forecast to identify the possibility of a change in forecast repayments giving rise to a material misstatement in later periods; and • Assessed the completeness and accuracy of the associated disclosures in line with IFRS 13. Our observations We concluded that management’s methodology and the key assumptions used in determining the fair value of the HTBW Portfolio were reasonable and in line with IFRS 13 and IFRS 9 requirements. The values determined as at 31 March 2026 are considered appropriate.



Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our

audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	
Overall materiality	£20.1m (2025: £19.1m)
How we determined it	1% of total assets (2025: 1% of total assets)
Rationale for benchmark applied	The core operations of the Group are to invest in various Small to Medium Enterprises and personal loans across Wales via Special Purpose Vehicles. The Group is an entrusted entity through which the Welsh Government places funds for investment and return in line with Government policy objectives which makes total assets a focus area for key users of the financial statements, which are the Welsh Government and the investee businesses.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £14.0m (2025: £13.3m) which represents 70% (2025: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £0.6m (2025: £0.6m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Parent Company materiality	
Overall materiality	£9.5m (2025: £4.3m)
How we determined it	2% of net assets (2025: 2% of net assets)
Rationale for benchmark applied	The main purpose of the Parent Company is to encourage economic development through lending and investment, which is driven by its financial asset balances. Net assets are the main focus of the key users of the financial statements, which are mainly the Welsh Government.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £6.6m (2025: £3.0m), which represents 70% (2025: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £0.3m (2025: £0.1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the Parent Company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included the audit of the Group's and the Parent Company's financial statements. Based on our risk assessment, all consolidated components of the Group, including the Parent Company, were subject to full scope audit performed by the group audit team.

At the Parent Company level, the Group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

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 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.

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.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 54, 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 Group's and the Parent 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 Group or the Parent 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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.

Based on our understanding of the Group and the Parent Company and their industry,

we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: anti-money laundering regulations, Financial Conduct Authority ('FCA') supervisory and regulatory requirements, Consumer Credit Act and Welsh Government regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Parent Company, the industry in which they operate, and the structure of the Group, and considering the risk of acts by the Group and the Parent Company which were contrary to the applicable laws and regulations, including fraud
- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the Parent company are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit;
- Reviewing minutes of meetings of the Board of Directors and the Audit and Risk Committee held in the year, and subsequent to the balance sheet; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: UK tax legislation, UK pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing and
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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.

Use of the audit 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.



Pauline Pélissier (Senior Statutory Auditor)

for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey, London

23 September 2026



Financial statements



Consolidated income statement

For the year ended 31 March 2026

	Note	2026	2025
		£000s	£000s
Interest revenue calculated using the effective interest method	5	26,717	23,196
Other interest revenue	5	3,809	3,515
Other revenue	5	12,143	12,039
Revenue	5	42,669	38,750
Operating expenses:			
Impairment of loans	6	(7,570)	(4,592)
Other administrative expenses	6	(36,370)	(35,177)
Total operating expenses		(43,940)	(39,769)
Other operating income:			
Release of other grant income	5	3,006	1,389
Fair value gain on shared equity assets	5	11,673	13,099
Fair value gain/(loss) on other financial assets	5	2,308	(19,001)
Realised gain from the disposal of shared equity assets	5	13,186	9,179
Total other operating income		30,173	4,666
OPERATING PROFIT	6	28,902	3,647
Other interest income	8	40,954	47,863
Finance costs	9	1,780	(6,922)
Loss on amounts owed to principal shareholder held at fair value	16	(24,859)	(22,278)
PROFIT BEFORE TAXATION		46,777	22,310
Taxation	10	(1,168)	(3,318)
PROFIT FOR THE FINANCIAL YEAR		45,609	18,992
Profit attributable to equity shareholders		46,085	20,371
Loss attributable to non-controlling interest	20	(476)	(1,379)
PROFIT FOR THE FINANCIAL YEAR		45,609	18,992

Consolidated statement of comprehensive income

For the year ended 31 March 2026

	Note	2026	2025
		£000s	£000s
Profit for the financial year		45,609	18,992
Items that will not subsequently be reclassified to profit or loss:			
Actuarial gain on defined benefit pension schemes	17	1,630	3,370
Deferred taxation	10	(4,150)	
Other comprehensive income for the year net of tax		(2,520)	3,370
Total comprehensive income for the year		43,089	22,362
Total comprehensive income attributable to equity shareholder		43,565	23,741
Total comprehensive loss attributable to non-controlling interest	20	(476)	(1,379)
Total comprehensive income for the year		43,089	22,362

All of the other comprehensive income for the current and prior year is attributable to the owners of the parent

Consolidated statement of changes in equity

For the year ended 31 March 2026

	Note	Public equity	Share capital	Retained profit	Non-controlling interest	Total
		£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2024		319,455	13	26,746	10,147	356,361
Profit for the financial year		-	-	20,371	(1,379)	18,992
Actuarial gain on defined benefit pension schemes	17	-	-	3,370	-	3,370
Non-controlling interest capital contribution	20	-	-	-	1,860	1,860
Non-controlling interest distribution	20	-	-	-	(1,380)	(1,380)
Increase in public equity		363	-	-	-	363
Sub total		363	-	23,741	(899)	23,205
Balance at 31 March 2025		319,818	13	50,487	9,248	379,566
Profit/(loss) for the financial year		-	-	46,085	(476)	45,609
Actuarial gain on defined benefit pension schemes	17	-	-	1,630	-	1,630
Deferred taxation	10	-	-	(4,150)	-	(4,150)
Non-controlling interest capital contribution	20	-	-	-	4,037	4,037
Non-controlling interest distribution	20	-	-	-	(3,560)	(3,560)
Increase in public equity		258,086	-	-	-	258,086
Sub total		258,086	-	43,565	1	301,652
Balance at 31 March 2026		577,904	13	94,052	9,249	681,218

Consolidated balance sheet

As at 31 March 2026

	Note	2026	2025
		£000s	£000s
Non-current assets			
Intangibles	11	930	1,404
Property, plant and equipment	12	1,425	1,831
Financial assets at fair value	13	405,462	414,240
Trade and other receivables	14	221,951	211,779
Retirement benefit	17	18,100	14,970
		647,868	644,224
Current assets			
Trade and other receivables	14	126,395	121,612
Cash and cash equivalents	15	1,231,871	1,140,648
		1,358,266	1,262,260
Total assets		2,006,134	1,906,484
Current liabilities			
Trade and other payables	16	(52,404)	(63,410)
Deferred income	18	(1,131)	(761)
Lease liabilities	21	(356)	(348)
		(53,891)	(64,519)
Net current assets		1,304,375	1,197,741
Non-current liabilities			
Trade and other payables	16	(1,270,206)	(1,461,224)
Lease liabilities	21	(819)	(1,175)
		(1,271,025)	(1,462,399)
Total liabilities		(1,324,916)	(1,526,918)
Net assets		681,218	379,566
Equity			
Public equity		577,904	319,818
Share capital	20	13	13
Retained profit		94,052	50,487
Non-controlling interest	20	9,249	9,248
Total equity		681,218	379,566

The financial statements of Development Bank of Wales plc, registered number 04055414, were approved by the Board of Directors on 23 September 2026.

Signed on its behalf by



G Thorley
Director

Consolidated cash flow statement

For the year ended 31 March 2026

	Note	2026	2025
		£000s	£000s
Net cash outflow from operating activities	22	(230,736)	(45,588)
Investing activities			
Other interest received	8	40,954	47,863
Purchase of fixed assets	11, 12	(283)	(475)
Net cash received from investing activities		40,671	47,388
Financing activities			
Finance costs	9	(643)	(41)
Principal elements of lease payments	21	(348)	(339)
Non-controlling interest capital contribution		4,037	1,860
Non-controlling interest distribution		(3,560)	(1,380)
Public Equity Issued		8,407	363
Public Equity transferred from FTR		249,679	
Grant income received	18	3,376	1,164
WG Funding repaid	16	(12,754)	(35,805)
WG Funding received	16	33,094	45,531
Net cash received from financing activities		281,288	11,353
Net increase in cash and cash equivalents		91,223	13,153
Cash and cash equivalents at beginning of year		1,140,648	1,127,495
Cash and cash equivalents at end of year		1,231,871	1,140,648

For further details on cash and cash equivalents see Note 15.

Notes to the consolidated financial statements

For the year ended 31 March 2026

1. General information

Development Bank of Wales plc is a company incorporated in the United Kingdom under the Companies Act 2006. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

Basis of preparation

The financial statements for the year ended 31 March 2026 have been prepared and approved by the Directors in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments at fair value. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The material accounting policies adopted have been applied consistently to all of the years presented, unless otherwise stated.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, which reflects a period of at least 12 months from the date of approval of the financial statements and have concluded that there are no material uncertainties relating to going concern.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months. The directors have made an assessment of going concern, taking into account both current performance and the Company's directors outlook which considered the impact of macroeconomic uncertainties, and in particular the continued

impact of the cost of living crisis, potential trade restrictions, tariff increases and strained economic relations between the US, China, Europe and other countries and the conflicts in Ukraine, Iran and Gaza on (still relatively high) global inflation, energy prices, and interest rates. As part of this assessment the Board considered:

- The liquidity of the various funds the Group manages to support existing and new customers through a period of prolonged stress;
- Other funding being made available to businesses through the public and private sectors;
- Ongoing funding discussions with the Welsh Government for future funds;
- Forecast financial models for the various funds the Group manages and the repayment requirements of the Group's funders;
- The forecast results and accumulated reserves for its Operations business;
- The operational resilience of the Group's critical functions including its IT systems and the ability for the business to operate as usual on a hybrid working basis;
- An assessment of the Group's supplier base, considering any single points of failure and focusing on suppliers experiencing financial stress. This included consideration of contingency plans should suppliers be deemed at risk;
- The regulatory and legal environment and any potential conduct risks which could arise.

As a result of this assessment, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2026

1. General information (continued)

New and revised IFRS standards adopted by the Group

There have been no new or amended standards adopted by the Group during the year. Adoption of amendments to existing standards and annual improvements applicable in the year did not have any impact on the group's accounting policies and did not require retrospective adjustments.

The Group has considered all new and revised IFRS standards that have been issued but are not yet effective at the date of authorisation of these financial statements. Standards, amendments and interpretations issued and effective on or after 1 January 2026 that are expected to have an impact on the Group are as follows:

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Classification and Measurement of Financial Instruments)

Amendments to IFRS 9 and IFRS 7 clarify the classification requirements for financial assets containing certain contingent and ESG-linked features and introduce related disclosure requirements. Based on the Group's current portfolio of financial assets, management does not expect the amendments to have a material impact on the Group's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has issued a new IFRS Accounting Standard to replace IAS 1 Presentation of Financial Statements. The new standard creates detailed requirements for the classification and aggregation of income and expenses in the income statement, and disclosure requirements for management-defined performance measures. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and has been endorsed for use in the UK. The Group is currently assessing the impact of the standard on its financial statements.

2. Accounting policies

Basis of consolidation

The consolidated financial statements comprise Development Bank of Wales plc (the Company) and its subsidiary undertakings, as listed in Note 28 of the company financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the consideration plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary acquired is recorded as goodwill. Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Intangibles

Intangible assets are shown in the balance sheet at their historical cost less amortisation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of computer software. The asset is determined to have a finite useful life and will be amortised on a straight-line basis over its estimated useful life of up to 7 years. Amortisation commences when the software is fully implemented.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at their historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items. Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement as incurred.

Depreciation is provided so as to write off the initial cost of each asset to its residual value on a straight-line basis over its estimated useful life as follows:

Fixtures, fittings and equipment - 3 to 5 years.

Property relates to right of use assets and is discussed in more detail in the leasing accounting policy note on page 92.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated income statement.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Management regularly reviews a range of factors to determine whether significant influence over an investee exists. Amongst

others, key factors include reliance on funding from the Group by the investee; exchange of key management personnel or provision of technical expertise; and the ability to significantly influence investee Board decisions through presence of executive or non-executive Group management at the investee Board.

The Group has taken a scope exemption available in IAS 28 Associates for accounting for associates held by venture capital organisations, mutual funds, unit trusts and similar entities for the associate to be measured at fair value through profit and loss (FVTPL). The Group's risks arising from investments in associates are similar to investments in other equity investments that have not been classified as associates where significant deterioration in the value of the investment could reduce Group net assets. No financial guarantees are given or borrowing restrictions established with investee companies.

The Group looks for capital growth rather than income return from its investments. The 'venture capital' investments are held as part of an investment portfolio where their value is through their marketable value rather than as a medium through which Development Bank of Wales carries out its business. Development Bank of Wales aims to generate a growth in the value of its investments in the medium term and usually identifies an exit strategy or strategies when the investment is made. The investments are in businesses unrelated to Development Bank of Wales's business. The investments are managed on a fair value basis.

Investments in associates are designated as at FVTPL. Measurement of associates at FVTPL is consistent with the Group's documented risk management and investment strategy.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Revenue recognition

Revenue represents interest receivable on loans, and fund management fees which are each recognised in the period in which they arise.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income and loan arrangement fees are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Fund management fees are recognised over the lifetime of the fund in the period in which they arise.

Dividends

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Other Interest Income

Interest income, excluding interest receivable on loans, is recognised in the period to which it relates using the effective interest rate method.

Other grant income

Notional grant income is recorded in relation to schemes financed by the Welsh Government where state aid is conferred to customers via loans issued at below market rates. As the Group is committed to issue loans at below market rates, grant income is recognised in line with the grant expense incurred as described below. Grant income is capped at the difference between the transaction value of funding received and the initial fair value of the liability recorded. Where this amount is lower than the total grant expense for a scheme, grant income is recorded proportionally to the principal of loans as they are issued.

Grant expense

Where loans are issued at below market rates the loan asset is initially recognised at fair value calculated using an appropriate market rate, the difference between the transaction value of the loans and their fair value are recognised immediately through the consolidated income statement as a grant expense.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately through the consolidated income statement.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- all equity investments are subsequently measured at FVTPL.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Loans and advances to customers

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group assesses its business models at a portfolio level based on its objectives for the relevant portfolio and how the performance of the portfolio is managed and reported.

Loan commitments

The Group has no loan commitments as at the balance sheet date. Initial loans and follow-on loans are granted based on conditions at the point of drawdown. The Group will always reserve the right not to invest if agreed conditions are not met.

Effective interest method

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts (including all fees on points paid

or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

For purchased or originated credit impaired assets (POCI), the EIR reflects the ECLs in determining future cash flows expected to be received from the financial asset.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not solely payments of principal and interest;
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated as FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in the consolidated income statement. Fair value is determined in the manner described in Note 19.

Shared equity loans

The contractual cash flows of shared equity loans are linked to the value of the underlying property and are therefore not solely payments of principal and interest on the principal amount outstanding.

Shared equity loans are held at FVTPL and measured at fair value as at the balance sheet date. More detail on the measurement of shared equity loans can be found in Note 3.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Impairment

The Group assesses on a forward-looking basis, the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. At initial recognition, financial assets are categorised as 'stage 1' and an impairment provision is made for ECLs resulting from default events projected within the next 12 months (12-month ECL). Subsequently, financial assets are considered to be in 'stage 2' when their credit risk has increased significantly since initial recognition, at which point it is considered appropriate to recognise lifetime ECL.

Financial assets are included in 'stage 3' when there is objective evidence that the asset is credit-impaired, with expected credit losses still calculated on a lifetime basis.

ECLs are a probability-weighted estimate of the present value of credit losses.

These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive, arising from discounting the cash flows at the asset's EIR.

More information is provided in Note 4, including details on how instruments are grouped to assess the correct inputs for the ECL calculation.

Significant increase in credit risk (SICR)

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been SICR since initial recognition. If there has been SICR the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the

Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information, and regional or sectoral information. See Note 4 for more details about forward-looking information.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the performance of the borrower. The Group uses its portfolio risk grading system (grades A to E) to identify credit-impaired financial assets. Indicators of credit-impairment used by the Group are presented in the portfolio grade descriptors on page 99. Assets classified within grade D and E are considered to be credit-impaired.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Financial instruments (continued)

Definition of default (continued)

Default is considered to have occurred when there is evidence that a customer is in significant financial difficulty and that the customer meets certain quantitative and qualitative criteria regarding their ability to make contractual payments when due. This includes instances where:

- the customer has incurred significant unauthorised arrears as a result of overdue contractual repayments (see Note 4 for further information on arrears);
- the customer makes a declaration of significant financial difficulty;
- it appears probable that the customer will enter administration, bankruptcy, or another form of financial restructure;
- the customer is unlikely to pay its credit obligations to the Group in full for any other reason.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in the consolidated income statement. A favourable change for such assets creates an impairment gain.

Modification and de-recognition of a financial asset

Modification of a financial asset is considered to have occurred under IFRS 9 if the contractual cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of a financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The change to the original contractual terms must be legally binding and enforceable by law.

The Group renegotiates and reschedules loans to customers for a number of reasons. The most common reason is to assist customers in financial difficulty in order to maximise our collections and minimise the risk of default. The revised terms in most cases include an extension of the maturity of the loan or changes to the timing of the cash flows of the loan (principal and interest repayment). On modification the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate.

An assessment needs to be made at the time of modification as to whether the modification warrants the financial asset being de-recognised and a new financial asset originated. A change is deemed to be substantial if the movement in net present value (NPV) due to modification is >10%. In these cases, the original financial asset will be de-recognised and, where appropriate, a new financial asset originated at the date of modification. Where a loan is de-recognised and a new loan originated, a gain or loss being the difference between the fair value of the new loan recognised and the carrying amount of the original loan de-recognised (including the cumulative loss allowance) will be recognised in the consolidated income statement. The assessment of the credit risk of the new financial asset will start again and the ECL will initially be calculated on a 12-month basis.

The Group would also de-recognise a financial asset where the modification of that financial asset would lead to any of the following scenarios:

- the extinguishing of the contractual rights to the cash flows from the assets, or
- the transfer of the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Financial instruments (continued)

Write-off

Financial assets are written off when the Group has no reasonable expectations of recovering the asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of payment that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains being recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term bank deposits; and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or equity instruments according to the substance of the contractual arrangements.

Financial liabilities

Financial liabilities are recognised as either financial liabilities at FVTPL or other financial liabilities. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Public equity

The Welsh Ministers, acting through the Welsh Government, have from time to time provided funds for investment purposes. Some of this Welsh Government funding was originally made as public dividend capital (PDC) whilst the remainder is classified as grant in aid or core funding for investment purposes.

This non-repayable funding is to invest in the long-term sustainability of Development Bank of Wales and within the Welsh Minister's own accounting arrangements the funds are regarded as being an investment. Additional public equity arises where the Group receives loans from the Welsh Government at below market rates as described below.

Amounts owed to principal shareholder held at amortised cost: Welsh Government loans (WG loans)

The Welsh Government has provided financial transaction reserve (FTR) and core capital funding to the Group via interest free loans, these loans are specific to each fund created with repayment levels linked to the performance of the fund.

Initial recognition

On initial recognition the financial liability is recognised at fair value, calculated in accordance with IFRS 13. Where the Group is obligated to issue below market rate loans and grant income is to be recorded (as noted above) this balance is included within deferred income. The difference between the sum of the fair value of the liability plus the deferred income recorded and the transaction value (funds received) is treated as a capital contribution. In line with previous capital contributions, we will include this in public equity within equity on the consolidated balance sheet.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Financial instruments (continued)

Amounts owed to principal shareholder held at amortised cost: Welsh Government loans (WG loans) (continued)

Initial recognition (continued)

As it is not possible to identify market transactions involving similar financial instruments and apply a market approach, the Group uses the income approach and a present value technique which uses the future cash flows associated with the loan discounted to give the present value of these cash flows and the fair value of the liability. The key inputs to this technique are the expected cash flows associated with the loan and the discount rate applied to those cash flows. See Note 3 for further information.

Subsequent treatment

Loans are held at amortised cost with a notional interest charge being recorded in each period to reflect the unwinding of the initial discount using the EIR of each loan.

In the event of a revision to expected repayments, the Group shall adjust the amortised cost of a financial liability to reflect the revised estimated contractual cash flows. The amortised cost of the financial liability will be recalculated as the present value of these cash flows using the original EIR of the loan, any adjustment will be recognised in the consolidated income statement as income or expense.

Embedded derivatives

Embedded derivatives that are not closely related will be separated from host contracts in accordance with IFRS 9, where a separate derivative is recorded it will be held at FVTPL.

Amounts owed to principal shareholder held at fair value

The Welsh Government has also provided FTR funding to the Group to provide Help to Buy - Wales and Help to Stay - Wales shared equity loans, with gains and losses on the portfolio transferred back to Welsh Government.

Initial recognition

On initial recognition the financial liability is recognised at fair value, calculated in accordance with IFRS 13. Where the Group is obligated to issue below market rate loans and grant income is to be recorded (as noted above) this balance is included within deferred income. Any difference between the sum of the fair value of the liability plus the deferred income recorded and the transaction value (funds received) is deferred.

Subsequent treatment

As the shared equity loan portfolio is held at FVTPL, the Group has designated these liabilities as measured at FVTPL to eliminate the inconsistency that would otherwise arise from recognising the gains and losses on different bases. Gains or losses deferred on initial recognition are released as the loan portfolio is realised.

Leasing

The Group assesses whether a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases relate to property.

The Group recognises a right of use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For those leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements

For the year ended 31 March 2026

2. Accounting policies (continued)

Leasing (continued)

The lease liability is initially measured at the present value of the lease payments discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the HM Treasury discount rate at the inception of the lease. The lease liability is presented as a separate line in the consolidated balance sheet.

The ROU asset is measured at the same value as the lease liability at the date of initial application adjusted for any prepayments and are depreciated over the period of the lease term.

Related party transactions

The Group has taken advantage of the exemption conferred by paragraph 25 of IAS 24 Related Party Disclosures and has not disclosed transactions with its wholly-owned subsidiaries.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided in full on temporary differences between the carrying amount of assets and liabilities in the financial statements, and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and is expected to apply when the deferred tax liability is settled, or the deferred tax asset is realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where

the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the consolidated income statement, except where it relates to items recognised through the consolidated statement of comprehensive income (SOCl), in which case it is recognised through SOCl.

Retirement benefits

The Group operates a defined benefit pension scheme, now closed to new members, which is administered by Rhondda Cynon Taf County Borough Council. The Group accounts for its share of the surplus or deficit and the cost of accruing benefits of this scheme.

The level of contributions made to the scheme and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries.

The scheme assets are an estimate of the Group's notional share of the total fund assets measured at market value at each balance sheet date and liabilities are measured using the projected unit method, discounted using a corporate bond rate. The Group's notional share of assets is assumed to be invested in the same proportion as the fund as a whole in the different asset classes.

The resulting pension scheme surplus or deficit is recognised immediately in the consolidated balance sheet, net of deferred tax where applicable, and any resulting actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

The Group offers a defined contribution scheme administered by Legal and General which is open to those staff who are not members of the Rhondda Cynon Taf County Borough Council administered scheme. Employer contributions in relation to this scheme are accounted for within other administrative expenses in the period in which they are due.

Notes to the consolidated financial statements

For the year ended 31 March 2026

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Basis of consolidation

The Directors use their judgement to make an assessment of whether the Group controls an enterprise by considering the Group's power to govern the financial and operating policies of an enterprise taking into account any potential voting rights. They also consider the Group's ability to use its power to direct the relevant activities of an enterprise and the Group's exposure to the variability of returns. The judgement has a significant impact on the Group's consolidated balance sheet, income statement and cash flow:

any enterprise that is controlled requires the financial statements of the enterprise to be included in the Group consolidated financial statements and, where an entity is not controlled, consolidation is not required.

In preparing these financial statements, the Directors have considered the relationship the Group has with the eleven funds managed by FW Capital Limited and specifically as to whether the Group controls those funds.

With regard to eleven of the FW Capital Limited managed funds, the Directors note that while FW Capital in its role as fund manager and TVUPB Limited, TVC Loans NPIF GP Limited, North West Loans NPIF GP Limited, North East Property GP Limited, NE Commercial Property (GP) Limited, FWC SWIF Debt GP Limited, FWC IFW Debt GP Limited, FWC NPIFI Debt GP Limited, FWC TFIF GP Limited, FWC SYPA Debt GP Limited and FWC NE Debt GP Limited in their roles as general partner to their respective funds all exercise power over the activities of the respective funds they do not have sufficient exposure to the variability of returns from the funds to meet the definition of control and therefore act as agents rather than principals of the funds. Accordingly, the funds have not been consolidated into these financial statements.

The Wales Management Succession Fund Limited Partnership (WMSF LP) is also managed by FW Capital Limited. Following a detailed review of the relationship the Directors decided that the control tests under IFRS 10 were met and therefore the results for the WMSF LP have been consolidated into the Group financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2026

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Group's accounting policies (continued)

Deferred tax

A deferred tax asset has been recognised in respect of timing differences relating to non-trade financial losses, excess management expenses, accrued pension costs and fair value gains in respect of investments in associates and capital losses to offset the deferred tax liability which has arisen this year because tax losses are no longer sufficient to cover the deferred tax liability arising in two group companies relating to their defined benefit pension scheme surplus. The asset would be recovered if there were sufficient suitable future profits to absorb all such assets. The Group has remaining tax losses of £ 50.4m (2025: £88.2m) available for offset against future taxable profits.

If deferred tax assets were recognised in full this would amount to a further asset of £12.6m at 25% of the gross loss (2025: £22.1m at 25% of the gross loss) being recognised before any potential liabilities are taken into account.

Welsh Government loans

Under IFRS 9, financial instruments should initially be recorded at fair value with adjustments for transaction costs in certain circumstances. As described in Note 2, the Group has received interest free loans from the Welsh Government where in some instances full repayment of the loan principal is not expected, as such the initial fair value of the liability recognised is not equal to the transaction value i.e. the loan principal.

IFRS 9 states that ordinarily the difference between the transaction value and the fair value should be recognised as an expense or reduction of income unless it qualifies for recognition as another type of asset however, treatment of the below-market rate element of an intercompany loan is not directly addressed by IFRS 9. IAS 20 deals with government loans at a below-market rate of interest with the difference treated as a government grant however it does not address the situation where the government entity is a related party.

Whilst the loans provided by the Welsh Government are intended to support their policy objectives, Management's view with reference to the IASB's Conceptual Framework for Financial Reporting is that the substance of these transactions is that a subsidy has been given by a parent company to its subsidiary. This interest subsidy should be recognised as a component of equity in the subsidiary i.e. a capital contribution in the financial statements of the Group. If the interest subsidy had instead been treated as a grant, this would have been recognised in the consolidated income statement on a basis that reflected the substance of that grant.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Help to Buy - Wales shared equity loans

The fair value of the shared equity loan book has been calculated by setting out anticipated future cash flows and discounting these at an appropriate rate. A number of observable inputs have been used in the calculation which results in a £11.7m gain (2025: £13.1m) on the fair value of the shared equity loan book with a year-end valuation of £347.6m (2025: £363.1m). This calculation uses a number of judgemental assumptions, notably a forecast for future house price movement and a discount rate based on a risk free rate and comparable housing bonds.

House price forecasts

The model uses observable transaction data to estimate movements in house prices between the origination of a loan and the measurement date. To forecast future house price movements over the maximum 25 year duration of the loan term, the model uses independent house price index (HPI) forecast data for Wales. This data has been adjusted for expected divergences between the forecast and the expected movement of the shared equity loan book due to the particular characteristics of the HTBW portfolio.

Notes to the consolidated financial statements

For the year ended 31 March 2026

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

House price forecasts (continued)

The central scenario for future HPI growth is used in the fair value calculation for the 2026 financial statements. The forecast assumes interest rates will remain elevated, household incomes are to come under pressure, and unemployment is to edge

higher. These headwinds—combined with a modest long-term economic outlook—are set to keep house price growth subdued.

Sensitivity analysis on this input indicates a range of alternative scenarios for house price movements. The sensitivity of the modelled fair value to changes in HPI, with all other assumptions held constant, is illustrated below.

HPI Sensitivity Scenarios

Scenarios	Annual HPI growth forecast (5 years)					Fair value movement £m	Variance to Central scenario £m	5 year average (i)
	FY27	FY28	FY29	FY30	FY31			
Upside	3.8%	4.8%	6.2%	6.7%	5.4%	39.5	27.8	5.4%
Central	1.4%	0.5%	2.0%	4.7%	5.1%	11.7	-	2.7%
Downside	-3.6%	-3.8%	-1.8%	3.6%	5.7%	-17.3	-29.0	0.0%
Severe downside	-5.8%	-6.2%	-4.3%	2.6%	5.8%	-32.5	-44.1	-1.7%

i. The average rate for HPI is based on the cumulative annual growth rate over the forecast period

Discount Rate

The discount rate of 5.81% (2025: 5.80%), is based on a risk-free rate, which is calculated using the UK gilts yield curve, and a risk premium which is selected based on an analysis of the spreads on a range of bonds with similar risk profiles to our portfolio. Alongside HPI it is a significant input to the valuation model. A key driver in deriving the appropriate discount rate is the forecast cash flows, principally from repayment of shared equity loans. This determines the weighted average life of the portfolio, which is used to identify the correct point on the yield curve spread for the risk-free rate and the risk premium. The discount rate has remained largely static when compared to the prior

year. The risk-free rate has increased, despite a reduction in the weighted average life of the portfolio, due to a rise in UK gilt yields. This has been offset by a reduction in the risk premium compared to the prior year.

Management considers a reasonable range for considering the sensitivity of this input to be 50 basis points above or below the FY26 rate. Sensitivity analysis on this input suggests that changes to the discount rate are not material to the fair value when viewed in isolation. However, due to the interrelationship of this input with assumptions for house price forecasts, as outlined below, an explanation of how the discount rate is derived has been disclosed.

Notes to the consolidated financial statements

For the year ended 31 March 2026

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Interrelationship between unobservable inputs

Due to the interaction between different economic variables within the fair value model, the impacts of single variable sensitivities may not be representative of realistic alternative scenarios. Movements in either HPI or discount rate are unlikely to occur in isolation. Were the HPI scenario to become more pessimistic, for example, reflecting the downside or severe downside scenarios identified above, then there is a realistic expectation that this would also see a rise in the discount rate as we would expect both the risk-free rate and risk premium to increase. We have illustrated this by combining our downside scenario with a 50 basis points increase in the discount rate. The combined effect is a -£23.7m loss on fair value, a reduction of £35.4m on the gain reported in our central scenario. Were the HPI outlook to improve then we would expect both the risk-free rate and risk premium to fall. We have illustrated this using our upside scenario in combination with a 50 basis points decrease in the discount rate. The combined effect is a fair value gain of £47.8m, an increase in the reported gain of £36.2m.

All other inputs have been tested for sensitivity and do not have a material impact on the valuation of the shared equity book. Actual gains and losses on the portfolio are transferred back to Welsh Government so the overall impact to the Group is limited.

Fair value measurement of unlisted equity investments

The fair value of unlisted equity investments has been estimated using a range of techniques giving a year-end valuation of £52.1m (2025: £43.6m).

In estimating the fair value of a financial asset, the Group uses market-observable

data to the extent that it is available. Where such level 1 inputs are not available the Group uses valuation models including discounted cash flow analysis and valuation models to determine the fair value of its financial instruments. The valuation techniques for level 3 financial instruments involve management assessment and estimates the extent of which depends on the complexity of the instrument.

Where relevant, multiple valuation approaches may be used in arriving at an estimate of fair value for an individual asset. Such inputs are typically portfolio-company specific and therefore cannot be aggregated for the purposes of portfolio-level sensitivity analysis. Further details of the Group's level 3 financial instruments and the valuation techniques used are set out in Note 19.

4. Credit risk

Credit risk is the risk that a customer will default on their contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk arises from loans and advances to customers.

Credit risk management

The Group's Risk and Compliance team is responsible for managing the Group's credit risk by:

- Ensuring the Group has appropriate credit risk practices, including an effective system of control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, and IFRS.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against identified risks including the requirements to obtain security from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Credit risk management (continued)

- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method to measure ECL.
- Ensure that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

As part of the three-year internal audit work plan, audits are performed to ensure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk (SICR)

As explained in Note 2, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group operates a portfolio grading system that categorises asset exposure according to the degree of risk of default. The Group's grading framework comprises 5 categories

and allocates an appropriate grade to each asset which realistically reflects the change in credit risk over the life of the investment.

This approach was implemented as part of the portfolio controls in order to ensure appropriate strategies are deployed on assets given their particular circumstances, and in order to ensure those assets requiring a specific provision are identified. The portfolio grading approach is well embedded in the various portfolio teams, with several controls in place to ensure grading is appropriate.

Assets are classified as grade A to E, with grades A to C representing 'healthy' assets (albeit with grade C showing signs of underperformance and a significant increase in credit risk). Grade D being 'sick' with objective evidence of impairment, and grade E carrying a specific provision.

Assets in the Micro loan portfolio are not allocated a specific portfolio grade as the Group does not obtain sufficient regular information to accurately grade these investments. These cases are therefore graded 'MICRO'. These loans are however monitored through payment history and Equifax alerts and are graded D or E if risk factors are identified. Similarly, assets in the Covid-19 Wales Business Loan Scheme fund are initially graded 'CWBS' until sufficient information has been obtained to accurately grade these investments.

We would normally expect mainstream investments to start life as a grade B and typically those investments which are exceeding expectations at the point of drawdown would be graded A. We consider that grade A, B, MICRO and CWBS assets are low risk and healthy and remain with the portfolio team. Together, they are regarded as Stage 1.

Grade C assets, whilst still considered healthy, do show a significant increase in credit risk and are normally managed with input from the risk team. They are regarded as Stage 2 assets.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Internal credit risk ratings (continued)

Assets in grades D and E show a further increase in credit risk with objective evidence of impairment and are, therefore, regarded as Stage 3 assets.

The table below shows a summary of the descriptors for each portfolio grade. The list is not exhaustive, but indicative of the characteristics that “typical” assets in a particular grade might be expected to display.

Asset Class	Typical Descriptors		
	Calculation of ECL	12-month	Lifetime
A – Healthy	- Good quality financial information submitted on time. - Performance exceeding or more or less in line with business plan. - Risk position not increased since investment made. - Payments made in timely manner. - No negative credit alerts.	Arrears <30 days: Stage 1	Arrears >30 days: Stage 2
B – Healthy	- Irregular financial information. - Performance is broadly in line with business plan. - Performance is within covenants. - Payments made in a timely manner. - No negative credit alerts.	Arrears <30 days: Stage 1	Arrears >30 days: Stage 2
Micro	Assets in the Micro loan portfolio are not allocated a specific portfolio grade as we do not obtain sufficient regular information to accurately grade these investments. These cases are therefore graded ‘MICRO’. These loans are however monitored through payment history and Equifax alerts and are graded D or E if risk factors are identified.	Arrears <30 days: Stage 1	Arrears >30 days: Stage 2
CWBLs	Assets in the CWBLs classification are not initially allocated a specific portfolio grade as we did not have sufficient regular information to accurately grade these investments. These cases are therefore graded ‘CWBLs’. These loans are graded A-E once sufficient information has been obtained through management information and payment history.	Arrears <30 days: Stage 1	Arrears >30 days: Stage 2
C – Early Warning	- Financial information difficult to obtain or not available. - Business still appears to be viable but difficult to assess the risk. - Unauthorised arrears capitalised. - Request for authorised repayment holiday. - Satisfactory explanation to negative credit alert. - Evidence of creditor payments being stretched. - Breach of covenant for two consecutive months.	Stage 1 *	Stage 2
D – Sick	- Material underperformance. - Business changed direction or strategy. - Unauthorised arrears. - Breach of covenant for more than two consecutive months. - No formal Time to Pay agreement in place with HMRC. - Payment plans with creditors breached.		Stage 3
E – Terminal	- No recovery from D. - Objective evidence of risk of loss identified warranting a specific provision.		Stage 3

*Some Covid-19 business loans classified as Grade C do not show indicators of SICR and remain in Stage 1.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Measurement of expected credit loss (ECL)

The portfolio of loans and advances to customers held at amortised cost has been disaggregated into categories of loans with shared credit risks. Six categories of loan with different risk profiles have been identified: mainstream loans, micro loans, property loans, rescue and restructure loans, mutual investment model loans, and Covid-19 Wales business loans.

The disaggregation is reconsidered from time to time and amended to fit the risk profiles apparent at that time.

Expected loss rates are calculated for each loan in the Group's portfolio with the following main inputs:

- Probability of default (PD) – data is obtained from an external credit specialist which analyses expected default frequencies based on the characteristics of each portfolio company. Where data is not available for an individual customer the average PD based on the loan category and internal risk grading is used.
- Exposure at default – exposure at the point of default is estimated using historic data from the Group's portfolio and movements in capital balances across each default horizon considered.
- Loss given default – expected losses on Grade E assets are used to estimate the loss given default for similar assets held at higher grades.

At the point of ECL measurement, loans are summarised by portfolio grade and the loss rates for each portfolio grade (either 12-month or lifetime, as appropriate) within each of the six categories is applied and the ECL calculated. The calculation is on a discounted cash flow basis where the cash flows are discounted by the original EIR of the loan.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Incorporation of forward-looking information

Probability of default data is obtained for four UK macroeconomic scenarios (severe downside, downside, base and upside), relative weightings of the forward-looking economic scenarios are then used to generate the weighted output for use in the ECL model. Changes in the macroeconomic inputs does not have a material impact on the ECL provision.

There are additional factors which can influence the credit risk of the Group's investment portfolio, for example, the failure of a major employer could have a significant impact on business in the local area and beyond. Such events are considered as part of the Risk Committee's assessment of forward-looking information.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Overdue accounts

The Group measures investments in arrears in two ways:

- Net arrears – amounts which are past due and unauthorised.
- Gross arrears – amounts which are past due compared to the original loan schedule whether authorised or not.

For the purposes of the IFRS 9 approach the gross arrears calculation will be used to identify those assets which are 30 days past due. Assets in Stage 1 which are over 30 days past due are flagged as having a significant increase in credit risk and moved to Stage 2. A probationary period is applied whereby assets are not subsequently moved back to stage 1 until they have been less than 30 days past due for a period of 6 months.

Within IFRS 9 there is a rebuttable trigger for assets which are over 90 days past due to be moved to Stage 3. Assets in Stages 1 and 2 which are over 90 days past due will already have been reviewed and assessed within our grading procedures. The asset may have been modified and rescheduled and payments may now be in line with the revised schedule, but the grading will also have been reviewed and if it is appropriate and there is objective evidence of impairment will have been moved to either a grade D or E and therefore be in Stage 3.

Where the review process indicates there is no objective evidence of impairment, despite the gross arrears in excess of 90 days, assets will remain in Stage 2 and the 90-day trigger is considered to have been rebutted.

Capital repayment holidays, initially lasting 3 months, were offered across the portfolio in response to the impact of the Covid-19 pandemic. Whilst these holidays are considered alongside other key observable data in grading assets and the SICR assessment, the granting of a Covid-19 repayment holiday is not taken as a sole indicator of SICR. Eligibility criteria was broad, and borrowers may

have requested a repayment holiday in order to manage liquidity due to short-term cash flow disruption. Further holidays after the initial 3-month period were given in line with our existing policies and are taken as a SICR trigger.

Increase in probability of default

A significant increase in absolute probability of default since origination is considered as a SICR trigger.

Groupings based on shared characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, specifically:

- Portfolio grade; and
- Investment type.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Credit quality

Class of financial instrument

The Group monitors credit risk per class of financial instrument. An analysis of the Group's credit risk concentrations per class of financial asset is provided in the following tables:

Loans and advances to customers at amortised cost	2026	2025
	£000s	£000s
Concentration by category:		
Rescue and restructure loans	3,035	3,499
Property development loans	66,404	64,961
Micro loans	13,675	12,107
Covid-19 Wales business loans	6,491	18,652
Mutual investment model loans	22,505	23,505
Mainstream loans	215,295	194,304
	327,405	317,028
By Maturity:		
Loans to customers receivable in < 1 year	105,454	105,249
Loans to customers receivable in > 1 year	221,951	211,779
	327,405	317,028

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Exposure by class, internal rating and stage

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and 'stage' is provided below:

Loans and advances to customers at amortised cost				2026
				£000s
	Stage 1	Stage 2	Stage 3	Total
Grade A-B: Low to fair risk	225,049	-	-	225,049
Grade Micro: Low to fair risk	24,513	-	-	24,513
Grade CWBLS: Low to fair risk	883	-	-	883
Grade C: Early warning*	39	31,899	-	31,938
Grade A-B: Low to fair risk - in arrears	-	9,590	-	9,590
Grade Micro: Low to fair risk - in arrears	-	5,086	-	5,086
Grade CWBLS: Low to fair risk - in arrears	-	883	-	883
Grade C: Early warning - in arrears	-	9,473	-	9,473
Grade D: Significant increase in credit risk and objective evidence of impairment	-	-	9,470	9,470
Grade D: Significant increase in credit risk, objective evidence of impairment and in arrears	-	-	25,771	25,771
Grade E: Objective evidence of impairment	-	-	54,385	54,385
Total gross carrying amount	250,484	56,931	89,626	397,041
Loss allowance	(4,316)	(7,814)	(57,506)	(69,636)
Net carrying amount	246,168	49,117	32,120	327,405
Provision coverage ratio	1.7%	13.7%	64.2%	17.5%

Loans and advances to customers at amortised cost (prior year comparative)				2025
				£000s
	Stage 1	Stage 2	Stage 3	Total
Grade A-B: Low to fair risk	199,306	-	-	199,306
Grade Micro: Low to fair risk	22,567	-	-	22,567
Grade CWBLS: Low to fair risk	4,723	-	-	4,723
Grade C: Early warning*	356	35,048	-	35,404
Grade A-B: Low to fair risk - in arrears	-	29,621	-	29,621
Grade Micro: Low to fair risk - in arrears	-	4,938	-	4,938
Grade CWBLS: Low to fair risk - in arrears	-	1,322	-	1,322
Grade C: Early warning - in arrears	-	8,108	-	8,108
Grade D: Significant increase in credit risk and objective evidence of impairment	-	-	15,410	15,410
Grade D: Significant increase in credit risk, objective evidence of impairment and in arrears	-	-	13,584	13,584
Grade E: Objective evidence of impairment	-	-	47,566	47,566
Total gross carrying amount	226,952	79,037	76,560	382,549
Loss allowance	(4,201)	(8,498)	(52,822)	(65,521)
Net carrying amount	222,751	70,539	23,738	317,028
Provision coverage ratio	1.9%	10.8%	69.0%	17.1%

*Some Covid-19 business loans classified as Grade C do not show indicators of SICR and remain in Stage 1.

Notes to the consolidated financial statements

For the year ended 31 March 2026

4. Credit risk (continued)

Movement of loss allowance during year

The table below analyses the movement of the loss allowance during the year per class of asset:

Loans and advances to customers at amortised cost				
	£000s			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 April 2025	4,201	8,498	52,822	65,521
Changes in the loss allowance:				
New financial assets originated	2,275	-	-	2,275
Transfers to Stage 1	1,834	(1,471)	(363)	-
Transfers to Stage 2	(534)	1,201	(667)	-
Transfers to Stage 3	(288)	(1,607)	1,895	-
(Decrease)/increase due to other changes in credit risk	(3,172)	1,193	9,069	7,090
Write offs	-	-	(5,250)	(5,250)
Loss allowance as at 31 March 2026	4,316	7,814	57,506	69,636

Movement of the gross carrying amount during year

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance is provided in the table below:

Loans and advances to customers at amortised cost				
	£000s			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 April 2025	226,952	79,037	76,560	382,549
Changes in the gross carrying amount:				
New financial assets originated	127,337	-	-	127,337
Transfers to Stage 1	12,916	(12,289)	(627)	-
Transfers to Stage 2	(25,082)	26,490	(1,408)	-
Transfers to Stage 3	(12,032)	(14,025)	26,057	-
Write offs	-	-	(5,250)	(5,250)
Other changes	(79,607)	(22,282)	(5,706)	(107,595)
Gross carrying amount as at 31 March 2025	250,484	56,931	89,626	397,041

Other changes in the table above predominantly relates to repayments received during the year that have reduced outstanding balances on assets that remain held at the year end.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £nil (2025: £nil).

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. There are no net modification gains or losses from financial assets where modification does not result in derecognition.

Notes to the consolidated financial statements

For the year ended 31 March 2026

5. Revenue and other operating income

An analysis of the Group's revenue, all of which arises in the UK, is as follows:

	2026	2025
	£000s	£000s
Revenue		
Interest revenue calculated using the effective interest method	26,717	23,196
Other interest revenue	3,809	3,515
Fees	11,729	11,568
Dividends	414	471
	42,669	38,750
Other operating income		
Other grant income	3,006	1,389
Fair value gain on shared equity assets	11,673	13,099
Fair value gain / (loss) on other financial assets	2,308	(19,001)
Realised gain from the disposal of shared equity assets	13,186	9,179
Total revenue and other operating income	72,842	43,416

6. Operating profit

	2026	2025
	£000s	£000s
Operating profit has been arrived at after charging:		
Amortisation of intangibles	474	307
Depreciation of fixtures and fittings	337	450
Depreciation of right of use assets	352	352
Directors' emoluments and staff costs (see Note 7)	23,077	21,535
Provision for deferred incentive scheme	678	611
Grant expense in respect of below market rate loans	1,804	945
Impairment of loans	7,570	4,592
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's financial statements	42	109
Fees payable to the Company's auditor for other services to the Group: Audit of the Company's subsidiaries	542	410
Total audit fees	584	519
Fees payable for the provision of assurance services:		
Audit of client assets (CASS)	25	23
Group reporting	15	15
Total non-audit fees	40	38

Notes to the consolidated financial statements

For the year ended 31 March 2026

7. Information regarding directors and employees

	2026	2025
	£000s	£000s
Directors' emoluments		
Wages and salaries	730	695
Pension costs	87	80
	817	775

Remuneration of highest paid director	311	279
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One director (2025: one) of the Company and three directors (2025: three) of subsidiary companies were members of the defined benefit pension scheme.

	2026	2025
	£000s	£000s
Aggregate payroll costs		
Wages and salaries	18,584	17,495
Social security costs	2,395	1,973
Pension costs	2,098	2,067
	23,077	21,535

	2026	2025
	No.	No.
The monthly average number of persons employed (excluding directors and agency temps):		
Administration	65	66
Funds Management	221	217
	286	283

8. Other interest income

	2026	2025
	£000s	£000s
Bank interest	40,054	47,333
Net return on pension scheme assets	900	530
	40,954	47,863

9. Finance costs

	2026	2025
	£000s	£000s
Notional interest (receivable) / payable on WG loans	(2,423)	6,881
Interest on lease liabilities	32	40
Other interest	611	1
	(1,780)	6,922

Notes to the consolidated financial statements

For the year ended 31 March 2026

10. Taxation

Group	2026	2025
	£000s	£000s
Current tax		
Total current tax charge for the year	5,318	3,318
Deferred tax		
Total deferred tax credit for the year	(4,150)	-
Total tax charge for the year	1,168	3,318

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2026	2025
	£000s	£000s
Profit on ordinary activities before tax	46,777	22,310
Tax at 25% (2025: 25%) thereon	11,694	5,577
Factors affecting charge for the year		
Adjustments in respect of prior years	109	(1,838)
Expenses not deductible	3,640	7,460
Deferred tax not recognised	(9,532)	(4,461)
Partnership share	1,023	1,520
Exempt items	(1,292)	-
Non-taxable income	(4,474)	(4,940)
Total current tax charge	1,168	3,318

A deferred tax asset has been recognised in respect of timing differences relating to non-trade financial losses, excess management expenses, accrued pension costs and capital losses to offset the deferred tax liability which has arisen this year in two group companies relating to their defined benefit pension scheme surplus. The asset would be recovered if there were sufficient suitable future profits to absorb all such assets. At 25% of gross tax assets the remaining unrecognised deferred tax asset in this respect is £10,951k (2025: deferred tax assets not recognised at 25% is £18,128k).

The main rate of corporation tax is 25% and this rate has been used to calculate deferred tax in these financial statements (2025: 25% used to calculate deferred tax).

Notes to the consolidated financial statements

For the year ended 31 March 2026

10. Taxation (continued)

Tax on items recorded within other comprehensive income	2026	2025
	£000s	£000s
Deferred tax on actuarial gains in defined benefit pension schemes	4,150	-

Management has concluded that, as the pension is not a “trust” based scheme, a corporation tax rate of 25% would apply to either way these surpluses might reverse (unwinding or repayment).

Deferred tax liabilities

Company

A net deferred tax liability has been recognised in respect of pension surpluses which are no longer sheltered by losses, as shown below. The main rate of corporation tax is 25% and this rate has been used to calculate deferred tax in these financial statements (2025: Nil as no deferred tax).

	Retirement Benefit obligations	Total
	£000s	£000s
At 1 April 2024 and 1 April 2025	-	-
Credited to income statement	(470)	(470)
Charged to other comprehensive income	1,510	1,510
At 31 March 2026	1,040	1,040

Notes to the consolidated financial statements

For the year ended 31 March 2026

11. Intangibles

	2026	2025
	£000s	£000s
Group Software Cost		
At 1 April	2,119	1,673
Additions	-	446
At 31 March	2,119	2,119
Accumulated amortisation		
At 1 April	715	408
Charge for the year	474	307
At 31 March	1,189	715
Net book value		
At the end of the financial year	930	1,404
At the beginning of the financial year	1,404	1,265

	2026	2025
	£000s	£000s
Company Software Cost		
At 1 April	1,673	1,673
Additions	-	-
At 31 March	1,673	1,673
Accumulated amortisation		
At 1 April	704	408
Charge for the year	380	296
At 31 March	1,084	704
Net book value		
At the end of the financial year	589	969
At the beginning of the financial year	969	1,265

Notes to the consolidated financial statements

For the year ended 31 March 2026

12. Property, plant and equipment

	Land & buildings		Fixtures, fittings & equipment		Total	
Group and Company	2026	2025	2026	2025	2026	2025
	£000s	£000s	£000s	£000s	£000s	£000s
Cost						
At 1 April	3,521	3,521	2,152	2,127	5,673	5,648
Additions	-	-	283	29	283	29
Disposals	-	-	(303)	(4)	(303)	(4)
At 31 March	3,521	3,521	2,132	2,152	5,653	5,673
Accumulated depreciation						
At 1 April	2,011	1,659	1,831	1,385	3,842	3,044
Charge for the year	352	352	337	450	689	802
Disposals	0	-	(303)	(4)	(303)	(4)
At 31 March	2,363	2,011	1,865	1,831	4,228	3,842
Net book value						
At the end of the financial year	1,158	1,510	267	321	1,425	1,831
At the beginning of the financial year	1,510	1,862	321	742	1,831	2,604

All of the land and buildings are classified as right of use assets with a corresponding lease liability and are depreciated over the life of the lease. Fixtures, fittings and equipment is mainly replacement IT equipment.

Notes to the consolidated financial statements

For the year ended 31 March 2026

13. Financial assets at fair value

	2026	2025
	£000s	£000s
Shared equity assets	347,564	363,082
Equity investments	53,504	45,278
Investments in non-consolidated funds	400	400
Convertible loan notes	3,994	5,480
	405,462	414,240

All financial assets at fair value are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Shared equity loans relate to those agreements entered into under the Help to Buy - Wales and Help to Stay - Wales schemes and further information in respect of the carrying value can be found in Notes 3 and 19. The maximum exposure to credit risk of shared equity loans for the current and prior period is the carrying amount. Actual gains and losses on the portfolio are transferred back to Welsh Government so the overall impact to the Group is limited.

14. Other financial assets

Trade and other receivables	2026	2025
	£000s	£000s
Current assets		
Trade debtors	428	310
	428	310
Loans receivable carried at amortised cost	118,768	129,651
Impairment	(13,314)	(24,402)
	105,454	105,249
Other debtors	19,675	14,883
Amounts due from principal shareholder	271	500
Prepayments	567	670
	126,395	121,612
Non-current assets		
Loans receivable carried at amortised cost	278,273	252,898
Impairment	(56,322)	(41,119)
	221,951	211,779

The Group enters into agreements to advance loans to businesses in Wales. The loans advanced are a mixture of unsecured and secured loans. Security is over counterparty assets. The maximum exposure to credit risk of loans receivable for the current and prior period is the carrying amount. The carrying amount of these assets is approximately equal to their fair value.

Before accepting any new customer, the Group follows its investment operating guidelines to assess the potential customer's credit quality and define customer acceptance. Recoverability of loans advanced is reviewed monthly.

Loans receivable disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is overdue) continue to be considered recoverable.

Notes to the consolidated financial statements

For the year ended 31 March 2026

15. Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term bank deposits with a notice period of 3 months or less and fixed-term deposits redeemable within the next 3 months.

The carrying amount of these assets is approximately equal to their fair value.

	2026	2025
	£000s	£000s
Cash at Bank	237,603	146,675
Short -Term Deposits	690,768	693,973
Fixed -Term Deposits	303,500	300,000
Cash and cash equivalents	1,231,871	1,140,648

The credit risk on liquid funds is limited because, not only are the majority of liquid funds held with the Group's principal bankers - Barclays Bank plc, Lloyds Bank plc, NatWest plc, Handelsbanken, HSBC plc, Santander UK plc and Nationwide Building Society (all banks with high credit ratings assigned by international credit rating agencies) - care is taken to ensure that there is no significant concentration of credit risk with one particular entity.

16. Other financial liabilities

Trade and other payables	2026	2025
	£000s	£000s
Current liabilities		
Trade payables and accruals	6,075	8,603
Taxation and social security	1,771	5,903
Other creditors	2,350	2,425
Amounts owed to principal shareholder held at amortised cost	34,628	43,219
Amounts owed to principal shareholder held at fair value	7,580	3,260
	52,404	63,410
Non-current liabilities		
Amounts owed to principal shareholder held at amortised cost	436,979	678,423
Amounts owed to principal shareholder held at fair value	832,475	782,057
Other creditors	752	744
	1,270,206	1,461,224

There are no trade payables past due and the trade payables and other creditors will be settled within the credit period offered by the counterparty.

Within the current amounts owed to principal shareholder held at amortised cost, £34,628k (2025: £30,022k) are repayable on demand. This balance is excluded from the reconciliation of changes in amounts owed to principal shareholder and the maturity analysis below which relate to financing liabilities.

All other amounts owed to the principal shareholder relate to FTR and core capital funding and are repayable by 31 March 2055. These borrowings are non-secured and are non-interest bearing.

The fair value of financing liabilities is included in the table below. The Directors consider that the carrying amount of all other financial liabilities approximates their fair value.

Notes to the consolidated financial statements

For the year ended 31 March 2026

16. Other financial liabilities (continued)

Reconciliation of changes in amounts owed to principal shareholder which are financing liabilities:

	Amounts held at amortised cost	Amounts held at fair value	2026	Amounts held at amortised cost	Amounts held at fair value	2025
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at April 1	691,620	785,317	1,476,937	713,183	724,869	1,438,052
WG funding repaid	(12,483)	(271)	(12,754)	(32,975)	(2,830)	(35,805)
WG funding received	11,351	30,150	41,501	4,894	41,000	45,894
Grant funding transferred to FTR	7,000	-	7,000	-	-	-
Interest charged	(2,423)	-	(2,423)	6,881	-	6,881
FV changes	-	24,859	24,859	-	22,278	22,278
Public equity	(8,407)	-	(8,407)	(363)	-	(363)
Public equity transferred from FTR	(249,679)	-	(249,679)	-	-	-
Subtotal	(254,641)	54,738	(199,903)	(21,563)	60,448	38,885
Balance at March 31	436,979	840,055	1,277,034	691,620	785,317	1,476,937
Fair Value at March 31	314,694	840,055	1,154,749	498,938	785,317	1,284,255

MATURITY ANALYSIS:

	Amounts held at amortised cost	Amounts held at fair value	2026	Amounts held at amortised cost	Amounts held at fair value	2025
	£000s	£000s	£000s	£000s	£000s	£000s
Due less than 1 year	-	7,580	7,580	13,197	3,260	16,457
Due between 1 and 5 years	47,050	39,016	86,066	210,586	30,058	240,644
Due after 5 years	389,929	793,459	1,183,388	467,837	751,999	1,219,836
	436,979	840,055	1,277,034	691,620	785,317	1,476,937

Notes to the consolidated financial statements

For the year ended 31 March 2026

17. Retirement benefit schemes

Group and Company

Development Bank of Wales Group operates both a defined contribution and a defined benefit pension plan.

Defined contribution plan

A defined contribution plan is a pension arrangement under which the benefits are linked to the contributions made and the performance of each individual's chosen investments.

Contributions are paid into an independently administered fund. We employ the services of an independent third party to report to us on an annual basis as to the performance of the fund and also as to whether the default investment fund continues to be fit for purpose.

The total cost charged to income of £1,254k (2025: £1,161k) represents contributions payable to this scheme by the Group at rates specified in the rules of the schemes. As at 31 March 2026, nil contributions (2025: £nil) were due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit plan

A defined benefit plan is a pension arrangement under which participating members receive a pension benefit at retirement determined by the plan rules dependent on factors such as age, length of service and pensionable pay. It is not just dependent upon actual contributions made by the Group or members.

The Group's defined benefit plan is part of the Local Government Pension Scheme, which is a multi-employer funded scheme providing pensions and related benefits on a career average basis. This plan was closed to new entrants on 28 February 2010. The assets of the scheme are held separately from the assets of the Group and are administered by Rhondda Cynon Taf County Borough Council.

Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis.

The Group is not aware of any specific risks to which the scheme is exposed, details of asset allocation are set out below. In the event of the withdrawal of the Group from the scheme the resulting surplus or deficit would be allocated to the Group.

The Company and subsidiary undertaking DBW FM Limited both participate in the Local Government Pension Scheme and disclosures regarding the Company's and DBW FM Limited's defined benefit pension schemes are required under the provisions of IAS 19 Retirement Benefits, and these are set out below.

The Group is aware of the UK High Court's June 2023 ruling in the case between Virgin Media Limited and NTL Pension Trustees II Limited, which determined that certain past amendments to defined benefit scheme rules were invalid if not supported by appropriate actuarial certification. This decision was appealed, and in July 2024, the Court of Appeal upheld the original ruling. The Group is currently working with the Trustee to evaluate the implications of this decision, and this review remains ongoing. The recent Government announcement regarding forthcoming legislation to allow affected pension schemes to obtain retrospective actuarial confirmation of past changes is a positive development. As the outcome of the assessment is still uncertain, no adjustments have been made to the Group's financial statements as at 31 March 2026.

Notes to the consolidated financial statements

For the year ended 31 March 2026

17. Retirement benefit schemes (continued)

Development Bank of Wales Group consolidated pension scheme surplus net of deferred tax:

	2026	2025
	£000s	£000s
Development Bank of Wales plc	6,400	5,170
DBW FM Limited	11,700	9,800
Net surplus	18,100	14,970

The last full triennial actuarial valuation was carried out at 31 March 2025 by a qualified actuary using revised assumptions that are consistent with the requirements of IAS

19. The major assumptions used for the updated actuarial valuation of both the Development Bank of Wales plc and DBW FM Limited pension schemes were:

Key assumptions	2026		2025	
	Development Bank of Wales plc	DBW FM Ltd	Development Bank of Wales plc	DBW FM Ltd
Rate of increases in salaries	4.05%	4.05%	3.75%	3.75%
Rate of increases in pensions in payment	2.8%	2.8%	2.5%	2.5%
Rate of increase to deferred pensions	2.8%	2.8%	2.5%	2.5%
Discount rate	6.2%	6.2%	5.8%	5.8%
Inflation assumption CPI	2.8%	2.8%	2.5%	2.5%

The mortality assumptions are based on the recent actual mortality experience of members within the fund and allow for expected future mortality improvements. Sample life expectancies at 65 resulting from these mortality assumptions are shown below:

Mortality assumptions	31 March 2026	31 March 2025	31 March 2026	31 March 2025
	Males		Females	
Member aged 65 at accounting date	21.7	20.9	24.4	23.7
Member aged 45 at accounting date	22.5	21.8	25.2	24.8

The allocation of the assets in the schemes at the balance sheet date for the whole of the Rhondda Cynon Taf County Borough Council Pension Fund were as follows:

Asset allocation	Asset split	Asset split
	2026	2025
	%	%
Quoted Equities	66.3	65.1
Property	5.8	6.1
Government bonds	10.4	10.9
Corporate bonds	14.4	14.7
Cash	0.2	0.5
Other	2.9	2.7
Total market value	100.0	100.0

Notes to the consolidated financial statements

For the year ended 31 March 2026

17. Retirement benefit schemes (continued)

Reconciliation of funded status to balance sheet	Development Bank of Wales plc		DBW FM Ltd	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Fair value of assets	14,460	12,960	29,180	25,380
Present value of funded defined benefit obligation	(6,800)	(6,420)	(14,580)	(12,740)
Unrecognised asset	(1,260)	(1,370)	(2,900)	(2,840)
Net surplus	6,400	5,170	11,700	9,800

Amounts recognised in income statement	Development Bank of Wales plc		DBW FM Ltd	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Operating costs				
Current service cost	60	100	240	360
Past service cost	10	-	10	-
Total operating charge	70	100	250	360
Financing cost				
Interest on net defined benefit (asset)	(300)	(200)	(600)	(330)
Pension (credit)/expense recognised in income statement	(230)	(100)	(350)	30

Amounts recognised in other comprehensive income	Development Bank of Wales plc		DBW FM Ltd	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Asset gain/(loss) arising during the period	830	(500)	1,470	(920)
Liability (loss)/gain arising during the period	(150)	1,440	(810)	3,730
Adjustment in respect of unrecognised asset	190	40	100	(420)
Total actuarial gain	870	980	760	2,390

Notes to the consolidated financial statements

For the year ended 31 March 2026

17. Retirement benefit schemes (continued)

Changes to the present value of the defined benefit obligation	Development Bank of Wales plc		DBW FM Ltd	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Opening defined benefit obligation	6,420	7,720	12,740	15,380
Current service cost	60	100	240	360
Interest expense on defined benefit obligation	370	360	740	720
Contribution by participants	50	40	270	230
Actuarial (gain) on liabilities	150	(1,440)	810	(3,730)
Net benefits paid out	(260)	(360)	(230)	(220)
Past service cost	10	-	10	-
Closing defined benefit obligation	6,800	6,420	14,580	12,740

Changes to the fair value of assets	Development Bank of Wales plc		DBW FM Ltd	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Opening fair value of assets	12,960	13,010	25,380	24,390
Interest income on assets	750	620	1,500	1,160
Re-measurement (loss)/gain on assets	830	(500)	1,470	(920)
Contributions by employers	130	150	790	740
Contributions by participants	50	40	270	230
Net benefits paid out	(260)	(360)	(230)	(220)
Closing fair value of assets	14,460	12,960	29,180	25,380

Notes to the consolidated financial statements

For the year ended 31 March 2026

18. Deferred income

Group	2026	2025
	£000s	£000s
Balance at 1 April	761	986
Grant received in the year	3,376	1,164
Grant released to income statement in the year	(3,006)	(1,389)
Balance at 31 March	1,131	761

Company	2026	2025
	£000s	£000s
Balance at 1 April	299	638
Grant received in the year	1,849	145
Grant released to income statement in the year	(1,550)	(484)
Balance at 31 March	598	299

19. Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Categories of financial instruments

The Group's financial instruments comprise investments in businesses in the form of either loans or equity, derivative financial instruments, trade receivables and payables arising from its operations. The purpose of the instruments is to raise finance for the Group, and to invest in businesses in Wales.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The accounting policy note describes how the classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by class of financial instrument to which they are assigned and by the measurement basis.

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

Carrying value as at 31 March 2026	Note	Financial assets and liabilities at amortised cost	Financial assets and liabilities designated at FVTPL	Total
		£000s	£000s	£000s
Assets				
Cash and cash equivalents		1,231,871	-	1,231,871
Financial assets:				
Measured at market price	i	-	1,365	1,365
Measured at fair value using other methods	ii	-	56,533	56,533
Loans to customers	iii	327,406	-	327,406
Shared-equity loans	v	-	347,564	347,564
Amounts due from principal shareholder at amortised cost		272	-	272
Other receivables	iii	20,669	-	20,669
Total financial assets		1,580,218	405,462	1,985,680
Non-financial assets				20,454
Total assets				2,006,134
		£000s	£000s	£000s
Liabilities				
Amounts due to principal shareholder at amortised cost	iv	471,607	-	471,607
Amounts owed to principal shareholder at fair value	v	-	840,055	840,055
Trade and other payables	iv	12,123	-	12,123
Total financial liabilities		483,730	840,055	1,323,785
Non-financial liabilities				1,131
Reserves				681,218
Total reserves and liabilities				2,006,134

During the current year, no assets were within Level 2 of the fair value hierarchy (2025 - £nil) and there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

Carrying value as at 31 March 2025	Note	Financial assets and liabilities at amortised cost	Financial assets and liabilities designated at FVTPL	Total
		£000s	£000s	£000s
Assets				
Cash and cash equivalents		1,140,648	-	1,140,648
Financial assets:				
Measured at market price	i	-	1,709	1,709
Measured at fair value using other methods	ii	-	49,449	49,449
Loans to customers	iii	317,028	-	317,028
Shared-equity loans	v	-	363,082	363,082
Amounts due from principal Shareholder at amortised cost		500	-	500
Other receivables	iii	15,863	-	15,863
Total financial assets		1,474,039	414,240	1,888,279
Non-financial assets				18,205
Total assets				1,906,484
		£000s	£000s	£000s
Liabilities				
Amounts due to principal shareholder at amortised cost	iv	721,642	-	721,642
Amounts owed to principal shareholder at fair value	v	-	785,317	785,317
Trade and other payables	iv	19,198	-	19,198
Total financial liabilities		740,840	785,317	1,526,157
Non-financial liabilities				761
Reserves				379,566
Total reserves and liabilities				1,906,484

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

The following methods and assumptions have been applied in determining fair values.

Note:

i) The fair value of investments in quoted securities in an active market is the market price on the balance sheet date (level 1 hierarchy as defined below).

ii) *Non-consolidated funds* -
£400k (2025: £400k)

Investments in non-consolidated funds are investments in Limited Partnerships setup to hold various investment funds. This fair value is derived from the amounts the Group expects to receive at the point each fund terminates in line with respective Limited Partnership agreements (level 3 hierarchy as defined below).

Convertible Loan notes -
£3,994k (2025: £5,480k)

Convertible loan notes are categorised as hybrid instruments as the equity conversion feature represents an embedded derivative. Hybrid instruments including derivative elements require complex pricing models to determine the value of the instrument.

The fair value at inception is generally determined to be equal to the transaction price, subsequent valuation models consider the outstanding debt, the conversion option (which has yet to be exercised) and the potential future equity value (level 3 hierarchy as defined below).

Unlisted equity investments -
£52,139k (2025: £43,569k)

Unlisted equity investments are valued using different techniques in accordance with the Group's valuation policy and International Private Equity and Venture Capital Guidelines. Depending on the circumstances of the investment, unlisted equity valuations are based on multiples, discounted cash flows, net asset values or price of recent event, which can be

either the price of recent funding round, an offer to purchase the investment or cost in the case of a new direct investment.

- A number of multiples are used in valuing the portfolio including revenue, earnings before interest and tax and earnings before interest, tax, depreciation and amortisation. The particular multiple selected being appropriate for the type of business being valued and is derived by reference to current market-based multiple (level 3 hierarchy as defined below).

Significant unobservable inputs: Earnings multiple, revenue multiple, adjustments made to multiples for factors such as the size of the company and the quality of its earnings, and adjustments made to financial inputs e.g. maintainable earnings. Valuations are sensitive to each of these inputs, for example a reduction/increase in the earnings multiple used would result in a significant decrease/increase in the item's fair value.

- Discounted cash flow valuations use estimated future cash flows, usually based on management forecasts, discounted using rates appropriate to the specific investment (level 3 hierarchy as defined below).

Significant unobservable inputs: Risk-adjusted discount rate, cash flow forecasts. Valuations are sensitive to each of these inputs.

- The price of recent event such a funding round, an offer or the cost of investment provide observable inputs into the valuation of an individual investment. However, Directors are required to assess whether the event provides a reliable indicator of fair value, subsequently the Directors must reassess if this remains the case at each year end, both of which result in unobservable inputs into the valuation methodology (level 3 hierarchy as defined below).

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

Significant unobservable inputs:

Investment specific information including the implied valuation and capital structure of the transaction. Valuations are sensitive to the assessment of whether an event is deemed to be a reliable indicator of fair value.

- Net asset values are adjusted to take into account differences in the fair value of underlying net assets to their carrying values (level 3 hierarchy as defined below).

Significant unobservable inputs:

Underlying net asset values and adjustments applied to carrying values. Valuations are sensitive to the carrying value adjustments applied.

The table below summarises the fair value measurements of unlisted equity investments:

	2026	2025
	£000s	£000s
Multiples	19,370	17,697
Price of recent event	28,901	21,686
Net asset value	3,868	4,186
Balance at 31 March	52,139	43,569

iii) Loans to customers and other receivables are measured using an amortised cost basis and calculated using the effective interest rate method.

iv) The fair value of amounts owed to our principal shareholder, other third parties, share capital and public equity are assumed to approximate to their carrying amount at the balance sheet date.

v) The fair value of the shared equity loan books has been calculated by setting out anticipated future cash flows and discounting these at an appropriate funding rate (level 3 hierarchy as defined below). See Note 3 for further information.

The Group hierarchy for measuring at fair value disclosures is as follows:

- | | |
|-------|--|
| Level | Hierarchy for fair value disclosures |
| 1. | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| 2. | Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly. |
| 3. | Inputs for the asset or liability that are not based on observable market data. Investments in non-quoted securities are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples and estimated future cash flows, using a recent valuation of the business for a funding round, or using a recent offer from a prospective purchaser. |

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

Reconciliation of level 3 measurements of financial assets	FVTPL		FVTPL	
	Shared-equity loan book		Other financial assets	
	2026	2025	2026	2025
	£000s	£000s	£000s	£000s
Balance 1 April	363,082	355,528	49,449	61,873
Additions	24,226	30,542	12,811	12,665
Disposals	(51,418)	(36,087)	(9,268)	(8,782)
Revaluations	11,674	13,099	3,541	(16,307)
Balance 31 March	347,564	363,082	56,533	49,449

Market risk

The Group's activities expose it primarily to the financial risks of changes in credit risks. See Note 4 for further information.

Interest Rate Risk

The Group's loan portfolio consists of fixed rate loans financed primarily via equity and interest free loans from the principal shareholder, there is no significant exposure to interest rate risk on these loans.

Changes in interest rates would impact the valuation of the shared equity loan book however there is a compensating impact on the value of amounts owed to principal shareholder at fair value and there is no net risk to the Group. Changes in the valuation of other financial assets held at fair value would not vary materially due to changes in interest rates.

Other price risks

The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

Listed investments included above represent investments in quoted equity securities.

Price risk in relation to these assets is not currently significant to the Group's overall results and financial position.

Investments in unquoted companies, by their nature, usually involve a higher degree of

risk than investments in quoted companies, though the risk can be mitigated to a certain extent by diversifying the portfolio. A 25% overall decrease in the valuation of the unquoted investments at 31 March 2026 would reduce the value of the equity portfolio by £13,035k (2025: £10,892k) and an equivalent change in the opposite direction would increase the value of the equity portfolio by the same amount.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The majority of financial liabilities are amounts owed to the principal shareholder and relate to FTR and core capital funding. The current balances in respect of FTR and core capital funding are repayable by 31 March 2059. These borrowings are non-secured and non-interest bearing. See Note 16 for further information.

Notes to the consolidated financial statements

For the year ended 31 March 2026

19. Financial instruments (continued)

Foreign exchange risk

The Group is not exposed to foreign exchange risk as the Group primarily invests in its functional currency, pounds sterling.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to meet its financial obligations as they fall due. The capital structure of the Group consists of debt, cash and cash equivalents and equity directly attributable to equity holders of the parent, comprising issued capital, public equity, reserves, non-controlling interest and retained earnings as disclosed in the statement of changes in equity.

20. Capital and reserves

Group and Company		
Called up share capital	2026	2025
	£000s	£000s
Authorised and allotted		
50,000 ordinary shares of £1 each	50	50
Called up, allotted and part paid		
50,000 ordinary shares, 25p part paid	13	13

The Company has one class of £1 ordinary shares which carry no right to fixed income. All shares have equal rights in terms of voting and dividends.

Non-controlling interest		
Movements during the year were:	2026	2025
	£000s	£000s
Balance at the beginning of the year	9,248	10,147
Non-controlling interest capital contribution	4,037	1,860
Distribution	(3,560)	(1,380)
Share of (loss)/profit for the year	(476)	(1,379)
Balance at the end of the year	9,249	9,248

The non-controlling interest represents the investment made by Clwyd Pension Fund in the Management Succession (Wales) Limited Partnership and the profit attributable to them on that investment.

Notes to the consolidated financial statements

For the year ended 31 March 2026

21. Leases

Group and Company

Right of use assets	2026	2025
	£000s	£000s
Net carrying amount	1,158	1,510
Depreciation expense of the year	352	352

Amounts recognised in the income statement	2026	2025
	£000s	£000s
Expenses relating to low value leases	115	105
Depreciation expense on ROU assets	352	352
Interest expense on lease liabilities	32	40
Expense relating to short term leases	82	92

Lease liabilities	2026	2025
	£000s	£000s
Amounts due for settlement within 12 months (current liabilities)	356	348
Amounts due for settlement after 12 months	819	1,175
	1,175	1,523

Lease liabilities reconciliation	2026	2025
	£000s	£000s
At 1 April	1,523	1,862
Additions	-	-
Interest	32	40
Payments	(380)	(379)
Disposals	-	-
At 31 March	1,175	1,523

Maturity analysis	2026	2025
	£000s	£000s
Not later than 1 year	356	348
Later than 1 year and not later than 5 years	819	1,054
Later than 5 years	-	121
	1,175	1,523

The average lease term is 3.3 years (2025: 4.3 years).

The total cash flow in respect of lease payments during the current year was £ 580k (2025: £576k).

Notes to the consolidated financial statements

For the year ended 31 March 2026

22. Notes to the consolidated cash flow statement

	2026	2025
	£000s	£000s
Profit before tax for the year	46,777	22,310
Adjustments for:		
Defined benefit pension costs	(1,500)	(960)
Other Interest Income	(40,954)	(47,863)
Finance (income)/costs	(1,780)	6,922
Depreciation of property, plant and equipment	689	802
Amortisation of intangible assets	474	307
Deferred incentive scheme provision	678	611
Impairment	7,570	4,592
Fair value (gain)/loss on assets	(13,981)	5,902
Fair value loss on liabilities	24,859	22,278
Corporation Tax	(4,031)	(2,842)
Reversal of deferred income revenue	(3,006)	(1,389)
Operating cash flows before changes in net operating assets	15,795	10,670
(Increase) in receivables	(22,524)	(62,666)
(Decrease)/Increase in payables	(246,766)	2,345
Decrease in financial assets at fair value	22,759	4,063
Cash generated during operations	(230,736)	(45,588)

Notes to the consolidated financial statements

For the year ended 31 March 2026

23. Related party transactions

Group and Company

Transactions between the Company and its Directors (including Non-Executive Directors), who are the key management personnel of the Group, are disclosed in Note 7.

The Group and Company have taken advantage of the exemption conferred by paragraph 25 of IAS 24 Related Party Disclosures and have not disclosed all transactions with its principal shareholder, the Welsh Government. Significant transactions are disclosed in Note 16.

Transactions with subsidiaries

In accordance with the exemption conferred by paragraph 8 (j) of FRS 101 Reduced Disclosure Framework the Company has not disclosed transactions with other Group companies, where 100% of the voting rights are controlled by the Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Transactions between the Group and its subsidiaries, which are not 100% owned, during the year are as follows:

Fund management fees have been charged totalling £1,528k (2025: £375k), these fees are charged at the Group's usual prices.

Transactions with associates

Management have identified 1 associate as at 31 March 2026 (2025: 1), the transactions between the Group and its associate during this year and the prior year are as follows:

Sale of services		Interest charged		Loans to related parties		Loss provision on outstanding balances	
2026	2025	2026	2025	2026	2025	2026	2025
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
-	-	18	17	194	176	10	1

The expense recognised during the period in respect of the provision for amounts due from related parties was £9k (2025: credit of £3k).

Sales of services and interest charged on loans to related parties were made at the Group's usual prices. The amounts outstanding were unsecured and to be settled in cash. No guarantees had been given or received.

24. Ultimate controlling party

The ultimate parent and controlling party and the smallest and largest group in which the results of Development Bank of Wales plc are included is Welsh Ministers. The consolidated financial statements of Welsh Ministers may be obtained from its registered address, Cathays Park, Cardiff, CF10 3NQ. The consolidated

financial statements of Development Bank of Wales plc may be obtained from its registered address, Unit J, Yale Business Village, Ellice Way, Wrexham, LL13 7YL.

Development Bank of Wales plc regards the Welsh Ministers, acting through the Welsh Government, as the ultimate parent company and ultimate controlling party.

Company balance sheet

As at 31 March 2026

	Note	2026	2025
		£000s	£000s
Non-current assets			
Intangibles	11	589	969
Property, plant and equipment	12	1,425	1,831
Investments	28	905,286	900,933
		907,300	903,733
Current assets			
Debtors: due within one year	29	582	2,268
Cash at Bank		1,209	1,007
		1,791	3,275
Total assets		909,091	907,008
Current liabilities			
Trade and other payables	30	(19,212)	(17,273)
Deferred income	18	(598)	(299)
Lease liabilities	21	(356)	(348)
		(20,166)	(17,920)
Net current liabilities		(18,375)	(14,645)
Non-current liabilities			
Trade and other payables	31	(420,129)	(681,812)
Lease liabilities	21	(819)	(1,175)
Deferred taxation	10	(1,040)	-
		(421,988)	(682,987)
Total liabilities		(442,154)	(700,907)
Net assets excluding pension obligations		466,937	206,101
Pension surplus	17	6,400	5,170
Net assets		473,337	211,271
Capital and reserves			
Public equity		577,904	319,818
Called up share capital	20	13	13
Profit and loss account		(104,580)	(108,560)
Shareholders' funds		473,337	211,271

The Company reported a profit for the financial year ended 31 March 2026 of £4,620k (2025: loss of £6,911k).

The financial statements of Development Bank of Wales plc, registered number 04055414, were approved by the Board of Directors on 23 September 2026.

Signed on its behalf by



G Thorley, Director

Company statement of changes in equity

For the year ended 31 March 2026

	Note	Public equity	Share capital	Retained profit	Total
		£000s	£000s	£000s	£000s
Balance at 1 April 2024		319,455	13	(102,629)	216,839
Loss for the financial year		-	-	(6,911)	(6,911)
Actuarial gain on defined benefit pension schemes	17	-	-	980	980
Increase in public equity		363	-	-	363
Sub Total		363	-	(5,931)	(5,568)
Balance at 31 March 2025		319,818	13	(108,560)	211,271
Profit for the financial year		-	-	4,620	4,620
Actuarial gain on defined benefit pension schemes	17	-	-	870	870
Deferred Taxation	10	-	-	(1,510)	(1,510)
Increase in public equity		258,086	-	-	258,086
Sub Total		258,086	-	3,980	262,066
Balance at 31 March 2026		577,904	13	(104,580)	473,337

Notes to the Company financial statements

For the year ended 31 March 2026

25. Accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with applicable United Kingdom Accounting Standards and law. They have been prepared under the historical cost convention, except for the revaluation of certain financial instruments at fair value.

Development Bank of Wales plc is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and registered in England and Wales. The address of the registered office is given on page 3.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council and prepares its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

The principal accounting policies are summarised below. These have been applied consistently throughout the year and the preceding year.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which reflects a period of at least 12 months from the date of approval of the financial statements and have concluded that there are no material uncertainties

relating to going concern. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details of the Directors' considerations in relation to going concern are included in Note 1.

Intangibles

Intangible assets are shown in the balance sheet at their historical cost less amortisation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of computer software. The asset is determined to have a finite useful life and will be amortised on a straight-line basis over its estimated useful life of up to 7 years. Amortisation commences when the software is fully implemented.

Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at their historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items. Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement as incurred.

Depreciation is provided so as to write off the initial cost of each asset to its residual value on a straight-line basis over its estimated useful life as follows:

Fixtures, fittings and equipment -
3 to 5 years.

Property relates to right of use assets (ROU) and is discussed in more detail in the leasing accounting policy note on page 92.

Notes to the Company financial statements

For the year ended 31 March 2026

25. Accounting policies (continued)

Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Revenue recognition

Turnover represents holding fund fees receivable from group companies. Such fees are recognised in the period in which they arise.

European Regional Development Fund (ERDF) grant income

Grant income receivable in support of revenue expenditure is recognised in the income statement as utilised in accordance with the conditions applicable in the offer documentation.

Grants for the partial funding of investments which are received in advance of defrayal are treated as deferred income. Such deferred income is amortised to the income statement when investments are made, and the conditions set out in the offer documentation have been met. Income taken is equal to the level of grant utilised supporting investments.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Public equity

The Welsh Ministers, acting through the Welsh Government, have from time to time provided funds for investment purposes. Some of this Welsh Government funding was originally made as public dividend capital (PDC) whilst the remainder is classified as grant in aid or core funding for investment purposes.

This non-repayable funding is to invest in the long-term sustainability of Development Bank of Wales and within the Welsh Minister's own accounting arrangements the funds are regarded as being an investment. Additional public equity arises where the Company receives loans from the Welsh Government at below market rates as described below.

Notes to the Company financial statements

For the year ended 31 March 2026

25. Accounting policies (continued)

Amounts owed to principal shareholder held at amortised cost :

Welsh Government loans (WG Loans)

The Welsh Government has also provided financial transaction reserve (FTR) and core capital funding to the Company via interest free loans, these loans are specific to each fund created with repayment levels linked to the performance of the fund.

Initial recognition

On initial recognition the financial liability is recognised at fair value, calculated in accordance with IFRS 13. Where the Company is obligated to issue below market rate loans and grant income is to be recorded this balance is included within deferred income. The difference between the sum of the fair value of the liability plus the deferred income recorded and the transaction value (funds received) is treated as a capital contribution. In line with previous capital contributions, we will include this in public equity within equity on the consolidated balance sheet.

As it is not possible to identify market transactions involving similar financial instruments and apply a market approach, the Company uses the income approach and a present value technique which uses the future cash flows associated with the loan discounted to give the present value of these cash flows and the fair value of the liability. The key inputs to this technique are the expected cash flows associated with the loan and the discount rate applied to those cash flows. See Note 3 for further information.

Subsequent treatment

Loans are held at amortised cost with a notional interest charge being recorded in each period to reflect the unwinding of the

initial discount using the EIR of each loan.

In the event of a revision to expected repayments, the Company shall adjust the amortised cost of a financial liability to reflect the revised estimated contractual cash flows. The amortised cost of the financial liability will be recalculated as the present value of these cash flows using the original EIR of the loan, any adjustment will be recognised as income or expense.

Investments in subsidiaries

Equity investments in subsidiaries are treated as fixed assets and stated in the balance sheet at cost less any provision for impairment. Capital contributions to subsidiaries in relation to below market rate loans are reflected in the cost of the investment of the related subsidiary.

Loans to subsidiaries

Loans received from WG, as described above, are subsequently passed on to subsidiary companies for investment by the relevant funds.

Initial recognition

On initial recognition the financial asset is recognised at fair value, calculated in accordance with IFRS 13, with the difference between fair value and the transaction value (funds received) being treated as an investment in subsidiary.

Subsequent treatment

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset. For an asset to be classified and measured at amortised cost its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

Notes to the Company financial statements

For the year ended 31 March 2026

25. Accounting policies (continued)

Subsequent treatment (continued)

Given that the repayment on the loans is linked to the performance of the underlying funds they fail the SPPI test and as such are held at FVTPL. At each year-end, the expected cash flows associated with the loan and the discount rate applied to those cash flows, are re-assessed with any changes in fair value being taken to the income statement.

Retirement benefits

The Company operates a defined benefit pension scheme, now closed to new members, which is administered by Rhondda Cynon Taf County Borough Council. The Company accounts for its share of the surplus or deficit and the cost of accruing benefits of this scheme.

The level of contributions made to the scheme and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries.

The scheme assets are an estimate of the Company's notional share of the total fund assets measured at market value at each balance sheet date and liabilities are measured using the projected unit method, discounted using a corporate bond rate. The Company's notional share of assets is assumed to be invested in the same proportion as the fund as a whole in the different asset classes. The resulting pension scheme surplus or deficit is recognised immediately on the balance sheet, net of deferred tax where applicable, and any resulting actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The Company offers a defined contribution scheme administered by Legal and General which is open to those staff who are not members of the Rhondda Cynon Taf County Borough Council administered scheme. Employer contributions in relation to this scheme are accounted for within other administrative expenses in the period in which they are due.

Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 25 of IAS 24 Related Party Disclosures and has not disclosed transactions with its wholly-owned subsidiaries.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Company financial statements

For the year ended 31 March 2026

25. Accounting policies (continued)

Critical judgements in applying the Company's accounting policies

Welsh Government loans

Under IFRS 9, financial instruments should initially be recorded at fair value with adjustments for transaction costs in certain circumstances. As described above, the Company has received interest free loans from the Welsh Government where in some instances full repayment of the loan principal is not expected, as such the initial fair value of the liability recognised is not equal to the transaction value i.e. the loan principal.

IFRS 9 states that ordinarily the difference between the transaction value and the fair value should be recognised as an expense or reduction of income unless it qualifies for recognition as another type of asset however treatment of the below-market rate element of an intercompany loan is not directly addressed by IFRS 9. IAS 20 deals government loans at a below-market rates of interest with the difference is treated as a government grant however

it does not address the situation where the government entity is a related party.

Whilst the loans provided by the Welsh Government are intended to support their policy objectives, Management's view with reference to the IASB's Conceptual Framework for Financial Reporting is that the substance of these transactions is that a subsidy has been given by a parent company to its subsidiary. This interest subsidy should be recognised as component of equity in the subsidiary i.e. a capital contribution in the financial statements of the Company. If the interest subsidy had instead been treated as a grant, this would have been recognised in the income statement on a basis that reflected the substance of that grant.

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

26. Information regarding directors and employees

	2026	2025
	£000s	£000s
Aggregate payroll costs		
Wages and salaries	4,079	3,954
Social security costs	511	421
Pension costs	441	452
	5,031	4,827
	2026	2025
	No.	No.
The monthly average number of persons employed (excluding directors) - administration	75	66

27. Result for the year

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial

year amounted to £ 4,620k (2025: loss of £6,911k). Auditor's remuneration for audit services for the Company was £42k (2025: £109k including cost overruns of £80k associated with the 2023 year end audit).

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments

	Shares in subsidiary undertaking	Other investments in subsidiaries	Loans to subsidiary undertakings (Amortised cost)	Loans to subsidiary undertakings (Fair value)	Total
	£000s	£000s	£000s	£000s	£000s
Cost/Fair value					
At 1 April	155	305,486	312,058	283,234	900,933
Additions	-	165,930	9,255	2,000	177,185
Interest Income	-	-	(1,075)	-	(1,075)
Fair value losses	-	-		(740)	(740)
Disposals/repayment	-	-	(11,288)	(159,729)	(171,017)
At 31 March	155	471,416	308,950	124,765	905,286
Impairment					
At 1 April	-	-	-	-	-
At 31 March	-	-	-	-	-
Net book value					
At the end of the financial year	155	471,416	308,950	124,765	905,286
At the beginning of the financial year	155	305,486	312,058	283,234	900,933

Under the terms of loans to subsidiaries held at amortised cost, contractual repayments are linked to the performance of underlying fund investments. As such

the contractual cash flows of the loans are equal to estimated receipts and no credit losses are forecast on these loans.

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

The Company's investments in group companies, all of which have the United Kingdom as their principal place of business, relate to:

Direct Subsidiaries	Holding
DBW Holdings Limited	£1 ordinary shares
DBW Services Limited	£1 ordinary shares
DBW Managers Limited	£1 ordinary shares
Indirect Subsidiaries	
DBW FM Limited	£1 ordinary shares
DBW Investments (2) Limited	£1 ordinary shares
DBW Investments (3) Limited	£1 ordinary shares
DBW Investments (4) Limited	£1 ordinary shares
DBW Investments (5) Limited	£1 ordinary shares
DBW Investments (6) Limited	£1 ordinary shares
DBW Investments (8) Limited	£1 ordinary shares
DBW Investments (9) Limited	£1 ordinary shares
DBW Investments (10) Limited	£1 ordinary shares
DBW Investments (11) Limited	£1 ordinary shares
DBW Investments (12) Limited	£1 ordinary shares
DBW Investments (14) Limited	£1 ordinary shares
Management Succession Fund (GP) Limited	£1 ordinary shares
Help To Buy (Wales) Limited	£1 ordinary shares
Angels Invest Wales Limited	£1 ordinary shares
Economic Intelligence Wales Limited	£1 ordinary shares
FW Capital Limited	£1 ordinary shares
TVUPB Limited	£1 ordinary shares
FW Development Capital (North West) GP Limited	£1 ordinary shares
FWC CIP Limited	£1 ordinary shares
TVC Loans NPIF GP Limited	£1 ordinary shares
North West Loans NPIF GP Limited	£1 ordinary shares
FWC Loans (North West) Limited	£1 ordinary shares
FWC Loans (TVC) Limited	£1 ordinary shares
North East Property GP Limited	£2 ordinary shares
DBW Investments (MIMS) Limited	£1 ordinary shares
Management Succession (Wales) Limited Partnership	See below
NE Commercial Property GP Limited	£1 ordinary shares
FWC SWIF DEBT GP Limited	£1 ordinary shares
FWC IFW DEBT GP Limited	£1 ordinary shares
FWC TFIF GP Limited	£1 ordinary shares
FWC NPIFII DEBT GP Limited	£1 ordinary shares
FWC SYPA Debt GP Ltd	£1 ordinary shares
FWC NE Debt GP Limited	£1 ordinary shares

The registered office of the subsidiaries noted above is Unit J, Yale Business Village, Ellice Way, Wrexham, LL13 7YL.

The activities of the subsidiaries consist of the provision of financial services to businesses, fund management activities and provision of shared equity loans to individuals.

All of the investments in subsidiary

companies are 100% owned in the current and prior year with the exception of the holding in the Management Succession (Wales) Limited Partnership ("WMSF LP"). The non-controlling interest in WMSF LP contributed 46% of the capital invested in the fund with their effective interest being based on the performance of the fund and will vary between 36% and 46% with reference to the net assets of the fund.

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

Summarised financial information in relation to WMSF LP:

	2026	2025
	£000s	£000s
Turnover	1,589	1,367
Operating (loss)/profit	(1,112)	(4,055)
(Loss)/profit attributable to non-controlling interest	(476)	(1,379)
Fixed assets	13,966	14,006
Current assets	7,499	3,300
Creditors: amounts falling due within one year	(94)	(72)
Net assets	21,371	23,123
Accumulated non-controlling interest	9,249	9,248

Subsidiaries exempt from audit

The Company has provided guarantees under section 479C of the Companies Act 2006 in respect of the subsidiaries listed below. Accordingly, these entities were exempt from the requirements relating to the audit of individual accounts under section 479A of the Companies Act 2006 for the year ended 31 March 2026:

Company name	Company number
DBW Managers Limited	10964943
DBW Services Limited	10911833
Angels Invest Wales Limited	04601844
Economic Intelligence Wales Limited	11001584
FWC CIP Limited	07397297
FWC Loans (TVC) Limited	10628006
FWC Loans (North West) Limited	10627745
North East Property (GP) Limited	04069901
NE Commercial Property (GP) Limited	14183994
TVC Loans NPIF GP Limited	10597208
North West Loans NPIF GP Limited	10597240
Management Succession GP Limited	10655798
FWC SWIF Debt GP Limited	14880979
FWC IFW Debt GP Limited	15034601
FWC NPIFII Debt GP Limited	15295281
FWC TFIF GP Limited	15295473
FWC NE Debt GP Limited	16294260

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

Significant holdings in undertakings other than subsidiaries

At 31 March 2026 the Group held shares amounting to 20% or more of the relevant class of share capital for the following undertakings, all of which are incorporated in the United Kingdom.

These figures represent the Group's % Holding of the relevant share class and not the overall shareholding in the company. The Group does not control any of these undertakings and thus they are not subsidiaries.

Company name	Class of share	% holding
Academii	Preferred Ordinary	100
Afferent Medical Solutions Ltd	Preferred Ordinary	100
Agam International Ltd	Preferred Ordinary	100
Agxio Ltd	A Ordinary	100
Alesi Surgical Ltd	Preferred A	58
Altech Software Limited	Z Ordinary	35
	Y Ordinary	20
Amotio Health Ltd	Preferred Ordinary B	83
Amped PCR Ltd	A1 Ordinary	100
Antiverse Ltd	A Ordinary	51
Arcs Group Ltd	Preferred Ordinary	100
Argonaute RNA Ltd	Preferred Ordinary	55
Atal Holdings Ltd	Preferred Ordinary	100
Awen Oncology Limited	Preferred Ordinary	33
Bikmo Ltd	Preferred Ordinary	50
Board Secure Ltd	Preferred Ordinary	100
Bytemine Technologies Ltd	Preferred Ordinary	100
Calon Cardio-Technology Ltd	B Preferred Ordinary	33
Cansense Group Ltd	A Ordinary	33
CAVC Campus Holding Ltd	B Ordinary	100
Ceryx Medical Ltd	A Ordinary	33
CloudIQ Ltd	Series A Preferred	36
	Series A2 Preferred	41
	Series A3 Preferred	27
Corryn Biotechnologies Ltd	Preferred Ordinary	100
Cotton Mouton Diagnostics Ltd	Preference Ordinary	22
Cottrell Group Ltd	Preferred Ordinary	100
Credit Canary Ltd	A Ordinary	24
Cufflink.IO Ltd	Preferred Ordinary	100
Curapel (Scotland) Ltd	Preferred Ordinary	100
D N Interiors Ltd	Preferred Ordinary	100
D2 Propco (Holdings) Ltd	Preferred Ordinary	100
	Redeemable Preference	100
Deer Technology Ltd	A Ordinary	100
Deploy Tech Ltd	Preferred Ordinary	87

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

Significant holdings in undertakings other than subsidiaries (continued)

Company name	Class of share	% holding
Digital Asset Services Ltd	Seed Preferred	55
Dragon RS Holdings Ltd	Preferred Ordinary	100
Driverly Company Ltd	Preferred Ordinary	67
Drone Evolution Ltd	B Ordinary	23
Ecodetect	Ordinary	21
Eco Hygiene Care Ltd	A Ordinary	50
Electra Nest Ltd	Preferred Ordinary	100
Finalrentals Ltd	A Ordinary	24
Finboot Ltd	Preferred Ordinary	77
Flintshire Schools Holdings Ltd	B Ordinary	100
Fovo Technology Ltd	Preferred Ordinary	50
Glucose Republic Ltd	Preferred Ordinary	100
Halo Therapeutics Ltd	Preferred A Ordinary	76
Hatch Homes Accelerator Ltd	Preferred Ordinary	100
Hexigone Inhibitors Ltd	Ordinary	20
Humankind Ventures Ltd	Preferred Ordinary	63
Hut 6 Security Limited	Preferred Ordinary	42
I.Q. Endoscopes Ltd	A Preferred	50
	A1 Preferred	29
	B Preferred	50
Infinite Renewables Wales Ltd	Preferred Ordinary	100
Jan B Engineering Ltd	Preferred Ordinary	100
Jellagen Pty Ltd	Preferred Ordinary	100
	B Preferred	20
JIVA.AI Ltd	Preference	42
Jottnar Ltd	C Ordinary	100
Journolink Ltd	C Ordinary	88
Just Love Food Company Holdings Ltd	Preferred A Ordinary	100
Kaydiar Ltd	Preferred Ordinary	100
Kingsward Ltd	Preferred Ordinary	100
Kubos Semiconductors Ltd	Preferred Ordinary	66
Laser Wire Solutions Ltd	Preferred Ordinary	75
Lew Jay Holdings Limited	Preferred Ordinary	100
Llusern Scientific Ltd	A1	100
Loyalty Logistix Holdings Ltd	Preferred Ordinary	100
Lumin Solutions Ltd	A1 Ordinary	77
Meliora Enterprises Ltd	Preferred Ordinary	100
Menter Afon Ltd	Preferred Ordinary	100

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

Significant holdings in undertakings other than subsidiaries (continued)

Company name	Class of share	% holding
Near Me Now Ltd	Ordinary	20
Nisien.ai Ltd	Preferred Ordinary	50
Nursery Book Ltd	A Ordinary	24
Operati Ltd	A Ordinary	35
OptimiseAI Ltd	Preferred Ordinary	67
Ortharize Ltd	Preference	100
Outlook Hold Ltd	C Ordinary	100
Pathfinder Systems Ltd	A Ordinary	25
Pelly Group Ltd	B Ordinary	23
PlantSea Ltd	Preferred Ordinary	100
RCT 1 Holdings Ltd	B Ordinary	100
Reacta Biotech Ltd	Ordinary	32
Reel Label Solutions (Holdings) Ltd	Preferred Ordinary	100
Riva Industries Ltd	Ordinary	33
Route Konnect Ltd	Preferred Ordinary	50
Signum-Health Ltd	Preferred Ordinary	100
Smart Storm Ltd	Preferred Ordinary	58
Snowdrop Independent Living Ltd	B Ordinary	100
Space Forge Ltd	Preferred Ordinary	100
Spacebands Ltd	Preference	64
Sporttape Ltd	B Ordinary	100
Stockomendation Ltd	Preferred Ordinary	100
Stone Bear Capital Ltd	Preferred Ordinary	100
Talent Intuition Ltd	Preferred Ordinary	100
Talkative Ltd	Preferred Ordinary	45
Tazio Online Media Ltd	B Ordinary	28
Thalia Design Automation Ltd	A Ordinary	67
	C Ordinary	68
Tourhub Ltd	A Ordinary	54
Trameto Ltd	Preferred Ordinary	50
Universal Synergistic Holdings Ltd	Preferred Ordinary	100
UPVC (Electrical & Plumbing) Ltd	Preferred Ordinary	100
Voip Cloud Solutions LTD	A Ordinary	70
Wagonex Ltd	Preferred Ordinary	32
WEPCO Ltd	A Ordinary	100
World Class Finance Ltd	A Ordinary	100
X4 Software Ltd	A Ordinary	100
Zeal Innovation Ltd	Preferred Ordinary	100

Notes to the Company financial statements

For the year ended 31 March 2026

28. Investments (continued)

Structured entities

Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Group directs the investing activities of the non-consolidated funds managed by FW Capital Limited, through its investment management and other agreements with them, it considers them to be structured entities.

These funds, setup as Limited Partnerships, provide investment support to Small and

Medium Enterprises ("SMEs") in certain areas of England and Wales. The Group receives fund management fee income in relation to the services provided to the funds. The Group does not sponsor these entities and has no contractual obligation or intention to reimburse any expenses of the funds in the future. The Group has contributed a nominal amount of capital into the funds, via FW Capital Limited, with the majority of capital invested in the funds being received from external investors.

The Group's interests in these funds at 31 March, are as follows:

	2026	2025
	£000s	£000s
Investments in non-consolidated funds	400	400
Other debtors	750	484
	1,150	884

The Group's maximum exposure to losses related to the funds is represented by the total of its investment in fund units and amounts due from funds, as shown above.

29. Other financial assets

	2026	2025
	£000s	£000s
Trade debtors	10	19
Amount owed by group undertakings	2	971
Amount owed by principal shareholder	-	500
Other debtors	28	127
Prepayments and accrued income	542	651
	582	2,268

Notes to the Company financial statements

For the year ended 31 March 2026

30. Other current financial liabilities

Trade and other payables	2026	2025
	£000s	£000s
Trade creditors	377	496
Taxation and social security	970	1,061
Other creditors	124	85
Accruals	891	974
Amount owed to group undertakings	-	500
Amount owed to principal shareholder	16,850	14,157
	19,212	17,273

31. Other non-current financial liabilities

	2026	2025
	£000s	£000s
Amounts owed to group undertakings	-	3,389
Amount owed to principal shareholder	420,129	678,423
	420,129	681,812

Amounts owed to the principal shareholder relate to FTR and core capital funding and is repayable by 31 March 2059. These borrowings are non-secured and are non-interest bearing.

There are no trade payables past due and the trade payables and other creditors will be settled within the credit period offered by the counterparty.



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developmentbank.wales

Development Bank of Wales Plc (Banc Datblygu Cymru ccc) is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at developmentbank.wales.