



# Affinity Water Limited

**Unaudited Half-Yearly Financial Report  
For the six-month period ended 30 September 2025**

Registered Number: 02546950

## Affinity Water



# Affinity Water Limited

## Unaudited Half-Yearly Financial Report for the six months ended 30 September 2025

### Contents

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Interim management report .....	1
Condensed interim income statement .....	15
Condensed interim statement of comprehensive income .....	16
Condensed interim statement of financial position .....	17
Condensed interim statement of changes in equity .....	18
Condensed interim statement of cash flows .....	19
Notes to the condensed interim financial statements .....	20
Statement of directors' responsibilities .....	40

### Terms used in this report

The 'company' or 'Affinity Water' means Affinity Water Limited; the 'regulated business' or 'regulated activities' means the licensed water activities undertaken by Affinity Water Limited in the South East of England.

# Affinity Water Limited

## Interim management report

### About us

We are the largest 'water only' company in England, proudly supplying high-quality clean and safe drinking water to nearly 4 million customers across the South East of England. While we do not collect or treat wastewater, we are wholly responsible for owning, maintaining, and enhancing an extensive water supply network that spans approximately 4,500 km<sup>2</sup> across three supply regions in the South East of England.

With over 170 years of service to our local communities, we are deeply committed to delivering reliable water services while protecting and improving the environment we depend on.

### Introduction

We are pleased to present our unaudited interim financial and operational results for the first six months of Asset Management Plan 8 ("AMP8"). This period marks a significant milestone as we embark on delivering our ambitious £2.3 billion investment programme, as outlined in our 2025–2030 business plan.

### Strategic focus areas

Our business plan is centred around four key outcomes that matter most to our customers and communities:

- Supplying high-quality water you can trust
- Making sure you have enough water, while leaving more water in the environment
- Providing a great service that you value
- Minimising disruption to you and your community.

These outcomes guide our investments and initiatives, ensuring that we meet the evolving needs of our customers and the environment.

### Changes to the Board

On 2 October, the company announced Keith Haslett's intention to step down as Chief Executive Officer of Affinity Water Limited to assume the role of Group Chief Executive Officer at Pennon Group Plc. The Board of Affinity Water Limited has initiated the search for a successor. Keith will, in the meantime, continue to serve as Chief Executive Officer to ensure a smooth and orderly transition.

# Affinity Water Limited

## Interim management report (continued)

### Operational and performance summary

Following a successful price review for 2025 to 2030, we have now entered the first year of our new commitments under AMP8.

Key operational highlights for AMP8 to date:

- During the peak summer period, we supplied over one billion litres of water per day to our customers compared to our typical annual average of 943 megalitres per day.
- Our Customer Risk Index ("CRI") for the first half of 2025 stands at 0.212, marking the lowest CRI score recorded at the start of any year.
- We have improved our industry ranking, moving up to 6th place in the Developer measure of experience ("D-MeX") customer service index.
- We have 66,242 households who have smart meters as at 30 September and we anticipate having over 100,000 households with smart meters by year-end.

### Operational performance review

We are experiencing more volatile weather patterns, partially influenced by climate change, with the first six months of the year marked by unusually prolonged hot and dry conditions that created significant operational challenges we were able to overcome. These trends mirror conditions last seen during the summer of 1976, one of the hottest and driest summers in the last 100 years.

Over the summer months, demand exceeded one billion litres of water per day supplied and there were exceptionally dry ground conditions, causing a high soil moisture deficit (which causes shrinkage and ground movement). This contributed to an increased incidence of mains bursts requiring repair, elevated levels of leakage outbreak, and associated supply interruptions. Overall, the volume of water needed by our customers during this period naturally led to higher per capita consumption and affected the average time properties experience low pressure.

We have been developing our operational strategy to prepare us for extreme weather conditions and implemented this over the summer months, and as a result we were able to limit the impact of such extreme weather, avoiding the need to introduce a temporary usage ban in our region while other regions did. Our forecast supply interruptions performance is expected to remain among the best in the industry even under normal conditions. We have deployed additional resources to prepare for the winter period.

In alignment with our environmental objectives, we worked collectively as one of six Water Resources Southeast Regional ("WRSE") member companies to publish the WRSE plan and launched the "Keep Life Flowing" customer campaign, aimed at promoting water conservation.

We are pleased to report zero serious pollution incidents during this period.

On the customer service front, our Customer measure of experience ("C-MeX") performance for the first quarter of the year positioned us 12th in the industry, which is an improved relative position in the industry from the previous quarter. Despite the improvement in position, scores have reduced across the industry due to a change in the calculation methodology. To enhance and improve customer experience, we have redesigned our billing format for greater clarity and are actively working to reduce resolution times and simplify customer journeys. A new online self-service portal is currently in the testing phase, with further customer service enhancements expected soon.

# Affinity Water Limited

## Interim management report (continued)

### Operational performance review (continued)

Furthermore, in June, we launched our comprehensive Customer Vulnerability Strategy, outlining a broad range of initiatives designed to better understand and support customers requiring additional assistance.

### Financial performance summary

	<b>Unaudited six month period ended 30 September 2025</b>	Unaudited six month period ended 30 September 2024	% change
Revenue (£m)	219.3	181.4	20.9%
Operating profit (£m)	42.4	26.1	62.5%
(Loss)/profit for the period (£m)	(10.0)	2.0	(601.0%)
Net cashflow outflow before tax and financing (£m)	(6.8)	(28.5)	76.3%
Compliance net debt (£m)	1,542.7	1,448.6	7.2%
Gearing (%)	76.8%	76.7%	0.7%

Key financial highlights for the first six months:

- Revenue has increased by 20.9% primarily due to tariff increases to support the increased investment in AMP8 and a rise in consumption due to the hot weather over the summer.
- Operating profit has increased by 62.5% driven by the increase in revenue and energy price reduction, offset by a rise in inflation and increased operational costs due to the hot weather impact.
- Loss for the period has increased by £12.0m driven by higher finance costs primarily due to higher accretion on index-linked bonds and swaps, as well as additional interest following the new bond issuance in March 2025.
- Pre-financing cashflows improved by £21.8m, 76.3%, mainly driven by operational performance and reduced capital spending.
- Our compliance net debt has increased by 7.2% which is driven by accretion on RPI and CPI linked debt.
- Shareholders have committed to inject £150.0m of equity into the company by 31 March 2026 which will strengthen our financial resilience.
- Gearing is 76.8% and remains below our internal gearing threshold of 80%, with the Board committing to maintain gearing around 70% during AMP8 following the £150.0m equity injection.

# Affinity Water Limited

## Interim management report (continued)

### Operational performance

#### Key performance indicators (KPIs)

We have aligned our operational KPIs to the key performance commitments made in our AMP8 Business Plan and in response to customer expectations. We want customers and stakeholders to be able to assess our track record and hold us to account. We are required to report our performance annually against targets set by Ofwat in our Final Determination. Our performance in relation to our year-end targets, as shown, for the six-month period ended 30 September 2025 is shown in the table below.

#### Key



on track to meet or exceed year-end target



off track to meet year-end target

### Making sure you have enough water whilst leaving more water in the environment

#### Business demand

Megalitres per day ("Ml/d")

Target: 9.8% reduction



Business demand promotes water efficiency for our customers and helps to improve water resources supply/demand. It is reported as a three-year average against a baseline level from 2019/20 average water use. It is a measure of usage by non-household customers. This is the first year of reporting this metric as a performance commitment. We are currently reporting below target with a forecast of 8.9% at year-end.

We launched our non-household demand programme towards the end of last year. We have a specific offering to schools where we can link a water efficiency visit and fix service alongside our education programme. We have also launched a standalone audit service where we liaise with retailers to approach high use customers to offer demand reduction services. We are participating in a Market Improvement Fund ("MIF") funded partnership project and undertaking benchmarking trials. The MIF project will create a platform for businesses to assess water usage and provide a proposal form for Retailers and Wholesalers to help reduce demand.

#### Leakage

Average annual water leakage from our network (% reduction)

Target: 21.3% reduction



This measure is reported as a percentage reduction in a three-year average Ml/d of leakage against a baseline average level of 2019/20.

We are forecasting to report a 20.8% reduction which falls short of the 2025/26 target reductions in the three-year rolling average leakage figure. The summer saw prolonged dry conditions causing ground movement driving an increased level of mains bursts and leakage outbreak. We have increased resources, and our recovery plans are delivering improvements. The next few months will be important to bring our performance back on target.

#### Per Capita Consumption ("PCC")

Average water use (% reduction)

Target: 3.60% reduction



Per Capita Consumption is the metric used by the water industry to measure water use in the home. PCC is reported as a three-year average litres per day ("l/p/d") against a baseline level from 2019/20 average water use.

Our target is to reduce this consumption by 3.6% (from base year). We are behind where we need to be due to the hot summer and higher demand, currently forecasting an increase of approximately 0.5% by year-end. Since peak usage seen during the Covid-19 pandemic we have been working hard through behavioural change and water saving activities to close the gap to target.

Alongside our existing water efficiency campaigns, we continue to look for new and innovative ways to educate on the need for reducing consumption. We have recently launched our new customer campaign programme "Keep Life Flowing". It builds on the success of *Save Our Streams*, with a fresh approach that is designed to help customers understand how small changes in their everyday routines can make a big difference to their water use.

# Affinity Water Limited

## Interim management report (continued)

### Operational performance (continued)

Key performance indicators (continued)

#### Supplying high quality water you can trust

##### Water quality

CRI (Score)

Target: 0  
(Deadband  
1.83 or less)



CRI is a measure to inform the risk arising from treated water compliance failures. Whilst the ultimate target for water quality would be an index score of zero, we are on course to achieve a performance that is within the 'deadband' of between 0 and 1.83 for the 2025 calendar year and will not incur a financial penalty.

CRI continues to show strong performance reporting at 0.212 for the first six months of the year.

##### Operational greenhouse gas ("GHG") emissions

(tonnes)

Target:  
72,377  
tonnes  
(3.22%  
reduction)



This measure is set to reduce our net operational greenhouse gas emissions in line with our Net Zero commitments.

Our emissions are estimated to be approximately 2% above our six-monthly target and the target for the year-end is a 3.22% reduction from a 2024/25 base year. This has been driven by higher vehicle-related emissions than expected and purchase of granulated activated carbon, which is difficult to profile. Additionally, GHG performance is affected by higher demand as the increased electricity and chemical requirements contribute to 80% of our emissions. Emissions may reduce when estimated chemical data is updated.

##### Serious pollution incidents

(Number of incidents)

Target: 0



This is a new performance commitment for 2025-2030. It reports the number of category 1 and 2 pollution incidents. We are reporting zero serious pollution incidents for the first six months of the year.

#### Providing a great service that you value

##### D-MeX

(Score)

Target:  
League table  
position out  
of 17 (>8<sup>th</sup>  
position)



D-MeX is the measure of levels of service provided to developers. The index score is made up of both a qualitative and a quantitative element which contribute 50% each to the score.

D-MeX is reported through 4 quarterly scores. To date we have only received scores for the first quarter ("Q1"). Our qualitative score was 75.15 and a quantitative score was 100 which gives an overall Q1 score was 82.60, placing us 6th in the industry league table. We continue to look for ways to improve our service and anticipate this improving trend will continue.

##### C-MeX

(Score)

Target:  
League table  
position out  
of 17 (>8<sup>th</sup>  
position)



C-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain. C-MeX is reported out of 100 and is split equally 50/50 for customer service and experience and qualitative and quantitative respectively. It is reported on a ranked basis against the 17 water companies in England and Wales.

Our year-to-date C-MeX score is 59.24 placing us 12th out of 17 companies. Our customer experience score reported 11th and our service scores 13th. We know work is required to make improvements. We have redesigned our bills to make them easier for customers to understand. We are working to improve resolution times and make 'customer journeys' easier. We are in the testing phase of updating to our online self-service portal and in June we launched our customer vulnerability strategy where we have set out a wide range of ambitions and initiatives, all of which will help us to understand customer needs and support customers who may need extra help.

# Affinity Water Limited

## Interim management report (continued)

### Operational performance (continued)

#### Key performance indicators (continued)

#### Minimising disruption to you and your community

##### Mains repairs (due to bursts)

(Number per 1,000km mains)

Target:  
140.3 or less



The number of mains repairs for the first half of 2025/26 was 59.44, tracking higher than our profiled target of 55.75 for the first six months of the year.

The hot summer and dry ground conditions caused an increase in mains bursts. We are entering the winter period where we may also experience an increase where cold, frosty weather also creates hard ground conditions. However, we are expecting our run rate to remain below the target for the rest of the year and achieve our year-end commitment. Despite being above the profiled year-to-date target, this includes headroom to allow us to achieve the year-end target should winter environmental conditions become unfavourable.

##### Water Supply Interruptions > 3 hours

(Average minutes per property, water supply interruption)

Target:  
00:05:00



Interruptions to supply are running over our target for the first six months (00:03:43 year-to-date actual compared to a year-to-date target of 00:02:30), with our current year-end forecast not achieving the full year target.

Due to the hot dry weather increasing mains bursts we are currently running above the target. While winter weather can be unpredictable and has a significant effect on this metric, we are working to keep interruptions to a minimum with additional resources repairing our network.

##### Average time properties experience low pressure

(Time)

Target:  
01:51:13



This is a measure of the average time that a property is at risk of experiencing low pressure in their mains water supply.

As with supply interruptions, the hot dry weather impacted demand and had a significant impact on this metric. Current year-to-date performance is already reporting above the year-end target; therefore, we will be unable to achieve this performance commitment. The most significant issue affecting our performance is due to increased usage at a site in the Wembley area, which has subsequently impacted water pressure. We are taking actions to resolve this issue.

##### Unplanned outage

(%)

Target:  
2.20%



Unplanned outage is the temporary loss of maximum sustainable production capacity. It is the difference between the available production capacity and the sustainable maximum.

We are currently on track to meet the commitment for the full year of 2.20% of total outages.

As with interruptions to supply, weather has a significant impact on this metric, particularly winter freeze-thaw events.

##### Discharge permit compliance

(%)

Target:  
100%



Discharge permit compliance is the percentage compliance against our discharge permits at our production sites. Discharges occur at our works when water is 'run to waste' following treatment processes.

Maintaining compliance with our permits is critical to our operations and to deliver our environmental obligations. We are forecasting to meet 100% compliance at year-end.



# Affinity Water Limited

## Interim management report (continued)

### Regulatory update

#### PR24 outcomes

We had a successful PR24 price review process and were pleased to accept the Final Determination, which meant we were able to mobilise quickly to start delivering the plan. Along with the rest of the industry, we have significant investment plans over the next five years on a scale not previously seen and therefore this fast start is critical to successful delivery over the next five years.

The regulatory framework has introduced new mechanisms for AMP, such as Price Control Deliverables ("PCDs"), to track delivery and expenditure of these plans. Our Performance Commitments ("PCs") targets will provide customers with significant service improvements, with rewards and penalties for over and under delivery. We are subject to a strict revenue control regime designed to incentivise service improvements for customers, efficiency in operations, and investment delivery. In addition to controlling revenues, Ofwat has determined financial incentives for 12 PCs that are common across all companies and one further low pressure PC bespoke to us. PCs set targets for customer service, environmental performance and asset stewardship with financial penalties and rewards where performance differs from target. Financial risks from PC incentives are moderated through a system of caps that limit exposure. In cases where PC rewards and penalties become due, these are made each year within the AMP.

Our PR24 price control determination contains the following key customer outcomes:

- Commitments towards service improvements for customers including a 13% reduction in leakage and 10% reduction in consumption per person from baselines, alongside commitments on asset health, drinking water quality and environmental performance.
- Experience measures dedicated towards excellent customer experience in each of the household, business and developer customer sectors.
- Affordability support including increasing social tariff uptake to 150,000 customers.
- Delivery of strategic water resources schemes, smart metering and transfer schemes.
- Increase to the average household bill by 26% in real terms by 2030.

Furthermore, our determination includes Price PCDs which apply financial rewards for on-time delivery whilst penalising late or under-delivered outputs. Where PCD incentives become due, these are made at the end of the price control period.

The determination addresses input cost uncertainty by allowing indexation of allowed costs for wage and construction price inflation, with a separate true-up mechanism for power costs. In addition, it puts in place uncertainty mechanisms that would allow revenue controls to be adjusted should the company be subject to new legal obligations for PFAS (per- and polyfluoroalkyl substances, commonly known as 'forever chemicals') or cyber security and for additional investment required for asset health and strategic water resources.

#### Independent Water Commission

In July 2025, the Independent Water Commission ("IWC"), appointed by the government, made 88 recommendations including substantial reforms to industry regulation and planning. We had significant engagement with the IWC, both in person and through the submission of written evidence. The changes proposed by the IWC include:

- Clearer governmental strategic direction.
- Creation of a single combined economic water quality and environmental regulator.
- Creation of regional water planners with duties to oversee long term planning for clean and wastewater.
- Greater use of supervisory regulation and more powers of direction over companies.

The government will shortly publish a White Paper setting out how it will take forward the IWC proposals into new legislation due to be introduced late in 2026. It will also publish a transition plan and new ministerial direction to the existing regulators. This will have an influence on arrangements for the next price review.

The company is an active participant in the Department for Environment Food and Rural Affairs ("DEFRA") process shaping both the White Paper and transition plan and we will also contribute to the forthcoming consultation.

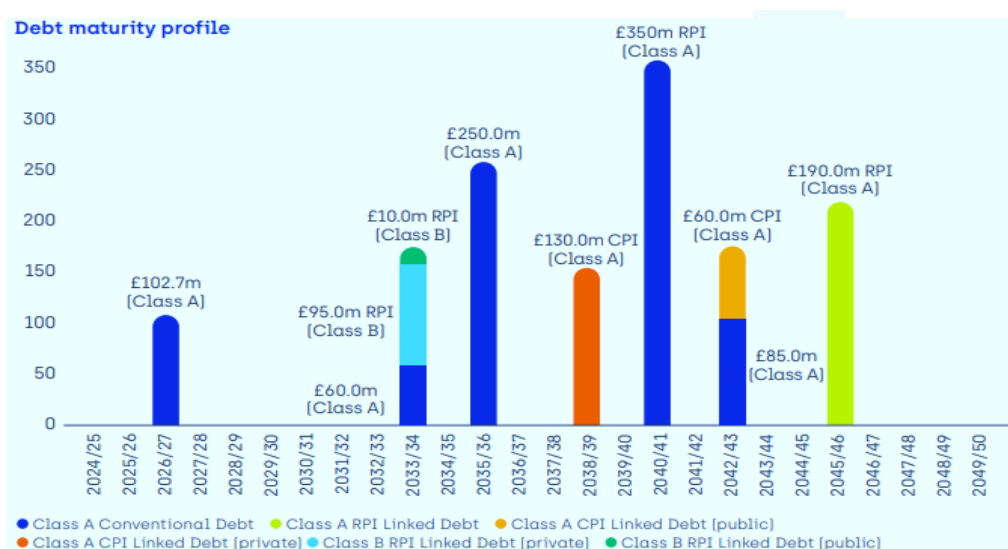
# Affinity Water Limited

## Interim management report (continued)

### Financing update

As we are a business with a long-term outlook and expenditure commitments, we need to match this with long-term sources of debt finance. We consider the most cost-effective way to raise long-term debt to be through the debt capital markets. Our financing subsidiaries have outstanding external bonds totalling £1,332.7m, raised in the debt capital markets and on-lent to the company on the same terms. Our next significant debt maturity is in July 2026 when a £102.7m fixed rate bond matures. The company has the funds to meet this maturity and does not need to access the debt capital markets to refinance this debt as is typical under our system of economic regulation.

The following chart shows the maturity profile of the bonds issued by the company's subsidiaries as at 30 September 2025:



The credit ratings for our subsidiaries' bonds assigned by the rating agencies, Moody's, Standard & Poor's<sup>1</sup> and Fitch, have not changed since March 2025.

Bonds	Moody's	Standard & Poor's <sup>1</sup>	Fitch
<b>Class A</b>	A3	BBB+	BBB+
<b>Class B</b>	Baa3	BBB-	BBB-
<b>Corporate family rating</b>	Baa1	N/A	N/A

At 30 September 2025, compliance net debt, as defined in the financial covenants in the company's securitisation documentation, was £1,542.7m (at 31 March 2025: £1,478.3m). This is calculated as borrowings and accrued interest less loans from the intermediate parent company and all company cash and short-term deposits. It is reconciled to our regulatory net debt in table 1E of our regulatory Annual Performance Report for the year ended 31 March 2025. Gearing, calculated as compliance net debt to Regulatory Capital Value ("RCV") at 30 September 2025, was 76.8% (31 March 2025: 77.5%) and remains below our internal gearing level of 80.0%. The £150.0m equity injection committed by the shareholders will enable the company to maintain gearing at 70% over AMP8 as committed by the Board in February 2025. This allows sufficient headroom within the gearing covenants, which are only triggered at a level of more than 90.0%.

<sup>1</sup> Negative outlook applied by Standard & Poor's

# Affinity Water Limited

## Interim management report (continued)

### Financial performance

Our financial results are prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standard ("IAS") 34: 'Interim financial reporting' ("IAS 34") and the requirements of the Companies Act 2006; refer to note 2 of the condensed interim financial statements for further details. Our unaudited financial results for the six months to 30 September 2025 are summarised as follows:

	2025	2024 (restated)
	£m	£m
<b>Revenue</b>	<b>219.3</b>	181.4
Operating costs	(187.7)	(165.5)
Other operating income	10.8	10.1
<b>Operating profit</b>	<b>42.4</b>	26.0
Net finance costs	(50.6)	(24.2)
Fair value (loss)/gain on energy swaps	(1.4)	0.5
<b>(Loss)/profit before tax</b>	<b>(9.6)</b>	2.3
Income tax charge	(0.4)	(0.4)
<b>(Loss)/profit for the period</b>	<b>(10.0)</b>	2.0

The prior year has been restated to correct for the effect of the retirement benefit surplus adjustment. Further details are included on pages 23 and 24.

### Revenue

Revenue for the first six months of the year was £219.3m, being a £37.9m (20.9%) increase on the same period last year (six-month period ended 30 September 2024: £181.4m). This growth is primarily driven by annual inflationary tariff increases across both household and non-household revenue streams; alongside higher tariffs implemented with the commencement of the new AMP.

Other income for the period was £10.8m, being a £0.7m (6.9%) increase on the same period last year (six-month period ended 30 September 2024: £10.1m).

### Operating costs

Total operating costs of £187.7m for the first half of the year were £22.2m (13.4%) higher than for the same period last year (six-month period ended 30 September 2024: £165.5m restated). Average CPIH inflation for the six-month period to September being 4.5% higher year-on-year has added £5.6m onto our costs.

Energy costs decreased by £4.6m compared to the prior period, reflecting effective management of energy prices through our hedging strategy as well as lower price per kWh. Bad debt costs increased by £0.6m driven by customer payment patterns with the full year charge anticipated to be in line with our expectations.

Depreciation increased by £8.5m due to the capitalisation of completed projects following finalisation of AMP7. Legal and insurance expenses rose by £1.9m primarily due to increased claims. Net operational and other costs have increased by £7.7m as a result of an increase in contractor costs, bulk water, chemicals, materials and supplies. This rise is closely linked to the operational demands resulting from hot weather for the first half of this financial year, which led to increased leak repairs and pipe burst activities.



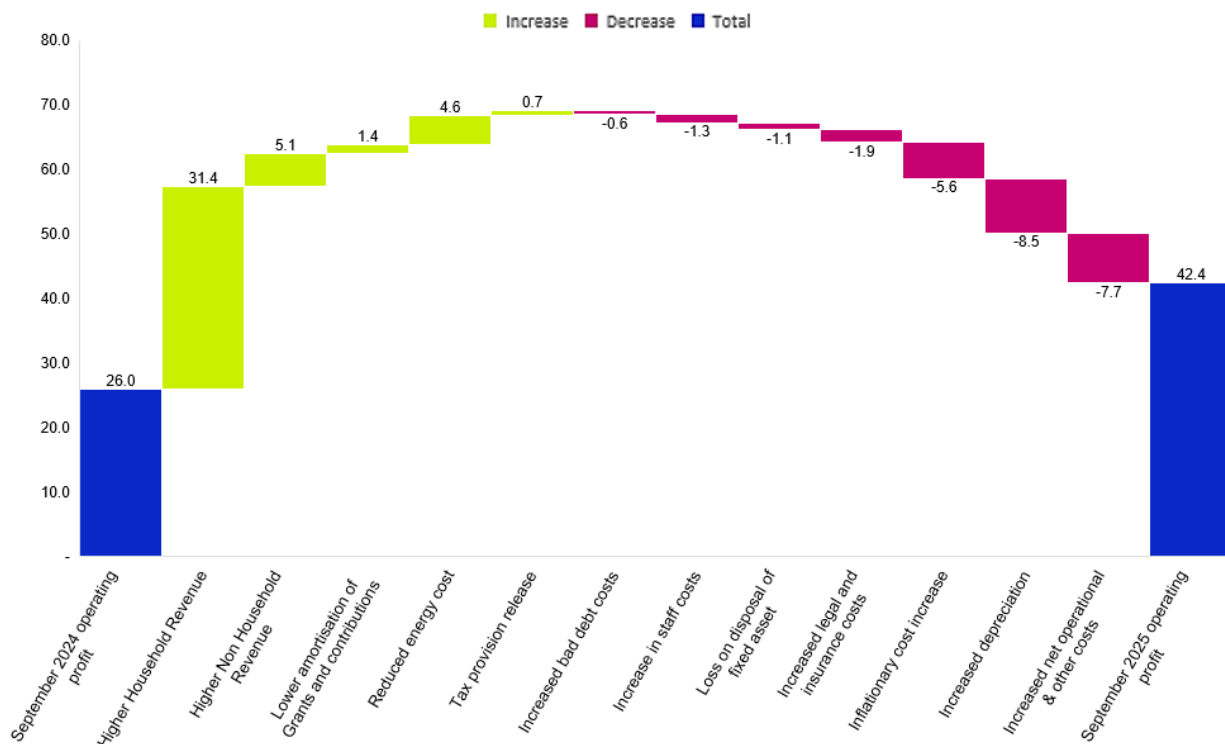
# Affinity Water Limited

## Interim management report (continued)

### Financial performance (continued)

#### Operating profit

Operating profit increased by £16.4m to £42.4m (an increase of 63.1%) compared to the same period last year (six-month period ended 30 September 2024: £26.0m as restated). The key variances are in the following graph:



#### Interest and fair value movements

The net finance cost of £50.6m was £26.4m (109.1%) higher in the current period. Of this movement £22.3m relates to accretion on our index-linked bonds and swaps following the issuance of a new green bond of £350.0m and the partial repayment of an existing bond. In addition, interest payable on loans from parent and subsidiary undertakings also increased. This was partly offset by £2.6m increase in bank interest income and interest receivable on inflation swaps. The fair value movements<sup>1</sup> on our inflation and floating swaps, which caused a lower fair value gain of £4.6m in the current period compared to a £11.4m gain in the prior period.

There was a £1.4m fair value loss on our energy swaps which decreased by £1.9m from the prior period (which recorded a fair value gain of £0.5m). This movement reflects recent volatility in wholesale energy prices.

<sup>1</sup> Gains or losses arising from fair value changes reflect the market conditions at the time and are non-cash in nature. They are accounting entries only, impacting the condensed interim income statement but not the condensed interim statement of cash flows during the period.

# Affinity Water Limited

## Interim management report (continued)

### Financial performance (continued)

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#### Taxation

The tax charge in the condensed interim financial statements for the period ended 30 September 2025 is a deferred tax charge. No corporation tax was charged during the period ended 30 September 2025 as we are forecasting a tax loss for 2025/26 therefore no tax was expected to be payable (six-month period ended 30 September 2024: £nil).

All our profits are taxed in the UK, and we do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities. We comply with what we understand to be both the letter and the spirit of the law. Details of the tax strategy for the Affinity Water Limited regulated business can be found in our regulatory Annual Performance Report for the year ended 31 March 2025. Information about the group tax strategy of Daiwater Investment Limited, our ultimate holding and controlling company in the United Kingdom is also available on our website: [affinitywater.co.uk/library](https://affinitywater.co.uk/library).

#### Dividends

No equity dividends were paid during the six-month period ended 30 September 2025 (six-month period ended 30 September 2024: £nil). During AMP7 our shareholders agreed to re-invest all planned returns from our appointed business for the benefit of our customers. For AMP8, it is expected that dividend payments will resume, as a result of improved forecasted performance and generation of distributable reserves. A revised dividend policy, aligned with updated licence requirements, was approved by the Board and took effect from 1 April 2025. It reflects our commitment to balancing stakeholder interests and maintaining financial resilience. Our dividend policy is available on our website: [affinitywater.co.uk/governance-assurance](https://affinitywater.co.uk/governance-assurance).

#### Capital expenditure and cashflow

Capital expenditure in the six-month period ended 30 September 2025 was £86.9m (six-month period ended 30 September 2024: £86.0m restated). Our 2025-2030 investment programme spending will in principle be on the development of assets to meet our obligations under our Water Resources Management Plan ("WRMP") and Water Industry National Environmental Programme ("WINEP") which allow us to meet future demand and address the impact of climate change. We continue to invest in leakage reduction and our existing water treatment and network assets. The total excludes £11.4m (six-month period ended 30 September 2024: £10.3m) of infrastructure renewals expenditure, which is treated as an operating cost under Financial Reporting Standard 101: 'Reduced disclosure framework' ("FRS 101").

Net cash flow before tax and financing<sup>1</sup> for the first six months of the year was an outflow of £6.8m being a £21.7m, a 123.9% improvement on the same period last year (six-month period ended 30 September 2024: £28.5m outflow). The improvement is primarily driven by operational performance mainly from higher revenue and also as detailed above.

#### Revaluation reserve

At 30 September 2025, the company adopted a policy of revaluing certain classes of fixed assets to market value, in accordance with the fair value provisions of IAS 16: 'Property, plant and equipment' ("IAS 16"). This is a change from the previous policy, under which all fixed assets were stated at historic cost. The impact on the financial statements of this change in accounting policy has been to increase the net book value of tangible assets as at 30 September 2025 by £159.0 million. Further details are included in note 3.

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<sup>1</sup> This "non-GAAP" measure, which is used internally to evaluate our financial performance, is calculated as the total of the following lines per the condensed interim statement of cash flows (refer to page 19): cash generated from operations; purchases of property, plant and equipment; deferred grants and contributions; proceeds from sale of property, plant and equipment; purchases of intangible assets; and principal elements of lease payments.

# Affinity Water Limited

## Interim management report (continued)

### Principal risks and uncertainties

Our documented and established risk management governance model, based on the Three Lines of Defence<sup>1</sup>, involves the operational business, the dedicated Risk function and other internal and external Assurance/Audit functions in the management of risks in the pursuit of delivering the objectives of the organisation. The Audit, Risk and Assurance Committee ("ARAC") reviews senior management's work on risk management at least six-monthly and reports to the Board on the effectiveness of the system of risk management and controls. At senior management level, the Executive Leadership Team ("ELT") regularly reviews high priority risks and horizon scanning exercises. The Risk function owns and manages the corporate risk database, provides internal consultancy to the operational business and decision support services to management. Together the operational business "First Line of Defence", the Risk Management function ("Second Line of Defence") and the Assurance functions ("Third Line of Defence") manage risk according to the Corporate Risk Framework. The internal audit function provides assurance on the effectiveness of the management and controls framework annually.

We have kept our principal risks and uncertainties under regular review and they largely remain unchanged from those reported in the Annual Report and Financial Statements for the year ended 31 March 2025. We have re-assessed two risks as at 30 September 2025 as follows:

- Principal risk 7 – Fail to meet customer expectations: March 2025 assessment was "Moderate". The September 2025 assessment is considered "High" given the impact of the changes in C-MeX calculation methodology reducing overall industry performance, increasing the risk of Outcome Delivery Incentive ("ODI") penalties, and our commitment to improve service to our customers.
- Principal risk 10 – Adverse macro-economics: March 2025 assessment was "High" largely based on high volatility in key inflation and interest rate measures in the preceding years. The September 2025 assessment is considered "Moderate" due to interest rates and energy prices slowly falling to well within historical norms, and volatility in key macro-economic measures being less pronounced.

The principal risks and uncertainties reported for the year ended 31 March 2025 and now for the half-year to 30 September 2025 are as follows:

Principal risks	Trend	September 2025 Rating	March 2025 Rating
1. Health, safety & wellbeing	Stable	High	High
2. Failure to supply	Stable	Moderate	Moderate
3. Failure to supply high quality water	Stable	Moderate	Moderate
4. Data compromise	Stable	Critical	Critical
5. Environmental damage	Stable	Low	Low
6. Adverse climate impact	Stable	High	High
7. Fail to meet customer expectations	Worsened	High	Moderate
8. Fail to meet regulatory and legal obligations	Stable	High	High
9. Funding challenges	Stable	Moderate	Moderate
10. Adverse Macro-economics	Improved	Moderate	High
11. Capital projects underdelivery	Stable	Moderate	Moderate
12. Asset deterioration	Stable	Moderate	Moderate

<sup>1</sup> The three lines of defence model was developed in 2008-10 by the Federation of European Risk Management Associations ('FERMA') and the European Confederation of Institutes of Internal Auditing ('ECIIA') and adopted by the former UK Financial Services Authority. In 2013 it was published by the UK Institute of Internal Auditors.



# Affinity Water Limited

## Interim management report (continued)

### Principal risks and uncertainties (continued)

Further information on these risks and uncertainties can be found on pages 50 to 56 of the company's Annual Report and Financial Statements for the year ended 31 March 2025, which is available on our website: [affinitywater.co.uk/corporate/investors/library](https://affinitywater.co.uk/corporate/investors/library).

At the time of approving this unaudited half-yearly financial report, the disclosure given in the Annual Report and Financial Statements is still applicable and relevant, and the conclusions reached remain based upon our best understanding of these risks.

### Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as they believe that the company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements.

This is based on assessment of the principal risks of the company and the other matters discussed in connection with the viability statement on pages 57 to 61 of the company's Annual Report and Financial Statements for the year ended 31 March 2025, as well as consideration of the company's budgeted cash flows, short and long term forecasts and ability to generate future revenues, related assumptions and available debt facilities.

The company has significant debt and swap maturities in July 2026. The directors have assessed existing cash balances and forecast cash flows, including the future receipt of the £150,000,000 equity injection (announced in February 2025) in the financial year ending 31 March 2026. This equity injection is subject to a legally binding contract and is unconditional in nature, therefore the directors consider it appropriate to include this in their assessment.

To assess a severe but plausible downside scenario, the directors have considered the potential financial impact of principal risks occurring. Specifically, the company's ability to remain solvent and adhere to its lending covenants under a stressed scenario akin to these tested in the viability statement, specifically a 15% increase in annual expenditure during the going concern period.

Based on these forecasts and the ability to absorb the impact of the severe but plausible downside scenario, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The directors have also considered the ring fence structure in place and note that the existence of external borrowings outside of this structure, namely that within Affinity Water Holdco Finance Limited, does not impact the conclusions reached regarding the ability of the company to continue as a going concern. This is due to the fact that the company has no obligation to distribute funds through the holding company structure in order to meet such liabilities. Details of the company's cash and short-term investments are included in the statement of financial position on page 176 of the company's Annual Report and Financial Statements for the year ended 31 March 2025, and undrawn committed borrowing facilities are included in note A4.

Due to the nature of the regulated water company's business, the directors consider it appropriate to place reliance on projected financials. There have been no events after the reporting period significantly affecting liquidity headroom or forecast covenant compliance.

# Affinity Water Limited

## Interim management report (continued)

### Related parties

Details of related party transactions can be found in note 21. During the period, one new related party arose with Arqiva Smart Metering Limited.

Arqiva Smart Metering Limited became a related party on 26 November 2024, following the appointment of Mike Osborne to the Arqiva Smart Metering Limited board; however, no new related party transactions with this entity took place until this interim period. The company continues to manage related party relationships in accordance with its governance policies to ensure transparency and compliance.

There has been no change to the nature of related party transactions in the first six months of the financial year which has materially affected the financial position or performance of the company.

### Governance

We recognise the importance of demonstrating to customers, investors, communities, regulators and other stakeholders that we operate our business to the highest standards of governance and transparency. As required by our water supply licence, we operate our business as if it were a separate listed company having regard to the principles of good governance of the UK Corporate Governance Code and the objectives of Ofwat's publication: Board Leadership, Transparency and Governance principles, revised in January 2019. Our business is owned by private investors and we therefore apply the principles of the Code in this context, also having regard to the Guidelines for Disclosure and Transparency in Private Equity (the Walker Guidelines) and the work of the Private Equity Reporting Group.

### Forward-looking statements

Certain statements in this interim management report are forward-looking. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The company undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.



# Affinity Water Limited

## Condensed interim income statement for the six-month period ended 30 September 2025

	Note	30 September 2025 £000 Unaudited	30 September 2024 (restated) £000 Unaudited
<b>Revenue</b>	5	<b>219,318</b>	181,433
Cost of sales		<b>(160,610)</b>	(141,234)
<b>Gross profit</b>		<b>58,708</b>	40,199
Administrative expenses		<b>(22,148)</b>	(20,211)
Impairment losses on financial and contract assets		<b>(4,939)</b>	(4,000)
Other operating income		<b>10,782</b>	10,080
<b>Operating profit</b>	6	<b>42,403</b>	26,068
Finance income	7	<b>11,094</b>	8,474
Finance costs	7	<b>(66,365)</b>	(44,040)
Fair value gain on inflation swaps	7	<b>2,200</b>	11,358
Fair value gain on floating swaps	7	<b>2,441</b>	-
Net finance costs		<b>(50,630)</b>	(24,208)
Fair value(loss)/gain on energy swaps		<b>(1,437)</b>	503
<b>(Loss)/profit before tax</b>		<b>(9,664)</b>	2,363
Income tax charge	8	<b>(355)</b>	(359)
<b>(Loss)/profit for the period</b>		<b>(10,019)</b>	2,004

All results of the company in the current period and prior period are from continuing operations.

The prior year has been restated to correct for the effect of the retirement benefit surplus adjustment. Further details are included on pages 23 and 24.

The notes on pages 20 to 39 are an integral part of these condensed interim financial statements.



# Affinity Water Limited

## Condensed interim statement of comprehensive income for the six-month period ended 30 September 2025

	Note	30 September 2025 £000 Unaudited	30 September 2024 (restated) £000 Unaudited
<b>(Loss)/profit for the period</b>		<b>(10,019)</b>	2,004
<i>Other comprehensive income/(expense) for the period which will not be reclassified to profit or loss:</i>			
Remeasurements of post-employment benefit obligations		<b>(2,731)</b>	5,542
Deferred tax credit/(charge) on items that will not be reclassified	17	<b>715</b>	(1,349)
Revaluation of tangible assets	13	<b>159,000</b>	-
Deferred taxation on the revaluation of tangible assets	17	<b>(39,750)</b>	-
<b>Other comprehensive income for the period, net of tax</b>		<b>117,234</b>	4,193
<b>Total comprehensive income for the period</b>		<b>107,215</b>	6,197

The prior year has been restated to correct for the effect of the retirement benefit surplus adjustment. Further details are included on pages 23 and 24.

The notes on pages 20 to 39 are an integral part of these condensed interim financial statements.

# Affinity Water Limited

## Condensed interim statement of financial position as at 30 September 2025

	Note	30 September 2025 £000	31 March 2025 £000
Assets		Unaudited	Audited
<b>Non-current assets</b>			
Property, plant and equipment	9	2,135,226	1,936,893
Right-of-use assets	9	7,824	6,580
Intangible assets	9	32,290	31,479
Investments		100	100
Retirement benefit surplus	10	48,037	49,746
Derivative financial instruments	11	76	21
Long-term financial receivable		1,000	1,000
		<b>2,224,553</b>	<b>2,025,819</b>
<b>Current assets</b>			
Inventories		6,163	5,794
Derivative financial instruments	11	36	955
Trade and other receivables	12	181,906	135,189
Short-term investments		77,383	80,795
Short-term financial receivable		1,725	1,793
Cash and cash equivalents		111,494	128,020
		<b>378,707</b>	<b>352,546</b>
<b>Total assets</b>		<b>2,603,260</b>	<b>2,378,365</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	13	30,506	30,506
Share premium account	13	1,400	1,400
Capital contribution reserve	13	30,150	30,150
Revaluation reserve	13	119,250	-
Accumulated losses		(212,574)	(200,539)
<b>Total equity</b>		<b>(31,268)</b>	<b>(138,483)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	14	351,369	342,426
Borrowings	15	1,515,089	1,595,703
Lease liabilities	16	5,467	4,412
Derivative financial liabilities	11	57,460	132,742
Deferred tax liabilities	17	225,252	185,862
Provisions for other liabilities and charges	17	3,331	2,677
		<b>2,157,968</b>	<b>2,263,822</b>
<b>Current liabilities</b>			
Trade and other payables	14	277,841	245,671
Borrowings	15	103,120	128
Lease liabilities	16	2,524	2,333
Derivative financial liabilities	11	89,598	253
Provision for other liabilities and charges	17	-	1,163
Current tax liabilities		3,477	3,478
		<b>476,560</b>	<b>253,026</b>
<b>Total liabilities</b>		<b>2,634,528</b>	<b>2,516,848</b>
<b>Total equity and liabilities</b>		<b>2,603,260</b>	<b>2,378,365</b>

The notes on pages 20 to 39 are an integral part of these condensed interim financial statements.

# Affinity Water Limited

## Condensed interim statement of changes in equity for the six-month period ended 30 September 2025

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Revaluation reserve £000	Accumulated losses (restated) £000	Total (restated) £000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance as at 1 April 2025	30,506	1,400	30,150	-	(200,539)	(138,483)
Loss for the period	-	-	-	-	(10,019)	(10,019)
Other comprehensive income/(expense)	-	-	-	119,250	(2,016)	117,234
Total comprehensive income/(expense)	-	-	-	119,250	(12,035)	107,215
Balance as at 30 September 2025	30,506	1,400	30,150	119,250	(212,574)	(31,268)

Balance as at 1 April 2024	30,506	1,400	30,150	-	(183,613)	(121,557)
Profit for the period (restated)	-	-	-	-	2,004	2,004
Other comprehensive income (restated)	-	-	-	-	4,193	4,193
Total comprehensive income (restated)	-	-	-	-	6,197	6,197
Balance as at 30 September 2024 (restated)	30,506	1,400	30,150	-	(177,416)	(115,360)

The notes on pages 20 to 39 are an integral part of these condensed interim financial statements.

# Affinity Water Limited

## Condensed interim statement of cash flows for the six months ended 30 September 2025

	Note	30 September 2025 £000 Unaudited	30 September 2024 (restated) £000 Unaudited
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	67,701	49,385
Interest paid		(28,749)	(31,858)
<b>Net cash flows from operating activities excluding deferred grants and contributions</b>		<b>38,952</b>	17,527
Deferred grants and contributions		13,057	7,727
<b>Net cash flows from operating activities</b>		<b>52,009</b>	25,254
<b>Cash flows from investing activities</b>			
Disinvestment of short-term deposits		3,411	16,059
Proceeds from sale of property, plant and equipment		583	1,417
Purchases of property, plant and equipment		(83,063)	(82,983)
Purchases of intangible assets		(3,867)	(3,052)
Interest received		15,685	13,595
<b>Net cash flows used in investing activities</b>		<b>(67,251)</b>	(54,964)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(123)	-
Principal elements of lease payments		(1,161)	(1,016)
<b>Net cash flows from financing activities</b>		<b>(1,284)</b>	(1,016)
<b>Net decrease in cash and cash equivalents</b>		<b>(16,526)</b>	(30,726)
Cash and cash equivalents at beginning of period		128,020	59,777
<b>Cash and cash equivalents at end of period</b>		<b>111,494</b>	29,051

The prior year has been restated to remove the Hatfield sale and leaseback transaction from the cashflow statement and to reclassify the interest received on financial instruments. Further details are on pages 23 and 24.

The company has accounted for the revaluation of property, plant and equipment through other comprehensive income as a revaluation reserve and an increase in tangible fixed assets of £159,000,000. This is not a cash transaction and therefore is not shown within the cashflow statement.

The notes on pages 20 to 39 are an integral part of these condensed interim financial statements.

# Affinity Water Limited

## Notes to the condensed interim financial statements

### 1. General information

The company is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

Refer to note 23 for details of the company's ultimate parent.

These condensed interim financial statements were approved for issue on 26 November 2025.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2025 were approved by the Board of directors on 10 July 2025 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter and did not contain any statement under section 498 of the Companies Act 2006.

These condensed interim financial statements have not been audited by the independent auditor.

In the same way that financial information was reported on a monthly basis to the company's chief operating decision maker (the Board), during the current and previous financial period on a combined basis, the company presents its results under a single segment for financial reporting purposes.

### 2. Basis of preparation

These condensed interim financial statements for the six months ended 30 September 2025 have been prepared in accordance with the UK adopted International Accounting Standard ("IAS") 34: 'Interim financial reporting' ("IAS 34").

The company prepared its financial statements for the year ended 31 March 2025 in compliance with the requirements of Financial Reporting Standard 101: 'Reduced disclosure framework' ("FRS 101").

Under FRS 101, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The condensed interim financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the company's Annual Report and Financial Statements for the year ended 31 March 2025, with the exception of tax, which is calculated based on the estimated average effective tax rate for the year ending 31 March 2026, and a modification in relation to the revaluation of certain tangible fixed assets (see note 3).

The condensed interim financial statements should be read in accordance with the company's Annual Report and Financial Statements for the year ended 31 March 2025, which is available on our website: [affinitywater.co.uk/corporate/investors/library](https://affinitywater.co.uk/corporate/investors/library).



# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 2. Basis of preparation (continued)

#### Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements as they believe that the company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future and for a period of at least 12 months from the date of approval of these financial statements.

This is based on assessment of the principal risks of the company and the other matters discussed in connection with the viability statement on pages 57 to 61 of the company's Annual Report and Financial Statements for the year ended 31 March 2025, as well as consideration of the company's budgeted cash flows, short and long term forecasts and ability to generate future revenues, related assumptions and available debt facilities.

The company has significant debt and swap maturities in July 2026. The directors have assessed existing cash balances and forecast cash flows, including the future receipt of the £150,000,000 equity injection (announced in February 2025) in the financial year ending 31 March 2026. This equity injection is subject to a legally binding contract and is unconditional in nature, therefore the directors consider it appropriate to include this in their assessment.

To assess a severe but plausible downside scenario, the directors have considered the potential financial impact of principal risks occurring. Specifically, the company's ability to remain solvent and adhere to its lending covenants under a stressed scenario akin to these tested in the viability statement, specifically a 15% increase in annual expenditure during the going concern period.

Based on these forecasts and the ability to absorb the impact of the severe but plausible downside scenario, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The directors have also considered the ring fence structure in place and note that the existence of external borrowings outside of this structure, namely that within Affinity Water Holdco Finance Limited, does not impact the conclusions reached regarding the ability of the company to continue as a going concern. This is due to the fact that the company has no obligation to distribute funds through the holding company structure in order to meet such liabilities. Details of the company's cash and short-term investments are included in the statement of financial position on page 176 of the company's Annual Report and Financial Statements for the year ended 31 March 2025, and undrawn committed borrowing facilities are included in note A4.

Due to the nature of the regulated water company's business, the directors consider it appropriate to place reliance on projected financials. There have been no events after the reporting period significantly affecting liquidity headroom or forecast covenant compliance.

#### Seasonality of interim operations

Due to the nature of the business of the company, there are no significant seasonality or cyclicity impacts.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 3. Material accounting policy information

The material accounting policy information adopted in the preparation of these condensed interim financial statements have been consistently applied to all years stated, unless otherwise disclosed. Taxes on profit or loss in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

No new standards became applicable for the current reporting period that have a material impact on the company.

#### Change in accounting policy

The company has adopted a policy of revaluing certain classes of fixed assets to market value, in accordance with the fair value provisions of IAS 16: 'Property, plant and equipment' ("IAS 16"). This is a change from the previous policy, under which all fixed assets were stated at historic cost.

The impact on the financial statements of this change in accounting policy has been to:

- increase the net book value of tangible assets as at 30 September 2025 by £159,000,000;
- recognise a credit of £159,000,000 to a revaluation reserve, representing the revaluation adjustment of £159,000,000; and
- recognise the deferred tax of £39,750,000 as a debit in the revaluation reserve and credit in deferred tax liability.

As determined by IAS 8: 'Accounting policies, changes in accounting estimates and errors' ("IAS 8") paragraph 17, there is no requirement to restate the prior year with the revaluation of property, plant and equipment and therefore this accounting policy is applied prospectively.

#### Revaluation

Four asset categories, being operational structures, potable water distribution mains, raw water pipes and fixed plant, are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, any subsequent increase in value is recognised in profit or loss only to the extent that it reverses a previous decrease in value that was recognised in the income statement.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in the income statement. Financial Reporting Standard 101: 'Reduced Disclosure Framework' ("FRS 101") requires assets held at fair value to be valued by an independent third party on a periodic basis. Depreciation on the revaluation will be accounted for within the income statement. An amount equal to the excess depreciation will be transferred from the revaluation reserve to retained earnings. See note 9 for further detail.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 3. Material accounting policy information (continued)

#### Tangible assets valuation

Tangible assets are held under a revaluation model. Fair value is determined with the support of a third party using a market value approach, which uses discounted cashflow modelling to calculate a valuation range for the Enterprise Value ("EV") of Affinity Water Limited. Management concludes on the appropriate EV to be used from within this range using their judgement. The adjusted EV is then allocated against certain assets to estimate their fair value. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data. The change in accounting policy to the revaluation of property, plant and equipment will require annual re-assessments and formal revaluations performed every one to three years.

Estimates are made in respect of the key assumptions applied in the valuation model. The discount rate applied of 6.60% was determined as an appropriate level of weighted average cost of capital as at the valuation date. The key sensitivity to assumptions in the model's valuation output is a 0.01% movement in the discount rate amounting to £6,100,000.

See note 9 for the revaluation in the period and total net book value of tangible assets held as at the period end. The key judgements inherent within the valuation methodology are the selection of the appropriate point within the range of EVs calculated by the third party valuation expert, and the attribution of the EV to relevant assets. The selection within the range is undertaken with due consideration of the regulatory capital value of the assets.

#### Prior period restatements

There are three restatements, one of which was previously restated (item 1 below), and another of which was appropriately disclosed (item 2 below), within the Annual Report and Financial Statements for the year ended 31 March 2025. These are as follows:

1. The prior year retirement benefit surplus has been restated to correct for remeasurement experience adjustments on the present value of the defined benefit liabilities.
2. During the period to 30 September 2024, the company treated the acquisition and simultaneous sale and leaseback of its Hatfield head office as a financing arrangement, recognising the property as an owned asset and the related liability at amortised cost. This non-cash transaction led to a prior period restatement to remove its impact in the cashflow restatement.
3. The interest received on the financial instruments, which was previously classified as a financing activity in the statement of cash flows in the prior period, has now been reclassified as an investing activity to meet the requirements of IAS 7: 'Statement of cash flows' ("IAS 7").

A summary of the financial statement line items affected by the restatements is included in the following table.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 3. Material accounting policy information (continued)

#### Prior period restatements (continued)

Condensed interim income statement	30 September 2024 (as previously presented) £000	Adjustment due to pension correction £000	Adjustment due to Hatfield lease and interest income reclassification £000	30 September 2024 (restated) £000
Administrative expenses	(20,254)	43	-	(20,211)
<b>Operating profit</b>	<b>26,025</b>	<b>43</b>	-	<b>26,068</b>
Finance income	8,033	441	-	8,474
<b>Net finance costs</b>	<b>(24,649)</b>	<b>441</b>	-	<b>(24,208)</b>
<b>Profit before tax</b>	<b>1,879</b>	<b>484</b>	-	<b>2,363</b>
<b>Profit for the period</b>	<b>1,520</b>	<b>484</b>	-	<b>2,004</b>

Condensed interim statement of comprehensive income	30 September 2024 (as previously presented) £000	Adjustment due to pension correction £000	Adjustment due to Hatfield lease and interest income reclassification £000	30 September 2024 (restated) £000
<b>Profit for the period</b>	<b>1,520</b>	<b>484</b>	-	<b>2,004</b>
<i>Other comprehensive income/(expense) for the period which will not be reclassified to profit or loss</i>				
Remeasurements of post-employment benefit obligations	19,249	(13,707)	-	5,542
Deferred tax (charge)/credit on items that will not be reclassified	(4,602)	3,253	-	(1,349)
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>14,647</b>	<b>(10,454)</b>	-	<b>4,193</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>16,167</b>	<b>(9,970)</b>	-	<b>6,197</b>

Condensed interim statement of cash flows and related notes (extract)	30 September 2024 (as previously presented) £000	Adjustment due to pension correction £000	Adjustment due to Hatfield lease and interest income reclassification £000	30 September 2024 (restated) £000
<b>Profit before tax</b>	<b>1,879</b>	<b>484</b>	-	<b>2,363</b>
Post-employment benefits	42	(43)	-	(1)
Net finance costs	24,649	(441)	-	24,208
<b>Cash generated from operations</b>	<b>49,385</b>	-	-	<b>49,385</b>
Purchases of property, plant and equipment	(98,613)	-	15,630	(82,983)
Interest received	1,165	-	12,430	13,595
<b>Net cashflows used in investing activities</b>	<b>(83,024)</b>	-	<b>28,060</b>	<b>(54,964)</b>
Increase in borrowings	15,630	-	(15,630)	-
Interest received on inflation swaps	(12,430)	-	(12,430)	-
<b>Net cashflows from financing activities</b>	<b>27,044</b>	-	<b>(28,060)</b>	<b>(1,016)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(30,726)</b>	-	-	<b>(30,726)</b>

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 4. Critical accounting estimates and judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 March 2025 (which are available on our website: [affinitywater.co.uk/corporate/investors/library](http://affinitywater.co.uk/corporate/investors/library)), with the exception of the additional considerations relating to the revaluation of certain tangible fixed assets (see page 22).

### 5. Revenue

	Six months ended 30 September 2025 £000	Six months ended 30 September 2024 £000
	Unaudited	Unaudited
<b>Timing of revenue recognition – at a point in time</b>		
Unmeasured supplies	53,482	47,202
Measured supplies	123,652	98,541
Non-household wholesale revenue	38,402	33,341
Connection charges	369	301
	<b>215,905</b>	179,385
<b>Timing of revenue – over time</b>		
Requisitioned mains/extensions	204	231
Diversions	2,402	821
Infrastructure charges	465	443
New connections	310	328
Other	32	225
	<b>3,413</b>	2,048
	<b>219,318</b>	181,433



# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 6. Operating profit

	Six months ended 30 September 2025 £000	Six months ended 30 September 2024 £000
	Unaudited	Unaudited
Operating profit is stated after charging:		
Staff costs	33,969	31,687
Energy costs	20,917	24,158
Profit on disposal of property, plant and equipment	(124)	(692)
Loss on disposal of infrastructure assets	365	-
Purchase of bulk water and water supplied under statutory entitlement	8,175	6,110
Water abstraction charges	3,542	3,222
Business rates	6,656	6,578
Depreciation of tangible fixed assets	41,809	33,163
Amortisation of intangible assets	3,056	3,332
Depreciation of right-of-use assets	1,337	1,160
Infrastructure renewals expense	11,432	10,335

These items are included in cost of sales or administrative expenses in the condensed interim income statement.

### 7. Finance income and costs

	Six months ended 30 September 2025 £000	Six months ended 30 September 2024 (restated) £000
	Unaudited	Unaudited
<b>Finance income:</b>		
Bank interest income	3,740	1,164
Net interest receivable on RPI linked inflation swaps	2,968	3,115
Net interest receivable on CPI linked inflation swaps	2,975	3,059
Net income from post-employment benefits	1,411	1,136
	11,094	8,474
<b>Finance costs:</b>		
Interest payable on loan from parent company	(80)	(85)
Interest payable on loans from subsidiary undertakings	(23,781)	(16,834)
Accretion payable in respect of interest on loans from subsidiary undertakings	(23,116)	(14,689)
Accretion payable on financial instrument	(18,153)	(11,465)
Interest payable on lease liabilities	(106)	(88)
Other	(1,129)	(879)
	(66,365)	(44,040)
<b>Fair value gain on financial instruments:</b>		
Fair value gain on inflation swaps	2,200	11,358
Fair value gain on floating swaps	2,441	-
	4,641	11,358
<b>Net finance costs</b>	<b>(50,630)</b>	<b>(24,208)</b>

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 8. Tax (charge)/credit

Tax (charge)/credit is recognised based on management's estimate of the weighted average annual corporation tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 March 2026 is (3.66%) (the estimated tax rate for the year to 31 March 2025 was (5.94%)).

The company is forecasting a loss before tax for the year to 31 March 2026; therefore, no corporation tax is expected to be charged. The tax charge in the condensed interim financial statements for the period ended 30 September 2025 is a deferred tax charge.

### 9. Property, plant and equipment ("PPE"), right-of-use assets and intangible assets

	PPE £000	Right-of-use assets £000	Intangible assets £000
	Unaudited	Unaudited	Unaudited
<b>Six months ended 30 September 2025</b>			
Balance as at 1 April 2025	1,936,893	6,580	31,479
Revaluation gain	159,000	-	-
Additions	81,519	2,586	3,867
Disposals	(547)	(545)	-
Depreciation and amortisation	(41,809)	(1,337)	(3,056)
Disposals – depreciation	170	540	-
<b>Closing net book amount as at 30 September 2025</b>	<b>2,135,226</b>	<b>7,824</b>	<b>32,290</b>

Six months ended 30 September 2024

Opening net book amount as at 1 April 2024	1,812,888	7,153	34,577
Additions	98,792	2,593	3,077
Disposals	(547)	(10,544)	-
Depreciation and amortisation	(33,163)	(1,160)	(3,332)
Disposals – depreciation	151	8,439	-
<b>Closing net book amount as at 30 September 2024</b>	<b>1,878,121</b>	<b>6,481</b>	<b>34,322</b>

Borrowing costs have been capitalised to fixed assets in line with IAS 23: 'Borrowing costs' ("IAS 23").

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 9. Property, plant and equipment ("PPE"), right-of-use assets and intangible assets (continued)

#### Revaluation – tangible assets

The company's operational structures, potable water distribution mains, raw water pipes and fixed plant were valued as at 30 September 2025 using the approach outlined in note 3. These valuations are performed on a consistent basis in accordance with FRS 101 which requires that assets subject to a policy of revaluation should be carried at their fair value less any subsequent accumulated depreciation and accumulated impairment losses. FRS 101 allows, where market based evidence of fair value is not available due to the specialised nature of the items of property plant and equipment, an entity to estimate fair value using an income approach.

For the period ended 30 September 2025, the adjustment made to the existing book value of operational structures, potable water distribution mains, raw water pipes and fixed plant amounted to £159,000,000. The directors note that the revaluation reserve position may be subject to movements in future periods as key discounted cashflow ("DCF") model assumptions are revised as information regarding future price controls and regulatory policy becomes available.

Analysis of the net book value of the revalued tangible assets is as follows:

	Operational structures		Potable water distribution mains		Raw water pipes		Fixed plant	
	Valuation	Historical cost basis	Valuation	Historical cost basis	Valuation	Historical cost basis	Valuation	Historical cost basis
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/cost at 30 September 2025	239,965	225,379	1,231,859	1,118,674	32,320	29,361	1,262,312	1,207,900
Aggregate depreciation at 30 September 2025	(123,145)	(119,579)	(147,571)	(136,669)	(4,558)	(4,217)	(805,281)	(793,948)
<b>Net book value at 30 September 2025</b>	<b>116,820</b>	<b>105,800</b>	<b>1,084,288</b>	<b>982,005</b>	<b>27,762</b>	<b>25,144</b>	<b>457,031</b>	<b>413,952</b>

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 10. Retirement benefit surplus

#### Defined benefit scheme

In calculating the liabilities of the Affinity Water Pension Plan ("AWPP"), the following financial assumptions have been used:

	Six months ended 30 September 2025 Unaudited	Year ended 31 March 2025 Audited	Six months ended 30 September 2024 Unaudited
Discount rate	5.80% pa	5.75% pa	5.05% pa
Salary growth	3.00% pa	3.10% pa	3.10% pa
RPI	2.95% pa	3.05% pa	3.05% pa
CPI	2.50% pa	2.60% pa	2.60% pa
Life expectancy for a male pensioner from age 65 (years)	21.5	21.5	21.8
Life expectancy for a female pensioner from age 65 (years)	23.6	23.6	23.9
Life expectancy from age 65 (years) for a male participant currently aged 45 (years)	23.0	23.0	23.1
Life expectancy from age 65 (years) for a female participant currently aged 45 (years)	25.2	25.2	25.8

Deferred pensions are revalued to retirement age in line with the CPI assumption of 2.50% per annum (31 March 2025: 2.60% per annum) unless otherwise prescribed by statutory requirements or the plan rules.

The amounts recognised in the condensed interim income statement were as follows:

	Six months ended 30 September 2025 £000 Unaudited	Six months ended 30 September 2024 (restated) £000 Unaudited
Current service cost	(564)	(799)
Interest cost on defined benefit obligation	(7,983)	(7,549)
Interest return on assets	9,394	8,685
	847	337

The amounts recognised in the condensed interim statement of financial position were as follows:

	30 September 2025 £000 Unaudited	31 March 2025 £000 Audited
Fair value of plan assets	331,443	335,867
Present value of funded obligations	(283,406)	(286,121)
<b>Post-employment benefit surplus in the condensed interim statement of financial position</b>	<b>48,037</b>	<b>49,746</b>

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 10. Retirement benefit surplus (continued)

#### Defined benefit scheme (continued)

The latest actuarial valuation of the AWPP, determined by an independent qualified actuary, was at 31 December 2023, which concluded that the pension plan was 101% funded on a self-sufficiency basis.

Based on the latest actuarial valuation at 31 December 2023, the company agreed to pay contributions of £700,000 per annum from 1 January 2025, to fund the future cost of benefits being accrued within the plan. Prior to this date, contributions amounted to £1,600,000 per annum from 1 January 2022.

The contributions expected to be paid by the company into the AWPP for the year ending 31 March 2026 are £700,000 (£1,600,000 in the year ended 31 March 2025, although this expectation was dependent on the outcome of the actuarial valuation as at 31 December 2023 being undertaken at that time).

### 11. Derivative financial instruments

	30 September 2025 £000 Unaudited	31 March 2025 £000 Audited
<b>Non-current assets</b>		
Fair value of energy swaps	76	21
<b>Current assets</b>		
Fair value of energy swaps	36	955
	<b>112</b>	<b>976</b>
<b>Non-current liabilities</b>		
Accretion and fair value on RPI linked inflation swaps	-	80,258
Accretion and fair value on CPI linked inflation swaps	56,283	48,960
Fair value of energy swaps	94	-
Fair value of floating interest swap	1,083	3,524
	<b>57,460</b>	<b>132,742</b>
<b>Current liabilities</b>		
Fair value of energy swaps	731	253
Accretion and fair value on RPI linked inflation swaps	88,867	-
	<b>89,598</b>	<b>253</b>
	<b>147,058</b>	<b>132,995</b>



# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 12. Trade and other receivables

	30 September 2025 £000	31 March 2025 £000
	Unaudited	Audited
Trade receivables	127,916	80,998
Less: loss allowance for trade receivables	(37,539)	(37,768)
	90,377	43,230
Amounts owed by group undertakings	22	12
Interest receivable from external parties	1,334	7,546
Other receivables	5,517	5,594
Unbilled accrual for metered customers	68,581	59,389
Prepayments and accrued income	16,075	19,418
	91,529	91,959
	181,906	135,189

### 13. Share capital and other reserves

	Number of shares (‘000s)	Ordinary shares of £0.10 each £000	Share premium £000	Capital contribution reserve £000	Revaluation reserve £000	Total £000
Opening reserves at 1 April 2024 (unaudited)	305,058	30,506	1,400	30,150	-	62,056
Revaluation during the period	-	-	-	-	119,250	119,250
Closing reserves at 30 September 2025 (unaudited)	305,058	30,506	1,400	30,150	119,250	181,306

### 14. Trade and other payables

	30 September 2025 £000	31 March 2025 £000
	Unaudited	Audited
<b>Non-current:</b>		
Deferred grants and contributions	351,369	342,426
<b>Current:</b>		
Trade payables	17,330	43,215
Amounts due to group undertakings	750	780
Interest payable to subsidiary companies	6,695	9,679
Commitment fees	87	85
Social security and other taxes	2,381	2,100
Other payables	17,369	13,246
Capital accruals	33,981	35,525
Deferred grants and contributions	6,699	6,522
Payments received in advance	83,654	84,529
Deferred income	56,784	2,817
Other accruals	52,111	47,173
	277,841	245,671
	629,210	588,097

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 15. Borrowings

	30 September 2025 £000	31 March 2025 £000
	Unaudited	Audited
<b>Non-current</b>		
Loan from Affinity Water Finance (2004) PLC financed by bond issue	-	103,032
Loan from Affinity Water Finance PLC financed by bond issue	1,492,916	1,470,305
Financial liability relating to leasehold property	18,589	18,782
Loan from intermediate parent company	3,550	3,550
Debenture stock	34	34
	1,515,089	1,595,703
<b>Current</b>		
Financial liability relating to leasehold property	198	128
Loan from Affinity Water Finance (2004) PLC financed by bond issue	102,922	-
	103,120	128
	1,618,209	1,595,831

Movements in borrowings are analysed as follows:

Six months ended 30 September 2025 / 30 September 2024	£000	£000
	Unaudited	Unaudited
Opening amount as at 1 April 2025 / 1 April 2024	1,595,831	1,359,485
Increase in leasehold borrowings	-	19,130
Repayment of leasehold borrowings	(123)	(102)
Indexation on loans from subsidiary undertakings	23,116	14,688
Amortisation on loans from subsidiary undertakings	(615)	(1,005)
<b>Closing amount as at 30 September 2025 / 30 September 2024</b>	<b>1,618,209</b>	<b>1,392,196</b>

The company has the following undrawn committed borrowing facilities:

	30 September 2025 £000	31 March 2025 £000
	Unaudited	Audited
Floating rate:		
Expiring within one year	60,000	57,000
Expiring beyond one year	100,000	100,000
	160,000	157,000

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 16. Lease liabilities

	30 September 2025 £000 Unaudited	31 March 2025 £000 Audited
<b>Non-current:</b>		
Lease liabilities	5,467	4,412
<b>Current:</b>		
Lease liabilities	2,524	2,333

The following amounts in respect of leases are included within these financial statements:

	30 September 2025 £000 Unaudited	30 September 2024 £000 Unaudited
Depreciation charge of right-of-use assets (refer to note 9)	1,337	1,160
Interest expense on lease liabilities (refer to note 7)	106	88
Principal elements of lease payments included within cash flows from financing activities	1,161	1,016
Interest payments included within cash flows from operating activities	106	88
Total cash outflow for leases in the condensed interim statement of cash flows	1,267	1,104
Additions to right-of-use assets (refer to note 9)	2,586	2,593
Carrying amount of right-of-use assets (refer to note 9)	7,824	6,481

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 17. Provisions for other liabilities and charges

	Deferred tax £000 (restated)	Insurance £000	Other £000	Tax provision £000	Total £000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Six months ended 30 September 2025					
Opening amount at 1 April 2025	185,862	2,007	670	1,163	189,702
Charged/(credited) to the income statement	355	2,385	-	(710)	2,030
Charged to other comprehensive income	39,035	-	-	-	39,035
Utilised in the period	-	(1,731)	-	(453)	(2,184)
Closing amount at 30 September 2025	225,252	2,661	670	-	228,583
Six months ended 30 September 2024					
Opening amount as at 1 April 2024	191,284	2,803	670	4,100	198,857
Prior year adjustment - borrowing costs	53	-	-	-	53
Prior year adjustment - pension (other comprehensive income)	4,701	-	-	-	4,701
Recognise deferred tax asset on losses	(10,716)	-	-	-	(10,716)
Restated balance as at 1 April 2024	185,322	2,803	670	4,100	192,895
Charged/(credited) to the income statement (restated)	358	(263)	-	-	95
Charged to other comprehensive income (restated)	1,349	-	-	-	1,349
Utilised in the period	-	-	-	(2,450)	(2,450)
Restated closing amount at 30 September 2024	187,029	2,540	670	1,650	191,889

#### Deferred tax

Deferred tax provisions include amounts relating to both accelerated capital allowances and retirement benefit obligations.

#### Insurance

Provisions for insurance represent the amount of the company's liability in respect of individual claims. This is based upon data provided by loss adjusters to insurers and is calculated on settlement experience. The full balance of £2,661,000 is presented as a non-current liability in the condensed interim statement of financial position.

#### Tax provision

A tax provision of £4,100,000 was charged to the income statement and included within administrative expenses in the year to 31 March 2023 as an estimate of an outstanding charge relating to a potential PAYE and NI claim. During the year to 31 March 2025, an advance payment of £2,450,000 was made to HMRC on a voluntary basis and a provision of £486,000 was released. Subsequently, in the period ending 30 September 2025, a final settlement payment of £453,000 was made, and the remaining provision of £710,000 was released.

#### Other provisions

Other provisions of £670,000 (2024: £670,000) relate to unfunded pension liabilities for a former Non-Executive director, which it is expected will be utilised by January 2051, and, therefore, presented as a non-current liability in the condensed interim statement of financial position.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 18. Notes to the condensed interim statement of cash flows

#### a) Cash generated from operations

	30 September 2025	30 September 2024 (restated)
	£000	£000
	Unaudited	Unaudited
<b>(Loss)/profit before tax</b>	<b>(9,664)</b>	2,363
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	41,809	33,163
Depreciation of right-of-use assets	1,337	1,160
Amortisation of intangible assets	3,056	3,332
Amortisation of grants and contributions	(3,414)	(2,048)
Loss on sale of property, plant and equipment	(124)	(692)
Loss on disposal of infrastructure assets	365	-
Post-employment benefits	389	(1)
Net finance costs	50,630	24,208
Net loss/(gain) on energy swaps	1,437	(503)
Changes in working capital:		
- Inventories	(369)	(554)
- Trade and other receivables	(52,929)	(42,940)
- Trade and other payables	35,178	31,897
<b>Cash generated from operations</b>	<b>67,701</b>	49,385

#### b) Reconciliation of liabilities arising from financing activities

	At 1 April 2025 £000	Cash flow £000	Non-cash flows £000	At 30 September 2025 £000
	Unaudited	Unaudited	Unaudited	Unaudited
Loan from Affinity Water Finance (2004) PLC financed by bond issue	103,032	-	(110)	102,922
Loan from Affinity Water Finance PLC financed by bond issue	1,470,305	-	22,611	1,492,916
Financial liability relating to leasehold property	18,910	(123)	-	18,787
Loan from intermediate parent company	3,550	-	-	3,550
Lease liabilities	6,745	(1,267)	2,513	7,991
Debenture stock	34	-	-	34
<b>Total liabilities arising from financing activities</b>	<b>1,602,576</b>	<b>(1,390)</b>	<b>25,014</b>	<b>1,626,200</b>
	At 1 April 2024 £000	Cash flow £000	Non-cash flows £000	At 30 September 2024 £000
	Unaudited	Unaudited	Unaudited	Unaudited
Loan from Affinity Water Finance (2004) PLC financed by bond issue	251,395	-	(282)	251,113
Loan from Affinity Water Finance PLC financed by bond issue	1,104,506	-	13,965	1,118,471
Financial liability relating to leasehold property	-	-	19,028	19,028
Loan from intermediate parent company	3,550	-	-	3,550
Lease liabilities	7,317	(1,105)	419	6,631
Debenture stock	34	-	-	34
<b>Total liabilities arising from financing activities</b>	<b>1,366,802</b>	<b>(1,105)</b>	<b>33,130</b>	<b>1,398,827</b>



# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 19. Financial risk management and financial instruments

The company's activities primarily expose it to interest rate risk, inflation risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's financial statements for the year ended 31 March 2025 (refer to note A4 to the financial statements for the year ended 31 March 2025).

There have been no changes in any risk management policies since 31 March 2025.

#### Fair value of financial assets and liabilities

Financial assets	30 September 2025 £000	31 March 2025 £000
	Unaudited	Audited
<b>Current:</b>		
Energy swaps	76	21
<b>Non-current:</b>		
Energy swaps	36	955
	112	976
<b>Financial liabilities</b>	<b>30 September 2025 £000</b>	<b>31 March 2025 £000</b>
	Unaudited	Audited
<b>Current:</b>		
Energy swaps	94	-
Bonds	103,387	-
Inflation swaps	88,867	-
<b>Non-current:</b>		
Bonds	1,285,601	1,360,890
Inflation swaps	56,283	129,218
Energy swaps	731	253
Floating swaps	1,083	3,524
	1,536,046	1,493,885

Between 1 April 2025 and 30 September 2025, market interest rates increased, marginally decreasing the fair value of the bonds on-lent from the company's two financing subsidiaries. However, the accretion to date is included in the fair value, and this increase contributed to a higher overall fair value despite the decline in bond prices. The market value of the inflation swaps have increased due to unfavourable market movements.

The fair value of our public Class A and B bonds has been derived from 'level 1' fair value measurements: quoted prices (unadjusted) in active markets for identical liabilities. The fair values of private bonds and the derivative financial instrument has been derived from 'level 2' fair value measurements: directly observable market inputs other than Level 1 inputs. The fair value of derivative financial instruments is calculated by discounting expected future cashflows at a discount rate which is derived from the yield on comparable instruments which are observable in the market.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 19. Financial risk management and financial instruments (continued)

The remaining financial assets and liabilities of the company, which are measured at amortised cost, approximate to their carrying amount.

There were no changes to valuation techniques or transfers between fair value measurement hierarchies during the period.

### 20. Commitments

The directors have authorised a programme of asset-related expenditure, of which the contracted capital element not provided for in the condensed interim financial statements amounted to £44,475,000 at 30 September 2025 (31 March 2025: £23,003,000).

### 21. Related party transactions

The following transactions were carried out with related parties:

Receipts	Nature of relationship	In respect of	Six months ended 30 September 2025		Six months ended 30 September 2024	
			Value <sup>1</sup> £000	Balance <sup>2</sup> £000	Value £000	Balance £000
			Unaudited	Unaudited	Unaudited	Unaudited
Aqjiva Smart Metering Limited	Common director	Smart Metering supplies	1	-	-	-
Affinity Water Capital Funds Limited	Group undertaking	Support services	22	22	161	136

Payments	Nature of relationship	In respect of	Six months ended 30 September 2025		Six months ended 30 September 2024	
			Value £000	Balance £000	Value £000	Balance £000
			Unaudited	Unaudited	Unaudited	Unaudited
Aqjiva Smart Metering Limited	Common director	Smart Metering supplies	5,138	444	-	-
Allianz Insurance plc	Common ownership	Insurance	53	-	62	-
Affinity Water Capital Funds Limited	Group undertaking	Interest on loan	80	-	80	-
Affinity Water Finance (2004) PLC	Subsidiary undertaking	Interest on loan	2,914	1,306	7,070	3,141
Affinity Water Finance PLC Limited	Subsidiary undertaking	Interest on loan	46,428	11,445	26,744	4,399

<sup>1</sup> The value represents the total transactions included in the financial statements for the period (either in the income statement or capital expenditure).

<sup>2</sup> The balance is the amount receivable or payable at the period-end date.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 21. Related party transactions (continued)

Details of the loans from fellow group undertaking, Affinity Water Capital Funds Limited, and Affinity Water Finance (2004) PLC and Affinity Water Finance PLC, the company's subsidiary undertakings, can be found in note 15.

Arqiva Smart Metering Limited became a related party on 26 November 2024, following the appointment of Mike Osborne to the Arqiva Smart Metering Limited board; however, no new related party transactions with this entity took place until this interim period.

There were no other significant related party transactions which require disclosure.

### 22. Events occurring after the reporting period

There were no significant events after the reporting period.

### 23. Ultimate parent company and controlling party

The immediate parent undertaking of the company is Affinity Water Holdings Limited, a company registered in England and Wales.

Affinity Water Holdings Limited is wholly owned by Daiwater Investment Limited, a company registered in England and Wales. Daiwater Investment Limited is the parent undertaking of the largest group to consolidate the statutory financial statements of the company. The statutory financial statements are also consolidated in the financial statements of Affinity Water Holdco Finance Limited, the smallest group to consolidate the financial statements of the company.

Copies of the group financial statements of Daiwater Investment Limited and Affinity Water Holdco Finance Limited for the year ended 31 March 2025 may be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

The directors consider Daiwater Investment Limited as the ultimate holding and controlling company in the United Kingdom.

The directors consider the following entities to be the company's ultimate controllers, as they are in a position to exercise material influence over the company's policy and affairs:

- Allianz Infrastructure Holding I Pte. Limited
- DIF Management Holding BV
- DIF Management UK Limited
- HICL Infrastructure plc
- Sun Life Financial Inc.

Allianz Capital Partners is the Allianz Group's in-house investment manager for alternative equity investments. The investment focus is on infrastructure and renewables as well as private equity funds. Allianz Capital Partners' investment strategy is targeted to generate attractive, long-term and stable returns while diversifying the overall investment portfolio for the Allianz Group insurance companies.

# Affinity Water Limited

## Notes to the condensed interim financial statements (continued)

### 23. Ultimate parent company and controlling party (continued)

DIF is an independent and specialist fund management company, which invests in infrastructure assets that generate long-term stable cash flows, including public-private partnerships, regulated infrastructure assets and renewable energy projects in Europe, North America and Australia. On 3 July 2024, CVC Capital Partners acquired an initial 60% interest in DIF Capital Partners, with DIF Capital Partners then being rebranded CVC DIF. CVC Capital Partners is not considered to have become an ultimate controller as a result of this transaction.<sup>1</sup>

HICL Infrastructure plc is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. HICL Infrastructure plc has a portfolio of infrastructure investments, which are positioned at the lower end of the risk spectrum, in three target market segments: public-private partnerships, regulated assets and demand-based assets. The Investment Manager to HICL Infrastructure plc is InfraRed Capital Partners Limited, a leading international investment manager focused on infrastructure and renewable energy investments. On 1 July 2020, Sun Life Financial Inc acquired an 80% interest in the InfraRed business from InfraRed Capital Partners (Management) LLP and became an ultimate controller.

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<sup>1</sup> CVC Capital Partners acquired an initial 60% stake of DIF Capital Partners on 3 July 2024, with an additional 20% to be acquired shortly after 31 December 2026 and the final 20% to be acquired shortly after 31 December 2028.

# Affinity Water Limited

## Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report and Financial Statements.

The maintenance and integrity of the Affinity Water Limited website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that might have occurred to the interim financial statement since they were initially presented on the website.

The directors of Affinity Water Limited are listed in the company's Annual Report and Financial Statements for the year ended 31 March 2025. A list of current directors is maintained on the governance pages of the company's website: [affinitywater.co.uk/board](http://affinitywater.co.uk/board).

By order of the Board

Keith Haslett  
Chief Executive Officer

Adam Stephens  
Chief Financial Officer

26 November 2025

# AffinityWater

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