



Affinity Water

Taking care of your water now and for the future

Regulatory Annual Performance Report
for the year ended 31 March 2025

Affinity Water Limited
[Registered Number 02546950]

Affinity Water Regulatory Annual Performance Report

Glossary of key abbreviations and definitions used within this report and the water industry

AMP – Asset Management Plan
The five-year price control period covered by a company's business plan. AMP6 ran from 2015 to 2020. AMP7 runs from 2020 to 2025. AMP8 will run from 2025 to 2030.

C-MeX – Customer Measure of Experience
A measure of customer service levels being used by Ofwat.

CRI – Compliance Risk Index
A measure of water quality compliance designed to illustrate the risk arising from treated water compliance failures.

D-MeX – Developer Measure of Experience
A measure of developer service levels being used by Ofwat.

ICG – Independent Challenge Group
An independent group of stakeholders provide challenge and advice on the delivery of our plans for customers.

Ml/d – Megalitres per day
A measure of consumption. One megalitre is equal to one million litres.

MOSL – Market Operator Services Limited
The market operator of England's non-household water market.

ODI – Outcome Delivery Incentive
Mechanism for financial rewards or penalties that underpins the Performance Commitments.

PCC – Per Capita Consumption
The amount of water used by each person, usually measured in litres per person per day ('l/p/d').

PR – Periodic Review
The price determination process undertaken by Ofwat ahead of each new AMP. The PR19 process set the price controls for AMP7. The PR24 process sets the price controls for AMP8.

R-MeX – Retailer Measure of Experience
A measure of retailer service levels being used by Ofwat.

RAGs – Regulatory Accounting Guidelines
The Regulatory Accounting Guidelines define in detail the treatment of particular items (for example, revenue and interest) where Ofwat disclosure and accounting requirements differ from those normally required under UK accounting standards and applicable legislation.

RCV – Regulatory Capital Value
The economic value of the regulated business, as determined by the price control regime.

RoRE – Return On Regulated Equity
A financial metric used by Ofwat to determine the profitability of the regulated company.

Totex – Total expenditure
The sum of operational expenditure and capital expenditure.

WINEP – Water Industry National Environment Programme
A set of actions that water companies must complete in order to meet their environmental obligations as required by the Environment Agency.

WRMP – Water Resources Management Plan
A long-term plan detailing how a water company will maintain a sustainable balance between future demand and supply of water.

Important information

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.

Our registered office

Tamblin Way Hatfield Hertfordshire AL10 9EZ

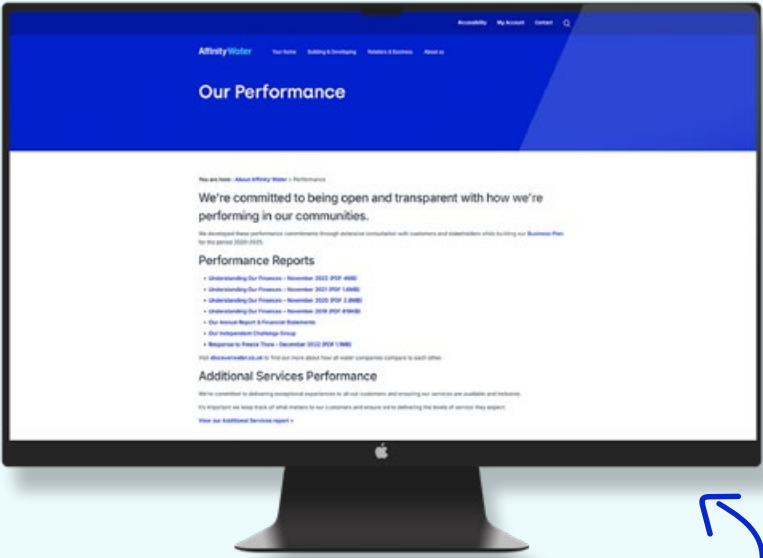


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The following regulatory Annual Performance Report is prepared to enable the Water Services Regulation Authority ('Ofwat') to monitor the financial performance of the regulated water business of Affinity Water Limited. This regulatory Annual Performance Report should be read in conjunction with the Annual Report and Financial Statements of Affinity Water Limited for the year ended 31 March 2025, which can be found here:



affinitywater.co.uk/performance

Statement from the Chair

“Over the next five years we will be delivering a £2.3 billion investment programme, designed to make sure we can continue to provide high-quality and affordable services for our customers now and in the future.”

Mike Brown CBE MVO
Company Chair



Welcome to our Annual Performance Report for the year ended 31 March 2025.

Transition of Leadership and Role as Chair

Although I joined the Affinity Water Board in October 2024, I took up the role as Chair at the end of January 2025, allowing Ian Tyler to continue his work leading the company through to the end of the regulatory price review process. This allowed for a smooth transition at a crucial time for Affinity and means that my tenure as Chair starts at the very beginning of the new five-year investment period.

Future Investment

Affinity has clearly navigated the periodic review process very effectively. The company's representations on the Draft Determinations were instrumental in achieving an outcome at Final Determination ['FD'] which is sustainable and deliverable but remains ambitious and challenging. Over the next five years we will be delivering a £2.3 billion investment programme, designed to make sure we can continue to provide high-quality and affordable water services for our customers now and in the future. The positive outcome at Final Determination combined with the steps taken over the last two years to improve operational performance means that Affinity is well placed to deliver on its business plan for customers and the environment in the next asset management period.

Financial Strength and Strategic Refinancing

Following the Final Determination, our shareholders committed to inject £150m in equity by 31 March 2026, which will enable us to maintain gearing at around 70% for the AMP. Following affirmation of our credit ratings, which are now amongst the strongest in the sector, we have also been able to move quickly to successfully issue a £350m green bond on favourable terms in early March.

Operational Excellence

This has been another strong year in our delivery of public service for customers and the environment. Keith Haslett goes into more detail on operational performance in the CEO's review, but the whole company is to be congratulated on taking Affinity from being one of the lowest ranked companies on performance to be one of the leaders over the last five years. Although I have not been with the company long, it is clear that the focus on developing a new leadership culture and the effort put in to engage with colleagues right across the organisation, combined with a drive for operational excellence, has transformed Affinity in a relatively short space of time. I know that the team is in no way complacent and will be looking to further build on this over the next five years.

Highlights

- Sector leading performance on the measures which matter most to customers – water quality, unplanned outages and interruptions to supply.
- Successful delivery of the AMP7 enhancement programme and early mobilisation with supply chain for delivery of AMP8.
- Improving financial performance with increases in revenue and operating profit and growth in Regulatory Capital Value ['RCV'].
- Ofwat's Final Determination sustainable and deliverable – but challenging and ambitious.
- Financial resilience strengthened with committed £150m equity injection and £350m green bond issuance. Gearing to be reduced.

Read the **executive summary of operational performance** on pages 8 to 13

In common with the Board, the team knows that we are now committed to even higher levels of service and to deliver a much larger investment programme that has previously been the case. It is encouraging that we have secured all our key supply chain contracts before the start of the AMP and so can move quickly to deliver.

Financial Performance

We have continued to see improved financial performance with increases in both revenue and operative profit, as well as growth in regulatory capital value ['RCV'] reflecting the high levels of investment over the last 12 months.

Public and Political Engagement

The new AMP starts in a period of unprecedented public and political interest in the future structure and direction of the sector. There is no doubt that performance in some areas of the sector has fallen short of what the public have a right to expect and that there have been significant shortcomings in the behaviour of some water companies. The new government moved quickly to deliver on its manifesto commitments, passing the Water (Special Measures) Act with new provisions for executive remuneration and a new regime of environmental fines. The Act contains some governance provisions, giving customers a role in decision making, which could prove transformational. Our intent at Affinity is to embrace the spirit of these provisions and find ways in which we can really innovate, going beyond minimum compliance. We intend to move at pace to implement these and have taken account of the Act's provisions on performance related pay and the subsequent rules issued by Ofwat when making our decisions on executive remuneration.

We are also engaging with the Independent Water Commission ['IWC'] under Sir Jon Cunliffe and are keen to assist him and his secretariat in their important work. Our objective is to help the Commission achieve the best possible outcome in the national interest. As a water only Company our priority is water security and we are focusing on how this can be achieved whilst supporting the need for growth in the economy. Our supply area is challenging in this regard: a growing population and a highly sensitive environment mean that we have a difficult balance to achieve on water resources. New industries, drivers of growth such as data centres, add to that challenge, but we want to work with the IWC and government to find innovative ways to achieve this balance.

Commitment to Public Service

Affinity is one of the few remaining companies in the sector which has never been nationalised and therefore always provided public service with private finance. As such, we understand very well that public expectations of us are much higher than is the case with public sector suppliers. We set ourselves high standards in this regard and seek to engage closely with customers, stakeholders and environmental groups in the way in which we deliver our service. I have been impressed that the Board has a strong focus on the public value and sustainability of our operations and I expect this to increase to match public expectations.

Looking Ahead

I have been made most welcome since joining the Affinity Board and would like to thank everyone at the company for the support and assistance I've received. In particular, I'd like to thank my predecessor Ian Tyler for making the transition so smooth and also to commend him for the steady leadership he has shown through a challenging period over the last four years. I look forward to working with all my colleagues at the company and with our stakeholders to contribute to our delivery over the next five years.

Mike Brown CBE MVO
Company Chair

Statement of Chief Executive Officer

66 I am pleased to present our Annual Performance Report ('APR') for the year ended 31 March 2025. This report is designed to give customers and other stakeholders clear and transparent information on both our operational and financial performance during the year, including the progress we have made to deliver on our commitments. The report is also designed to give stakeholders details on our legal obligations as a water provider and how we are meeting our licence conditions."

Keith Haslett
CEO



An operational overview

As we reach the end of the current five-year period and the start of the next, this is a good time to reflect on the progress which we have made over recent years in transforming the performance of Affinity Water.

It is timely to look to the significant challenges of delivering a very ambitious programme for customers and the environment in the next AMP. This is also a time of potentially profound change in the water industry and we are committed to playing an active and constructive role in the various reviews which are underway and which could lead to legislative change coming forward in early 2026.

Performance overview – focus on people, culture and operational excellence.

The improvements in our performance set out in last year's annual report have continued and this means that over the last few years, from being one of the weaker performers in the sector we have become one of the strongest.

This change has been delivered by a clear management focus on people, culture, engagement and operational excellence. In people and culture, we have simplified our purpose, vision

and values and worked to ensure that all colleagues in the organisation are aware of what these mean and are clear on the role that they play in delivering our purpose.

This focus on engagement has brought about a steady improvement in our Peakon scores, which measure colleague engagement across a number of metrics. Our ratings now place us in the top 25% of the energy and utilities sector and our aim is to continue this improvement.

To ensure that all our colleagues are prepared for the start of the next AMP and the challenges it will bring, we ran a series of roadshows in January and February 2025. These covered topics including our ambitious smart metering programme, how we're planning to transform our customer experience and the targets and performance commitments we've signed up to. Over 900 colleagues attended the 19 sessions we ran across 6 locations.

Our work on equality and diversity has also shown results. Our gender pay gap has reduced, our managers and leaders are more reflective of the gender balance amongst our employees and our female retention rate has improved.

Our work to transform the maintenance of our assets is a great example of our focus on operational excellence. This project, using

international best practice, has set out to shift the balance between reactive and proactive maintenance and to enhance the capability of our workforce. Our maintenance excellence programme stands out because it demonstrates that data driven asset management is achievable. It is also a people-led approach which empowers the workforce to drive change and ensures that data-driven decision making is understood and embraced.

The programme has significantly improved our asset maintenance maturity and boosted our compliance. It has mitigated our unplanned outage risk and also freed resources, allowing teams to focus on planned maintenance.

Performance Highlights

We have met or exceeded our regulatory targets in the majority of the areas which we know matter most to customers, such as water quality, unplanned outages and interruptions to supply. We have also delivered all our AMP7 obligations under the Water Industry National Environment Programme and all other statutory requirements.

While we have just missed our three-year average leakage target we have met our in-year WRMP commitment and are in a good position to start year one of the next AMP. We have not achieved our targets for per

capita consumption and C-MeX – the customer experience measure used by Ofwat.

Water Quality

I am pleased to report that we have improved our performance in the Compliance Risk Index ('CRI') which measures the risk associated with the quality of water we produce. We have maintained the approach taken in the last year to mitigate the risks identified and our internal CRI board continues to focus on issues such as reservoir inspections, site hygiene and staff awareness. Our year end position is 1.44 which beats our deadband target of 2.

Water supply & unplanned outages

Our performance on these two measures can be regarded as sector leading and can be attributed to the success we have had in improving operational efficiency. We have a strong focus on speed of response and swift resolution underpinned by prudent mains replacement and asset management.

Leakage

Our in-year performance on leakage shows a 19.4% reduction against the three-year rolling average target of 20%. We experienced significant leakage outbreak during the year which disrupted our recovery plan. We are now, however, back on track and with a reduction profile which will enable us to meet our targets for the new AMP.

C-MeX

C-MeX measures customer satisfaction with the service they receive. Our target was to improve our position on C-MeX relative to the rest of the sector, but unfortunately our position has dropped by one. Customer dissatisfaction with the whole of the water industry combined with the rising prices have been strong influences. We have seen some improvement in some of the elements which are directly under our control and have a programme to transform

customer experience and to speed up the resolution of customer issues.

Financial performance

Revenue increased to £363.6m (2024: £347.7m) and our operating profit also increased to £33.2m (2024: £21.8m). Further details are included in our Financial results can be found in sections 1-11 of this APR and in our executive summary of operational performance on page 8 onwards.

We have met our own financial targets for the year relating to base cost expenditure, enhancement expenditure, and cash generated from operations.

The Final Determination and look forward to AMP8

Our business plan for 2025-30 achieved the highest quality rating in the industry from Ofwat and its Final Determination, received in December 2024, closely matches our original submission. Ofwat recognised the risks associated with our new obligations to remove PFAS chemicals from raw water during treatment and allowed an uncertainty mechanism which will enable us to develop efficient costs before scheme sign-off.

We conducted a thorough analysis of the deliverability and financeability of the plan under the terms set out in the Final Determination. As a result of this analysis, the Board has concluded that the plan is deliverable and we have accepted the Final Determination. I am delighted that our investors have agreed to back the plan with further unconditional committed equity investment. It was also very pleasing to be the first water company to raise green bond finance after the Final Determination.

Although we are pleased that we now have clarity over the next five years, we are also aware that delivering a much larger investment programme will be a significant challenge. We have taken early steps to ensure that we are prepared for this and now have all our key contracts in place with our supply chain, meaning

that we are well placed for an early mobilisation of the investment programme.

Helping customers with price increases

We are very conscious that our business plan involves a significant price increase for our customers, of 19% for measured customers and 29% for unmeasured in the first year of the new period. We have also increased the support available to customers through our various social tariffs and are actively promoting the ways in which customers can access our social tariffs.

In the longer term we are trialling new ways of charging for water to incentivise water saving and save money for those on lower incomes. Our initial trial on 1,500 households in Stevenage is showing very positive results at the halfway stage. We are seeing a material reduction in per capita consumption from households on the trial and arrears and bad debt have also fallen, indicating that there are affordability benefits as well. We are looking to run a larger scale trial next year and are also talking to the government about the results to help their development of future policy in this area.

We know that the next AMP brings major challenges as we will be delivering a £2.3bn programme which is significantly larger than any previous programme. Although we have taken prudent steps to ensure we are well prepared, we know that we will have to continue the performance improvements we have shown in the last two years to deliver our commitments to customers. I would like to thank all my colleagues at Affinity for the dedication they've shown in the last two years to take us to this point and I know that they will show the same levels of commitment to deliver our exciting programme in the next AMP.

Keith Haslett
CEO

Executive summary of operational performance – AMP to date and current year

Every five years, water companies produce business plans that set out the performance commitments ('PCs') they will deliver over a five-year period. These plans are shaped by customers and stakeholders on the things they want their company to deliver on and are formalised by Ofwat, our economic regulator, in the Final Determination. The five-year period is referred to as an Asset Management Period, or AMP.

Our current business plan for 2020–2025, or AMP7, includes a total of 28 stretching performance commitments that will ensure we deliver our four customer outcomes.

AMP7 has brought significant and sustained change. Over the past five years, our industry and the communities we serve have faced unprecedented challenges—from the impacts of the global pandemic, economic instability, and increasing climate variability. These events have changed how we live and work, affecting both customer behaviour and the way we operate. In this context, we have continued to focus on delivering for our customers and improving our performance across the full suite of our commitments.

2024–25 marks the final year of AMP7. We are now preparing for the transition into AMP8 (2025–2030), building on the improvements made throughout this period. Performance against our commitments is detailed in the following sections.

Supplying high-quality water you can trust

Compliance Risk Index ('CRI')

Metric (calendar year)	2020	2021	2022	2023	2024
CRI	1.31	0.87	1.09	8.05	1.44
[Dead Band] target	2.00	2.00	2.00	2.00	2.00
Metric [Dead Band] target achieved?	Yes	Yes	Yes	No	Yes

In 2024 we saw a significant improvement in our CRI score from 2023, down from 8.05 to 1.44, and back to the levels seen in the first three years of AMP7. We had no breaches of the standards in samples taken from treatment works during the year. We had three breaches for aluminium during the year, which had a combined CRI score of 0.43 and were all associated with disturbance of aluminium deposit that is present in our mains systems in north-west London. We are taking a two-pronged approach to prevent recurrences, improving the treatment process at the supplying treatment works and mains flushing projects in the affected water supply zones.

The underlying quality of our drinking water supplies remains high and consequently our expectation for future CRI performance is that our scores will remain below the deadband as it reduces to 1 during AMP8.

Customer contacts per 1,000 population for water quality

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
Water quality contacts	0.83	0.75	0.56	0.58	0.60
Target	0.67	0.67	0.67	0.67	0.67
Metric achieved?	No	No	Yes	Yes	Yes

Our PC for customer contacts per 1,000 population for water quality (taste, odour & appearance) was met in 2024/25 with the contact rate being 0.60 against a target of 0.67. This was made up of 1,467 [0.38] contacts regarding appearance and 849 [0.22] contacts regarding taste and/or odour. This is comparable with our performance in 2023/24.

During the first half of 2024/25, we completed construction of the conditioning plant at Sundon Service Reservoir ('SR'), which takes water from Anglian Water's Grafham water treatment works ('WTW'). The chemical conditioning will mitigate the risk of discoloured water from pipework corrosion that could occur due to the difference in composition of the imported water compared to our own groundwater.

Based on our sustained performance over the last three years, we expect to continue to meet this performance commitment in AMP8.

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Making sure you have enough water, while leaving more water in the environment

Leakage

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
Leakage reductions	1.9%	10.8%	15.8%	18.3%	19.4%
Target	2.7%	11.1%	14.0%	17.0%	20.0%
Metric achieved?	No	No	Yes	Yes	No

We have increased our percentage reduction for 2024/25, resulting in 19.4% reduction in the three-year rolling average leakage value from the 2019/20 baseline value. Our performance commitment required us to achieve a 20% reduction from baseline in the three-year rolling average in year 5.

Whilst we have not achieved our targeted 20% reduction in the three-year rolling average, we have managed to increase our percentage reduction from 18.3% at the end of 2023/24 to 19.4% at the end of 2024/25. This is a result of driving down the in-year leakage by 5.4 Ml/d from our 2023/24 position. This will see us achieve the in-year WRMP commitment.

Per capita consumption ('PCC')

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
PCC reductions	−3.5	−3.4%	−4.3%	−1.5%	−0.6%
Target	1.7	4.9%	7.3%	10.0%	12.5%
Metric achieved?	No	No	No	No	No

The reduction in our three-year rolling average has increased (improved) from -1.5% at the end of 2023/24 to −0.6% at the end of 2024/25.

We remain committed to reducing PCC through a programme of established and new initiatives. Home visits with customers along with installation of water-saving devices, detecting and repairing plumbing losses, and educating on sustainable usage. We've also expanded our leak video service, allowing customers to send footage of suspected internal leaks for assessment and repair. Flow regulator installations have continued into year 5 to support operational reductions in household demand. Meanwhile, our award-winning behaviour change campaigns continue to raise awareness and drive meaningful, lasting changes. We are refreshing these initiatives for AMP8 and exploring innovative tariff options to support reductions in household water use.

Providing a great service that you value

Customer measure of experience ('C-MeX')

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.

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
C-MeX*	15th [77.88]	14th [76.57]	14th [74.59]	12th [73.16]	13th [70.10]
Target	Mid table [8th]	Mid table [8th]	Mid table [8th]	Mid table [8th]	Mid table [8th]
Metric achieved?	No	No	No	No	No

*C-MeX score is out of 100 [50 CSS: 50 CES]

We are disappointed with our C-MeX Service performance for the year 2024/25. We recognise that customers are expressing dissatisfaction with the price increase in their bills, driven by generating the required funding to deliver PR24 planned initiatives. Alongside this, there is rising customer expectation and dissatisfaction across a broad range of issues facing the water industry as a sector, including faster resolution times and increased leak reduction.

Executive summary of operational performance – AMP to date and current year continued

We are committed to enhancing customer satisfaction through a series of strategic initiatives which should significantly improve our performance going forward.

Key strategies include:

- Enhanced communication and improved resolution: regularly updating customers on the progress of their issues and resolving them as swiftly as possible.
- Improved billing practices: simplifying billing statements to ensure they are clear and easy to understand.
- Ongoing support for vulnerable customers: providing additional support for customers with low incomes or special needs.
- Continued leakage reduction and water quality: prioritising the reduction of leakage and maintaining high water quality standards to ensure a safe, clean, and reliable water supply.
- Technological advancements: developing user-friendly online portals and mobile apps for billing, service requests, and usage monitoring.
- Continued customer feedback integration: actively seeking and incorporating customer feedback to refine our services, including conducting customer focus groups.

Whilst the overall results are disappointing, we can see signs within the data of improvements within our Experience ('CES') results which in Q4 improved, elevating both our score and our position to 7th place. Over the course of the full year, our Experience score improved to 12th place and we believe that our marketing and customer communication programmes are beginning to yield positive outcomes.

Developer services measure of experience ('D-MeX')

D-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for developer services [new connections] customers. These customers include small and large property developers, self-lay providers ('SLPs'), and those with new appointments and variations ('NAVs').

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
D-MeX*	10th [84.71]	9th [86.00]	10th [86.36]	12th [87.03]	10th [89.50]
Target	Mid table [8th]	Mid table [8th]	Mid table [8th]	Mid table [8th]	Mid table [8th]
Metric achieved?	No	No	No	No	No

*D-MeX score is out of 100 [50% qualitative, 50% quantitative]

Over the year, our D-MeX performance improved, from 12th place in 2023/24 to 10th in 2024/25. We achieved a perfect 100% quantitative score, up 0.13% from last year, alongside a notable increase in qualitative scores. Key factors driving this progress include proactive communication, meeting timescales, and quality of work.

A change in our construction contract partner has helped us align better on shared values and improve construction-related metrics. We are also focusing on delivering better value for money, guided by customer feedback linked to communication, efficiency, and timing.

Using a data-driven approach, we continue to refine our D-MeX strategy to support different customer needs and adapt to the evolving developer market, with system and process improvements designed to enhance the overall customer experience

Minimising disruption to you and your community

Mains repairs

Mains repairs are measured as the number of repairs per 1,000km of mains against a reducing target of less than those noted below.

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
Mains repairs	155.8	100.2	169.9	98.3	113.4
Target	150.7	148.6	146.5	144.4	142.3
Metric achieved?	No	Yes	No	Yes	Yes

We have met the mains repair target for the year and are reporting our in-year performance of 113.4 mains repairs per 1,000km of potable mains. This is against a target of 142.3. We have also outperformed against our anticipated forecast, made within our business plan submission.

We have maintained our strong performance by continuing to quickly identify and respond to risks to our network. Our Control Room continues to carry out live monitoring of the network, 24/7, via our extensive network of Critical Point loggers and District Meter pressure and flow loggers. We have recently incorporated an additional ~6,000 Pressure Point

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loggers – located at strategic points around our distribution network. This further improves our ability to spot issues early and potentially intervene before mains bursts occur.

Interruptions to supply ('I2S')

This metric is based on the number of minutes per property where interruptions to supply was three hours or greater.

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
I2S	00:05:49	00:03:43	00:12:53	00:02:46	00:03:21
Target	00:06:30	00:06:08	00:05:45	00:05:23	00:05:00
Metric achieved?	Yes	Yes	No	Yes	Yes

In the 2024/25 reporting year, our performance on interruptions to supply remained very good, with an actual interruption time of 3 minutes and 21 seconds, well below our target of 5 minutes for the year.

Our performance has deteriorated slightly relative to the 2023/24 reporting year, which is primarily due to two events which occurred in October and December adding 26 and 33 seconds, respectively. In addition, we added 41 seconds across January with the freeze-thaw event. These incidents combined contribute 50% of total time added for the year, reflecting the fact that our background level of performance remains favourable.

We continue to respond to events rapidly, remain committed to maintaining good asset health, and drive network and asset optimisation. We strive to mitigate and reduce the length of interruptions and provide a high level of service for our customers.

Properties at risk of receiving low pressure.

Per 10,000 properties

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
Properties at risk of receiving low pressure	196.850	155.466	150.934	138.594	118.569
Target	1.645	1.513	1.381	1.250	1.118
Metric achieved?	No	No	No	No	No

The low pressure performance commitment measures the number of properties at risk of receiving water pressure below the prescribed standard, per 10,000 properties. We continue to consider that the measurement of the performance commitment is not reliable or comparable with peers across the industry.

We have not achieved our target for this performance commitment since it was introduced, and due to the reporting definitions of this measure, we have not been able to achieve it throughout the five-year period.



Executive summary of operational performance – AMP to date and current year

continued

In 2025/26 we will only report against the performance commitment of average minutes properties experience low pressure. We recognise that water pressure is important to our customers and the average minutes metric provides a more meaningful measure of customers experience and the actual impact in the year.

Unplanned outage

Metric	2020/21	2021/22	2022/23	2023/24	2024/25
Unplanned outage	1.65	1.19	2.09	1.43	1.40
Target	2.34	2.34	2.34	2.34	2.34
Metric achieved?	Yes	Yes	Yes	Yes	Yes

Unplanned outage is a means of assessing asset health, for water abstraction and water treatment activities. It is defined as the annualised unavailable flow, based on the peak week production capacity (or ‘PWPC’) for each company.

Our target for Unplanned Outage is set at 2.34% throughout AMP7. As of 31 March 2025, we have achieved a performance of 1.40%, improving from 1.43% in the previous year (2023/24).

Our performance in delivering this outcome is underpinned by a strategic focus on six key areas: optimisation, asset return, data, critical spares provision, capital improvements and planned maintenance strategy.

Segmental income statement

	Residential retail £m					Water resources £m					Water network + £m				
	20/21	21/22	22/23	23/24	24/25	20/21	21/22	22/23	23/24	24/25	20/21	21/22	22/23	23/24	24/25
Total revenue	27.9	29.0	26.9	28.7	27.1	35.9	43.2	50.4	58.0	62.0	216.4	237.4	238.0	257.2	273.7
Operating expenditure – including PU recharge impact	[29.2]	[28.4]	[31.4]	[32.6]	[36.7]	[18.0]	[18.6]	[21.7]	[22.9]	[22.8]	[163.1]	[179.4]	[196.7]	[201.9]	[204.3]
Depreciation and amortisation	[0.7]	[0.2]	[0.3]	[1.2]	[2.4]	[5.5]	[2.7]	[8.4]	[4.5]	[3.7]	[72.9]	[72.3]	[71.6]	[82.8]	[80.5]
Other operating income	1.6	2.3	2.6	2.6	2.3	0.0	0.1	0.1	0.3	0.1	0.7	0.8	1.1	0.4	2.7
Operating profit/(loss)	[0.3]	2.7	[2.1]	[2.4]	[9.7]	12.4	22.0	20.4	30.6	35.5	[19.9]	[13.4]	[29.2]	[27.2]	[8.3]

Over the AMP, total revenue has increased year-on-year. Revenue was lower in 2020/21 as a result of the reduced business consumption during Covid-19 lockdowns, followed by inflationary increases and increased consumption in both 2021/22 and 2022/23. The impact of ODI penalties, primarily C-MeX, is having an impact on the split of revenue between the residential retail, water resources and water network + price controls.

Operating expenditure including PU recharge impact has remained fairly constant in the residential retail price unit, with a slight increase in 2020/21 due to an additional bad debt provision relating to the Covid-19 pandemic, and a further larger increase in 2022/23 to account for a further bad debt provision arising from the current cost of living crisis. The increase in water resources operating expenditure in 2022/23 is due to an increase in abstraction licences costs in the year. For 2023/24 and 2024/25, these increases have continued in line with increases in inflation as well as continued increases in cost of energy and chemical costs.

Totex vs our allowed expenditure

£m	Water resources					Water network +				
	20/21	21/22	22/23	23/24	24/25	20/21	21/22	22/23	23/24	24/25
Final Determination allowed totex	46.4	59.3	72.3	94.5	35.9	237.8	244.4	261.9	260.3	227.3
Actual totex	31.1	25.7	27.1	50.5	31.3	222.1	276.9	295.1	325.2	315.4
Under/(over) spend	15.3	33.6	45.2	44.0	4.5	15.7	[32.5]	[33.2]	[64.9]	[88.1]

Any variance between the initial totex assumptions and actual expenditure over the full five-year AMP7 period will be assessed through the cost reconciliation mechanism at the end of the regulatory period. This mechanism ensures that if we have been able to make greater efficiencies than assumed in the Final Determination then, for the majority of spend, half of the saving would be retained by the company and half would be returned to customers. Similarly, if our expenditure is higher than the determined allowance, half of the increased expenditure would be recovered from customers and half would be paid for by the company. There are different cost-sharing mechanisms for costs such as business rates and abstraction licences as shown in table 4C of this APR.

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The underspend in water resources is primarily due to the mix of capital work completed between water resources and water network + and an underspend on enhancement capital works.

There was an underspend on our expenditure on strategic regional water resources; see the enhancement section below. This is being partially offset by an overspend within operating expenditure due to the increased energy costs.

Totex within water network + was overspent in 2020/21 due to a delayed start to a number of capital projects as a result of Covid-19, partially offset by increased energy and bulk water costs. Totex was overspent in 2021/22 due to the commencement of some delayed capital projects and the profile of work on water network + capital projects rather than water resources. There were additional energy costs and higher infrastructure renewals expenditure in 2021/22. The overspend in 2022/23, 2023/24 and 2024/25 is driven by increased energy prices and higher renewals expensed in the year (infrastructure) due to the mix of renewals work completed in the year, higher bulk import costs and increased chemicals costs. This was offset by an underspend on capital works.

Enhancement expenditure

The company has underspent its enhancement allowance during the AMP, with a cumulative spend in the AMP of £383.0m compared to an allowance of £450.0m. This is in part due to some efficiencies being met but is primarily due to a delay in expenditure for reasons including planning delays, the impact of Covid-19 in earlier years of the AMP, WINEP delivery delays and the profiling of jobs to be completed during AMP7.

The company has published a final update to its AMP7 enhancement action plan alongside this annual performance report, showing how the company completed a thorough review of each enhancement item, with progress to date, the factors affecting our original delivery plans, and the outcome of our action plans to get our programmes back on track.

Where the company has acknowledged that where projects are no longer required due to changing business needs (i.e. the South Lincolnshire Reservoir and the Anglian to Affinity Water transfer both within strategic regional water resources expenditure lines in table 4L), these funds will be returned to customers as part of the AMP8 revenue reconciliation.

For more details on the breakdown of the variance, see tables 4C and 4L in the 2020/21, 2021/22, 2022/23, 2023/24 and 2024/25 APR, and 4C and 4L within this document.

Key financial metrics

		20/21	21/22	22/23	23/24	24/25
Regulatory gearing	%	77.06%	73.99%	74.06%	74.90%	81.04%
RoRE (return on regulated equity)	%	1.85%	0.74%	[1.61%]	5.49%	0.46%
Funds from operations	£m	49.359	74.275	64.282	63.456	64.679
Adjusted interest cover (cash)	2dp	0.79	1.36	0.47	0.25	0.18
Return on RCV	%	0.44%	2.07%	0.50%	1.04%	1.52%
Credit rating (Moody's)	Text	Baa1 [stable]	Baa1 [stable]	Baa1 [stable]	Baa1 [stable]	Baa1 [stable]

Regulatory gearing is calculated as net debt divided by RCV determined at Final Determination. This metric had declined in 2021/22, 2022/23 and 2023/24 in line with the de-gearing scenario agreed with the company's shareholders and detailed in our AMP7 business plan; however, the high levels of inflation have increased the value of our borrowings, resulting in an increase in gearing for 2024/25.

The RoRE has decreased over the AMP due to financing underperformance as a result of the increased cost of debt with the current high levels of inflation. This impact has been partially mitigated by our hedging arrangements. Our operational results have contributed to the performance in RoRE in 2024/25, with totex underperformance, ODI underperformance and retail underspend having negatively affected RoRE.

Our funds from operations increased between 2020/21 and 2021/22 due to higher operating profits in 2021/22 and changes in our working capital position. This metric reduced in 2022/23, 2023/24 and 2024/25 primarily due to net cash generated from operating activities, driven by a deterioration in working capital and rising operational costs, particularly from sustained inflation and continued investment in capital projects.

Our adjusted interest cover (cash) increased from 2020/21 to 2021/22 due to favourable movements in our funds from operations detailed above and slightly lower interest payments. This ratio declined in 2021/22 through to 2024/25, largely due to failing funds from operations, higher interest payable and higher RCV run-off in the year included in the calculation.

The return on RCV has increased from 2020/21 to 2021/22 due to higher operating profits in 2021/22. This reduced in 2022/23 due to the rising energy costs and inflation impacting operating profit. For 2023/24 and 2024/25, returned on RCV increased again. Reflecting improved operational performance and effective cost reduction strategies.

Looking ahead – Preparing for AMP8

Following a successful Final Determination outcome at PR24, we are gearing up to deliver the services our customers and stakeholders expect for both 2025-2030 and the longer term.

We have a number of strategic projects in AMP8 which will enable us to address growing challenges around our water supply-demand balance, raw water deterioration and aging assets.

Strategic Resource Options ('SROs') are projects that address the pressures of climate change, population growth and water supply resilience across the country. They represent the collaboration between water companies and the application of innovative solutions to address these growing challenges. We have three schemes that we are progressing through this route. These are the Grand Union Canal Transfer ('GUCT'), South-East Strategic Resource Option ('SESRO') and the Thames to Affinity Transfer ('T2AT'). With respect to our SROs, the GUCT scheme has recently submitted its Scoping Report for the Environmental Assessment. This marks a key step in the Development Consent Order ('DCO') process, with a DCO application expected by the end of 2026. Both the GUCT and SESRO schemes are progressing with design development, informed by local community and stakeholder consultations and ongoing surveys. Our teams are also working on market engagement strategies to secure investment and are collaborating with RAPID and Ofwat. Statutory consultations for SESRO and GUCT are planned for late 2025 and early 2026. GUCT construction is set to begin in 2029, and commissioning is planned for 2032. The T2AT is currently in the development work phase with the scheme not being required until 2045. This 'quieter' period of development work is to ensure that we align the scheme with the delivery date of a new source reservoir.

Raw water deterioration is an emerging issue with unclear and expensive treatment options. To ensure value for our customers, we are continuing our research and

development work on two large treatment works. This will explore efficacy of various treatment processes for the removal of PFAS, a large class of synthetic chemicals that are used throughout society and make their way into our rivers and groundwater. We are in the process of designing some additional research tests at a third site to further enhance our knowledge of PFAS treatment options and support good decision making. We have initiated the early stages of design on some other sites, which will consider the outcomes from the ongoing research. We have commenced work on enhancing our catchment management risk assessment methodology, ensuring we are incorporating best practice into the reviews of our source catchments.

In AMP8, we committed to an ambitious regulatory target to achieve a per capita consumption ('PCC') of 110l/h/d. We continue to deliver a variety of projects and campaigns and look for innovative ways to engage with our customers. These cover our behaviour change campaigns, including the promotion of reducing home leaks through influencers to raise awareness of internal plumbing losses and how to repair them. Another key area of activity are our water efficiency home visits, conducted by our plumbing team who help to install water efficient devices, while discussing water behaviour and repairing internal plumbing losses. We are offering leakage visits to customers who can supply a video of their leak. This enables the leak to be assessed by our plumbing team, who will evaluate whether the leak can be fixed. They will then arrange a home visit to potentially conduct a repair. We are also targeting the installation of flow regulators to help reduce overall property consumption. Despite not meeting the AMP7 performance commitment, we have made reductions each year from a

Covid-19 equivalent baseline (three-year average).

In addition to our PCC target, we also have a target to reduce business demand by 15% and reduce leakage by 50%, by 2050. Smart metering will be the key enabler to achieving these targets. The way we read our meters, process vast volumes of data, use that data to engage with customers and drive behavioural change, as well as detect and fix leaks, will undergo a complete transformation. In AMP8, we will be installing and upgrading circa 400k Advanced Metering Infrastructure ('AMI') meters. As part of our delivery plan, we will also accommodate the AMP7 Universal Metering Programme ('UMP') under-delivery commitment before the end of AMP8, which includes approximately 64,000 new installations. In AMP9 (2030–2035) we plan to install a further one million meters. Due to the significant increase in meter installations required, we are also looking at bringing forward AMP9 smart meter deployment into AMP8. This approach would help smooth the delivery profile and enable earlier benefit realisation for both our customers and the environment.

Between 2025 and 2030, we plan to sustain our asset health by renewing 0.3% of the network (16km of trunk mains and 244.3km of distribution mains). We have started early engagement with our contractors to secure resources and manage delivery risks. Our delivery profile, starting with 39 km of mains renewals in 2025 and ramping up throughout the AMP, will ensure that we meet our regulatory requirements. This approach positions us well to achieve greater mains renewals in AMP9, in line with our long-term strategy, and to mitigate delivery challenges.



Our stakeholders

We actively engage with our stakeholders across all areas of our business to better understand what matters most to them and how we can further involve them in our decision making.

Together with our stakeholders, we tackle challenges together and decide what we need to do to ensure we continue to produce a high-quality, reliable supply of water while taking care of the environment and providing an exceptional service for all.

The communities we serve are diverse, and we welcome the broad range of perspectives this brings to help improve our services and strategic plans. Trust is critical to achieving our purpose. We must continue to build trust with our

stakeholders by successfully meeting our commitments and be open with them when we fall short of their expectations.

Building a trusting relationship ensures we can continue to engage effectively with our stakeholders in a constructive manner and shape the future of our essential public service together. We look forward to collaborating with stakeholders and customers, ensuring they have a strong voice in decision making and contributing to the success of our service.

Regarding the Board's consideration of stakeholders in decision making, our Section 172(1) statement explains how the Board satisfies itself that it manages relationships with each key stakeholder group effectively, and that it knows enough about relevant stakeholder engagement activities to inform decision making and strategy

 [Read the Section 172\(1\) statement on pages 30 to 39 of our Annual Report and Financial Statements 2024/25](#)

Affinity Water's stakeholders



Stakeholders we generate value for

Stakeholders that influence what we do

Key interests of the stakeholders we generate value for



Customers

Why engagement is important

Our customers rely on us for an essential service, and they are the foundation of our business model. Since they cannot choose their water supplier, building trust and ensuring we meet their expectations is crucial to maintaining a positive relationship.

Key interests

- Affordability and support for vulnerable customers
- Exceptional customer service
- High-quality water
- Leakage and water efficiency
- The environment



Communities

Why engagement is important

Our communities bring distinctive perspectives and influence on key environmental and social issues on behalf of customers and the public.

Key interests

- The environment and our rare chalk streams
- Affordability and support for vulnerable customers
- Sustainable and resilient water supplies
- Public value



Suppliers

Why engagement is important

We rely on our supply chain to be able to manage operations and capital projects, and partners provide investment and support, as well as acting as a source of innovation and new ways of working.

Key interests

- Innovation – working with suppliers to create positive social and economic benefits, aligning with your emphasis on responsible supply chain practices.
- Responsible supply chain – working together to create positive social and economic benefits for our communities and take care of our environment
- Health, safety and wellbeing



Employees

Why engagement is important

Our success depends on the shared talents, skills and values of the people who work for us, and our ability to attract and retain a talented future workforce.

Key interests

- Health, safety and wellbeing
- Equality, diversity and inclusion
- Skilled workforce – training and development
- Engagement
- Rewards and financial incentives



Shareholders

Why engagement is important

We need confidence and support from those who invest in us for the strategic direction of Affinity Water and the way it is governed.

Key interests

- The environment
- Exceptional customer service and performance
- Financial risk management
- Trust, transparency and legitimacy
- Performance Commitments - Provide insights into key metrics, such as improvements in leakage reduction and customer service rankings, demonstrating alignment with shareholder interests in exceptional service and financial performance.



Regulators

Why engagement is important

The company's licence to operate and the framework it operates in are determined by the government and regulators. We must engage with regulators to help shape the future direction of the industry, ensuring that any new requirements are necessary and proportionate.

Key interests

- Trust, transparency and legitimacy – to ensure compliance and promote sustainable water management practices
- Exceptional customer service
- The environment
- Sustainable, high-quality and resilient water supplies
- Innovation
- Leakage and water efficiency

Affordability for customers

Our aim is to deliver what our customers need, ensuring affordability for all. This means that we must meet our customers' needs for safe, reliable supplies of high-quality drinking water and protect the environment while keeping bills affordable and supporting customers who find it difficult to pay their bills.

We recognise that many are facing financial challenges, especially with the recent inflationary effects and the rising cost of living. This reinforces the need for us to do everything we can to support those most in need. We continue to be proactive in identifying and offering help to customers and we continue increasing our efforts to raise awareness and encourage uptake of the services and support we provide.

We continue to enhance our Priority Services Register by identifying individuals who may need extra support. Through careful listening during calls and extensive training for our customer service teams, we ensure that we are addressing the needs of those in vulnerable circumstances. Additionally, we work

closely with power companies and other partners to proactively identify and assist customers who may be in vulnerable circumstances, expanding our reach of our Low Income Fixed Tariff ('LIFT') programme to 127,000 customers, or 9% of households. During the year, we also supported almost 60,000 customers with bill credits to help with living costs, alongside helping customers access support from other trusted organisations.

When customers are unable to pay their bills, we operate within the industry's Paying Fair guidelines. We strive to make payment processes as easy as possible and treat customers facing difficulties with fairness and empathy. We actively contact customers in debt and we help them directly, as well as helping them

connect with additional support from trusted partners. Customers can access support through our website

Do you need help paying your water bill? affinitywater.co.uk/billing/struggling-to-pay

Our vulnerability strategy was noted as exemplary in several areas by Ofwat. Following a feedback session with the Ofwat team, we are in the process of updating the strategy to develop this further. The updates will provide greater clarity on what customers can expect during a supply interruption, how customers can seek redress and how we intend to raise awareness of either affordability support or inclusive services such as the Public Services Register.



Case study

Case study – WaterSave Tariff trial - a new way of charging

In October 2023, we became the first water company in England and Wales to trial a new-approach tariff for how customers are charged based on how much water they use. With our rising block tariff, we want to explore how changing the way we charge for water could be fairer and more affordable and if customers are encouraged to use water more wisely. A rising block tariff charges more per volumetric unit of water for each subsequent block of water used. Our tariff design includes a free initial block, to assist affordability.

We are measuring the effects of the new tariff by comparison of a trial group and control group. The trial group is made up of around 1,500 AMR metered customers in the Stevenage area in Hertfordshire. These customers are receiving additional communications from us throughout the trial, for example updates on how much water they are using, and so our trial is testing

both the price change and an enhanced communication package.

Before the trial started, we expected at least two out of three customers to be better off on the new tariff, if usage remained unchanged. Meter reads in the first year of the trial showed we could expect more like three out of four customers to see some reduction to their clean water bill. When we compare cash due to billing customers, we also see that the rate at which arrears are being cleared is faster in the trial group than the control group. Therefore, we are seeing evidence of affordability improvement.

We also see an encouraging demand response from our provisional first-year results. In both methods of measuring demand effect – using actual meter readings and using our modelled demand tool – we see evidence that the new tariff is changing customer usage behaviours.

At the mid-point of the trial in October 2024, we commenced a customer research project with Blue Marble Research to help us understand customer attitudes and lived experience of the new trial tariff. Findings showed us that rising block tariff was generally accepted by those participants in the trial; however, all participants had concerns that larger households and vulnerable customers could be worse off.

Looking ahead, we are exploring an expansion of the WaterSave Tariff to up to 120,000 household metered customers. We will continue to work with our customers, regulators and stakeholders to consult on our plans for the next phase of the trial, following the end of the trial in September 2025. We will also continue to share our learnings and findings with the industry.

affinitywater.co.uk/billing/watersavetariff

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Financial resilience

As a water company providing an essential public service, we recognise we are in a privileged position and that we need to offer an efficient service that offers long-term resilience and delivers long-term value for money for our customers and the environment. In the uncertain current economic environment, we need to ensure we are resilient and have robust processes in place that mean we can withstand further economic shocks both now and in the future.

We recognise the importance of having robust and transparent financing arrangements that are aligned to the interests of our customers.

Long-term financing arrangements

We consider the most cost-effective way to raise long-term debt to be through the debt capital markets. The company has significant long-term capital with maturities ranging from July 2026 to June 2045, [see the graph below].

The debt is a mixture of both fixed and index-linked bonds. The company seeks to manage its interest rate risk by maintaining its exposure within a Board-approved range, primarily through using a mixture of fixed, inflation-linked and floating rate borrowings. Inflation is falling, leading to a reduction in accretion

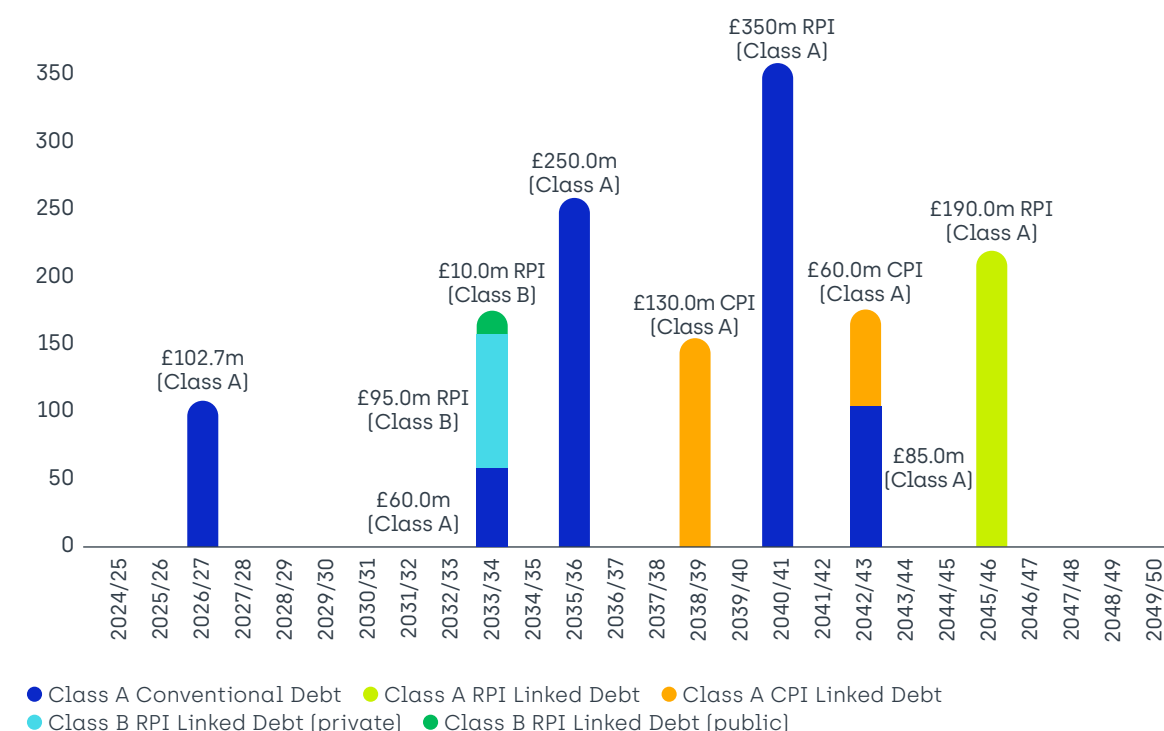
on the index-linked debt which is a driver of the current losses before tax (2025: £14.5m, 2024: loss £46.6m). This is a non-cash item in the year and becomes payable on maturity of the bonds. As our RCV increases with inflation, it is anticipated that the accretion payable on maturity could be refinanced as part of the bond refinancing if required.

The company's creditor-friendly Water Business Structure ('WBS'), aligned with license conditions, helps support a lower cost of debt, thereby optimising financing costs.

We have in place a series of RPI-linked inflation swaps with a total nominal value of £210m [entered into between August 2018 and October 2020] and a series of CPI-linked inflation swaps with a total nominal value of £250m [entered into between March 2020 and June 2020].

These swaps lead to net interest receivable cash flow over the life of the swaps, which is expected to increase the headroom against our covenant limits, offset by an accretion payment on maturity. Movements in RPI/CPI forward rates create fair value profits or losses, which flow through the income statement and impact the company's retained earnings or accumulated losses.

Our next significant debt maturity is in July 2026 when £102.676m fixed rate bond matures and the accretion on the RPI swaps becomes payable. The term length of our bonds, combined with ratings given to these by the credit rating agencies Moody's, Standard and Poor's ('S&P') and Fitch [see section below on credit ratings], supports the view that the Group can successfully raise additional funding from the market if required.



Financial structure and Scale of investment needed to address current performance relative to financial headroom

On 17 February 2025, the company announced that shareholders had entered into an unconditional and legally binding agreement to inject £150m of equity into the company by 31 March 2026. The equity injection will play a pivotal role in strengthening our financial resilience and enabling the efficient execution of our investment priorities. Given the scale of investment required, both debt and equity support are necessary to minimise bill increases and enable generational fairness. It is therefore positive that we have supportive shareholders who are committed to this long-term vision. At the same time, the Board of Affinity Water reaffirmed their commitment to maintaining strong levels of financial resilience. The Board is committed to ensuring that our covenant gearing level falls to around 70% by 31 March 2026 and sees this level of gearing as a sustainable level for AMP8.

The company accepted its Final Determination on 17 February 2025. This is a comprehensive investment programme of £2.3 billion, designed to ensure the long-term sustainability, resilience, and affordability of our water services for the diverse communities we serve.

Financial headroom and flexibility

The Board's consideration of the company's longer-term viability and prospects is an extension of our business planning process. This includes financial budgeting and forecasting and a robust risk management process. The budget for the forthcoming year adequately supports our commitments set in the Final Determination and provides sufficient resources to meet our

operating and investment expenditure needs for at least the next 12 months.

The company has sufficient financing arrangements available to it to meet these commitments, taking into account the impact of any potential principal risks and uncertainties and the results of stress-testing performed on the base case forecasts and budgets.

The company is profitable at an operational level, with operational profits in the year of £33.2m (2024: £21.8m). The increase in operational profits from the prior year is primarily as a result of a reduction in bad debt costs, as well as a prior year one-off cost.

The company has cash reserves and term deposits of £128.0m and £80.8m (2024: £59.8 and £21.6m) which provide sufficient liquidity to meet our cash flow forecast. To the extent that additional funding is required, we have access to two revolving credit facilities totalling £100.0m which were undrawn at 31 March 2025, to finance capital expenditure and working capital requirements.

Covenant compliance

Details of the company's compliance with our debt covenants is included in the viability statement within the Annual Report. The statement details how we have applied a number of scenarios to a base case forecast to test whether the scenario would cause a trigger or default of our covenant. Where mitigations are available, the company is able to withstand the financial impacts of a severe but plausible downside scenario without the occurrence of an event of default or trigger under its borrowing covenants. In the absence of mitigating actions, a trigger or default event could occur in a number of scenarios.

Under an ICR Trigger Event, the company would be subject to certain constraints, such as restrictions on dividends and restriction on debt buybacks. However, the directors are satisfied that an ICR Trigger Event would not fundamentally constrain the company's ability to carry out its business, particularly after considering the company's strong liquidity position.

Dividend payments

During AMP7, our Board agreed to restrict the payment of dividends to enable substantial investments to improve our resilience and protect the environment. Our capital structure plans in AMP8 include a responsible and sustainable approach to dividends, ensuring that distributions to shareholders take account of performance for customers and the environment, investment needs, and financial resilience. The in-the-round assessment of our financial position considers our projected cash flows, investment requirements, and gearing strategy, reinforcing our ability to deliver long-term value to all stakeholders. The commitment to a prudent and transparent approach ensures that investment priorities and financial stability remain at the forefront of our strategy. Further details on our dividend policy are available on page 122.

Credit rating

The current regulatory framework requires companies to maintain an investment grade credit rating. From 1 April 2025, Ofwat has modified the cash lock-up licence conditions to raise the cash lock-up trigger to BBB-/Baa2 with negative outlook from BBB-/Baa3 with negative outlook. If a company's credit rating falls to this level, transactions and dividends outside of the regulatory ring-fence would be restricted.

The company holds three issuer credit ratings from Moody's, S&P and Fitch with ratings below.

Bonds	Moody's	S&P	Fitch
Class A	A3	BBB+	BBB+
Class B	Baa3	BBB-	BBB-
Outlook	Stable	Negative	Stable
Corporate Family Rating for Affinity Water Limited	Baa1	Not applicable	Not applicable

The company takes action to maintain investment grade credit rating. There are strong economic incentives to manage our credit rating effectively, including the efficiency of debt issuance, covenant compliance and securing competitive costs of debt, and therefore the company proactively manages this.

All of the company's credit ratings were affirmed in early 2025 and have taken account of the Final Determination and the capital structure plans, including the £150m equity injection. Due to a fair regulatory settlement, strong operational performance and strong financial resilience, the company now has one of the strongest credit profiles in the sector and this is reflected in its credit ratings.



ICG chair review



In conversation with:

Caroline Warner

Chair, Independent Challenge Group

The Independent Challenge Group ('ICG') for Affinity Water is made up of a group of independent experts in fields that are relevant to the needs of customers and to the protection of the environment. We ask searching and informed questions on behalf of customers across the full range of water business activity and strategy. The company has described this role as offering a: 'valuable critical voice and external perspective to ensure we deliver for our customers now and in the future'.

Our purpose is to encourage the company to improve outcomes for the customers and geographies they serve over the short, medium and long-term. The questions we ask follow key lines of enquiry that have been identified through the extensive consumer research programme. These are:

Resilience & Environment

- **Resilient:** Customers expect their water supply to be clean and reliable now and in the future.
- **Resourceful:** Customers do not want water wasted unnecessarily by either company or by consumers.
- **Protective:** Customers expect their water company to protect the environment.
- **Innovative:** Customers expect their company to give back to the communities they serve.

Customers & Communities

- **Affordable:** Customers need affordable bills, and some customers need financial assistance.
- **Caring:** Customers who are experiencing vulnerability need extra support from their water company.
- **Inclusive:** Customers expect easy access to information and contact options.
- **Responsive:** Customers expect enquiries and complaints to be answered quickly and in full.

Resilience & Environment

People need a clean, safe, and reliable water supply and expect this to be delivered to their homes now and in the future. Without planned intervention this expectation may not be met fully as Affinity Water estimates that this supply and demand balance will have a 450 million litres per day deficit by 2050 if nothing is done. ICG members recognise that much of the shortfall will depend on the delivery of large long-term schemes, especially the Grand Union Canal water transfer scheme and the South-East Strategic Reservoir. The ICG represents the interests of customers as plans for these long-term schemes emerge. The group also represents customers in respect of reduction planning for company leakage and reduction planning for domestic usage.

Customers are increasingly aware of the role for water companies in protecting the environment, especially our rivers and waterways. This is especially important in the Affinity Water geography where approximately 10% of the world's rare chalk streams are located. These matters are intergenerational, and decisions taken today will affect the lives of all future citizens. The ICG represents those future citizens as well as current customers as we challenge Affinity Water to continue to be ambitious in their plans for environmental protection and restoration. Cleaning up and keeping clean the precious chalk streams and rivers is a vital responsibility for a water company.

ICG members are very interested in innovative solutions and continue to work with the company to develop ideas that will bring new thinking into the water sector. Affinity Water is progressive in this regard and the members are pleased to have performed a core role in the five-year programme of 'Environmental and Innovation Projects' which has recently completed. Projects have included: holistic catchment projects, water efficiency in social housing, gaming in education and innovative tariff trials.

We are also pleased to support the development of the next phase of innovation planning that includes new projects around water neutrality in new and retrofitted housing, seagrass restoration for carbon sequestration and a series of opportunities arising from taking a sector-leading role on developing an open data policy.

Customers & Communities

Water is essential to human survival and the ability to afford a supply of clean water is imperative. In the context of inflation-driven cost increases and requirements to fund investments in future resilience, water bills are going up. While some households can meet these costs there are many who struggle. These households are also struggling to meet the rising costs of other basics, including housing, food, and energy. There is a national drive to eliminate water poverty so that no household pays more than 5% of their disposable income on water bills.

In addition to eliminating water poverty, water companies are also responsible for ensuring that customers who may need extra non-financial support have access to this. There are many households who rely on help to manage their water-related needs in respect especially of illness or disability. Inclusivity as standard practice is vital therefore to a well-functioning water sector and all customers need to be able to rely on their water company to provide an efficient and respectful response to queries and complaints.

During this year, the ICG has advised on a variety of matters around affordability, vulnerability and customer service, including on new bill charges and the suite of financial support that the Affinity Water offers that are funded by both social tariff cross-subsidies and company subsidies. 12% of all customers now access financial assistance. We are also supporting the company to respond to the Special Measures Bill that was introduced by Ofwat in early 2024 and requires companies to ensure that customers are well informed, can trust their water company to make decisions in their best interests and provide a comprehensive suite of support for the needs of all types of customers.

ICG members agree that a successful water company will find a balance over the long-term between ensuring that bills remain affordable while supporting high quality service for customers as well as providing necessary investment for the long-term resilience of both the water supply and the environment. As bills increase and infrastructure projects are planned and delivered, independent challenge will be an increasingly important factor in the successful achievement of a balanced set of outcomes. Members are confident that Affinity Water is very well placed to do this and we look forward to continuing our work together.

Statement on direction and performance

In this regulatory period, we are committed to meeting challenging performance outcomes, and we recognise the importance of meeting these. These commitments relate to the significant long-term environmental, social and governance challenges we face from a rising population and increased demand for water, as well as a reduction in the availability of water in the years ahead.

We recognise how crucial our business activities are to the wider environment and understand the need to deliver more for the environment and our customers, for an affordable price. We know we can adjust rapidly and transform our ways of working and we have continued this transformation this year, for example through our 'Journey to 2025' plans.

As a Board, we spend a significant amount of time aligning our company's direction with customers', employees' and wider stakeholders' interests. Our Section 172(1) statement on pages 30 to 39 of our Annual Report and Financial Statements 2024/25 shows how we have engaged with our key stakeholders to make key decisions in the year. We have re-invigorated the business considerably over the last few years, with a new executive team, a strengthened Board, committed long-term investors, an excellent team of colleagues, and a clear purpose to help us move forward. Our Independent Challenge Group, consisting of representatives with experience representing household customers, holds us to account on how we are performing against our performance commitments, all of which can be read on pages 8 to 13.

How the company has set its aspirations and performed for all those it serves

We reflect our ambition in our purpose "to provide high-quality drinking water for our customers and take care of the environment, for our communities now and in the future". This year, the company published its updated Water Resources Management Plan, which sets out four

ambition statements that will help us deliver our purpose, focused on the environment, resilience, customers and communities. The statement was co-created with our communities, engagement with our local customers and listening to key stakeholders and colleagues to ensure we have shared outcomes and common purposes. The Board and senior leadership team were heavily involved throughout the year.

As a Board, we are responsible for fostering the right culture, working with our senior leadership to reinforce the right behaviours. This enables all members of our workforce to bring their true selves to work, reaching their full potential and deliver on our purpose. By committing to inclusivity, we ensure that our company and its values best reflect the communities we serve and allow us to strive to be world class in what we do. For more details on our purpose and culture, see page 1 of our Annual Report and Financial Statements 2024/25.

Our shareholders continue to be highly regarded and have experience of long-term asset ownership. They support our plans to invest and enhance our infrastructure to ensure future resilience, as demonstrated by their agreement to forego dividends in recent years. Details of our finances can be read on page 44 to 48 of our Annual Report and Financial Statements 2024/25, including our investment plans and funding of these programmes. Our Board's dividend and executive remuneration policies ensure that dividends and executive remuneration are proportionate with the company's

performance, and do not impair its financeability.

Our dividend policy states that dividends paid by the appointed business must take into account our performance against the Final Determination for AMP7 for the following areas: financial performance, operational performance, customer and community performance, and safety and health performance. Our salary and benefit pay policy for executives is based on market benchmarks. Executive annual bonuses are linked to delivery in the year of financial, operational, customer and community, and health and safety measures, which are linked to our AMP7 commitments and detailed in our Remuneration Report on pages 130 to 150 of our Annual Report and Financial Statements 2024/25.

The Board remains confident that the pay structure incentivises executives to deliver a long-term sustainable performance for customers and communities, employees and shareholders.

This Regulatory Annual Performance Report includes full and transparent disclosure of our performance in the year and the Board is confident that the plans put in place ensure a stable future for our company.

On behalf of the Board:

Mike Brown CBE MVO
Company Chair



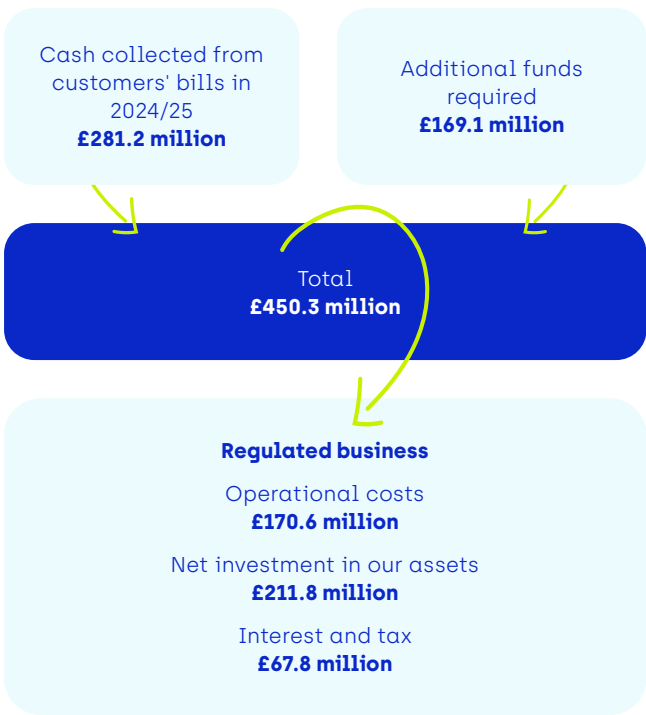
Funding our regulated business

Our average household bill for clean water in 2024/25 was approximately £201, the equivalent of just 55p per day, which we think represents great value for money.

In 2024/25, we spent 85p of every £1 on our suppliers for operating services, our assets and our people, ensuring customers receive the highest quality water and service. 9p of every £1 was spent on debt financing. The remaining 6p of every £1 was spent on taxes and charges relevant to local and central governments.

Not all of the funds required by our business come from customers' water bills. For every £1 in 2024/25, we required an additional 38p in order to operate.

Some of our billing also include sewerage costs charged by other water companies which are clearly separated on the bill. This way, customers receive a single, consolidated bill for their convenience. Some of the additional funds are received through commission earned on billing and collecting sewerage charges for these companies. We also receive funds from non-household retailers who pay us for the wholesale water we supply to their customers, or developers who contribute towards the cost of adding new connections to our network. The remainder is borrowed from external debt capital markets. By carefully managing our long-term finance, we can keep customers' bills low and fairer for all by avoiding significant fluctuations.



How we spend each pound of our total expenditure

Our assets:

47p

[2024: 40p] Investment in our assets

Our suppliers for operating services:

18p

[2024: 27p] Operational cost of suppliers' services

Our people:

20p

[2024: 20p] Payroll and pensions

Our bondholders:

9p

[2024: 7p] Interest paid on debt financing

Local and central government:

6p

[2024: 6p] Corporation tax, business rates, abstraction charges, employer's national insurance and streetworks permits

Our shareholders:

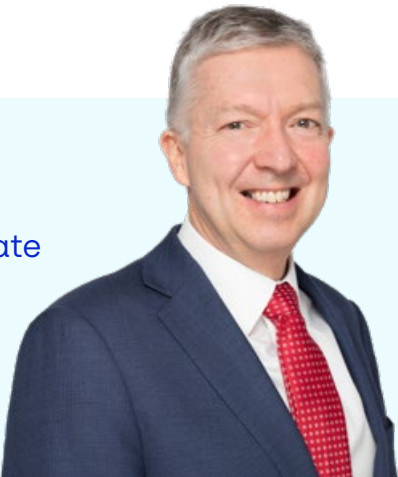
0p

[2024: 0p] Dividends from our regulated business and interest on shareholder debt

Board statement on the completeness and accuracy of information



We are open with our customers and stakeholders and regularly publish information on our performance to demonstrate how we are delivering the services expected of us. It is important to us that stakeholders trust our service and have confidence in the information we publish.



During the year, on behalf of the Board, our Audit, Risk and Assurance Committee has:

- Received, reviewed and challenged reports from assurance providers, including our external Auditor, in respect of key reports and publications, including our Annual Report and Financial Statements and our Annual Performance Report;
- Received, reviewed and challenged reports from the Head of Audit and Risk on the effectiveness of the company's systems of internal control and risk management systems;
- Overseen management's delivery of improvements and risk mitigations that address weaknesses and strengthen the accuracy and completeness of information; and
- Received, reviewed and challenged individual internal audit reports, in particular regarding risks to the provision of accurate and complete data and information and how those risks are being mitigated.

Our Assurance Plan, available at affinitywater.co.uk/corporate/governance-assurance, outlines the key assurance activities that we either conduct internally or engage third-party providers to carry out independently. It details the main categories of information which we report, as well as the main assurance controls we have in place for each category. By delivering on this plan, we ensure that the information we report to customers, stakeholders and regulators is accurate, transparent, reliable, relevant, complete and up to date. We consider it essential to demonstrate that the performance information that we report meets these criteria, as part of our commitment to taking ownership of the information we disclose. The Chair of the Audit, Risk and Assurance Committee reported to the Board in respect of the outcomes of the above.

The activities referred to above and detailed in full in our Assurance Plan lead the Board to conclude that all data and information which the company has provided to Ofwat during 2024/25 and which we have published in our Annual Report and Financial Statements and Annual Performance Report in our role as water undertaker was accurate and complete with no material exceptions to report.

On behalf of the Board

Mike Brown CBE MVO
Company Chair

10 July 2025

Certificates of compliance

To: Water Services Regulation Authority
Centre City Tower
7 Hill Street Birmingham
B5 4UA

Ring-Fencing Certificate

This is to certify that on 10 July 2025 the Board of Affinity Water Limited ('the Appointee') resolved that in its opinion, in accordance with the company's Condition P licence requirements:

- the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- the Appointee will, for at least the next 12 months, have available to it
 - sufficient management resources and systems of planning and internal control; and
 - rights and resources other than financial resources which are sufficient to enable it to carry out the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and all contracts entered into with any Associated Company include all necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities.

In giving this certificate, the Board has considered many factors, which fully incorporate the 28 factors listed by Ofwat in Information Notice IN20/01. The Board, through its Audit, Risk and Assurance Committee, has reviewed and challenged management on the factors below. Each individual member of the Executive Leadership Team ('ELT') has provided evidence to the Board that they have considered each of the factors in the list below. The Board is satisfied that a robust process has been followed.

The list of factors includes, but is not limited to, the following:

Financial resources and facilities:

Financial details, e.g. cash position, financial headroom, refinancing undertaken/planned

The company had cash at the year-end, in the form of bank accounts and bank deposits, of £208.3 million.

The company has a £102.7 million loan from its subsidiary, Affinity Water Finance [2004] PLC, which represents the proceeds of a bond. The bond has an interest rate of 5.875% and matures in July 2026.

The company has loans totalling £1,230.0 million from its subsidiary, Affinity Water Finance PLC, which represent the proceeds from nine bonds, five of which are index linked. The earliest maturity of the bonds is June 2033 (full details of the bonds are listed within the Annual Report and Financial Statements for the year ended 31 March 2025).

The last time the company raised long-term debt in the public markets was very recently, in March 2025, through a bond issuance of £350.0 million fixed rate bond, which is due to mature in 2040, the company's first public benchmark green bond.

At the end of August 2018, the company transacted a £135.0 million RPI-linked inflation swap aligned with the terms of the Affinity Water Finance [2004] PLC £250m bond, which matures in July 2026. The transaction strengthened the company's cash flows, and a further RPI-linked inflation swap with a nominal value of £75.0 million, also linked to this bond, was entered into in October 2020.

A CPI-linked inflation swap with a nominal value of £25.0 million, linked to the maturity of the Class A fixed rate £250.0 million bond (March 2036), was entered into in March 2020, with a further £225.0 million issued between April and June 2020 (nominal value).

The company continues to closely monitor the bond markets and credit rating and, in discussion with its banks and advisors, believes that significant demand remains, and should the Board decide to raise further money in the bond markets this should be achievable.

Performance against Final Determinations ('FDs') set at the last price review

The company's cash flow budget for 2025/26 indicates a net cash outflow position of £37.5 million pre-tax and debt service (and before dividends); the budget is supported by long-term plans and performance against the Final Determination set at the most recent price review, for both operating and investment expenditure. Each ELT member is fully involved in the budget-setting process.

Credit-related factors, e.g. credit facilities, ratings, compliance with covenants, etc.

The company has committed revolving loan facilities available to draw totalling £100.0 million. These facilities are to meet day-to-day expenditure of the company and consist of a £60.0 million facility from Barclays Bank PLC and a £40.0 million facility from Lloyds Bank PLC. As at 31 March 2025, these facilities were completely undrawn. The facilities are intended for the purpose of financing capital expenditure and working capital requirements to the extent that additional funding is required and have maturity dates of July 2026 and July 2027 respectively. These facilities use SONIA as the reference rate and have sustainability performance measures included.

The Affinity Water bond programme has in place two reserve facilities, renewable on an annual basis. These are required when gearing of net debt to RCV exceeds 67.5%.

The first facility is a committed £29.0 million debt service reserve liquidity facility from National Australia Bank Limited to meet the company's Debt Service Reserve

Certificates of compliance

continued

requirements. This needs to cover the finance costs for all of its Class A and Class B debt for the next 12 months. This requirement is on a continuous rolling basis.

The second liquidity facility is a committed £28.0 million O&M Reserve Facility from National Australia Bank Limited to meet the company's Operating and Maintenance Expenditure Reserve requirements. This needs to cover 10% of its projected operating expenditure and capital maintenance expenditure, as set out for the next 12 months. This requirement is on a continuous rolling basis.

The company's internal policy is a threshold of 80% debt to RCV (Senior Regulatory Asset Ratio ['RAR']) was 77.5% and Class A RAR 68.7% as at 31 March 2025] with a senior trigger level of 90.0% and a Class A trigger level of 75.0%. Therefore, the capacity to raise debt to the trigger level is 6.3% of RCV, i.e. £121.0 million, before causing a trigger event under the covenant package (however, a restricted payment condition in respect of dividends would come into effect at 85.0% at a senior debt level and 75.0% at Class A). In the event that the company defaulted on its covenant conditions and moved into a standstill period, the £60.0 million of liquidity facilities would be available for drawdown to fund debt service and operating expenditure.

The company's annual budgeting process also addresses future Interest Cover Ratio ('ICR') covenant requirements. The Board-approved budget provides enough headroom to meet the ICR after also taking account of severe but plausible downside scenarios. These severe but plausible downside scenarios look at the financial impact of both reactive operational events and wider economy-related risk such as an increase in bad debt.

Business plans, long-term viability statements, etc.
The results of the stress-testing performed in relation to the company's viability statement for the year ended 31 March 2025 [refer to pages 57 to 61 of the company's

Annual Report and Financial Statements 2025/26] includes the impacts of the cost of living crisis and inflation levels on our base case model reflecting projected costs and revenues based on our current view of future performance of the company as allowed by Ofwat's PR24 Final Determination.

Financial resources and facilities – conclusion

The Board concludes that the budget for the forthcoming year adequately supports our commitments set out in the Final Determination and provides sufficient resources to meet our operating and investment expenditure needs for at least the next 12 months. The company has sufficient financing arrangements available to it to meet these commitments, taking into account the impact of any potential principal risks and uncertainties and the results of stress-testing performed on the base case forecasts and budgets. Therefore, the Board concludes the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out the Regulated Activities for at least the next 12 months.

Management resources:

Management skills, experience and relevant qualifications

The company is managed operationally day to day by the ELT. Individual ELT members are responsible for leading their directorates and ensuring their areas of the business are being run effectively and efficiently. The Board is satisfied that the members of the ELT have the appropriate mix of skills, experience and relevant qualifications to continue to run the company effectively for the next 12 months.

2024/25 showed the ability of the Executive and Senior Leadership Teams to focus their teams on delivering on a number of complex and high profile projects without detriment to other services provided to its customers.

A Board effectiveness review was carried out during the year which reviewed the balance of skills and experience of the Board and concluded that the Board operated effectively.

Recruitment process, staff engagement

The company has a fair and robust recruitment policy, previously enhanced to include a careers website celebrating our people and equality, diversion and inclusion ('EDI') commitments. The EDI Committee supports the talent acquisition team to develop and roll out new interview training with a firm focus on EDI awareness and unconscious bias. The company has a dedicated recruitment team that uses direct resourcing methods and works with recruitment suppliers to ensure good quality candidates are sourced.

The Board engages with employees in a number of different ways, detailed within the Section 172[1] statement included on pages 30 to 39 of our Annual Report and Financial Statements 2024/25, led through our Director of Employee Engagement. The Board considered the results of our regular employee engagement surveys.

Succession planning for key management/staff

The Board confirmed that each ELT member is familiar with the key members of its Senior Management Team and wider team, acknowledging any recent changes and their management skills, experience and relevant qualifications. All significant roles are filled. Specific detailed 'deep dive' sessions are regularly held with the Board on strategic operational and regulatory items.

The Board noted the review of succession planning being performed by each ELT member along with the company's People & Culture Team, as well as the recruitment process, staff engagement and diversity, the quality of training and development programmes, and the company's vision, purpose and values.

Quality of management/ staff induction and other training and development

The Board has previously reviewed the Talent Development Brief, focusing on a Career Path Framework model for talent, identification of critical roles and succession planning, leadership assessment and development and Strategic Workforce Planning collaborative work with EU skills.

Process for ensuring diversity of perspectives

The Board has received presentations from members of the EDI Committee understanding the work the committee has undertaken in the year. The Board has reviewed and approved the EDI policy, a policy that strives to promote equal opportunity to everyone, creating an open and inclusive workforce where people feel valued.

Board or management activities, reports or statements

Both the Board and the ELT meet regularly to consider and decide upon a range of operational, financial, regulatory and strategic matters impacting the company and receive a range of management information. Further information on the operation of the Board can be found in the Section 172[1] statement on pages 30 to 39 and in the Corporate Governance Report on pages 95 to 109 of our Annual Report and Financial Statements 2024/25.

The company has sufficient management resources available to carry out regulated planning activities required beyond the next 12 months, in particular the Price Review and statutory long-term planning frameworks such as WRMP and Drought Plans.

Independence of Board

The balance of independent and non-independent directors ensures that shareholder views are represented on the Board with the Board as a whole acting independently in the interests of all stakeholders and the company in accordance with our Instrument of Appointment, with no one individual

or group of individuals dominating the Board's decision making.

The Board and its Committees have the resources available to them and have sufficient independent membership to ensure they can make high-quality decisions that address diverse customer and stakeholder needs.

Management resources – conclusion

The Board concludes that directors have sufficient time to engage with the company and to discharge their responsibilities effectively. The Board concludes that there is an appropriate mix of skills and experience on the Board and the individual Committees, including sufficient independent membership on Committees for the individual directors to constructively challenge and appropriate division of responsibilities; see the skills matrix in the Corporate Governance Statement on page 99 of our Annual Report and Financial Statements 2024/25. The Board concludes that there are appropriate steps in place to ensure good succession planning that allows for orderly succession to both the Board and senior management positions, ensuring there is a diverse pipeline for succession that reflects the communities that we serve.

Systems of planning and internal control:

Governance procedures; risk management frameworks, oversight procedures

The company is committed to high standards of corporate governance and transparency, believing these to be essential in delivering the long-term success of our business. The Board governs the company in accordance with the Affinity Water Corporate Governance Code ['AW Code']. This incorporates the Ofwat Board Leadership, Transparency and Governance Principles 2019 ['BLTG Principles'] in their entirety, and those parts of the UK Corporate

Governance Code that are deemed relevant to its business.

For more details on the company's governance procedures, see the Corporate Governance Report on pages 95 to 109 of our Annual Report and Financial Statements 2024/25.

The company has an established framework for identifying, evaluating and managing its key risks. The main aim is to foster a culture where teams throughout the business manage risks as part of their management of day-to-day operations. The ELT also carries out regular assessments of emerging risks, including horizon scanning and monitoring of early warning indicators. See details of the principal risks and the company approach to risk on pages 49 to 56 of the Strategic Report section of our Annual Report and Financial Statements 2024/25.

Internal and/or external audit policies, processes, activities and/or reports

The company has a comprehensive suite of internal control procedures across both operational and financial matters to ensure maintenance of supply, supported by governance procedures, risk management frameworks, segregation of duties matrices and detailed delegated levels of authority, as well as policies to prevent fraud and other unethical behaviour (including but not limited to the company's whistleblowing policy).

The company has an Internal Audit team reporting to the Audit, Risk and Assurance Committee, and the availability of specialist planning teams who are deployed to major projects and utilise the resources of acknowledged external specialists in such matters.

The company's financial and operational measures are subject to external assurance [refer to our Board statement on the completeness and accuracy of information on page 26 for details on controls and the levels of assurance obtained during 2024/25].

Systems for maintaining supply/business continuity, stated action plans

An effective business continuity programme, previously under the remit of the Safety, Health, Environment and Drinking Water Quality (SHEDWQ) Committee, but now overseen by the Board, supports the strategic objectives of the company and pro-actively builds the capability to continue business operations in the event of disruption.

Each ELT member’s directorate has enhanced existing resilience in a number of operational areas and reports regularly to the ELT and Board, not least with regards to the company’s control room and water treatment sites, as well as the strength of its emergency response teams, with the primary focus of maintaining the quality and supply of water for the company’s customers and implementing business continuity plans.

The company produces annual budgets at a detailed level supported by long-term plans and performance against Final Determinations set at the most recent price review. Each ELT member’s directorate is fully involved with the budget setting process.

See pages 95 to 109 of the Corporate Governance Report in our Annual Report and Financial Statements 2024/25.

Policies to prevent fraud and other unethical behaviour; whistleblowing policy

The company’s policies to prevent fraud and unethical behaviour include the Affinity Water Code of Ethics, approved by the Board in March 2023. The Code includes the company policies on taking care of ourselves and each other (for example Health, Safety and Wellbeing, Human Rights, Modern Slavery policies), taking care of our integrity (for example Anti-Bribery and Corruption, Competition Law, Legal Requirements policies), taking care of our business (for example Data Protection, Corporate Governance, Accuracy of Financial

Reporting and Fraud policies), and taking care of the environment and the communities we serve (for example Sustainability and Finding Support policies).

Risk, compliance and other assurance statements

See the Statement of Risk and Compliance in this report on pages 33 to 39 for details on the company approach to risk and compliance.

Systems of planning and internal control – conclusion

The Board concludes that the internal control procedures are working effectively and that the Internal Audit team has the appropriate skills and qualifications it requires to monitor and improve controls across the company. The Board concludes that the work of the Audit, Risk and Assurance Committee (detailed on pages 116 to 123 of our Annual Report and Financial Statements 2024/25) overseeing the systems of planning and internal control is sufficient.

Rights and resources other than financial resources:

Corporate missions and/or values

The Board has considered the company vision and values, which underpin how it delivers its underlying purpose and encourages an integrated approach to working.

Technology and other systems for ensuring checks and balances

The Board has considered the technology and other systems available to the company. We supply high-quality drinking water by using the latest technology and sophisticated monitoring systems at our treatment works. We have developed our ‘digital twin’ for the company, taking in real world data to help us to find and fix leaks faster than ever before. We have also rolled out new digital systems for our operational teams to deliver planned

maintenance work efficiently and effectively, helping to improve the customer experience.

We hold international (ISO) certification for our business management system covering quality management (ISO 9001), environmental management (ISO 14001) and health and safety management.

Policies to encourage an integrated approach and ‘systems thinking’

Our SkillStation is a platform we use to streamline the scheduling and booking of training, and each employee builds a personal record of training undertaken and skills gained. This gives greater visibility and assurance in the allocation of workplace activities, ensuring the safety, health and wellbeing of our people.

Planning systems

The company has specialist planning teams who are deployed to major projects and constantly utilises the resources of acknowledged external specialists in such matters as required.

Assets maintenance/ insurance factors

The Board has considered the assets available to the company, including ensuring that it has effective operational systems, and resourcing plans and schedules in the operational business, which enable a continued supply of water, the maintenance and insurance of these systems, and sufficient physical resources through our abstraction licences and water levels.

The company operates under a licence granted by Ofwat subject to a 25-year termination notice, which is currently not expected to be at risk of being lost or removed.

Rights and resources other than financial resources – conclusion

The Board concludes that the company values and clearly defined purpose drive the company and

concludes that this and the assets available are sufficient to enable it to carry out the Regulated Activities.

Contracting:

Position/status of key contracts in place

The work of the Contracts Committee, attended by the CFO, operates to review and award significant contracts with suppliers. Adequate contractual arrangements are considered to be in place with regard to third-party suppliers and other water companies.

All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards; and a Note on transactions between the Appointee and any Associated Company; Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company (Condition I).

Any transactions with Associated Companies are disclosed in the Non-audited additional regulatory information section of the company’s regulatory Annual Performance Report for the year ended 31 March 2025 (refer to page 121), which is subject to external assurance under Regulatory Accounting Guideline 5.07; Guideline for transfer pricing in the water and sewerage sectors (refer to our Board statement on the completeness and accuracy of information on page 26 for details on controls and the

This certificate was approved unanimously at the Board meeting on 10 July 2025 by

Mike Brown
Company Chair

Shelley Malton
Independent
Non-Executive

Mike Osborne
Non-Executive

Keith Haslett
Executive Director, CEO

Chris Newsome
Independent
Non-Executive

Roxana Tataru
Non-Executive

Adam Stephens
Executive Director, CFO

Justin Read
Independent
Non-Executive

Adam Waddington
Non-Executive

Signed on behalf of the Board members listed above,

Mike Brown CBE MVO
Company Chair

levels of assurance obtained during 2024/25). These contracts were checked for compliance with licence requirements and confirmed as so in the Certificate of Compliance on page 27 of this Regulatory Annual Performance Report.

In giving this certificate, the main factors which the directors have taken into account in relation to contracts entered into with any Associated Company are:

- an examination of the contracts with Associated Companies;
- considerations made by the company’s Wholesale Services Committee (formerly Market Oversight Committee); and
- the limited contractual arrangements with Associated Companies.

No guarantees or cross-default obligations given without Ofwat’s written consent

The Board notes that each ELT member has confirmed that they are not aware of any guarantees or cross-default obligations given without Ofwat’s written consent.

Contracting – conclusion

The Board concludes that the position and status of key contracts in place contain all necessary provisions and requirements in respect of the standard of service to be supplied to the Appointee,

to ensure that it is able to carry out its Regulated Activities and it is compliant with cross-subsidy obligations.

Material issues or circumstances

The Board are not aware of any other material issues or other circumstances that would impact the company’s ability to carry out its regulatory activities for the next year.

In this certificate, the terms ‘Appointment’, ‘Associated Company’ and ‘Regulated Activities’ have the meanings given in the Appointee’s Instrument of Appointment, also referred to as the company’s licence.

The Board obtained third-party assurance from PwC, whose responsibility was to consider whether they were aware of any inconsistencies between this Ring-Fencing Certificate and the financial statements or any information obtained in the course of their work; see pages 40 to 42 for PwC’s audit report on the Annual Performance Report. A full report of the external Auditors’ work on the ring-fencing certificate has been provided to Ofwat with no issues noted.

The Board confirms that it will inform Ofwat in writing if it becomes aware of any circumstances which would change the opinion such that it would not give the opinion contained in this certificate.

Certificates of compliance

continued

Compliance with Condition P, paragraph P14

Paragraph P14 of Condition P of the company's licence requires the company to ensure at all times, so far as reasonably practicable, that, if at any time a special administration order were made in relation to it, it has available to it sufficient rights and resources (other than financial resources) so that a special administrator would be able to manage the affairs, business and property of the appointed business of the company in accordance with the purposes of the special administration order.

The company hereby certifies that at 31 March 2025 it was in compliance with paragraph P14 of Condition P.

Statement of disclosure of transactions with Associated Companies

With respect to the disclosure of transactions with Associated Companies, the directors declare that to the best of their knowledge:

- all appropriate transactions with Associated Companies have been disclosed;
- transactions with Associated Companies are at arm's length (except where agreed with Ofwat) with no cross-subsidy occurring; and
- no directors have acted as both purchaser and supplier in any transaction with an Associate Company.

Statement of directors' responsibilities

In addition to their responsibilities to prepare financial statements in accordance with the Companies Act 2006, Condition F of the Instrument of Appointment requires the company to prepare a set of regulatory accounting statements records which are in accordance with the Regulatory Accounting Guidelines ('RAGs') published by Ofwat under Condition F.

In the case of each of the persons who are directors of the company at the date when this report was approved, so far as each of the directors is aware there is no relevant audit information of which the company's Auditor is unaware; and each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the company's Auditor is aware of that information.

Relevant audit information means information needed by the company's Auditor in connection with preparing its report. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Statement of risk and compliance

Purpose of this statement

The purpose of this statement is:

- to confirm that we have a full understanding of, and are meeting, our relevant statutory, licence and regulatory obligations;
- to confirm that we have taken steps to understand and meet customer expectations;
- to confirm that the company is taking appropriate steps to manage or mitigate the material risks it faces; and
- to explain any significant matters relevant to the company's performance in 2024/25, as presented in section 3 of the regulatory Annual Performance Report.

The statement explains the company's approach to regulatory compliance and assurance and sets out its statement of compliance. It should be read alongside the company's Annual Report and Financial Statements for the year ended 31 March 2025, which includes a summary of the company's operational performance for 2024/25 from page 7 of our Annual Report and Financial Statements 2024/25 and from page 49 sets out how the company manages risk and uncertainty.

Regulatory compliance

The Company's approach to achieving and assuring compliance with its licence and regulatory obligations is based on a system of sound internal controls and governance. To inform themselves about the company's compliance, the company's Board and members of its Audit, Risk and Assurance Committee carried out a range of activities throughout 2024/25 to satisfy themselves as to the proper functioning of those systems.

The Company's Director of Regulation and Strategy is responsible for monitoring regulatory compliance and is supported in discharging this responsibility by employees in the Regulation, Assurance, Legal and Internal Audit teams.

Principally, the company informs itself as to its understanding of relevant statutory, licence and regulatory obligations through operation of its Legal Obligations register. The same register collects evidence of compliance with each

obligation, which is reviewed and signed off by an appropriate senior manager. Our Annual Report and Financial Statements provides descriptions of the company's approach to risk management and its processes of governance and application of systems of control.

External assurance

The Company employs external assurance partners to scrutinise, challenge and give independent advice on the procedures the company uses to collect and report the information underpinning this compliance statement. The assurance partners have highlighted that the company has full understanding of and has sufficient processes and internal systems of controls to meet reporting obligations.

The Assurance report is available on the company's website: [affinitywater.co.uk/reports-publications](https://www.affinitywater.co.uk/reports-publications).

The assurance partners also highlighted that the majority of reporting processes continue to demonstrate either consistent good practice or improvements from previous years, and in the few cases where areas of inadequacy in reporting procedures were noted in previous years, these have now been addressed or have improvement plans in place and that clear written procedures are in place for all the 2020–2025 Performance Commitments.

Understanding and meeting customers' expectations

In February 2024, the new Customer-focused licence condition came into force, which aims at transforming customer care. Alongside our own assessments, we commissioned external auditors to assess our compliance with principles of customer care, our policies and procedures and improvements made. The statement on pages 33 to 39 provides further information.

The Company supplies a diverse customer base with a range of expectations for service. It undertakes appropriate activities to inform itself about customers' expectations, including customer research, consultation with consumer representatives and proactive communication with customers to seek feedback. It aims to provide

services that it judges will best fulfil those expectations, remaining mindful of the need to balance customers' expectations with those of its other stakeholders, its environmental protection objectives and considering customers' acceptability and ability to pay water bills.

The Legal Obligation Register also summarises engagement work carried out to understand customer views, including this year case studies of customer care, compliance with Condition G customer-facing licence condition and a statement from the Chair of the Independent Challenge Group.

Regulatory outputs

The Board has reviewed the performance of the company against its regulatory outputs set at the PR19 Final Determination. This regulatory Annual Performance Report identifies differences between the outputs that the company has delivered in 2024/25 and those that were assumed at the PR19 Final Determination.

The regulatory reporting of information covered by the risk and compliance statement, was reviewed by our external assurance provider, AtkinsRealis. The assurance partners have highlighted that the company has full understanding of and has sufficient processes and internal systems of controls to meet reporting obligations.

Compliance statement

As a Board, we confirm that:

- we have a full understanding of, and are meeting, our relevant material statutory, licence and regulatory obligations;
- we have taken steps to understand and meet customers' expectations;
- we are satisfied that we have sufficient processes and internal systems of control to meet our obligations; and
- we have appropriate systems and processes in place to allow us to identify, manage, mitigate and review our material risks.

On behalf of the Board

Keith Haslett
CEO

Justin Read
Independent
Non-Executive
Director



Statement of risk and compliance continued

Exceptions

The following exceptions to achieving our obligations have been shared with Ofwat:

Duty/Obligation	Disclosure	Actions being taken to improve
Performance Commitments	<p>For 2024/25, out of our 28 performance commitments, we have not met the following targets:</p> <ul style="list-style-type: none">Water quality compliance (CRI) – not met but within dead bandLeakagePer capita consumptionProperties at risk of receiving low pressureCustomers in vulnerable circumstances satisfied with our service [receiving financial help]Customers in vulnerable circumstances who found us easy to deal with [receiving financial help]IT resilienceCustomers in vulnerable circumstances satisfied with our service [not receiving financial help]Customers in vulnerable circumstances who found us easy to deal with [not receiving financial help]Value for Money Survey	<p>Details of our performance and the actions we are taking are detailed in Section 3 of our Annual Performance Report (APR) and the non-financial line commentary accompanying the APR tables.</p>

Condition G: Customer-focused licence condition

In February 2024, a customer-focused licence condition was introduced to water companies in England and Wales. By setting out six core principles of care and supplemented by supporting guidance, its aim is to improve the care given to customers, particularly those who need extra help.

The condition requires that customers are well informed, that the full diversity of customers' needs are well understood, and that they are met in the services we provide. If things do go wrong, that customers have confidence that we will put things right.

We are committed to delivering the intended outcomes, and since its implementation we have reviewed our policies, procedures and services to ensure compliance and identify improvements that can be made.

During 2024 we commissioned our independent technical auditors to assess our compliance and to highlight areas of weakness. No major non compliances were found, and we have worked hard to action the areas of improvement identified. The key take away was that while policies and procedures were in place for each aspect of the licence condition, they were not specifically related to or designed for the licence condition. There was no overarching process whereby if gaps or weaknesses were to arise, they could be easily identified and monitored for compliance against the condition itself.

Customer care is integral to every aspect of our business; it is constantly evolving. We seek to continually review and improve the services we provide for our customers.

We have set out below examples of how we are meeting each of the core principles. We provide supporting evidence in the form of case studies and links to our policies and procedures. As a company, we endeavour to provide exemplary customer care in all our interactions and continually improve the service to our customers.

Principles for Customer Care	How we meet the principles of customer care
Proactive Communications G3.1 The Appointee is proactive in its communications so that its customers receive the right information at the right time including during incidents	<p>We operate a variety of communication channels, which are used for business-as-usual communication and during incidents to keep customers informed.</p> <p>Our PSR promises as detailed in our vulnerability strategy, confirm the type of tailored support customers can receive, including what communications a customer can expect from us and what additional help is available.</p> <p>We run proactive campaigns with seasonal readiness, water saving messages and various campaigns such as our Leak campaign where customers may qualify for free fixes. We also provide messaging for customers who may need financial assistance.</p> <p>During incidents such as large water supply interruptions, we proactively contact our customers via SMS [or where needed via an outbound call for PSR customers] to keep them informed and updated. We provide guidance where further information can be obtained and if necessary, where bottled water is available.</p>
Ease of Contact G3.2 The Appointee makes it easy for its customers to contact it and provides easy to access contact information	<p>Details of how to contact us are displayed at the top of customer bills and on our website.</p> <p>We operate a variety of different channels, including a 'contact us' online link in just 1-click with email, webchat, call, WhatsApp, social or webform choices.</p> <p>Customers can use both foreign language and British Sign Language translation services as well as the Recite-me tool on the website. Our website accessibility features are signposted upfront to enable immediate navigation. We work to ensure that it operates across multiple platforms and browsers and is accessible to everyone who wants to use it. We proactively undertake regular accessibility testing to maintain an AA rating against the WCAG [Web Content Accessibility Guidelines] standards.</p> <p>PSR VIP lines mean that customers identified as being on the PSR are moved to the top of any call queue.</p> <p>We check our website regularly to ensure that content is in plain English and easy to navigate.</p> <p>We undertake quarterly surveys to understand customer perceptions of value for money and ease of contact. Data can be interrogated by different criteria such as customers on the PSR register or those that may experience financial hardship. Understanding the demographics of our customers allows for targeted messaging, updates, and improvements to our processes.</p>

Condition G: Customer-focused

licence condition continued

Principles for Customer Care	How we meet the principles of customer care
Support when things go wrong G3.3 The Appointee provides appropriate support for its customers when things go wrong and helps to put things right	<p>When things go wrong, customers can easily contact us on a variety of channels. We provide a variety of 'how to' guides on our website and enable customers to view their accounts online.</p> <p>We provide links to our complaint procedure and GSS (guaranteed standards of service) standards so that customers are aware of what is expected of us.</p> <p>Root cause analysis of contacts is reviewed monthly by the senior leadership team to provide insight on where improvements to our services can be made. For example, customers sight difficulty understanding their bills. Feedback from these contacts has fed into our bill redesign to make information clearer.</p> <p>Your Voice Matters, published on our website, highlights reasons customers contact us and explains what we are doing to improve in these areas ('in a 'question, response' format).</p> <p>In the event of an emergency or significant incident we proactively identify and contact our customers that are affected via SMS, automated calls, website, social media and on occasion letter drop to provide updates and provide information on where alternative water may be available. Where customers are without water for 24 hours, we make sure that at least 10 litres of water is made available for each customer every day.</p> <p>In the event of an interruption and disruption to customer supplies we prioritise the rezoning or rerouting of our network, ahead of the repair to ensure the impact to customer supplies is kept to a minimum.</p> <p>Providing the right support to our customers that need a little extra help is at the core of our principles, and we have increased the reach of households registered on our Priority Services Register to over 13%.</p> <p>During interruptions or incidents, service for our PSR customers is tailored to specific needs, such as correspondence or contact in their desired format or delivery of bottled water to their door. This information and their requirements are maintained on our register.</p> <p>As an example, customers who are most at risk from a supply interruption, i.e. water dependent or have a chronic serious illness, can expect:</p> <ul style="list-style-type: none">• telephone contact to understand the personal impact of the incident and what support is needed;• notification provided to a nominated contact;• regular text message service to keep them informed;• bottled water during emergencies – expected to be within six hours; and• telephone contact post incident to check in, obtain feedback and determine if any other support is needed. <p>To make contact easier for our vulnerable customers, our customer relations team are shortly to introduce a PSR triage team to take ownership of complaints raised by PSR customers to ensure their additional needs are met.</p> <p>Our Leak Visit service supports customers with leaks on their private supply; this service also includes the repair of dripping taps and faulty toilets.</p>
Learning from experience G3.4 The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.	<p>We undertake root cause complaint and contact analysis to understand the reasons customers contact us. This information is used to inform future improvements and learnings.</p> <p>We conduct monthly/quarterly surveys to understand customers views, ease of contact and perceived value for money. We ask for customer feedback following an interaction with us rating 1-10 and provide a facility to allow for comments to be included. These contacts received have also fed into the published Your voice matters report.</p> <p>We perform post-incident reviews following supply interruption events to improve our resilience and support for customers (see case study below). Customer surveys are also undertaken post incident, and any learning and experience is shared across the directorate.</p> <p>Simulation exercises are undertaken to test resilience in conjunction with other water companies, both in relation to restoring supplies and the provision of alternative water. Following main bursts, pipe analysis is undertaken at our pipe lab to understand the reasons for failures.</p> <p>Learnings are taken forward and reviewed for application in future incidents. We share best practice and work collaboratively with other companies both within and outside the water sector. An example of this was provided to Ofwat in the case of water entering the cadent gas main in Muswell Hill in January 2025.</p>

Principles for Customer Care	How we meet the principles of customer care
Understanding and supporting customers G3.5 The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.	<p>Support for customers with differing vulnerabilities is of key focus. We are accredited with the customer vulnerability standard ISO 22458 and have promoted our PSR widely. In 2025 13% of our customer base are on the register, (against a target of 7%) this is for variety of varying needs. We additionally attempted to and successfully contacted a higher percentage of customers than our targets. Our PSR register will continue to evolve in the coming year as more customers join and ongoing improvements are implemented.</p> <p>We look for ways to improve accessibility and support both in-house and external learning. As detailed in our case study, a customer research exercise with Three Hands led to changes with the bill to signpost affordability support (see case study below).</p> <p>We have designed Extra Care dashboards with metrics from the vulnerability strategy dedicated to understanding how we are meeting the needs of our vulnerable customers. This is reviewed regularly by our customer experience senior managers and director and shared with our Board every quarter.</p> <p>We partner with a variety of community projects that support customers with additional needs in our community. We have a new partnership with Kidney Care and will support customers living with chronic kidney disease.</p> <p>Colleagues receive regular training, including bitesize vulnerability awareness guidance, and this is refreshed annually.</p> <p>Our vulnerability strategy was finalised and published in June 2025 and highlights the promised services to our customers both at business-as-usual and during an incident. Our draft strategy was reviewed by Ofwat and called out as an exemplary example for ensuring the services offered were underpinned with appropriate customer research and stakeholder engagement of what was important to our customers.</p> <p>Support is not limited to vulnerable customers. We look for ways of improving our communication with all customers and how best to deliver a resilient service. Lessons from Beast from the East and similar incidents experienced by us and the water industry are reviewed. Where we have not met the required standards, we make the appropriate GSS payments.</p>
Financial Support G3.6 The Appointee provides support for its customers who are struggling to pay and for customers in debt	<p>We support over 127,000 households with our social tariff (a cap on bill); this is expected to increase to 148K by 2030.</p> <p>We have recently worked to align with wastewater partners, meaning customers do not have to apply twice for reduced bills.</p> <p>Water assistance payments of £50 were provided during 24/25 to approximately 56,000 households, and we intend to make 162,000 payments between 2025 and 2030, an increase from the 150,000 planned in our original business plan.</p> <p>We now have 14 referral partners who support with identifying households eligible for support through the Water Assistance payment.</p> <p>Through the proactive use of data, we identify areas both regionally and demographically to target for support campaigns and raise awareness of the help available.</p> <p>Our Debt Respite schemes are also available including crisis fund and payment matching.</p> <p>We actively support the implementation of the single social tariff across the industry and are continuing to engage with the industry and regulators regarding the detail. Once implemented, we have pledged that no customer will be worse off as a result of any new single social tariff introduced.</p> <p>To improve affordability (and demand savings) we are expanding our WaterSave rising block tariff trial to a wider area and anticipate we will now be trialling a large population of customers. Estimates prior to the initial trial indicated that 2 out of 3 customers would be better off. Our results to date show customers are finding it easier to pay their bill compared to the control group and that 3 out of 4 are paying less.</p>

Condition G: Customer-focused

licence condition continued

Core suite of policy, procedures, tools and customer information

We confirm we have comprehensive policies and procedures in place, which are regularly reviewed and align with the principles of the licence condition. Information guides are available to customers on several subjects, which are accessible on our website.

- Core customer information – dedicated webpage
- Draft Vulnerability Strategy
- Customer summary of draft vulnerability strategy.
- Bereavement policy
- Leakage Information
- Our commitment to you, Household Customers
- Help with payment problems
- Complaints procedure
- Priority services
- How to... guides
- Alerts and essential works

Case Studies of customer care

Post-incident review

We have a robust post-incident review process in place to determine the root cause of an incident. We identify areas for improvement, use them to embed learning, and build our resilience in the support we provide to our customers during and following incidents, including those customers in vulnerable circumstances. The actions from the post-incident review are added to a master tracker and reviewed quarterly at our Post-Incident Review Programme Board, which has Executive-level sponsorship.

In addition to the review board, following the incident research workshop with Ofwat and CCW in 2023, we have designed a post-incident survey which is sent to customers following a large disruption.

During 2024/25 we experienced two significant incidents which affected the water supply to a large number of customers. These were Kelvedon Hatch in Essex on 2 October 2024 and Whitehills in Luton, on the 23 October 2024.

We conducted thorough post-incident reviews and sent follow-up surveys to our customers. We used the feedback to identify areas of improvement.

The learnings identified have already started to be implemented:

- **We are enhancing our ‘Incident Support ambassador’ provision to ensure a quicker response for our customers.**
At present, we rely on volunteers from within the company to help deliver bottled water to vulnerable customers during large incidents. In 2023 we increased the number of trained volunteers to give us a larger pool of people to call upon. Following the two incidents in 2024 and the feedback received, we have concluded that this volunteer model can create delays while we establish colleague availability and suitable rotas which will not impact other areas of the business. We are creating a new Incident Support Standby role, with members of staff on a set rota to provide support for customers. This will ensure we have a dedicated resource, ready to respond when needed.
- **The importance of timely escalation to appropriate command level**
Production of a new Emergency Plan and Escalations handbook which is in development, the roll out of the handbook and subsequent enhanced training began in June 2025.
- **Customer communications**
Customer feedback to provide more frequent updates on repair timelines and access to bottled water for vulnerable households on the Priority Services Register.

We continue to use the insights and learnings from the post-incident reviews and our customer surveys to

ensure continuous improvement both with respect to our internal processes and the support customers can access.

Additionally, we partake in national and industry exercises, attend industry working groups, such as the Security and Emergency Planning Network, the National Incident Management group and Local Resilience Forum events to share learnings with other water companies and partner agencies.

Understanding the needs of customers

We worked with Three Hands Insight (a lived expert research community) to carry out group discussions with people in vulnerable circumstances to gather insight into how key elements of our communications could be improved. Participants included were lived experts from the Three Hands research community, Affinity Water customers and experts from other charities that support people living with disabilities and in poverty or financial vulnerability.

The participants were asked to review our messaging such as flyers promoting PSR and financial support, the bill, and various aspects of our website.

For each item, the participants were asked to provide feedback on whether the information provided was easily understood, whether the right information was being provided, what worked well and what could be improved.

The feedback from this session now forms part of an improvement action plan and work has already started on the PSR flyer and the bill to clearly signpost financial support available.

Internal and external governance

We have an established internal audit programme to identify any risks or issues associated with Licence Condition G. We have implemented a dashboard of key metrics which are reviewed by senior leaders. This will develop as we increase our

understanding of the insights and performance that may be gained and inform further improvement or review as needed.

Prior to the implementation of the licence condition, we sought external review and have been working through the recommendations during the 2024-25 reporting year.

SEMD (Security and emergency measures direction)

There are a number of outcomes included within the SEMD legislation that overlap with licence condition G. There is a specific section with is dedicated to the provisions for vulnerable customers (as customers as a whole). For these outcomes we have assessed ourselves as green in line with the emergency guidance and submitted our self-assessment to the DWI. We have given Condition G due consideration within our self-assessment and the principles it covers.

Areas of focus with improvement plans

C-MeX, customer communication and complaints

We know customers are expressing dissatisfaction across a broad range of issues, including faster resolution and clearer communication. We have implemented a series of initiatives to aim to improve the experience for customers.

- Enhanced communication and improved resolution: regularly updating customers on the progress of their issues and resolving them as swiftly as possible.
- Improved billing practices, simplifying billing statements to ensure they are clear and easy to understand. Ongoing support for vulnerable customers: providing additional support for customers with low incomes or special needs.
- We are supporting 170,000 customers, plus 200,000 more on our Priority Services Register (PSR) and we are committed to

helping 15% of our customers with financial support.

- We are offering more help for those who need it. Our £50 water assistance vouchers will continue, and we’re updating our debt support schemes with payment breaks and plans.
- Continued leakage reduction and water quality: prioritising the reduction of leakage and maintaining high water quality standards to ensure a safe, clean, and reliable water supply.
- We are investing £245m to prevent, find and fix leaks across our network with the aim of reducing leakage by 15% across the next 5-years.
- We have committed £5.2m to support customers with leaks on their pipes at home.
- We are installing pressure control valves to reduce bursts across our network.
- Technological advancements: developing user-friendly online portals and mobile apps for billing, service requests, and usage monitoring.
- We are working hard to make our services more effective for our customers. This includes quicker responses, better online services, lower bills, and more support for those who need it.
- In the next year, we are launching a new website and app to give customers more options. We’re also improving accessibility for customers with special needs.
- We have started installing 400,000 smart meters by 2030 to help find leaks early and ensure bills are accurate.
- Continued customer feedback integration: actively seeking and incorporating customer feedback to refine our services, including conducting customer focus groups.
- Using our market-leading Voice of Customer platform, inhouse customers research & insight teams and external research agencies, we are dedicated to continuously integrating customer feedback to enhance our services.

We will achieve this by listening to our customers through surveying customers, running focus groups and data analysis, then analysing their responses to understand their satisfaction with their experiences. Their feedback is crucial in helping us refine our offerings and better meet customer needs.

Summary

Overall, we consider that we are compliant with the principles set out within Condition G. We will continue to monitor that our policies and procedures align with the guidance, and that we are meeting our obligations and responsibilities.

Independent Auditors' report

to the Water Services Regulation Authority (the WSRA) and the Directors of Affinity Water Limited

Opinion

We have audited the tables within Affinity Water Limited's Regulatory Annual Performance Report for the year ended 31 March 2025 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cashflows (table 1D), the net debt analysis [appointed activities] (table 1E), the financial flows and for the price review to date (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis – wholesale (table 2B), the cost analysis – retail (table 2C), the historic cost analysis of tangible fixed assets (table 2D), the analysis of 'grants and contributions' – water resources, water network plus and wastewater network plus (table 2E), the residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation - wholesale (table 2M), the household affordability support (table 2N) and the historic cost analysis of intangible fixed assets (table 2O); and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4Z, 5A to 5B, 6A to 6F, 9A, 10F to 10H and 11A.

In our opinion, Affinity Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.15, RAG 4.13 and RAG 5.07) and the accounting policies (including the company's published accounting methodology statement, as defined in

RAG 3.15, appendix 2), set out on page 52 to 55.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF [Revised] 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Regulatory Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Regulatory Annual Performance Report section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the company's published accounting methodology statement, as defined in RAG 3.15, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting

Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 43 to 120 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- testing the mathematical accuracy of the base case going concern model prepared by management and agreeing this to Board approved budgets;
- assessing the inputs and underlying assumptions of the base case model;
- assessed the accuracy of the cash flow forecast prepared in the prior year so as to obtain assurance over the ability of management to prepare accurate forecasts;
- assessing the downside scenario which has been used to sensitise the base case model, including consideration of the underlying assumptions and challenging management on the severity of the downside scenario;
- reviewing management's analysis of both liquidity and covenant compliance to ensure there is sufficient liquidity and no forecast covenant breaches throughout the going concern period;
- reviewing the equity commitment letter and assessing the intent and ability of the shareholders to fulfil this commitment, in doing so supporting the liquidity of the company throughout the going concern period; and
- assessing the extent of mitigating actions that could be taken by management, if necessary, to prevent a trigger or default event arising against the covenants in place.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are

described in the relevant sections of this report.

Other information

The other information comprises all of the information in the Regulatory Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Regulatory Annual Performance Report

As explained more fully in the Statement of directors' responsibilities set out on page 32, the directors are responsible for the preparation of the Regulatory Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the company's accounting policies (including the company's published accounting methodology statement, as defined in RAG 3.15, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Regulatory Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Regulatory Annual Performance Report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Regulatory Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

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

Introduction

Section 1

Section 2

Section 3

Section 4

Section 5

Section 6

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Section 9

Section 10

Section 11

Non-audited additional regulatory information

Independent Auditors' report continued

to the Water Services Regulation Authority (the WSRA)
and the Directors of Affinity Water Limited

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

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

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation, tax legislation etc; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

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

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

- inquiries with management, internal audit and the company's legal team, including inquiring of known or suspected instances of non-compliance with laws and regulation and fraud, and review of

Board minutes and internal audit reports during the year and up to the date of approval of Regulatory Annual Performance Report;

- discussions with the Head of Legal and Head of Ethics & Compliance to discuss both the litigation report and summary of whistleblowing matters arising;
- review of corporation tax calculations and VAT and PAYE filings for compliance with applicable laws and regulations;
- challenging assumptions made by management when preparing accounting estimates, in particular those that involve the assessment of future events, which are inherently uncertain – the key estimates determined in this respect are those relating to the measured income accrual and loss allowance for trade receivables; and
- identifying and testing journal entries posted, such as those with unusual account combinations, and incorporating an element of unpredictability into the audit procedures performed.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report is made, on terms that have been agreed, solely to the company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and

for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the company for the year ended 31 March 2025 on which we reported on 10 July 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the company (our "Statutory audit") was made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Watford

10 July 2025

Section 1 – Regulatory financial reporting

1A – Income statement for the 12 months ended 31 March 2025

		Adjustments				
	RAG4 reference	Statutory £m	Differences between statutory and RAG definitions £m	Non- appointed £m	Total adjustments £m	Total appointed activities £m
Revenue	1A.1	363.595	[0.795]	-	[0.795]	362.800
Operating costs	1A.2	[350.530]	[5.512]	[5.675]	0.163	[350.367]
Other operating income	1A.3	20.168	[2.727]	12.380	[15.107]	5.061
Operating profit	1A.4	33.233	[9.034]	6.705	[15.739]	17.494
Other income	1A.5	-	9.580	-	9.580	9.580
Interest income	1A.6	14.318	-	-	-	14.318
Interest expense	1A.7	[78.255]	[5.290]	-	[5.290]	[83.545]
Other interest expense	1A.8	2.318	-	-	-	2.318
Profit before tax and fair value movements	1A.9	[28.386]	[4.745]	6.705	[11.450]	[39.836]
Fair value gains/[losses] on financial instruments	1A.10	12.161	-	-	-	12.161
Profit before tax	1A.11	[16.225]	[4.745]	6.705	[11.450]	[27.675]
UK Corporation tax	1A.12	-	-	[1.676]	1.676	1.676
Deferred tax	1A.13	[0.580]	1.186	-	1.186	[0.606]
Profit for the year	1A.14	[16.805]	[3.558]	5.029	[8.587]	[25.392]
Dividends	1A.15	-	-	-	-	-
Tax analysis						
Current year	1A.16	-	-	1.676	[1.676]	[1.676]
Adjustments in respect of prior years	1A.17	-	-	-	-	-
UK Corporation tax	1A.18	-	-	1.676	[1.676]	[1.676]
Analysis of non-appointed revenue						
Imported sludge	1A.19	-	-	-	-	-
Tankered waste	1A.20	-	-	-	-	-
Other non-appointed revenue	1A.21	-	-	12,380	-	-
Revenue	1A.22	-	-	12.380	-	-

The table below summarises the differences between statutory and RAGs definitions:

	Revenue recognition £m	Connection charges income £m	Amortisation of deferred grants and contribution £m	Loss on disposal of fixed assets £m	Meter reading commission £m	Rental and sundry income £m	Capitalisation of borrowing costs £m	Total £m
Revenue	5.258	[0.625]	[5.428]	-	-	-	-	[0.795]
Operating costs	[5.258]	-	-	[1.198]	0.229	0.169	0.546	[5.512]
Other operating income	-	-	-	1.198	-	[3.925]	-	[2.727]
Other income	-	0.625	5.428	-	[0.231]	3.756	-	9.578
Interest expense	-	-	-	-	-	-	[5.290]	[5.290]
Deferred tax	-	-	-	-	-	-	1.186	1.186
Total	-	-	-	-	-	-	[3.558]	[3.558]

£5,258,000 of the difference between statutory and RAG-defined revenue relates to the disapplication in the Regulatory Accounts of the provision of IFRS 15, which states that revenue should only be recognised when it is probable that the economic benefits associated with the transaction will flow to the entity (refer to the revenue recognition accounting policy note on page 52). This is offset by the reclassification of £625,000 of connection charges income and £5,428,000 of amortisation associated with deferred grants and contributions, which are presented within other income in the Regulatory Accounts.

Section 1 –

Regulatory financial reporting continued

The difference between statutory and RAG-defined operating costs consists of the revenue recognition adjustment described in the previous paragraph of £5,258,000, and reclassification of a £1,198,000 net profit on disposal of fixed assets, which is presented within other operating income in the Regulatory Accounts, these have been offset by £229,000 of meter reading commission and £169,000 sundry income, included within other income, are offset against operating costs in the Regulatory Accounts. Additionally, depreciation on borrowing costs capitalised of £546,000 have been remove from the operating costs in line with the RAG requirements.

The difference between statutory and RAG-defined other operating income consists of the reclassification of the net profit on disposal of fixed assets from operating costs described in the previous paragraph of £1,198,000 and the reclassification of £3,925,000 of rental and sundry income, which is presented within other income in the Regulatory Accounts.

The difference between statutory and RAG-defined other income consists of the reclassification of £625,000 of connection charges income, £5,428,000 of amortisation associated with deferred grants and contributions, £3,756,000 of rental and sundry income offset by £229,000 of meter reading income.

The difference between statutory and RAG-defined interest expense relates to the borrowing costs capitalised in the statutory reporting. This is not permitted in regulatory reporting and therefore the interest expense has been increased by £5,290,000.

The difference between statutory and RAG-defined deferred tax of £1,186,000 relates to the tax on the borrowing costs capitalised being added back.

The non-appointed business activities include services performed on behalf of the sewerage companies in our supply area, including meter reading, billing, cash collection and infrastructure commission. We also have support services and receive unregulated income for value added services.

Analysis of the interest charge

The appointed interest expense of (£83,545,000) and other interest expense of £1,911,000 shown in table 1A is broken down as follows:

	£m
Interest charged on external borrowings, excluding those relating to Direct Procurement for Customers arrangements	(18.234)
Interest payable on intra-group borrowings	(64.957)
Interest payable in relation to other leases under IFRS 16	(0.210)
Amortisation of debt issuance costs	(0.311)
Amortisation of any debt premiums/discounts	(2.275)
Any other financing costs/interest charges	(2.108)
Total	(83.545)
Interest paid in relation to pension scheme liabilities	17.391
Expected return on pension scheme assets	(15.068)
Total other interest (expense)/credit	2.318

1B – Statement of comprehensive income for the 12 months ended 31 March 2025

	RAG4 reference	Statutory £m	Adjustments			Total appointed activities £m
			Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
Profit for the year	1B.1	(16.805)	(3.558)	5.029	(8.587)	(25.392)
Actuarial gains/(losses) on post-employment plans	1B.2	(0.161)	-	-	-	(0.161)
Other comprehensive income	1B.3	0.040	-	-	-	0.040
Total comprehensive income for the year	1B.4	(16.926)	(3.558)	5.029	(8.587)	(25.513)

1C – Statement of financial position for the 12 months ended 31 March 2025

	RAG4 reference	Statutory £m	Adjustments			
			Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Non-current assets						
Fixed assets	1C.1	1,943.473	(16.887)	-	(16.887)	1,926.586
Intangible assets	1C.2	31.479	(0.161)	-	(0.161)	31.318
Investments – loans to group companies	1C.3	-	-	-	-	-
Investments – other	1C.4	80.895	(80.795)	-	(80.795)	0.100
Financial instruments	1C.5	1.021	-	-	-	1.021
Retirement benefit assets	1C.6	49.746	-	-	-	49.746
Total non-current assets	1C.7	2,106.614	(97.843)	-	(97.843)	2,008.771
Current assets						
Inventories	1C.8	5.794	-	-	-	5.794
Trade and other receivables	1C.9	135.189	-	0.421	(0.421)	134.768
Financial instruments	1C.10	2.748	-	-	-	2.748
Cash and cash equivalents	1C.11	128.020	80.795	42.638	38.157	166.177
Total current assets	1C.12	271.751	80.795	43.059	37.736	309.487
Current liabilities						
Trade and other payables	1C.13	(203.624)	4.660	(4.897)	9.557	(194.067)
Capex creditor	1C.14	(35.525)	-	-	-	(35.525)
Borrowings	1C.15	(2.461)	-	-	-	(2.461)
Financial instruments	1C.16	(0.253)	-	-	-	(0.253)
Current tax liabilities	1C.17	(3.477)	-	(2.270)	2.270	(1.207)
Provisions	1C.18	(7.686)	6.523	-	6.523	(1.163)
Total current liabilities	1C.19	(253.026)	11.183	(7.167)	18.350	(234.676)
Net current assets/(liabilities)	1C.20	18.725	91.978	35.892	56.086	74.811
Non-current liabilities						
Trade and other payables	1C.21	-	-	-	-	-
Borrowings	1C.22	(1,600.115)	(140.946)	-	(140.946)	(1,741.061)
Financial instruments	1C.23	(132.742)	140.946	-	140.946	8.204
Retirement benefit obligations	1C.24	-	-	-	-	-
Provisions	1C.25	(2.676)	-	-	-	(2.676)
Deferred income – grants and contributions ('G&Cs')	1C.26	(342.426)	(11.183)	-	(11.183)	(353.609)
Deferred income – adopted assets	1C.27	-	-	-	-	-
Preference share capital	1C.28	-	-	-	-	-
Deferred tax	1C.29	(185.864)	4.262	-	4.262	(181.602)
Total non-current liabilities	1C.30	(2,263.823)	(6.921)	-	(6.921)	(2,270.744)
Net assets	1C.31	(138.484)	(12,786)	35.892	(48.678)	(187.162)
Equity						
Called-up share capital	1C.32	30.506	-	-	-	30.506
Retained earnings and other reserves	1C.33	(168.990)	(12.786)	35.892	(48.678)	(217.668)
Total equity	1C.34	(138.484)	(12,786)	35.892	(48.678)	(187.162)

Section 1 –

Regulatory financial reporting continued

The £16,887,000 difference between statutory and RAG-defined fixed assets relates to the borrowing costs capitalised under statutory reporting which are not permitted under regulatory reporting. Therefore, the movement relates to the removal of the borrowing costs capitalised.

The £161,000 difference between statutory and RAG-defined intangible assets relates to the removal of the borrowing costs capitalised as above.

The £80,795,000 difference between statutory and RAG-defined investments – other and cash and cash equivalents consists of a reclassification of short-term deposits, treated as investments in the statutory accounts and cash and cash equivalents under RAG terminology.

The £4,660,000 difference between statutory and RAG-defined trade and other payables consists of the reclassification of payments received for costs incurred in relation to the High Speed 2 ('HS2') rail programme, which will cross the Affinity Water supply area, which have not yet been commissioned for use.

In line with our accounting policy for grants and contributions received in respect of property, plant and equipment, which include contributions received for diversions, in the company's statutory financial statements, income received is treated as deferred income and released to cost of sales and administrative expenses over the useful economic life of the property, plant and equipment to which it relates once these assets are commissioned (as at 31 March 2025, £159,474,000 of our property, plant and equipment had been commissioned and therefore £159,474,000 of associated payments received have been recognised initially in deferred income. We have an additional £4,660,000 of contributions received for property, plant and equipment that hasn't been commissioned and therefore these contributions are included within payments in advance in trade and other payables]. Given assets constructed by the company under the HS2 programme may not be commissioned for several years, adopting this accounting policy in the Regulatory Accounts would lead to a mismatch of costs incurred and payments received in relation to these costs in the totex tables in sections 2 and 4 of these Regulatory Accounts (tables 2B, 4C and 4D). Therefore, the payments received in relation to HS2 within statutory payments in advance have been reclassified to deferred income – G&Cs in the Regulatory Accounts and £2,031,000 of payments received in 2024/25 are included in the totex tables to offset the expenditure incurred in 2023/24. The payments received in 2023/24 have also been included in the diversion's lines within the analysis of capital contributions for both Water Resources and Water Network+ (table 2E).

The £6,523,000 difference between statutory and RAG-defined provisions within current liabilities relates to the reclassification of current deferred G&Cs to deferred income – G&Cs.

The £11,183,000 difference between statutory and RAG-defined deferred income – G&Cs relates to the reclassifications detailed in the previous paragraphs.

The £140,946,000 difference between statutory and RAG-defined borrowings and financial instruments relates to the reclassification of accretion on the inflation-linked swap from financial instruments to borrowings.

The £4,263,000 difference between statutory and RAG-defined deferred tax liability relates to the cumulative tax effect on the capitalisation of the borrowing costs. As this is not permitted under regulatory reporting, it has been removed.

The £12,785,000 difference between statutory and RAG-defined retained earnings and other reserves consists of the cumulative effect of the reversal of the borrowing costs capitalised and associated tax impact as mentioned above.

1D – Statement of cashflows for the 12 months ended 31 March 2025

	RAG4 reference	Statutory £m	Adjustments			
			Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Operating activities						
Operating profit	1D.1	33.233	[9.034]	6.705	[15.739]	17.494
Other income	1D.2	-	9.580	-	9.580	9.580
Depreciation	1D.3	87.150	[0.546]	-	[0.546]	86.604
Amortisation – Grants & contributions	1D.4	[5.428]	-	-	-	[5.428]
Changes in working capital	1D.5	8.904	-	5.848	5.848	3.056
Pension contributions	1D.6	[1.458]	-	-	-	1.458
Movement in provisions	1D.7	[2.359]	-	-	-	[2.359]
Profit on sale of fixed assets	1D.8	[1.771]	-	-	-	[1.771]
Cash generated from operations	1D.9	118.271	-	12.553	[12.553]	105.718
Net interest paid	1D.10	[53.407]	13.928	-	13.928	[39.479]
Tax paid	1D.11	-	-	[1.725]	1.725	1.725
Net cash generated from operating activities	1D.12	64.864	13.928	10.828	3.100	67.964
Investing activities						
Capital expenditure	1D.13	[168.677]	-	-	-	[168.677]
Grants and contributions	1D.14	17.763	-	-	-	17.763
Disposal of fixed assets	1D.15	2.790	-	-	-	2.790
Other	1D.16	[45.372]	45.315	-	45.315	[0.057]
Net cash used in investing activities	1D.17	[193.496]	45.315	-	45.315	[148.181]
Net cash generated before financing activities	1D.18	[128.632]	59.243	10.828	48.415	[80.217]
Cash flows from financing activities						
Equity dividends paid	1D.19	-	-	-	-	-
Net loans received	1D.20	196.876	-	-	-	196.876
Cash inflow from equity financing	1D.21	-	-	-	-	-
Net cash generated from financing activities	1D.22	196.876	-	-	-	196.876
Increase/(decrease) in net cash	1D.23	68.244	59.243	10.828	48.415	116.659

The cash flow has been prepared in accordance with the RAG templates and, resultantly, net cash generated from operating activities in the table above does not align to the statutory cash flow. £17,763,000 of capital contributions are treated as operating cash flows in the statutory cash flow and are shown within investing activities in table 1D.

The £9,034,000 difference between statutory and RAG-defined operating profit consists of the reclassification of £625,000 of connection charges income, £5,428,000 of amortisation associated with deferred grants and contributions and £3,756,000 of rental and sundry income, all of which are shown in other income, offset by the reclassification of £229,000 of meter read commission, which is presented within other income in the Statutory Accounts and £546,000 of depreciation on borrowing costs capitalised removed.

The £13,928,000 difference between statutory and RAG-defined net interest paid is due to offsetting the interest received on inflation-linked swaps against interest paid in the year. The £45,315,000 difference between statutory and RAG-defined other investing activities is the movement in short-term deposits treated as investments in the statutory accounts and cash and cash equivalents under RAG terminology in addition to offsetting interest received on inflation-linked swaps against interest paid in the regulatory numbers.

Introduction

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Non-audited additional regulatory information

Section 1 – Regulatory financial reporting continued

Reconciliation of net interest paid

	£m
Interest paid on borrowings	51.389
Interest paid on leases	0.210
Other interest paid	2.037
Gross interest paid	53.636
Less: interest received under swap arrangements	[13.928]
Net interest paid per 1D.10	39.708

Net interest paid does not include accretion of index-linked debt which is a non-cash item. Interest received on short-term investment is included within investing activities – other in the statement of cash flows.

1E – Net debt analysis (appointed activities) at 31 March 2025

	RAG4 reference	Fixed rate £m	Floating rate £m	Index-linked		Total £m
				RPI £m	CPI/CPIH £m	
Interest rate risk profile						
Borrowings (excluding preference shares)	1E.1	135.933	280.000	757.796	548.587	1,722.316
Preference share capital	1E.2	-				-
Total borrowings	1E.3	135.933	280.000	757.796	548.587	1,722.316
Cash	1E.4					[85.382]
Short-term deposits	1E.5					[80.795]
Net debt	1E.6					1,566.139
Gearing						
Gearing	1E.7					81.039%
Adjusted gearing	1E.8					77.453%
Interest						
Full year equivalent nominal interest cost	1E.9	44.683	0.719	62.038	25.785	133.225
Full year equivalent cash interest payment	1E.10	43.934	0.719	43.064	17.466	105.183
Indicative interest rates						
Indicative weighted average nominal interest rate [%]	1E.11	32.871%	0.257%	8.187%	4.700%	7.735%
Indicative weighted average cash interest rate [%]	1E.12	32.320%	0.257%	5.683%	3.184%	6.107%
Time to maturity						
Weighted average years to maturity	1E.13	11.802	-	15.944	14.893	12.759

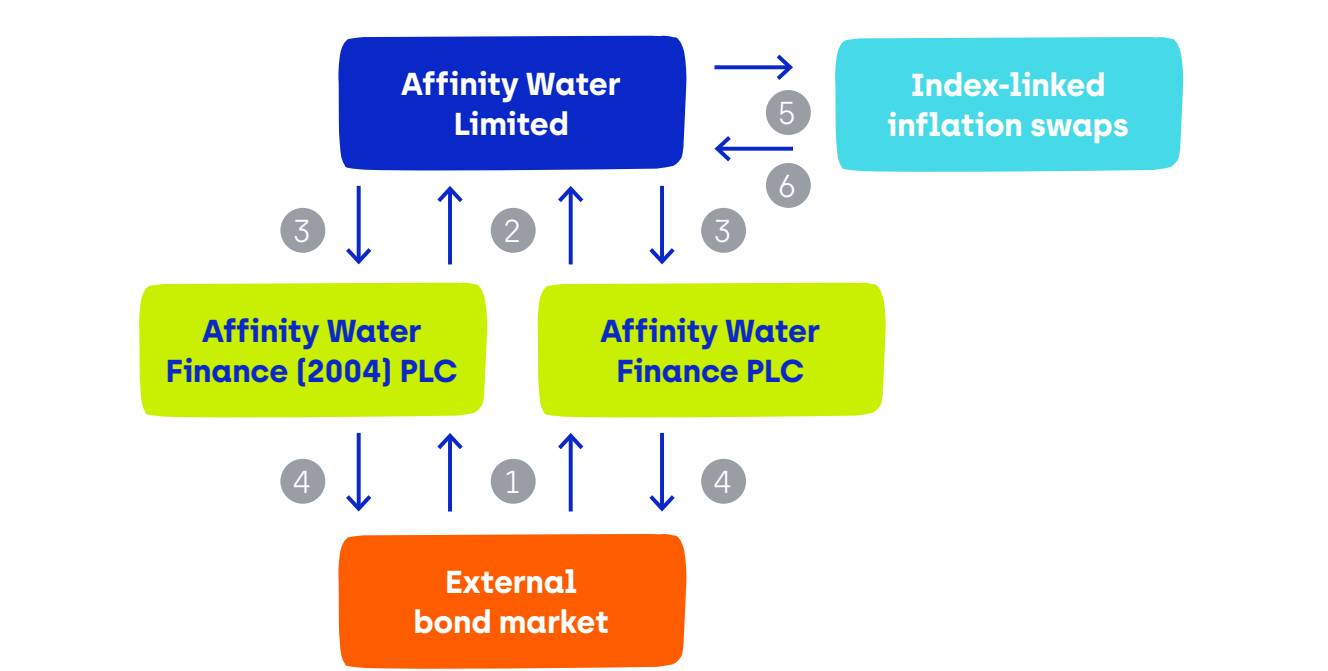
Capitalised debt issue costs and bond premiums/discounts, and amortisation thereon, have been excluded from total borrowings presented in the above table. A reconciliation to total borrowings as presented in table 1C is provided below:

	£m
Total borrowings (excluding preference shares) presented in table 1C.15 and 1C.22 (total) and in 4B.805	[1,743.522]
Less: capitalised bond premium/issue costs – Fixed	2.031
Less: capitalised bond premium/issue costs – RPI	6.288
Less: capitalised bond premium/issue costs – CPI	12.887
Net debt presented above	[1,722.316]

Adjusted gearing is calculated using the definition of net debt set out in the company’s WBS documentation, as presented in the following table:

	Fixed rate £m	Floating rate £m	Index linked		Total £m
			RPI £m	CPI/CPIH £m	
Borrowings (excluding preference shares)	110.592	280.000	757.796	548.587	1,696.975
Preference share capital					-
Less: loan from intermediate parent company					[3.550]
Add: accrued interest on borrowings					2.133
Cash					[208.280]
Net debt					1,487.278

Affinity Water Limited has two financing subsidiaries that have issued bonds listed by the UK Listing Authority. Affinity Water Finance [2004] PLC has issued an external bond of £250.0m, and during the year the company initiated a tender offer to repurchase part of this bond and as a result, £147,324,000 of the repurchased bonds were cancelled. The other financing subsidiary is Affinity Water Finance PLC which has issued external bonds totalling £1,230.0m. The proceeds of which have been lent on to and are guaranteed by Affinity Water Limited, as shown in the diagram below:



Section 1 –

Regulatory financial reporting continued

1F – Financial flows for the 12 months ended 31 March 2025 and for the price review to date

	12 months ended 31 March 2025						
		%			£m		
	RAG4 reference	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity							
Regulatory equity	1F.1	585.240	585.240	324.406			
Return on regulatory equity							
Return on regulatory equity	1F.2	4.23%	2.35%	4.23%	24.782	13.737	13.737
Financing							
Impact of movement from notional gearing	1F.3		1.89%	1.57%		11.045	5.087
Gearing benefits sharing	1F.4		0.00%	0.00%		-	-
Variance in corporation tax	1F.5		0.64%	1.15%		3.740	3.740
Group relief	1F.6		0.00%	0.00%		-	-
Cost of debt	1F.7		2.33%	4.91%		13.628	15.934
Hedging instruments	1F.8		(1.01%)	(1.83%)		(5.930)	(5.930)
Return on regulatory equity including Financing adjustments	1F.9	4.23%	6.19%	10.04%	24.782	36.220	32.567
Operational Performance							
Totex out / (under) performance	1F.10		(4.16%)	(7.50%)		(24.342)	(24.342)
ODI out / (under) performance	1F.11		(0.36%)	(0.65%)		(2.116)	(2.116)
C-MeX out / (under) performance	1F.12		(0.16%)	(0.29%)		(0.939)	(0.939)
D-MeX out / (under) performance	1F.13		0.00%	(0.01%)		(0.018)	(0.018)
Retail out / (under) performance	1F.14		(1.20%)	(2.17%)		(7.027)	(7.027)
Other exceptional items	1F.15		0.15%	0.27%		(0.882)	(0.882)
Operational performance total	1F.16		(5.73%)	(10.34%)		(33.555)	(33.555)
Return on Regulatory Equity ('RoRE')	1F.17	4.23%	0.46%	(0.30%)	24.782	2.665	(0.988)
Regulatory Capital Value ('RCV') growth	1F.18	3.45%	3.45%	3.45%	20.191	20.191	11.192
Voluntary sharing arrangements	1F.19		(0.02%)	(0.03%)		(0.100)	(0.100)
Total shareholder return	1F.20	7.68%	3.89%	3.11%	44.972	22.756	10.104
Dividends							
Gross dividend	1F.21	0.82%	0.00%	0.00%	4.799	-	-
Interest receivable on intercompany loans	1F.22		0.00%	0.00%		-	-
Retained value	1F.23	6.86%	3.89%	3.11%	40.173	22.756	10.104
Cash impact of 2015–20 performance adjustments							
Totex out / (under) performance	1F.24		(0.55%)	(1.00%)		(3.239)	(3.239)
ODI out / (under) performance	1F.25		(0.51%)	(0.93%)		(3.007)	(3.007)
Total out / (under) performance	1F.26		(1.07%)	(1.93%)		(6.245)	(6.245)

	RAG4 reference	Average 2020–2025					
		%			£m		
		Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity							
Regulatory equity	1F.1	541.500	541.500	324.175			
Return on regulatory equity							
Return on regulatory equity	1F.2	4.14%	2.48%	4.14%	22.432	13.429	13.429
Financing							
Impact of movement from notional gearing	1F.3		1.66%	1.25%		9.003	4.046
Gearing benefits sharing	1F.4		[0.09%]	[0.14%]		[0.461]	[0.461]
Variance in corporation tax	1F.5		0.43%	0.71%		2.314	2.314
Group relief	1F.6		0.00%	0.00%		-	-
Cost of debt	1F.7		2.12%	3.41%		11.462	11.066
Hedging instruments	1F.8		[1.34%]	[2.24%]		[7.270]	[7.270]
Return on regulatory equity including Financing adjustments	1F.9	4.14%	5.26%	7.13%	22.432	28.477	23.124
Operational performance							
Totex out / (under) performance	1F.10		[1.16%]	[1.93%]		[6.260]	[6.260]
ODI out / (under) performance	1F.11		[0.78%]	[1.31%]		[4.235]	[4.235]
C-MeX out / (under) performance	1F.12		[0.20%]	[0.33%]		[1.075]	[1.075]
D-MeX out / (under) performance	1F.13		[0.02%]	[0.04%]		[0.125]	[0.125]
Retail out / (under) performance	1F.14		[0.63%]	[1.04%]		[3.385]	[3.385]
Other exceptional items	1F.15		0.08%	0.13%		0.424	0.424
Operational performance total	1F.16		[2.71%]	[4.52%]		[14.655]	[14.655]
RoRE	1F.17	4.14%	2.55%	2.61%	22.432	13.822	8.469
RCV growth	1F.18	5.85%	5.85%	5.85%	31.683	31.683	18.968
Voluntary sharing arrangements	1F.19		[0.02%]	[0.03%]		[0.100]	[0.100]
Total shareholder return	1F.20	9.99%	8.39%	8.43%	54.115	45.406	27.337
Dividends							
Gross dividend	1F.21	0.82%	0.00%	0.00%	4.440	-	-
Interest receivable on intercompany loans	1F.22		0.00%	0.00%		-	-
Retained value	1F.23	9.17%	8.39%	8.43%	49.675	45.406	27.337
Cash impact of 2015–20 performance adjustments							
Totex out / (under) performance	1F.24		[0.12%]	[0.20%]		[0.658]	[0.658]
ODI out / (under) performance	1F.25		[0.52%]	[0.88%]		[2.841]	[2.841]
Total out / (under) performance	1F.26		[0.65%]	[1.08%]		[3.499]	[3.499]

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12 months ended 31 March 2025

The return on regulatory equity was 4.23% as determined at PR19. It increases to 5.80% after adjusting for the company's actual capital structure 1.57%, as reported in the gearing line of this table). The PR19 determination was carried out on a notional capital structure with 60% net debt to RCV gearing, the actual average level of gearing of 81.0% creates an adjustment of +1.57%. There was nil gearing benefits sharing adjustment. There was a favourable adjustment before hedging instruments of 4.91% resulting from the company's actual cost of debt overperforming against the 2.31% allowed in the PR19 determination after taking into account the movement in average CPIH during 2024/25 of 3.21%. Our hedging instruments have partially offset the favourable adjustment by 1.83%. The variance in corporation tax is calculated as the difference between the amount allowed for corporation tax in the PR19 determination and actual tax payable, before any fair value adjustments, after taking into account adjustments for capital allowances and prior year adjustments, refer to the reconciliation on page 123 increases the adjustment by 1.15%.

The favourable +10.04% regulatory return on equity including financing adjustments has worsened by -10.34% when considering the impact of operational performance, such that RoRE is -0.30%. Totex underperformance in the year results in a -7.50% decrease (refer to table 4C), ODI underperformance in the year (refer to table 3A, including the estimated PCC penalty for the year) results in a -0.65% reduction with C-MeX and D-MeX underperformance resulting in a further -0.30% reduction. The performance of the retail business unit (refer to table 2C) also creates a -2.17% adverse adjustment.

After factoring in RCV growth due to indexation and voluntary sharing arrangements, the total shareholder return for the year is 3.11%.

No dividend was paid out by the regulated business, which equates to a 0.00% adjustment.

Average 2020–2025

Average figures have been calculated using the average of 2020/21, 2021/22, 2022/23 2023/24 and 2024/25 tables. Gross dividends – notional returns and notional regulatory equity for the year ended 31 March 2025 have been updated following the publication of financial flows data for the year ended 31 March 2025. Prior year ODI penalties for leakage and PCC have been updated following restatement of the base years, impacting the average 2020-2025 totals.

Statement of accounting policies

Basis of preparation

These accounts have been prepared in accordance with the relevant RAGs.

Accounting policies used are the same as those adopted in the statutory accounts, except as set out below.

Regulatory accounts are prepared to enable Ofwat to monitor the financial performance of the regulated water business. Note that tables 2G, 2H, 4E, 4G, 4K, 4M, 4O, 4S, 4T, 4U, 4Y, 10A, 10B, 10C, 10D, and 10E have not been presented as they are not applicable for Affinity Water Limited.

Standards and interpretations which are not yet effective

There are no new standards and interpretations, which are not yet effective and have not been early adopted by the company, which will have a material effect on future years.

Revenue recognition

Revenue represents the fair value of income receivable in the ordinary course of business from the regulated activities of the business in 2024/25 exclusive of value added tax. The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to

the entity and when specific criteria have been met.

The company's core revenue stream is derived from the supply of clean water. The UK Government has contracted with the company on behalf of customers by granting the company its water supply licence, where the underlying performance obligation is the development and maintenance of the network and ensuring its continued availability to customers. Revenue is recognised as the customer receives the benefit of this through consuming the water: for metered customers, the amount which the company has a right to receive is determined by the volume of water consumed; and for unmetered customers, the amount which the company has a right to receive is determined by the period of time during which a customer occupies a property to which water is supplied by the company.

The Company has contracts with third parties operating in the non-household retail market for the supply of clean water (wholesale supply). The underlying performance obligation is the development and maintenance of the network and ensuring its continued availability to third-party retailers on behalf of non-household consumers. Revenue is recognised at the point in which the company has a right to receive the revenue. For non-household retailers, the amount which the company has a right to receive is determined by non-household consumption volume data.

For metered household customers, a receivable is recognised when the customer is billed for usage. At this point, the consideration is unconditional because only the passage of time is required before the payment is due. Where the company has provided the service before payment is due, an accrual for the consumption of water that has not yet been billed is recognised within trade and other receivables (refer to the measured income accrual section below).

Unmetered customers pay a fixed amount determined by the transaction prices set out in the company's charging scheme and tariff documents. If the payments received exceed the amount the company has the right to receive, the company recognises a payment received in advance within trade and other payables. Where non-household retailers are billed in advance monthly for wholesale charges, as determined by billing/volume reports created by the market operator, the company recognises deferred income in relation to these accounts and discloses this within trade and other payables.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment terms exceeds one year. The Company therefore does not adjust any of its transaction prices for the time value of money.

Charges on income arising from court, solicitor and debt recovery agency fees are recognised in revenue.

Measured income accrual

The measured income accrual is an estimation of the amount of mains water unbilled at the year ending 31 March 2025. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon historical information. No changes have been made to the methodology in calculating the measured income accrual during 2024/25. The measured income accrual is recognised within revenue.

Revenue for the year ended 31 March 2024 included a measured income accrual of £47,935,000. The value of billing recognised in the year ended 31 March 2025 for consumption in the prior year was £48,221,000. This resulted in an increase of £286,000 in the current year's revenue due to the under-estimation of the prior year's revenue. This represented 0.08% of 2024/25 revenue and is within acceptable tolerance for accounting estimates.

Adjustments from statutory to regulatory accounts

The Regulatory Accounts disapply the provision of IFRS 15 which states that revenue should only be recognised if it is probable that it will be received, considering the customer's ability and intention to pay that amount of consideration when it is due. For regulatory reporting purposes, companies are required to assume that where an amount is billed it is probable that cash will be collected, thereby deviating from the IFRS 15 requirement in that there is no judgement applied to the probability of collection. Therefore, in the Regulatory Accounts the company does not derecognise revenue where historical evidence indicates that the company will probably never be able to collect the revenue billed.

Charging policy

Water charges are payable in full from the date of connection or change of customer on all properties at which it is recorded that water is being used or required. Exceptions to this, where the company waives water charges at its discretion on being informed by customers, include where the customer is in a care home; in long term hospitalisation; in prison; overseas long-term; or in the event of the death of the customer.

Definition and treatment of properties

The Company classifies unoccupied bulk owner properties as 'occupied' if they are empty for less than 26 weeks for short-term situations such as refurbishment or change of tenancy. These properties are billed in full and then a percentage is deducted from the amount owed to recognise that some properties will have been empty. Where properties are unoccupied for more than 26 weeks, the agreement with the bulk owner provides that the local authority will notify the company so that the property can be formally recorded as 'empty' on the company's billing system and, therefore, will not be billed.

The Company no longer raises bills addressed to 'The Occupier' when there is no consumption detected at the property. The Company's assumption is that these properties are not occupied. The Company makes further enquiries and when it receives information that the property has become occupied the status of the account is amended, the customer's name applied to the account and billing commences.

In each of the above cases, if a bill is sent, the company would recognise it within revenue in the Regulatory Accounts. All new properties are metered. Charges accrue from the date at which the meter is installed. The developer is billed between the date of connection and first occupancy, and this is recognised as revenue. If the developer is no longer responsible for the property and no new occupier has been identified, the property management process referred to above is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

Capitalisation policy

Expenditure on infrastructure assets relating to increases in capacity, enhancements or material replacements of network components is capitalised where it can be reliably measured, and it is probable that incremental future economic benefits will flow to the company. Expenditure generally will only meet the criteria for capitalisation when it relates to specific planned works. Where this work does not involve a mains pipe exceeding a diameter of 300mm (considered qualitatively material due to its strategic importance in the generation of future economic benefits), replacement is considered quantitatively material when the pipe involved is at least 2km long and uses a new material for that location, which enhances the section of network being re-laid.

Costs of day-to-day servicing of network components are recognised in the income statement as they arise.

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General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

In April 2021, the IFRS Interpretations Committee (‘IFRIC’) agenda decision on the treatment of configuration and customisation costs in a cloud computing arrangement was ratified by the International Accounting Standards Board. As such, the company has changed its accounting policy from capitalising all costs directly attributable to configuration and customisation in a cloud computing arrangement, to expensing such costs if the company does not have control of the developed software.

Adjustments from statutory to regulatory accounts

During the year, the company adopted the interest capitalisation policy, under which eligible borrowing costs are capitalised in accordance with IAS 23. This change reflects alignment with industry practice.

Borrowing costs are capitalised in the statutory accounts however, they are not capitalised in the Regulatory Accounts in accordance with the Regulatory Accounting Guidelines.

Bad debt

At each reporting date, the company evaluates the collectability of trade receivables and records a loss allowance based on experience. The loss allowance is charged to operating costs to reflect the company’s assessment of the risk of non-recovery of trade receivables.

The loss allowance is calculated by applying a range of different percentages to trade receivables of different ages. These percentages also vary between categories of

receivable. Higher percentages are applied to those categories of receivables which are considered to be of greater risk and also to trade receivables of greater age. The value of the loss allowance is sensitive to the specific percentages applied. The specific percentages applied are updated annually to reflect the latest collection performance data from the company’s billing system. All trade receivables greater than five years old are fully provided for. Actual amounts recovered may differ from the estimated levels of recovery which could impact on operating results.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled metered consumption and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Our bad debt provision increased during 2024/25 as a result of additional amounts provided for in the current year as a result of the ongoing cost of living crisis, offset by the debt sale that took place, where fully provided for debt was sold outside of the company. There has been an increase in the provision from £37,100,000 at 31 March 2024 to £37,768,000 at 31 March 2025.

The company’s policy is to write off closed and live accounts that fall under the following categories: bankruptcy, liquidation, debt relief orders, deceased accounts where there is no estate, failed legal action and receivable amounts from customers who have moved out of the property with no forwarding address or are no longer responsible for payment of a water bill.

Accounts are written off following all internal recovery activity and subsequent external debt collection agency activity, except as follows:

- Closed accounts under £15 are written off without any internal recovery activity.
- Closed accounts under the name of ‘the Occupier’ are written off without any internal recovery action.
- Closed accounts under £50 are written off following all internal recovery activity where there is a forwarding address for the customer.
- Closed accounts under £100 are written off following all internal recovery activity where there is no forwarding address for the customer.

Amounts are also written off on accounts where the company is still supplying the customer and where all reasonable internal and external debt collection activities have been undertaken. Under these circumstances, if the total debt contains amounts over six years old, the amount over six years old is written off.

The Company’s write-off policy has remained unchanged and has been consistently applied in 2024/25 compared with the previous year. The amount of debt written off increased from £8,414,000 in 2023/24 to £9,413,000 in 2024/25.

There has been a slight decrease in trade receivables during 2024/25, £43,230,000 at 31 March 2025, [£43,753,000 at 31 March 2024], due to cash collection efforts.

Grants and contributions

Grants and contributions received in respect of property, plant and equipment (including infrastructure charges, and contributions for diversions and requisitioned mains/extensions), where the performance obligation is deemed to be satisfied over time, are treated as deferred income and released to revenue over the useful economic life of the property, plant and equipment to

which they relate once these assets have been commissioned.

For contributions received in respect of diversions and requisitioned mains/extensions, the assets constructed are considered to have no economic value without the promise to provide ongoing supply of water services; therefore, the performance obligation is considered to be satisfied over the period that the property, plant and equipment constructed are in service.

Infrastructure charges are charges levied on developers for network reinforcement, which is not site specific, i.e. to fund expenditure that will contribute towards wider network reinforcement work away from the development site. There is an implied ongoing performance obligation to improve and maintain the wider network in order to provide an ongoing supply of water services.

These grants and contributions are not government grants within the scope of IAS 20: ‘Accounting for Government Grants and Disclosure of Government Assistance’ and fall within the scope of IFRS 15, as, while there may not be a written contract with the customer, the legal duties of a company under the Water Industry Act 1991 would seem to constitute a legally enforceable contract with the transaction prices set out in the company’s charges scheme, tariff documents and invoices.

Statement of directors’ remuneration and standards of performance

Executive directors’ remuneration comprises a package of base salary together with an annual performance related bonus and a long-term incentive plan. Executive directors’ bonuses paid by the company are linked to the standards of performance of the company and are therefore in accordance with RAG 3.15. The elements of the 2024/25 remuneration arrangements for executive directors were established by the company’s Remuneration Committee in 2024/25.

An executive remuneration policy approved by the Remuneration Committee is published on our website at affinitywater.co.uk/corporate/about/governance-assurance. The policy aligns executive pay to the company’s stretching performance for customers and the environment. The key changes made in 2024/25 were included in the 2023/24 Annual Report and Financial Statements, and are also summarised in the tables below. Fundamentally, they reinforce the structure and metrics of both the long-term and short-term incentive plans to ensure that they are in line with the expectations set by Ofwat of a minimum of 60% of incentives being aligned to stretching customer and environmental outcomes.

Designing our AMP8 Incentive Schemes

We have reviewed our annual bonus scorecard for 2025/26 and our Long-Term Incentive Plan (‘LTIP’) structure as we enter a new five-year performance cycle for the AMP8 business plan following acceptance of our PR24 Final Determination from Ofwat. The review has looked at the most important measures and targets from our PR24 Final Determination to ensure that we continue to align with the interests of customers and the environment, and have incentive targets which will continue to stretch our performance.

When designing the approach we have made reference to the PR24 final methodology and subsequent Ofwat publications. We have ensured that the metrics for all layers of the organisation are aligned within the bonus scheme. We have also introduced new performance measures to our scorecard focused on environmental performance including serious pollution incidents and discharges to the environment from water treatment works.

Our LTIP structure for AMP8 has been designed to reflect targets critical to long-term delivery for customers and the environment. These long-term targets include delivery of efficient investment and improved

performance on Outcome Delivery Incentives (both measured through their contribution to Return on Regulated Equity). The targets are also aligned to commitments for Biodiversity, Asset Health and our Smart Meter programme (which is critical for delivering on PCC and leakage targets).

Setting Stretching Targets

Executive pay has attracted a lot of attention over recent years, not least within the water sector. The Remuneration Committee is very aware that its decisions will be subject to scrutiny. Our role is to ensure that the remuneration of our executive directors is fair, justifiable and drives both the right behaviours and results for the benefit of our business, our customers and the environment.

Each year, the Remuneration Committee undertakes a rigorous process to assess the targets we set. This process is informed by our customers and stakeholders, and is then aligned with our purpose, vision and values. We ensure that we continually review best practice and updates to regulatory guidance. In particular, we aim to reflect the need to provide clarity on why targets are set and how they can be considered stretching.

In the round the threshold levels for the 2024/25 bonus scheme, below which no award is earned, were broadly in line with 2023/24 performance. Achievement of the target levels would represent a significant improvement in performance. In line with our overall improvement in business and customer performance, our outturn for the 2024/25 bonus scheme is showing that the majority of these targets have been exceeded, with a number achieving upper quartile industry performance.

For 2025/26, proposed targets now include the introduction of threshold, target and stretch on a number of performance measures with zero earned below threshold, 75% at target and 100% at stretch. The calibration of these targets has been based on

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either best ever performance or are in line with the challenging targets set by Ofwat in the Final Determination.

With specific regard to LTIP measures, these are separate from the annual bonus scorecard metrics, and linked to long-term performance requirements, as well as to customer and environment service levels. The proposed metrics are intended to be leading and objectively measured across a glide path over each year of AMP8 for assessment purposes and are in line with delivery of key aspects of our stretching AMP8 delivery plan.

In particular, the Board has noted and welcomed the additional clarity introduced by the Water (Special Measures) Act 2025 which has enacted the expectation of all our customers, regulators, and stakeholders that executives are held to account through loss of bonuses for failure to protect the environment or customers. The Remuneration Committee now additionally tests the award of all LTIP and bonus payments against the clear requirements of the Act and the "Performance related executive pay prohibition rule" published by Ofwat in June 2025 (the 'PRP Rule') and will ensure the Act's requirements are properly taken into account in relation

to any performance related pay for executives.

The Remuneration Committee is cognisant of the evolving landscape in respect of executive remuneration and commits to reviewing the company remuneration structure in light of any further developments.

More details on our remuneration policy can be found in the Governance Report within our Annual Report and Financial Statements for the year ended 31 March 2025.

Purpose and link to strategy	Policy and approach	Maximum potential value [as percentage of base pay]	Performance metrics	2025/26 updates
Base salary				
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the company.	To target around market median, dependent on experience in the role.	N/A	N/A	<p>Changes to the policy have been approved for AMP8 segmenting the remuneration package between fixed, retention and non-contractual performance related pay elements.</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in February 2025.</p>
Other taxable benefits				
To provide market competitive benefits.	Private health care insurance and life assurance cover are provided, together with a fully expensed company car (or car allowance).	N/A	N/A	<p>Changes to the policy have been approved for AMP8 following a benchmark of overall remuneration packages.</p> <p>This element of remuneration remains broadly in line with 2024/25.</p>

Purpose and link to strategy	Policy and approach	Maximum potential value [as percentage of base pay]	Performance metrics	2025/26 updates
Performance related pay – annual bonus plan				
The annual bonus plan is designed to provide a direct link between executive and company performance and the level of bonus awarded, although award and payment remain discretionary.	Maximum bonus potential is set at a market competitive level.	Up to 100% of base salary for the CEO and up to 75% of base salary for the CFO.	For 2024/25, in order to maintain the Ofwat guidance that 60% of incentives should be based on achievement of customer measures, the scheme metrics have been set as follows:	<ul style="list-style-type: none">For 2025/26, the metrics set are as follows:Customer & Environment: (5.00% each unless otherwise specified):<ol style="list-style-type: none">Base Opex and Capex Costs (25%)C-MeXD-MeXCompliance Risk IndexWater quality contactsLeakageInterruptions to supplyUnplanned outagePer capita consumptionBusiness demandSerious pollution incidents (2.5%)Discharge from water treatment works (2.5%)Health and safetyPeople engagement (5%) <p>The maximum potential value has been set at 30% of base salary for both the CEO and CFO.</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in March 2025.</p>
	<p>Awards include clawback and malus provisions, detailed as follows: circumstances of malus include wilful or gross misconduct, acts of personal dishonesty or fraud, conviction of certain criminal offences, conduct, which results in significant losses to the company, material failure of related management or business units, material misstatement in the audited financial statements, and reputational damage.</p> <p>Additionally, further malus and clawback requirements shall apply in accordance with the Water (Special Measures) Act and the PRP Rule which will result in a non-entitlement to the relevant performance related payment and/or clawback of any relevant performance related pay paid to an executive over a three-year period.</p> <p>The bonus is based on budgeted non-financial and financial targets that are aligned to the company's commitments for AMP7, plus individual targets.</p>	Where discretion is applied to executives relating to the performance of measures, the same level of discretion must be applied to all employees and managers. This is not reciprocal; discretion may be applied to employees and not executives.	<ul style="list-style-type: none">Financial: Base Costs [6.67%], Enhancement Expenditure [6.67%], and Cash Generation [6.67%]Customer & Environment: (5.00% each):<ol style="list-style-type: none">C-MeXD-MeXLeakageCustomer contacts for water qualityCompliance Risk IndexPer capita consumptionInterruptions to supplyMains repairsBusiness demandUnplanned outageBusiness demandNet ZeroEnhancement Action PlanSafety (5%) <p>Personal performance against objectives (15%).</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in May 2024.</p>	

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Purpose and link to strategy	Policy and approach	Maximum potential value [as percentage of base pay]	Performance metrics	2025/26 updates
Performance related pay - LTIP				
To incentivise executives to achieve long-term shareholder value whilst achieving high levels of customer experience performance, although both award and payment are discretionary.	Base awards are granted as a percentage of salary and are paid out in cash at the end of the multi-year performance period, with 33% of the amount earned paid at the end of the performance period, 33% paid at the end of the following year and 33% paid at the end of the second year following the performance period subject to the achievement of performance conditions.	Up to 100% of base salary for the CEO and CFO.	The award is determined based on the performance of the company over the two years to 31 March 2025. 20% of the scheme award is based on financial targets, including Base Expenditure and Enhancement Investment; 60% based on delivery for our customers and the environment, measured by the Outcome Delivery Incentive position across our ten key metrics; 5% based on employee engagement; and 15% based on long-term planning, including Quality of AMP8 readiness, and the AMP7 target operating model.	For 2025/26, the methodology, structure, metrics and targets have been set across the five year period from 1 April 2025 to 31 March 2030 as follows: 1. Totex and ODI elements of RoRE (50%) 2. Customer transformation programme (10%) 3. Environmental improvement programme (10%) 4. Water quality and resilience (20%) 5. Biodiversity net gain (10%).
	The 2024/25 scheme is based on end of AMP7 targets (with a two-year performance period) that are aligned to the delivery of AMP7 and preparation for AMP8. The payment dates would be July 2025 (33%), July 2026 (33%), and July 2027 (33%).		A former metric involving an underpin based on safety performance has been removed, but performance in this area will form part of the Remuneration Committee's discretion.	The maximum potential value has been set at 30% of base salary for both the CEO and CFO.
	Awards include clawback and malus provisions, detailed as follows: circumstances of malus include wilful or gross misconduct, acts of personal dishonesty or fraud, conviction of certain criminal offences, conduct, which results in significant losses to the company, material failure of related management or business units, material misstatement in the audited financial statements, and reputational damage.		These arrangements were formally agreed during the Remuneration Committee meeting in May 2023.	These arrangements were formally agreed during the Remuneration Committee meeting in March 2025.
	Additionally, further malus and clawback requirements shall apply in accordance with the Water (Special Measures) Act and the PRP Rule which will result in a non-entitlement to the relevant performance related payment and/or clawback of any relevant performance related pay paid to an executive over a three-year period. The awards do not automatically vest on change of control of the business. The LTIP schemes continue to be aligned to Ofwat guidance providing a substantial link to delivery for customers and the environment (>60%).		The June 2025 Remuneration Committee meeting approved the disaggregation of the ten key metrics into component parts, with a higher weighting applied to the Compliance Risk Index and Per capita consumption measures, in lieu of the Low pressure measure, due to the importance of customer service levels, influencing customer behaviour and our environmental requirements.	

Purpose and link to strategy	Policy and approach	Maximum potential value [as percentage of base pay]	Performance metrics	2025/26 updates
Pension-related benefits				
To provide competitive post-retirement benefits.	A non-performance related retention payment for the CEO and CFO may be paid in March each year recognising retention during the period, and subject to the individual not having tendered their resignation and not being under investigation for any conduct-related issues. The retention amount will be subject to annual review.	12% of executive salary.	N/A	No changes have been made to the policy for 2024/25 up to the date of approval of the Annual Report and Financial Statements.
Retention payments				
To provide competitive remuneration that will attract and retain key employees and reflect their experience and position in the company.	A non-performance related retention payment for the CEO and CFO may be paid in March each year from 2025/26 given the continued significant volatility and challenges faced across the industry, and provided they remain employed for the entire financial year and are not under notice of termination or resignation or subject to an investigation and/or disciplinary proceedings for any conduct-related issues. The retention amount will be subject to annual review.	N/A	N/A	The arrangement was formally agreed by the Remuneration Committee meeting in February 2025, and will be introduced from 2025/26.
Compensation for the forfeit of variable remuneration from previous employer				
To provide compensation for forfeited remuneration from previous employers.	The Committee may make additional cash awards if deferred pay is forfeited by an executive director on leaving a previous employer. Such awards would take into account the nature of awards forfeited (i.e. cash or shares), time horizons, attributed expected value and performance conditions.	N/A	N/A	No changes have been made to the policy for 2024/25 up to the date of approval of this Annual Report and Financial Statements.

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Remuneration implementation report

Directors' remuneration 2024/25

The following table shows directors' remuneration in respect of 2024/25.

	Base salary/fees		Taxable benefits ¹		Annual bonus		LTIP ²		Pension-related benefits ³		Other ⁴		Total fixed remuneration		Total variable remuneration		Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24	24/25	23/24
Non-executive																		
Current																		
Shelley Malton	54	17	–	–	–	–	–	–	–	–	–	–	54	17	–	–	54	17
Chris Newsome	63	63	–	–	–	–	–	–	–	–	–	–	63	63	–	–	63	63
Justin Read	63	60	–	–	–	–	–	–	–	–	–	–	63	60	–	–	63	60
Former																		
Trevor Didcock	56	64	–	–	–	–	–	–	–	–	–	–	56	64	–	–	56	64
Company Chair																		
Current																		
Mike Brown	45	–	–	–	–	–	–	–	–	–	–	–	45	–	–	–	45	–
Former																		
Ian Tyler	171	195	–	–	–	–	–	–	–	–	–	–	171	195	–	–	171	195
Executive																		
Current																		
Keith Haslett	392	376	10	16	350	272	251	–	47	45	503	–	449	437	1,104	272	1,553	709
Adam Stephens	68	–	3	–	46	–	56	–	8	–	117	–	79	–	219	–	298	–
Former																		
Martin Roughead	123	220	3	12	53	123	–	–	15	27	–	40	141	259	53	163	194	422
	1,035	995	16	28	449	395	307	–	70	72	620	40	1,121	1,095	1,376	435	2,497	1,530

¹ Taxable benefits comprise company car allowance and healthcare.

² The LTIP amounts disclosed for Keith Haslett and Adam Stephens relate to the LTIP schemes fully vesting in the year ended 31 March 2025 [applied on a pro-rata basis for periods of service as appropriate]. The amount for Adam Stephens will be paid in equal instalments over the three years ending 31 March 2026, 31 March 2027 and 31 March 2028.

³ Pension-related benefits for Keith Haslett comprised contributions paid to the company's money purchase scheme up to 30 September 2024, and amounts paid in lieu of being a member of the pension scheme thereafter; there were no amounts outstanding at the year-end. Pension-related benefits for Adam Stephens and Martin Roughead comprised amounts paid in lieu of being a member of the pension scheme; there were no amounts outstanding at the year-end.










⁴ Other remuneration in 2024/25 for Keith Haslett related to the remaining aspects of the accelerated December 2024 bonus and LTIP retention payment. Other compensation in 2024/25 for Adam Stephens related to forfeited retention and bonus payments from his previous employer amounting to £75,000 and £38,000 respectively, and a relocation allowance of £4,000. Other remuneration in 2023/24 for Martin Roughead related to a relocation allowance.

The remuneration policy operated as intended during 2024/25. Executive director bonuses are only being paid where operational targets were met and base salaries were set at a level that attracted and retained key employees, reflecting their experience and position in the company.

The Remuneration Committee believes this was appropriate.

Achievement against performance related measures (annual bonus)

The annual bonus scheme is designed to provide a direct link between executive and company operational, customer and financial performance, and the level of bonus awarded, although award and payment remain discretionary. The table below shows the percentage of maximum annual bonus potential awarded in relation to 2024/25 for Keith Haslett as CEO and Adam Stephens as CFO for each of the performance measures. No amounts in relation to these bonuses have been deferred.

Performance measure		Link to Alignment of culture, purpose, values and strategy		2024/25 target		2024/25 actual		Maximum weighting for 2024/25 (as a % of base salary)		2024/25 achievement (as a % of base salary)	
				Target met		Keith Haslett	Adam Stephens	Keith Haslett	Adam Stephens		
Financial measure	Base operating plus base capital costs	Targeting base operating and capital expenditure ensures we can invest in our assets efficiently and provide a great service that customers value		£327.5m or less	£326.7m	6.67% £26,129	5.00% £3,377	6.67% £26,129	5.00% £3,377		
	Enhancement expenditure	Targeting sufficient enhancement expenditure ensures our commitment to invest in the resilience of our infrastructure		£ 74.1m or more	£ 92.3m	6.67% £ 26,129	5.00% £3,377	6.67% £26,129	5.00% £3,377		
	Cash generated from operations less capital expenditure	Targeting sufficient cash generated by operations ensures we can provide sufficient returns to investors, finance group debt and ensure we are financially resilient		(£31.7m) or more	(£23.7m)	6.66% £26,090	5.00% £3,372	6.66% £26,090	5.00% £3,372		
Customer and Environment measures	C-MeX ¹ : score	Targeting an improvement in the C-MeX positions ensures we focus on providing a great service that customers value		74.0 or more	70.10	5.00% £19,587	3.75% £2,531	0.00% £nil	0.00% £nil		
	D-MeX ² : position in the league table	Targeting an improvement in the D-MeX positions ensures we focus on providing a great service that developers value		89.0 or more	89.50	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531		
	Leakage: volume of water lost through leaks on the network (Ml/d)	Targeting a continued reduction in leakage will ensure customers have enough water, while leaving more water in the environment		144.9 Ml/d or less	148.1 Ml/d	5.00% £19,587	3.75% £2,531	4.56% £17,766	3.42% £2,296		
	Water quality: Customer contacts reported per 1,000 population	Targeting low customer contact ensures customers have high-quality water they can trust		0.67 or less	0.60	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531		
	Water quality: CRI score	Targeting a low CRI score ensures customers have high-quality water they can trust		2.0 or less	1.44	7.50% £29,381	5.63% £3,797	7.50% £29,381	5.63% £3,797		
	Customer consumption: PCC litres per day	Targeting customer consumption ensures we can make sure customers have enough water, while leaving more water in the environment		24.0 Ml/d or more	26.12 Ml/d	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531		

Section 1 – Regulatory financial reporting continued

				2024/25 target	2024/25 actual	Maximum weighting for 2024/25 (as a % of base salary)		2024/25 achievement (as a % of base salary)	
Performance measure		Link to Alignment of culture, purpose, values and strategy			Target met	Keith Haslett	Adam Stephens	Keith Haslett	Adam Stephens
	Interruptions to supply: minutes interrupted above 3 hours	Targeting few interruptions to supply ensures we can minimise disruption for customers and the community		5 minutes and 00 seconds or less	3 minutes and 21 seconds	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531
	Mains repairs (per 1,000km)	Targeting mains repairs ensures we can minimise disruption for customers and the community		less than 142.3 repairs per 1,000km of mains	113.4	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531
	Unplanned outage [%]	Targeting unplanned outage ensures we can minimise disruption for customers and the community		2.34% or less	1.45%	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531
	Business demand: litres per day	Targeting customer consumption ensures we can make sure customers have enough water, while leaving more water in the environment		1.0 Ml/d or more	0.28	2.50% £9,794	1.88% £1,266	0.00% £nil	0.00% £nil
	Net Zero: Scope 1 and 2 emissions (kg/ Ml)	Targeting reduced emissions ensures we are demonstrating our commitment to Net Zero		141 or less	135	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531
	Enhancement action plan: 90% of enhancement action plan milestones delivered on a cumulative basis	Targeting the success of our enhancement action plan ensures our commitment to invest in the resilience of our infrastructure		40 or more	41	5.00% £19,587	3.75% £2,531	5.00% £19,587	3.75% £2,531
Safety and health measure	Accident frequency rate (annual target): number of lost time injuries per 100,000 hours worked	Targeting a low accident frequency rate ensures our people can work to deliver our customer outcomes effectively		0.11 or below	0.14	5.00% £19,587	3.75% £2,531	3.33% £13,025	2.49% £1,683
Personal performance ³						15.00% £58,761	11.25% £7,594	14.00% £54,844	11.25% £7,594
Total % of base salary						100.00%	75.00%	89.37%	67.78%
Base salary								£391,740	£67,500
Bonus paid								£350,059	£45,745

Key: ● Target met ● Threshold Met ● Target not met

See the Remuneration Report published in our Annual Report and Financial Statements for the year ended 31 March 2025 for more details.

¹ C-MeX is the industry's measure of customer experience
² D-MeX is the industry's measure of developer experience
³ The Remuneration Committee exercised judgement in determining the level of bonus awarded in relation to the personal performance element of the executive directors' annual bonus within the pre-agreed base salary percentage cap. The Committee considered achievemet of personal objectives set at the start of the year in exercising its judgement together with events occurring during 2024/25.

Section 2 – Price review and other segmental reporting

Accounting policy for price control segments

The tables in this section have been prepared in accordance with RAG 2.09, as detailed in the company's Accounting Separation Methodology Statement, which can be found on the company's website: affinitywater.co.uk/reports-publications. The methodology statement explains the basis for the allocations of costs and assets and has been updated for changes to the requirements in 2024/25. Changes to the methodology are also explained within the company's Accounting Separation Methodology Statement on the company's website. Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied and assets have been allocated to business units based on an assessment of the principal user, as described in the methodology.

2A – Segmental income statement for the 12 months ended 31 March 2025

	RAG4 reference	Residential retail £m	Business retail £m	Water resources £m	Water network+ £m	Total £m
Revenue – price control	2A.1	27.106	-	62.019	269.630	358.755
Revenue – non-price control	2A.2	-	-	-	4.045	4.045
Operating expenditure – excluding PU recharge impact	2A.3	[36.097]	-	[22.847]	[204.822]	[263.766]
PU opex recharge	2A.4	[0.561]	-	-	0.561	-
Operating expenditure – including PU recharge impact	2A.5	[36.658]	-	[22.847]	[204.261]	[263.766]
Depreciation – tangible fixed assets	2A.6	[0.140]	-	[3.545]	[75.473]	[79.158]
Amortisation – intangible fixed assets	2A.7	[2.267]	-	[0.179]	[4.999]	[7.445]
Other operating income	2A.8	2.258	-	0.054	2.749	5.061
Operating profit	2A.9	[9.701]	-	35.502	[8.309]	17.492

Section 2 – Price review and other segmental reporting

continued

2B – Totex analysis for the 12 months ended 31 March 2025 – wholesale

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
Base operating expenditure				
Power	2B.1	7,037	42,539	49,576
Income treated as negative expenditure	2B.2	-	-	-
Service charges/discharge consents	2B.3	6,107	-	6,107
Bulk supply/bulk discharge	2B.4	2,441	11,946	14,387
Renewals expensed in year (Infrastructure)	2B.5	-	19,672	19,672
Renewals expensed in year (Non-Infrastructure)	2B.6	-	-	-
Other operating expenditure (including location specific costs & obligations)	2B.7	5,576	105,663	111,239
Local authority and Cumulo rates	2B.8	1,621	11,021	12,642
Total base operating expenditure	2B.9	22,782	190,841	213,623
Other operating expenditure				
Enhancement operating expenditure	2B.10	0,065	8,421	8,486
Developer services operating expenditure	2B.11	-	2,106	2,106
Total operating expenditure excluding third-party services	2B.12	22,847	201,368	224,215
Third-party services	2B.13	-	2,893	2,893
Total operating expenditure	2B.14	22,847	204,261	227,108
Grants and contributions				
Grants and contributions – operating expenditure	2B.15	-	-	-
Capital expenditure				
Base capital expenditure	2B.16	0,791	53,923	54,714
Enhancement capital expenditure	2B.17	51,508	63,612	115,120
Developer services capital expenditure	2B.18	0,748	29,998	30,746
Total gross capital expenditure excluding third-party services	2B.19	53,047	147,533	200,580
Third-party services	2B.20	-	-	-
Total gross capital expenditure	2B.21	53,047	147,533	200,580
Grants and contributions				
Grants and contributions – capital expenditure	2B.22	2,424	16,892	19,316
Net totex	2B.23	73,470	334,902	408,372
Cash expenditure				
Pension deficit recovery payments	2B.24	0,083	1,143	1,226
Other cash items	2B.25	0,005	0,068	0,073
Totex including cash items	2B.26	73,558	336,116	409,674

Table 2B above shows our total wholesale expenditure in 2024/25 is split across Water resources and Water network+, after deducting for grants and contributions received. For analysis of the totex compared to our allowed expenditure, please see table 4C. For a breakdown of base capital expenditure, enhancement capital expenditure and developer services capital expenditure, see tables 4J, 4L and 4N respectively.

2C – Cost analysis for the 12 months ended 31 March 2025 – retail

	RAG4 reference	Residential £m
Operating expenditure		
Customer services	2C.1	9,114
Debt management	2C.2	3,101
Doubtful debts	2C.3	9,618
Meter reading	2C.4	2,088
Other operating expenditure	2C.5	11,873
Local authority and Cumulo rates	2C.6	0,185
Total operating expenditure excluding third-party services	2C.7	35,979
Depreciation		
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	2C.8	-
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	2C.9	0,140
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	2C.10	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	2C.11	2,267
Recharges		
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	2C.12	-
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	2C.13	-
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	2C.14	0,561
Income from wholesale assets acquired after 1 April 2015 principally used by retail	2C.15	-
Net recharges costs	2C.16	0,561
Total retail costs excluding third-party and pension deficit repair costs	2C.17	38,947
Third-party services operating expenditure	2C.18	-
Pension deficit repair costs	2C.19	0,118
Total retail costs including third-party and pension deficit repair costs	2C.20	39,064
Debt written off		
Debt written off	2C.21	9,413
Capital expenditure		
Capital expenditure	2C.22	-
Comparison of actual and allowed expenditure		
Cumulative actual retail expenditure to reporting year end	2C.23	178,934
Cumulative allowed expenditure to reporting year end	2C.24	165,060
Total allowed expenditure 2020–25	2C.25	165,060

Total retail costs including third-party and pension deficit repair costs were £39,064,000 in 2024/25 against allowed expenditure of £29,909,000 in current year prices, resulting in an overspend in 2024/25 of £9,155,000. This was primarily due to continued inflationary increases to retail running costs.

Section 2 – Price review

and other segmental reporting

continued

2D – Historic cost analysis of tangible fixed assets at 31 March 2025

	RAG4 reference	Residential retail £m	Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2024	2D.1	5.740	192.701	2,658.981	2,857.422
Disposals	2D.2	-	-	[17.583]	[17.583]
Additions	2D.3	-	52.972	147.282	200.254
Adjustments	2D.4	-	-	-	-
Assets adopted at nil cost	2D.5	-	-	-	-
At 31 March 2025	2D.6	5.740	245.673	2,788.680	3,040.093
Depreciation					
At 1 April 2024	2D.7	[1.029]	[35.024]	[1,013.258]	[1,049.311]
Disposals	2D.8	-	-	14.962	14.962
Adjustments	2D.9	-	-	-	-
Charge for the year	2D.10	[0.096]	[4.750]	[74.312]	[79.158]
At 31 March 2025	2D.11	[1.125]	[39.774]	[1,072.608]	[1,113.507]
Net book amount at 31 March 2025	2D.12	4.615	205.899	1,716,070	1,926.586
Net book amount at 1 April 2024	2D.13	4.711	157.677	1,645.723	1,808.111
Depreciation charge for year					
Principal services	2D.14	[0.096]	[4.750]	[74.312]	[79.159]
Third-party services	2D.15	-	-	-	-
Total	2D.16	[0.096]	[4.750]	[74.312]	[79.159]

The net book value includes £234,033,000 in respect of assets in the course of construction.

Capital expenditure in 2024/25 was incurred principally in addressing raw water deterioration, supply and demand balance improvements, water treatment, metering programmes, leakage infrastructure, storage and mains renewals. Water resources additions in 2024/25 largely relate to spend on our strategic regional water resources, ecological improvements at abstractions and investigations.

2E – Analysis of ‘grants and contributions’ for the 12 months ended 31 March 2025 – water resources, water network+ and wastewater network+

	RAG4 reference	Fully recognised in income statement £m	Capitalised and amortised [in income statement] £m	Fully netted off capex £m	Total £m
Grants and contributions – water resources					
Diversions – s185	2E.1	-	-	-	-
Other contributions [price control]	2E.2	-	-	-	-
Price control grants and contributions	2E.3	-	-	-	-
Diversions – New Roads and Street Works Act [‘NRSWA’]	2E.4	-	-	-	-
Diversions – other non-price control	2E.5	-	2.469	-	2.469
Other contributions [non-price control]	2E.6	-	[0.045]	-	[0.045]
Total	2E.7	-	2.424	-	2.424
Value of adopted assets	2E.8	-	-	-	-
Grants and contributions – water network+					
Connection charges	2E.9	-	7.878	-	7.878
Infrastructure charge receipts – new connections	2E.10	-	5.854	-	5.854
Requisitioned mains	2E.11	-	2.419	-	2.419
Diversions – s185	2E.12	-	0.313	-	0.313
Other contributions [price control]	2E.13	-	-	-	-
Price control grants and contributions before deduction of income offset	2E.14	-	16.464	-	16.464
Income offset	2E.15	-	1.684	-	1.684
Price control grants and contributions after deduction of income offset	2E.16	-	14.780	-	14.780
Diversions – NRSWA	2E.17	-	0.036	-	0.036
Diversions – other non-price control	2E.18	-	2.076	-	2.076
Other contributions [non-price control]	2E.19	-	-	-	-
Total grants and contributions	2E.20	-	16.892	-	16.892
Value of adopted assets	2E.21	-	-	-	-

£4,545,000 of payments received in 2024/25 for costs incurred in relation to the HS2 rail programme are included in the Diversions – other non-price control lines in the above table, with £2,469,000 included within Water Resources and £2,076,000 included within Water Network+.

	RAG4 reference	Water resources	Water network+	Total £m
Movements in capitalised grants and contributions				
Brought forward	2E.34	89,966	249,386	339,352
Capitalised in year	2E.35	2.424	16.892	19,316
Amortisation [in income statement]	2E.36	[2.890]	[2.169]	[5,059]
Carried forward	2E.37	89,500	264.109	353.609

Section 2 – Price review

and other segmental reporting

continued

2F – Residential retail for the 12 months ended 31 March 2025

	RAG4 reference	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue				
Wholesale revenue	2F.1	267.132	-	-
Retail revenue	2F.2	27.106	-	-
Total residential revenue	2F.3	294.238	-	-
Retail revenue				
Revenue recovered ('RR')	2F.4	27.106	-	-
Revenue sacrifice	2F.5	-	-	-
Actual revenue (net)	2F.6	27.106	-	-
Customer information				
Actual customers ('AC')	2F.7	-	1,456.093	-
Reforecast customers	2F.8	-	1,459.610	-
Adjustment				
Allowed revenue ('R')	2F.9	28.189	-	-
Net adjustment	2F.10	1.083	-	-
Other residential information				
Average residential retail revenue per customer	2F.11	-	-	18.616
Total average residential retail revenue per customer has decreased from £19.849 in the prior year to £18.616 in the current year. This is primarily due to greater numbers of customers moving from unmeasured to measured tariffs and greater numbers of switchers to social tariff.				

2I – Revenue analysis for the 12 months ended 31 March 2025

	RAG4 reference	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water							
Unmeasured	2I.1	88.538	3.248	91.786	17.165	74.621	91.786
Measured	2I.2	177.699	61.269	238.968	44.687	194.281	238.968
Third-party revenue	2I.3	0.895	-	0.895	0.167	0.728	0.895
Total wholesale water revenue	2I.4	267.132	64.517	331.649	62.019	269.630	331.649
Wholesale total	2I.16	267.132	64.517	331.649	-	-	-
Retail revenue							
Unmeasured	2I.17	6.065	-	6.065	-	-	-
Measured	2I.18	20.966	-	20.966	-	-	-
Retail third-party revenue	2I.19	0.075	-	0.075	-	-	-
Total retail revenue	2I.20	27.106	-	27.106	-	-	-
Third-party revenue – non-price control							
Bulk supplies – water	2I.21	-	-	4.045	-	-	-
Other third-party revenue – non-price control	2I.23	-	-	-	-	-	-
Principal services – non-price control							
Other appointed revenue	2I.24	-	-	-	-	-	-
Total appointed revenue	2I.25	-	-	362.800	-	-	-

2J – Infrastructure network reinforcement costs for the 12 months ended 31 March 2025

	RAG4 reference	Network reinforcement capex £m	On site/ site-specific capex (memo only) £m
Wholesale water network+ (treated water distribution)			
Distribution and trunk mains	2J.1	4.685	-
Pumping and storage facilities	2J.2	0.634	-
Other	2J.3	-	-
Total	2J.4	5.319	-

2K – Infrastructure charges reconciliation for the 12 months ended 31 March 2025

	RAG4 Reference	Total £m
Impact of infrastructure charge discounts		
Infrastructure charges	2K.1	5.854
Discounts applied to infrastructure charges	2K.2	-
Gross infrastructure charges	2K.3	5.854
Comparison of revenue and costs		
Variance brought forward	2K.4	(0.931)
Revenue	2K.5	5.854
Costs	2K.6	(5.319)
Variance carried forward	2K.7	[0.396]

In the first two years of the AMP, costs were significantly higher than the revenue collected. In 2022/23, this trend started to reverse and revenue collected was higher than the costs; this is due to the timing of expenditure and revenue receipts. In 2024/25, this trend continued with higher revenue collected than costs; however, we have seen a decrease in revenue vs costs compared to last year.

No discounts have been applied to infrastructure charges during 2024/25 that would require presentation in the above table. The company's policy is to apply a discount if the new connection was a reconnection and had been disconnected within the past five years.

2L – Analysis of land sales for the 12 months ended 31 March 2025

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
Land sales – proceeds from disposals of protected land	2L.1	-	2.284	2.284

Proceeds from disposals of protected land are shared with customers on a 50% sharing basis. The land sales relate to the disposal of five properties, with gross proceeds £2,317,000 and selling costs of £33,000. This sale was not reported to Ofwat under licence condition K as it was sold to an external party and was below the licence condition K materiality threshold of £1,000,000.

Section 2 – Price review

and other segmental reporting

continued

2M – Revenue reconciliation for the 12 months ended 31 March 2025 – wholesale

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
Revenue recognised				
Wholesale revenue governed by price control	2M.1	62.019	269.630	331.649
Grants and contributions [price control]	2M.2	-	14.780	14.780
Total revenue governed by wholesale price control	2M.3	62.019	284.410	346.429
Calculation of the revenue cap				
Allowed wholesale revenue before adjustments [or modified by Competition and Markets Authority ('CMA')]	2M.4	59.807	259.770	319.577
Allowed grants and contributions before adjustments [or modified by CMA]	2M.5	-	20.360	20.360
Revenue adjustment	2M.6	[2.245]	2.597	0.352
Other adjustments	2M.7	-	-	-
Revenue cap	2M.8	57.562	282.727	340.289
Calculation of the revenue imbalance				
Revenue cap	2M.9	57.562	282.727	340.289
Revenue recovered	2M.10	62.019	284.410	346.429
Revenue imbalance	2M.11	[4.457]	[1.683]	[6.140]

The variance between allowed and actual revenue under the wholesale price control relates to higher household revenue, higher non-household revenue and lower grants and contributions.

Higher-than-anticipated levels of measured household consumption, driven by enduring changes in post-lockdown behaviours and consumption trends, has driven and increase in household revenue. Additionally, the company has been implementing a metering programme which is moving customers from an unmeasured to a measured tariff, encouraging a reduction in consumption in line with our drive for a reduction in PCC but allowing the company to bill for actual water used. Actual customer numbers are below forecast at 1,456,093 compared to a reforecast of 1,527,309 used when setting the tariff for 2024/25.

Additionally, final settlement runs for non-household income have been higher than our estimations and have unwound in the year, resulting in additional revenue being recognised.

The number of new connections completed in the year was 10,507 as per table 4Q.11 against a forecast of 16,984 set at PR19.

2N – Household affordability support

Section A – Social tariffs

	RAG4 reference	Revenue £m	Number of customers 000s	Average amount per customer £
Number of residential customers on social tariffs				
Residential water only social tariffs customers	2N.1	-	118.413	-
Residential wastewater only social tariffs customers	2N.2	-	-	-
Residential dual service social tariffs customers	2N.3	-	-	-
Number of residential customers not on social tariffs				
Residential water only no social tariffs customers	2N.4	-	1,337.680	-
Residential wastewater only no social tariffs customers	2N.5	-	-	-
Residential dual service no social tariffs customers	2N.6	-	-	-
Social tariff discount				
Average discount per water only social tariffs customer	2N.7	-	-	82.575
Social tariff cross-subsidy – residential customers				
Total customer-funded cross-subsidies for water only social tariffs customers	2N.10	9.778	-	-
Average customer-funded cross-subsidy per water only social tariffs customer	2N.13	-	-	6.715
Social tariff cross-subsidy – company				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	2N.16	-	-	-
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer	2N.19	-	-	-
Social tariff support – willingness to pay				
Level of support for social tariff customers reflected in business plan	2N.22	-	-	5.747
Maximum contribution to social tariffs supported by customer engagement	2N.23	-	-	5.747
Section B – WaterSure tariffs				
WaterSure tariffs				
Number of unique customers on WaterSure	2N.24	-	2.985	-
Total reduction in bills for WaterSure customers	2N.25	0.501	-	-
Average reduction in bills for WaterSure customers	2N.26	-	-	167.839

During 2024/25, we have been proactive in providing more support for vulnerable customers. We consistently communicate the availability of this support through our own channels and partnerships with organisations such as the Citizen Advice Bureau, Step Change, and Turn 2 Us, ensuring that individuals are well informed about the assistance we provide.

As at 31 March 2025, we were supporting more than 118,000 households in our region with social tariffs.

Section 2 – Price review
and other segmental reporting continued

2O – Historical cost analysis of intangible fixed assets

	RAG4 reference	Retail residential £m	Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2024	2O.1	9.930	4.632	100.646	115.208
Disposals	2O.2	[0.080]	-	[3.028]	[3.108]
Additions	2O.3	-	0.074	4.282	4.356
Adjustments	2O.4	-	-	-	-
Assets adopted at nil cost	2O.5	-	-	-	-
At 31 March 2025	2O.6	9.850	4.706	101.900	116.456
Amortisation					
At 1 April 2024	2O.7	[7.700]	-	[73.101]	[80.801]
Disposals	2O.8	0.080	-	3.028	3.108
Adjustments	2O.9	-	-	-	-
Charge for the year	2O.10	[2.267]	[0.179]	[4.999]	[7.445]
At 31 March 2025	2O.11	[9.887]	[0.179]	[75.072]	[85.138]
Net book amount at 31 March 2025	2O.12	[0.037]	4.527	26.828	31.318
Net book amount at 1 April 2024	2O.13	2.230	4.632	27.545	34.407
Amortisation for year					
Principal services	2O.14	[2.267]	[0.179]	[4.999]	[7.445]
Third-party services	2O.15	-	-	-	-
Total	2O.16	[2.267]	[0.179]	[4.999]	[7.445]

Included in the additions above is £10,454,000 of capitalised intangible assets under construction, which is not amortised.

Expenditure in 2024/25 related primarily to computer software development costs.

Section 3 –
Performance summary

3A – Outcome performance – Water common performance commitments

	Unique reference	RAG4 reference	Unit	Decimal places	Performance level – actual	PCL met?	Outperformance or underperformance payment £m	Total 2020-25 outperformance or underperformance payment £m
Financial								
Water quality compliance (CRI)	PR19AFW_W-A1	3A.1	Nr	2	1.44	No	-	[5.14]
Water supply interruptions	PR19AFW_W-D1	3A.2	hh:mm:ss	N/A	00:03:21	Yes	0.86	[0.84]
Leakage	PR19AFW_W-B1	3A.3	%	1	19.4	No	[0.20]	0.40
Per capita consumption	PR19AFW_R-B1	3A.4	%	1	[0.6]	No	[5.90]	[21.50]
Mains repairs	PR19AFW_W-D4	3A.5	Nr	1	113.4	Yes	-	[3.50]
Unplanned outage	PR19AFW_W-D3	3A.6	%	2	1.45	Yes	-	-
Bespoke PCs – Water and Retail (Financial)								
Environmental innovation – delivery of community projects	PR19AFW_W-B2	3A.7	Nr	N/A	2	Yes	0.286	1.716
Reducing the total number of void properties by identifying false voids	PR19AFW_R-C4	3A.8	%	2	2.01	Yes	0.11	0.590
River restoration	PR19AFW_W-B3	3A.9	Nr	N/A	42	Yes	0.104	0.278
Abstraction reduction	PR19AFW_W-B4	3A.10	Nr	2	27.33	Yes	-	-
Number of sources operating under the Abstraction Incentive Mechanism	PR19AFW_W-B5	3A.11	Nr	N/A	[193]	Yes	0.018	0.232
Properties at risk of receiving low pressure	PR19AFW_W-D5b	3A.12	Nr	3	118.569	No	[1.008]	[4.691]
Number of occupied properties not billed (Gap sites)	PR19AFW_W-C2	3A.13	Nr	N/A	99	Yes	-	-
Unplanned interruptions to supply over 12 hours	PR19AFW_W-N1	3A.14	Nr	N/A	184	Yes	-	[1.235]
Customer contacts per 1,000 population for Water Quality (taste, odour and appearance)	PR19AFW_W-N2	3A.15	Nr	2	0.60	Yes	-	[0.490]
Financial water performance commitments achieved		3A.27	%				73	
Overall performance commitments achieved (excluding C-MeX and D-MeX)		3A.28	%				64	

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications, including the methodology and basis of the calculation.

As part of our PR19 Final Determination for AMP7 we committed to 28 stretching performance commitments that would ensure we deliver our four customer outcomes. Each of these has financial rewards, penalties, or can impact us reputationally. Table 3A shows our financial performance commitments and table E shows our reputational commitments.

We have met 18 of our 28 performance commitments, of which 11 are financial and 7 are reputational [this excludes C-MeX and D-MeX].

Table 3A shows we have received in-period rewards totalling £1.781m during 2024-25.

We have received in-period penalties totalling £7.021m for our performance on PCC, leakage and Properties at risk of receiving low pressure. (Adjusting for Covid relief, our in-period penalty for the year would be £5.952m). This resulted in a net in-period penalty of £5.241m (£4.172m Covid adjusted) which will be reflected in customer charges in 2026-27.

Section 3 – Performance summary continued

Water quality compliance ('CRI')

In 2024, our compliance risk index ('CRI') score was 1.44 against our performance commitment target of 0 and below the Ofwat deadband of 2.0. The number of results that did not meet the relevant standard in 2024 was 39, which was a reduction compared to 2023 when there were 50.

At the start of the year, there were two aluminium exceedances from properties supplied by Iver Water Treatment Works ('WTW') where the size score was applied to the whole population within the relevant water supply zones. In March 2024, coliform bacteria were detected in Harefield Service Reservoir ('SR') 3 West which is one of our largest storage assets with a capacity of 73 ML. We attributed the cause of the coliform detection to low turnover of water and DWI issued several recommendations that we acted on. Consequently, the CRI score for these three exceedances was 0.99, making up around 69% of our total CRI score.

Water supply interruptions

Performance during the 2024-2025 reporting year has remained very good, with an interruption time of 3 minutes and 21 seconds, keeping us comfortably below our target of 5 minutes for the year. We are performing within the upper quartile of companies against this metric and have outperformed our anticipated forecast in the business plan submission

Our performance in part benefited from the relatively benign weather conditions experienced in the year and with the exception of the short freeze-thaw event in January had limited impact on our network. Our ongoing performance however can be attributed to the success we have had in enhancing our operational efficiency and thus reducing our supply interruptions over the last five years.

We continue to respond to events rapidly, remain committed to maintaining good asset health, and drive network and asset optimisation. We strive to mitigate and reduce the length of interruptions and provide a high level of service for our customers.

Leakage

We have achieved a 19.4% reduction in the three-year rolling average leakage value from the 2019-20 baseline value. Our performance commitment required us to achieve a 20% reduction from baseline in the three-year rolling average by the end of the AMP period. Following year-end processes and verification, this is a 0.1% change from our early forecasted submission.

Throughout the AMP we have maintained a strong focus on driving leakage down, we have utilised elevated levels of Active Leakage Control, fixed more leaks than previous AMPs, brought in the use of new technologies and expanded the role of pressure management.

Whilst we have not achieved our targeted 20% reduction in the three-year rolling average, we have managed to increase our percentage reduction from 18.3% at the end of 2023-2024 to 19.4% at the end of 2024-25. This is a result of driving down the in-year leakage by 5.4 ML/d from our 2023-24 position. This will see us achieve the in-year WRMP commitment.

Following our reporting in 2022-23 Ofwat confirmed that the leakage penalty and rewards for years one to three, and adjustments to the penalty (for revised baseline and in year performance) in years one to two would be deferred as we were not yet compliant with all elements of the convergency methodology. On this basis, we voluntarily deferred our leakage reward in 2023/24 due to the amber rating of our closure error of >2%, <3%.

Our reporting for 2024/25 confirms we are now fully compliant against all components and elements of the leakage checklist, and our closure error is less than 2%. We are therefore claiming the deferred rewards from the prior years.

Per capita consumption

PCC is a measure of customer consumption in the home. Water is an essential resource. To ensure there is enough for everyone now and in the future, we have a commitment to help and encourage our customers to reduce the amount of water used each day. Our target is based on a three year average reduction from (three-year average) base year.

We ended 2024-25 with a 12-month 'spot' PCC of 153.9 l/p/d and a three-year average of 154.9 l/p/d. This is an increase of 0.6% from the 2019-20 baseline against a reduction target of 12.5%. Therefore, we have not achieved the performance commitment target for the year.

Since Covid, customers' behavioural patterns have significantly changed. Particularly within the commuter belt areas, more customers are consistently working from home. This means customers are now using more water in their domestic supply area than was the case before the pandemic. Water usage peaked during the pandemic and still remains higher than that used when the base year was set. We are seeing water usage slowly reducing; however, it is still above that used at during the base year point.

Despite not meeting the performance commitment, we have made reductions each year from a Covid-19 equivalent baseline. We understand that reducing customer consumption is important for both the environment and our future supplies. We are committed to delivering programmes to help improve the reductions in household consumption. During 2024-25 we continued to deliver a variety of campaigns and looked for innovative ways to engage with our customers.

Mains repairs

We have met the mains repair target for the year and are reporting our in-year performance of 113.43 mains repairs per 1000km of potable mains. This is against a target of 142.3. We have also outperformed against our anticipated forecast, made within our business plan submission.

Our baseline level of performance remains very good, comparable to the previous year; however, the total number of mains repairs in 2024-25 was higher primarily due to the outbreak in January caused by the freeze/thaw event. This outbreak led to a significant number of mains bursts. We responded to these in the immediate aftermath, and over the following weeks as our leakage teams increased their efforts to locate non-visible bursts.

We have maintained our strong performance by continuing to quickly identify and respond to risks to our network. Our Control Room continues to carry out live monitoring of the network, 24/7, via our extensive network of Critical Point loggers and District Meter pressure and flow loggers. We have recently incorporated an additional ~6,000 Pressure Point loggers – located at strategic points around our distribution network. This further improves our ability to

spot issues early and potentially intervene before mains bursts occur.

Unplanned outage

We have achieved our unplanned outage target for all years of the AMP. For 2024-25, we achieved a performance rate of 1.45%. Our performance commitment target is 2.34%.

We have outperformed the target, but experienced spikes in May and November. We attribute this to the long-term above average rainfall. We have historically seen spikes in the spring and autumn as the weather conditions becomes unsettled and wet.

Outage measures are a measurement of asset health and we have spent considerable effort in improving the reporting and capturing of this data. While we use unplanned outage information to inform our capital investment and capital maintenance, it is equally important in understanding how our sites are maintained and operated on a day-to-day basis. Managing unplanned outages allows us to keep disruption to our customers to a minimum.

3C – Customer measure of experience (C-MeX) table

Item	Rag 4 reference	Unit	Value
Annual customer satisfaction score for the customer service survey	3C.1	Number	65.40
Annual customer satisfaction score for the customer experience survey	3C.2	Number	74.79
Annual C-MeX score	3C.3	Number	70.10
Annual net promoter score	3C.4	Number	[5.50]
Total household complaints	3C.5	Number	10,933
Total connected household properties	3C.6	Number	1,520,312
Total household complaints per 10,000 connections	3C.7	Number	71.913
Confirmation of communication channels offered	3C.8	TRUE or FALSE	TRUE

We are disappointed with our C-MeX Service performance for the year 2024/25.

We recognise that customers are expressing dissatisfaction with the price increase in their bills, driven by generating the required funding to deliver PR24 planned initiatives. Alongside this, there is rising customer expectation and dissatisfaction across a broad range of issues facing the water industry as a sector, including faster resolution times and increasing leakage reduction.

Section 3 –

Performance summary continued

We are committed to enhancing customer satisfaction through a series of strategic initiatives which we anticipate should improve our performance going forward.

More details of our operational performance can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

3D – Developer services measure of experience (D-MeX) table

Item	RAG 4 reference	Unit	Value
Qualitative component annual results	3D.1	Number	79.01
Quantitative component annual results	3D.2	Number	100.00
D-MeX score	3D.3	Number	89.50
Developer services revenue (water)	3D.4	£m	16.46

Water UK performance metric	RAG 4 reference	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)
W1.1 Pre-Development Enquiry	3D.W1	%	100.00%	
W3.1 S45 Quotations	3D.W2	%	99.94%	
W4.1 S45 Service Pipe Connections	3D.W3	%	100.00%	
W6.1 Mains Design <500 Plots	3D.W4	%	100.00%	
W7.1 Mains Design >500 Plots	3D.W5	%	100.00%	
W8.1 Mains Construction	3D.W6	%	100.00%	
W17.1 Mains Diversions Quotations	3D.W7	%	100.00%	
W18.1 Mains Diversions Construction	3D.W8	%	100.00%	
W27.1 Self Lay Permanent Water Supply	3D.W9	%	100.00%	
W30.1 Self Lay Plot Reference and Costing Details	3D.W10	%	100.00%	
WN1.1 Confirmations Issued to the Applicant	3D.W11	%	100.00%	
WN2.2 Bulk Supply Offer Letters Issued	3D.W12	%	100.00%	
WN4.1 Mains Laying Schemes Constructed & Commissioned	3D.W13	%	100.00%	
SLPM-S1/2 Review PoC Proposal	3D.W14	%	100.00%	
SLPM-S2/2a Provide Design	3D.W15	%	100.00%	
SLPM-S2/2b Water Company to Provide Design Acceptance	3D.W16	%	100.00%	
SLPM-S3 Review/Revise Water Adoption Agreement	3D.W17	%	100.00%	
SLPM-S4/1 Source of Water Delivery Date	3D.W18	%	100.00%	
SLPM-S5/1a Review Request and Carry Out Final Connection	3D.W19	%	100.00%	
SLPM-S7/1 Validate Notification & Provide Consent	3D.W20	%	100.00%	
SLPM 5/1a Self-Lay mains carry out final connection	3D.W21	%	100.00%	
SLPM 5/1b Self-Lay agree final connection date	3D.W22	%	100.00%	
D-MeX quantitative score (for the relevant reporting period)	3D.6, 3D.7	%	100.00%	
D-MeX quantitative score (annual)	3D.8	Number		1.0

Our D-MeX performance has gradually improved throughout this year. We have achieved a score of 100% for D-MeX quantitative, an improvement of 0.13% from last year.

This year, we changed our construction contract partner. Working with a new partner has enabled us to align more closely on shared values, particularly around delivering high-quality infrastructure and customer service during project delivery. Since the transition, we have observed a marked improvement in construction-related qualitative metrics.

We are putting a focus on improving offering 'value for money' as customer feedback from this question also links into communication, efficiency, and timescales.

The developer market is continually changing, and we are proactively looking at how we can improve our service to support all customers. We have system and process changes in our D-MeX strategy which we believe will continue to benefit customers.

More details can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

3E – Outcome performance – Non-financial performance commitments

	Rag 4 reference	Unique reference	Unit	Decimal places	Performance level – actual	wPCL met?
Common						
Risk of severe restrictions in a drought	3E.1	PR19AFW_W-D2	%	1	22.2	Yes
Priority services for customers in vulnerable circumstances – PSR reach	3E.2	PR19AFW_R-N3	%	1	13.3	Yes
Priority services for customers in vulnerable circumstances – Attempted contacts	3E.3	PR19AFW_R-N3	%	1	90.4	Yes
Priority services for customers in vulnerable circumstances – Actual contacts	3E.4	PR19AFW_R-N3	%	1	52.1	Yes
Bespoke PCs						
Average time properties experience low pressure	3E.6	PR19AFW_W-D5a	Nr	0	01:55:57	Yes
Customers in vulnerable circumstances satisfied with our service (receiving financial help)	3E.7	PR19AFW_R-C2	%	0	89	No
Customers in vulnerable circumstances who found us easy to deal with (receiving financial help)	3E.8	PR19AFW_R-C3	%	0	88	No
BSI accreditation	3E.9	PR19AFW_R-N4	Text	0	Achieved March 25	Yes
IT resilience	3E.10	PR19AFW_R-N6	Nr	0	1,258	No
Customers in vulnerable circumstances satisfied with our service (not receiving financial help)	3E.11	PR19AFW_R-N7	%	0	86	No
Customers in vulnerable circumstances who found us easy to deal with (not receiving financial help)	3E.12	PR19AFW_R-N8	%	0	84	No
Value for Money Survey	3E.13	PR19AFW_R-N9	Nr	2	7.00	No
WINEP Delivery	3E.14	PR19AFW_NEP01	Text	0	Met	Yes
Non-financial performance commitments achieved	3E.29		%			54

More details of our performance in each of these reputational metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 3 –

Performance summary continued

3F – Underlying calculations for common performance commitments –

water and retail

Performance commitments set in standardised units – Water	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – calculated (i.e. standardised)
Mains repairs – Reactive	Mains repairs per 1000km	Mains length in km	17,041.60	1,472.00	86.38
Mains repairs – Proactive	Mains repairs per 1000km	Mains length in km	17,041.60	461.00	27.05
Mains repairs	Mains repairs per 1000km	Mains length in km	17,041.60	1,933.00	113.43
Per capita consumption (PCC)	lpd	Population	3991.50	614	153.9

Performance commitments measured against a calculated baseline	Unit	Performance level - actual (2017-18)	Performance level - actual (2018-19)	Performance level - actual (2019-20)	Baseline (average from 2017-18 to 2019-20)	Performance level - actual (2020-21)	Performance level - actual (2021-22)	Performance level - actual (2022-23)	Performance level - actual (2023-24)	Performance level - actual (2024-25)	Performance level 3-year average (current and previous 2 years)	Calculated performance level to compare against PCs
Leakage	MI/d	178.7	203.9	178.7	187.1	167.9	154.3	150.7	153.5	148.1	150.8	19.4
Per capita consumption (PCC)	lpd	151.0	158.3	152.8	154.0	167.0	157.9	157.0	154.0	153.8	155.0	[0.6]

Water supply interruptions	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties' supply interrupted	Calculated performance level
Water supply interruptions ≥ 3 hours	Average number of minutes lost per property per year	Number of properties (thousands)	1,591.49	3,705.25	15,301	00:03:21
Water supply interruptions ≥ 6 hours	Average number of minutes lost per property per year	Number of properties (thousands)	1,591.49	1,894.10	5,553	00:01:43
Water supply interruptions ≥ 12 hours	Average number of minutes lost per property per year	Number of properties (thousands)	1,591.49	141.81	184	00:00:08
Water supply interruptions ≥ 24 hours	Average number of minutes lost per property per year	Number of properties (thousands)	1,591.49	28.91	7	00:00:02

Unplanned or planned outage	Current company-level peak week production capacity (PWPC) MI/d	Reduction in company-level PWPC MI/d	Outage proportion of PWPC %
Unplanned outage	1,192.34	17.31	1.45%

Priority services for customers in vulnerable circumstances	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2-year period	Number of attempted contacts over a 2-year period	Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %
Priority services for customers in vulnerable circumstances	1,460.02	193,971	13.3%	108,166	97,775.00	90.40%	56,355	52.1%

More details of these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications

3H – Summary information on outcome delivery incentive payments

	RAG 4 reference	Initial calculation of performance payments (excluding C-MeX and D-MeX) £m (2017/18 prices)
Initial calculation of in-period revenue adjustment by price control		
Water resources	3H.1	0.409
Water network plus	3H.2	0.078
Residential retail	3H.5	0.110
Initial calculation of end of period revenue adjustment by price control		
Water resources	3H.8	[1.760]
Water network plus	3H.9	[4.107]
Residential retail	3H.12	-
Initial calculation of end of period RCV adjustment by price control		
Water resources	3H.15	-
Water network plus	3H.16	-
Residential retail	3H.19	-

3I – Supplementary outcomes information

Unplanned or planned outage	RAG 4 reference	Current company-level peak week production capacity (PWPC) MI/d	Reduction in company-level PWPC MI/d	Outage proportion of PWPC %
Planned outage	3I.1	1,192.34	44.090	3.70%

Risk of severe restrictions in drought	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	
Risk of severe restrictions in drought	31.2	978.70	38.57	950.43	63.21	3,987,630	913,125

Section 4 – Additional regulatory information – service level

Accounting separation policy

Tables 4B, 4C, 4D, 4F, 4J, 4L, 4N, 5B, 6D and 9A within sections 4, 5, 6 and 9 have been prepared in accordance with the company's Accounting Separation Methodology Statement, which can be found on the company's website: affinitywater.co.uk/reports-publications. The methodology statement explains the basis for the allocations of costs and assets and has been updated for changes to the requirements in 2024/25. Changes to the methodology are also explained within the company's Accounting Separation Methodology Statement on the company's website. Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied and assets have been allocated to business units based on an assessment of the principal user, as described in the methodology.

Further details can be found on sections 4 – 11 non-financial numbers, including assumptions and further explanations where necessary in our non-financial line commentary.

Table 4B has not been included within the Annual Performance Report 2024/25 due to its size as permitted by RAG 3.14 but has still been submitted to Ofwat.

Tables and sections relating to wastewater and bioresources have been omitted from this publication as they are not relevant to the company.

4A – Water bulk supply information for the 12 months ended 31 March 2025

	RAG4 reference	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports				
Chalton (Anglian Water)	4A.1	38.247	0.012	-
Egham (South East Water)	4A.2	4,587.230	1.493	3.297
Odsey Village (Cambridge Water)	4A.3	14.014	0.005	0.017
Napchester Road (Southern Water)	4A.4	6.011	0.002	0.008
Independent Water Networks Ltd	4A.5	700.394	0.228	0.650
ICOSA Water Services Ltd	4A.6	51.855	0.017	0.057
LEEP Networks Water Ltd	4A.7	22.724	0.007	0.050
Advance Water Infrastructure Ltd	4A.8	0.053	-	-
Total bulk supply exports	4A.26	5,420.529	1.764	4.079
Bulk supply imports				
Kingsdown (Southern Water)	4A.27	13.371	0.015	
Kempton Park (aka Snakey Lane)	4A.28	6.259	0.005	
Grafham (Anglian Water)	4A.29	19,643.672	13.569	
Stonebridge Park (Thames)	4A.30	504.107	0.632	
Fortis Green (Thames)	4A.31	375.584	0.438	
Hampstead Garden Suburb (Thames)	4A.32	16.312	0.019	
Ladymead (Thames Water)	4A.33	735.764	0.057	
Hadstock Road (Cambridge Water)	4A.34	35.040	0.037	
Pilgrims Hatch (Essex and Suffolk Water)	4A.35	6.232	0.011	
Perivale (Thames)	4A.36	290.722	0.362	
Cockfosters (Thames Water)	4A.37	189.493	0.291	
Moor Lane to Iver WTW (Thames)	4A.38	125.104	0.014	
Total bulk supply imports	4A.52	21,941.659	15.450	

Bulk supply exports and imports detailed in the tables above are as per the bulk supplies register published by Ofwat for 2024/25. Bulk supply import costs of £15,869m do not include £0.840m costs of importing from Ardleigh as we are 50% owners of the site; however, these costs are included in the bulk supply/bulk discharge lines in tables 2B.4, 4J.3 and 5B.4. Where the company has not exported to or imported from an appointee, this appointee has been excluded from the tables above.

More details of these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications

Section 4 – Additional regulatory information – service level

continued

4C – Impact of price control performance to date on RCV

	RAG4 reference	12 months ended 31 March 2025		Price control period to date	
		Water resources	Water network+	Water resources	Water network+
Totex (net of business rates, abstraction licence fees and grants and contributions)					
Final Determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	4C.1	35.904	227.339	239.878	1,243.793
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	4C.2	31.386	311.411	133.659	1,484.074
Transition expenditure	4C.3	-	-	-	-
Disallowable costs	4C.4	-	1.348	[0.101]	9.369
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	4C.5	31.386	310.063	133.760	1,474.705
Variance	4C.6	[4.518]	82.724	[106.118]	230.912
Variance due to timing of expenditure	4C.7	109.312	[31.282]	[1.138]	[11.865]
Variance due to efficiency	4C.8	[113.830]	114.006	[104.980]	242.777
Customer cost sharing rate – outperformance	4C.9	53.00%	53.00%	53.00%	53.00%
Customer cost sharing rate – underperformance	4C.10	47.00%	47.00%	47.00%	47.00%
Customer share of totex overspend	4C.11	-	53.583	-	114.105
Customer share of totex underspend	4C.12	[60.330]	-	[55.639]	-
Company share of totex overspend	4C.13	-	60.423	-	128.672
Company share of totex underspend	4C.14	[53.500]	-	[49.341]	-
Totex – business rates and abstraction licence fees					
Final Determination allowed totex – business rates and abstraction licence fees	4C.15	7.777	15.690	38.884	78.446
Actual totex – business rates and abstraction licence fees	4C.16	7.728	11.021	38.841	68.653
Variance – business rates and abstraction licence fees	4C.17	[0.049]	[4.669]	[0.043]	[9.793]
Customer cost sharing rate – business rates	4C.18	75.00%	75.00%	75.00%	75.00%
Customer cost sharing rate – abstraction licence fees	4C.19	75.00%	75.00%	75.00%	75.00%
Customer share of totex over/underspend – business rates and abstraction licence fees	4C.20	[0.037]	[3.502]	[0.032]	[7.345]
Company share of totex over/underspend – business rates and abstraction licence fees	4C.21	[0.012]	[1.167]	[0.011]	[2.448]
Totex not subject to cost sharing					
Final Determination allowed totex – not subject to cost sharing	4C.22	11.664	12.247	80.071	68.721
Actual totex – not subject to cost sharing	4C.23	34.444	15.031	51.318	60.831
Variance – 100% company allocation	4C.24	22.780	2.784	[28.753]	[7.890]
Total customer share of totex over/underspend	4C.25	[60.367]	50.081	[55.671]	106.760
RCV					
Total customer share of totex over/underspend	4C.26	[60.367]	50.081	-	-
Pay As You Go rate	4C.27	41.00%	67.90%	41.00%	67.90%
RCV element of cumulative totex over/underspend	4C.28	[35.617]	16.076	-	-
Adjustment for ODI outperformance payment or underperformance payment	4C.29	-	-	-	-
Green recovery	4C.30	-	-	-	-
RCV determined at FD at 31 March	4C.31	-	-	238.671	1,681.556
Projected 'shadow' RCV	4C.32	-	-	238.671	1,681.556

Water resources

Totex (net of business rates, abstraction licence fees and grants and contributions)

Actual totex of £31,386,000 against allowed totex of £35,904,000 resulted in an underspend in the year of £4,518,000 in water resources. This underspend was primarily as a result of increased energy prices and the mix of work done between water resources and water network plus assets in our capital programmes. The total underspend for AMP7 is £106,118,000 of which £1,138,000 is timing. The relates to capital projects which will be carried into AMP8. The remainder of the underspend is efficiency which will be shared with our customers.

Totex – business rates and abstraction licence fees

Actual totex of £7,728,000 against allowed totex of £7,777,000 resulted in an underspend in the year of £49,000 in water resources for business rates and abstraction licences.

Totex not subject to cost sharing

Actual totex of £34,444,000 against allowed totex of £11,664,000 resulted in an overspend in the year of £22,780,000 in water resources. This was as a result of an overspend on our strategic regional water resources expenditure, as per table 4L, and is a partial catch-up of underspend in previous years.

RCV as at 31 March 2025

Our projected shadow RCV as at 31 March 2025 is therefore £238,671,000 against the RCV determined as part of the Final Determination of £238,671,000 for water resources.

Water network plus

Totex (net of business rates, abstraction licence fees and grants and contributions)

Actual totex of £310,063,000 against allowed totex of £227,339,000 resulted in an overspend in the year of £82,724,000 in water network plus driven by increased energy prices and the mix of work done between water resources and water network plus assets in our capital programmes. Disallowable costs relate to bond issuance fees as well as fines and investigation costs, including streetworks fines, offset by other cash items as per table 4D. The total net overspend for AMP7 is £230,912,000 of which £11,865,000 is an underspend due timing. This relates to capital projects which will be carried into AMP8. The gross overspend of £242,777,000 is efficiency which will be shared with our customers.

Totex – business rates and abstraction licence fees

Actual totex of £11,021,000 against allowed totex of £15,690,000 resulted in an underspend in the year of £4,669,000 in water network plus for business rates.

Totex not subject to cost sharing

Actual totex of £15,031,000 against allowed totex of £12,247,000,000 resulted in an overspend in the year of £2,784,000 in water network.

Disallowable costs also include GSS scheme payments and streetworks fines and are included in totex not subject to cost sharing – water network +.

RCV as at 31 March 2025

Our projected shadow RCV as at 31 March 2025 is therefore £1,681,556,000 against the RCV determined as part of the Final Determination of £1,681,556,000 for water network plus.

Section 4 – Additional regulatory information – service level

continued

4D – Totex analysis for the 12 months ended 31 March 2025 – water resources and water network+

		Water resources	Water network+				Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
Operating expenditure							
Base operating expenditure	4D.1	22.782	10.347	0.933	28.188	151.373	213.623
Enhancement operating expenditure	4D.2	0.065	0.005	0.006	0.043	8.367	8.486
Developer services operating expenditure	4D.3	-	-	-	-	2.106	2.106
Total operating expenditure excluding third-party services	4D.4	22.847	10.352	0.939	28.231	161.846	224.215
Third-party services	4D.5	-	-	-	-	2.893	2.893
Total operating expenditure	4D.6	22.847	10.352	0.939	28.231	164.739	227.108
Grants and contributions							
Grants and contributions – operating expenditure	4D.7	-	-	-	-	-	-
Capital expenditure							
Base capital expenditure	4D.8	0.791	1.348	-	24.427	28.148	54.714
Enhancement capital expenditure	4D.9	51.508	[0.424]	-	22.886	41.150	115.120
Developer services capital expenditure	4D.10	0.748	-	-	-	29.998	30.746
Total gross capital expenditure excluding third-party services	4D.11	53.047	0.924	-	47.313	99.296	200.580
Third-party services	4D.12	-	-	-	-	-	-
Total gross capital expenditure	4D.13	53.047	0.924	-	47.313	99.296	200.580
Grants and contributions							
Grants and contributions – capital expenditure	4D.14	2.424	-	-	-	16.892	19.316
Net totex	4D.15	73.470	11.276	0.939	75.544	247.143	408.372
Cash expenditure							
Pension deficit recovery payments	4D.16	0.083	0.014	0.009	0.143	0.977	1.226
Other cash items	4D.17	0.005	0.001	0.001	0.009	0.058	0.074
Totex including cash items	4D.18	73.558	11.291	0.949	75.696	248.178	409.672

		Water resources	Water network+				Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
Tax provision included in base operating expenditure	4D.19	–	–	–	–	–	–
Total atypical expenditure	4D.24	–	–	–	–	–	–

4F – Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2025

		Water resources	Expenditure in report year				Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
Major project capital expenditure by purpose							
Brett AMP7 investigations	4F.1	-	-	-	-	-	-
South Lincolnshire reservoir	4F.2	0.962	-	-	-	-	0.962
Anglian to Affinity transfer	4F.3	[0.116]	-	-	-	-	[0.116]
Southeast strategic reservoir	4F.4	20.453	-	-	-	-	20.453
Thames to Affinity transfer	4F.5	-	[0.323]	-	-	-	[0.323]
Grand Union Canal transfer	4F.6	3.347	-	-	-	-	3.347
Minworth reuse Strategic Resource Option ['SRO']	4F.7	2.817	-	-	-	-	2.817
Capital overheads allocated to these major projects	4F.8	8.563	[0.101]	-	-	-	8.462
Grand Union Canal	4F.9	0.005	-	-	-	-	0.005
Minworth	4F.10	0.001	-	-	-	-	0.001
Total major project capital expenditure	4F.11	36.032	[0.424]	-	-	-	35.608

		Water resources	Cumulative expenditure on schemes in the report year				Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
Major project capital expenditure by purpose							
Brett AMP7 investigations	4F.1	0.170	-	-	-	-	0.170
South Lincolnshire reservoir	4F.2	2.979	-	-	0.672	0.672	4.323
Anglian to Affinity transfer	4F.3	[0.116]	-	-	-	1.152	1.036
Southeast strategic reservoir	4F.4	28.466	-	-	-	-	28.466
Thames to Affinity transfer	4F.5	-	0.705	-	2.087	-	2.792
Grand Union Canal transfer	4F.6	8.212	-	-	-	-	8.212
Minworth reuse SRO	4F.7	4.318	-	-	-	-	4.318
Capital overheads allocated to these major projects	4F.8	10.964	0.635	-	0.874	0.328	12.801
Grand Union Canal	4F.9	0.005	-	-	-	-	0.005
Minworth	4F.10	0.001	-	-	-	-	0.001
Total major project capital expenditure	4F.11	54.999	1.340	-	3.633	2.152	62.124

Our Strategic Regional Water Resource Programme includes six strategic resource options ('SROS') and is governed by the Regulators' Alliance for Progressing Infrastructure Development ('RAPID') gated process. The PR19 Final Determination profile does not match the expected profile for RAPID delivery, with most of the activity required in the final two years of the regulatory period. We have delivered all of our obligations on time to the required quality and have successfully passed through the gated process for all live projects. Any underspend of our SRO allowance will be returned to customers in accordance with Ofwat's PR19 FD Strategic Water Resource Solutions appendix.

Note that Brett AMP7 investigations are included within Water Framework Directive measures in table 4L, row 4L.13.

Section 4 – Additional regulatory information – service level

continued

4H – Financial metrics for the 12 months ended 31 March 2025

Financial indicators	RAG4 reference	Units	Current year	AMP to date
Net debt	4H.1	£m	1,556.139	
Regulatory equity	4H.2	£m	364.088	
Regulatory gearing	4H.3	%	81.04%	
Post tax return on regulatory equity	4H.4	%	[10.00%]	
RoRE (return on regulatory equity)	4H.5	%	0.46%	2.55%
Dividend yield	4H.6	%	0.00%	
Retail profit margin – Household	4H.7	%	[3.87%]	
Retail profit margin – Non-household	4H.8	%	0.00%	
Credit rating – Fitch	4H.9	Text	BBB+ [Stable]	
Credit rating – Moody's	4H.10	Text	Baa1 [Stable]	
Credit rating – Standard and Poor's	4H.11	Text	BBB+ [Negative]	
Return on RCV	4H.12	%	1.52%	
Dividend cover	4H.13	Dec	-	
Funds from operations ('FFO')	4H.14	£m	64.908	
Interest cover (cash)	4H.15	Dec	2.64	
Adjusted interest cover ratio ('ACICR')	4H.16	Dec	0.18	
FFO/Net Debt	4H.17	Dec	0.04	
Effective tax rate	4H.18	%	4.21%	
Retained cash flow ('RCF')	4H.19	£m	64.908	
RCF/Net debt	4H.20	Dec	0.04	
Borrowings				
Proportion of borrowings which are fixed rate	4H.21	%	7.89%	
Proportion of borrowings which are floating rate	4H.22	%	16.26%	
Proportion of borrowings which are index linked	4H.23	%	75.85%	
Proportion of borrowings due within 1 year or less	4H.24	%	0.14%	
Proportion of borrowings due in more than 1 year but no more than 2 years	4H.25	%	0.00%	
Proportion of borrowings due in more than 2 years but no more than 5 years	4H.26	%	10.70%	
Proportion of borrowings due in more than 5 years but no more than 20 years	4H.27	%	71.58%	
Proportion of borrowings due in more than 20 years	4H.28	%	17.59%	
Movement in RoRE				
Base return			4.23%	4.14%
Variance in corporation tax			0.64%	0.38%
Totex out/(under) performance			[4.16%]	[0.62%]
Retail cost out/(under) performance			[1.20%]	[0.61%]
ODI out/(under) performance			[0.36%]	[1.12%]
Financing out/(under) performance			3.13%	[0.09%]
Other factors ¹			0.15%	0.00%
Regulatory return for the year			2.43%	2.09%

¹ Other factors include exceptional items such as land sales.

See commentary under table 1F for an explanation of the movement in RoRE in 24/25. The regulatory return for the year is shown in the column 'Actual returns and notional regulatory equity'.

In table 1F, this has been included within totex out/(under) performance in the RoRE calculation. However, as it is a disallowable cost, this has been allocated in 4C as 100% company allocation in line 4C.24.

Calculation of the interest cover ratio (4H.15) and adjusted interest cover ratio (4H.16)
Interest cover ratio (4H.15) = [Funds from operations (4H.14) + Interest paid (1D.10)] / Interest paid (1D.10)
Interest cover ratio = [64.678 + 39.708] / 39.708 = 2.63
Adjusted interest cover ratio (4H.16) = [Funds from operations (4H.14) + Interest paid (1D.10) – RCV run-off (per Ofwat RCV file)] / Interest paid (1D.10)
Interest cover ratio = [64.678 + 39.708 - 97.405] / 39.708 = 0.18

Reconciliation of net interest paid

	£m
Interest paid on borrowings	51.389
Interest paid on leases	0.210
Other interest paid	2.037
Gross interest paid	53.636
Less: interest received under swap arrangements	[13.928]
Net interest paid per 1D.10	39.708

Net interest paid does not include accretion of index-linked debt which is a non-cash item. Interest received on short-term investment is included within Investing activities – other (1D.16) in the statement of cash flows.

4I – Financial derivatives

	RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m	£m	Payable %	Receivable %
Interest rate swap (sterling)										
Floating from fixed rate	4I.2	-	-	-	280.000	280.000	(3.524)	-	2.052%	6.250%
Fixed to index-linked	4I.5	-	210.000	-	250.000	460.000	11.728	140.946	1.872%	5.128%
Other financial derivatives										
Other financial derivatives	4I.27	-	-	-	-	-	0.723	-	-	-
Total financial derivatives	4I.28	-	210.000	-	530.000	740.000	8.927	140.946	-	-

Financial derivatives – (A) Super-senior swaps with breaks or accretion paydowns											
		Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate		
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m			Payable %	Receivable %
Interest rate swap (sterling)											
Floating to fixed rate	4I.29	–	–	–	–	–	–	–	–	–	–
Floating from fixed rate	4I.30	–	–	–	–	–	–	–	–	–	–
Floating to index-linked	4I.31	–	–	–	–	–	–	–	–	–	–
Floating from index-linked	4I.32	–	–	–	–	–	–	–	–	–	–
Fixed to index-linked	4I.33	–	–	–	–	–	–	–	–	–	–
Fixed from index-linked	4I.34	–	–	–	–	–	–	–	–	–	–
Index-linked to index-linked	4I.35	–	–	–	–	–	–	–	–	–	–
Total financial derivatives	4I.36	–	–	–	–	–	–	–	–	–	–

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Financial derivatives – [B] Pari-passu swaps with breaks or accretion paydowns									
RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m	£m	Payable %	Receivable %
Interest rate swap (sterling)									
Floating to fixed rate	4I.57	-	-	-	-	-	-	-	-
Floating from fixed rate	4I.58	-	-	-	-	-	-	-	-
Floating to index-linked	4I.59	-	-	-	-	-	-	-	-
Floating from index-linked	4I.60	-	-	-	-	-	-	-	-
Fixed to index-linked	4I.61	-	-	-	-	-	-	-	-
Fixed from index-linked	4I.62	-	-	-	-	-	-	-	-
Index-linked to index-linked	4I.63	-	-	-	-	-	-	-	-
Total financial derivatives	4I.64	-	-	-	-	-	-	-	-

Financial derivatives – [C] Super-senior swaps without breaks or accretion paydowns									
RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m	£m	Payable %	Receivable %
Interest rate swap (sterling)									
Floating to fixed rate	4I.85	-	-	-	-	-	-	-	-
Floating from fixed rate	4I.86	-	-	-	280.000	[3.524]	-	2.052%	6.250%
Floating to index-linked	4I.87	-	-	-	-	-	-	-	-
Floating from index-linked	4I.88	-	-	-	-	-	-	-	-
Fixed to index-linked	4I.89	-	210.000	-	460.000	11.728	140.946	1.872%	5.128%
Fixed from index-linked	4I.90	-	-	-	-	-	-	-	-
Index-linked to index-linked	4I.91	-	-	-	-	-	-	-	-
Total financial derivatives	4I.92	-	210.000	-	530.000	740.000	8.204	140.946	-

Financial derivatives – [D] Other swaps									
RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m	£m	Payable %	Receivable %
Interest rate swap (sterling)									
Floating to fixed rate	4I.113	-	-	-	-	-	-	-	-
Floating from fixed rate	4I.114	-	-	-	-	-	-	-	-
Floating to index-linked	4I.115	-	-	-	-	-	-	-	-
Floating from index-linked	4I.116	-	-	-	-	-	-	-	-
Fixed to index-linked	4I.117	-	-	-	-	-	-	-	-
Fixed from index-linked	4I.118	-	-	-	-	-	-	-	-
Index-linked to index-linked	4I.119	-	-	-	-	-	-	-	-
Total financial derivatives	4I.120								
Other financial derivatives									
Other financial derivatives	4I.139	[0.580]	[0.143]	-	-	[0.723]	[0.723]	-	-
Total financial derivatives	4I.140	[0.580]	[0.143]	-	-	[0.723]	[0.723]	-	-

Out-of-the-money (liability) positions are presented in the table above as positive values. In-the-money positions are presented as negative. Overall, the total financial derivatives are out of the money with value £8.929m.

An RPI-linked inflation swap with a nominal value of £135.0m, which is linked to the maturity of the Class A fixed rate £250.0m bond (maturity July 2026), was entered into in August 2018. A further RPI-linked inflation swap with a nominal value of £75.0m, which is also linked to the maturity of the Class A fixed rate £250.0m bond (maturity July 2026), was entered into in October 2020, backdated to 1 August 2020.

A CPI-linked inflation swap with a nominal value of £25.0m, which is linked to the maturity of the Class A fixed rate £250.0m bond (maturity March 2036), was entered into in March 2020. Further CPI-linked inflation swaps with a total nominal value of £225.0m, which are also linked to the maturity of the Class A fixed rate £250.0m bond (maturity March 2036), were entered into between April 2020 and June 2020.

The £8.929m mark to market valuation of the total derivatives is included in the total of rows 1C.5, 1C.10, 1C.16 and 1C.23 in table 1C of this APR split based on the maturity of the derivative, in addition to a financial asset of £2.8m that has not been included in the table above as it is not a derivative. In line with RAG guidance, we have reclassified accretion on the inflation-linked swap from financial instruments to borrowings. We do not have any foreign exchange, currency interest or forward currency contracts.

4J – Base expenditure analysis for the 12 months ended 31 March 2025 – water resources and water network+

		Water resources	Water network+				Total
	RAG4 reference	£m	Raw water distribution £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
Operating expenditure							
Power	4J.1	7.037	7.896	-	3.899	30.744	49.576
Income treated as negative expenditure	4J.2	-	-	-	-	-	-
Bulk supply/bulk discharge	4J.3	2.441	0.619	0.033	3.103	8.191	14.387
Renewals expensed in year (infrastructure)	4J.4	-	-	-	-	19.672	19.672
Renewals expensed in year (non-infrastructure)	4J.5	-	-	-	-	-	-
Other operating expenditure	4J.6	5.576	1.581	0.900	18.881	83.548	110.486
Local authority and Cumulo rates	4J.7	1.621	0.250	-	2.305	8.466	12.642
Service charges							
Canal & River Trust abstraction charges/ discharge consents	4J.8	-	-	-	-	-	-
Environment Agency/NRW abstraction charges/ discharge consents	4J.9	6.107	-	-	-	-	6.107
Other abstraction charges/discharge consents	4J.10	-	-	-	-	-	-
Location-specific costs & obligations							
Costs associated with Traffic Management Act	4J.11	-	0.001	-	-	0.737	0.738
Costs associated with lane rental schemes	4J.12	-	-	-	-	0.015	0.015
Statutory water softening	4J.13	-	-	-	-	-	-
Total base operating expenditure	4J.14	22.782	10.347	0.933	28.188	151.373	213.623
Capital expenditure							
Maintaining the long-term capability of the assets – infra	4J.15	-	-	-	-	4.482	4.482
Maintaining the long-term capability of the assets – non-infra	4J.16	0.791	1.348	-	24.427	23.667	50.233
Total base capital expenditure	4J.17	0.791	1.348	-	24.427	28.149	54.715
Traffic Management Act							
Projects incurring costs associated with Traffic Management Act	4J.18	-	-	-	-	26.978	26.978

Section 4 – Additional regulatory information – service level

continued

4L – Enhancement expenditure for the 12 months ended 31 March 2025 – water resources and water network+

				Expenditure in report year					
				Water resources	Water network+				Total
					Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
		RAG4 reference	£m					£m	
EA/NRW environmental programme ('WINEP/NEP')									
Ecological improvements at abstractions	Capex	4L.1	8.373	-	-	-	-	8.373	
Ecological improvements at abstractions	Opex	4L.2	-	-	-	-	-	-	
Ecological improvements at abstractions	Totex	4L.3	8.373	-	-	-	-	8.373	
Eels Regulations (measures at intakes)	Capex	4L.4	-	-	-	-	-	-	
Eels Regulations (measures at intakes)	Opex	4L.5	-	-	-	-	-	-	
Eels Regulations (measures at intakes)	Totex	4L.6	-	-	-	-	-	-	
Invasive Non-Native Species	Capex	4L.7	-	-	-	-	-	-	
Invasive Non-Native Species	Opex	4L.8	-	-	-	-	-	-	
Invasive Non-Native Species	Totex	4L.9	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Capex	4L.10	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Opex	4L.11	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Totex	4L.12	-	-	-	-	-	-	
Water Framework Directive measure	Capex	4L.13	5.858	-	-	8.386	1.888	16.132	
Water Framework Directive measure	Opex	4L.14	-	-	-	-	-	-	
Water Framework Directive measure	Totex	4L.15	5.858	-	-	8.386	1.888	16.132	
Investigations	Capex	4L.16	1.377	-	-	-	-	1.377	
Investigations	Opex	4L.17	-	-	-	-	-	-	
Investigations	Totex	4L.18	1.377	-	-	-	-	1.377	
Total environmental programme expenditure Totex 4L.19				15.608	-	-	8.386	1.888	25.882
Supply-demand balance									
Supply-side improvements delivering benefits in 2020–2025	Capex	4L.20	[0.132]	-	-	4.169	-	4.037	
Supply-side improvements delivering benefits in 2020–2025	Opex	4L.21	-	-	-	-	-	-	
Supply-side improvements delivering benefits in 2020–2025	Totex	4L.22	[0.132]	-	-	4.169	-	4.037	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Capex	4L.23	-	-	-	-	-	-	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Opex	4L.24	-	0.005	-	-	6.006	6.011	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Totex	4L.25	-	0.005	-	-	6.006	6.011	
Leakage improvements delivering benefits in 2020–2025	Capex	4L.26	-	-	-	-	-	-	
Leakage improvements delivering benefits in 2020–2025	Opex	4L.27	-	-	-	-	-	-	
Leakage improvements delivering benefits in 2020–2025	Totex	4L.28	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Capex	4L.29	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Opex	4L.30	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Totex	4L.31	-	-	-	-	-	-	
Supply-demand balance improvements delivering benefits starting from 2026	Capex	4L.32	-	-	-	2.452	1.514	3.966	
Supply-demand balance improvements delivering benefits starting from 2026	Opex	4L.33	-	-	-	-	-	-	
Supply-demand balance improvements delivering benefits starting from 2026	Totex	4L.34	-	-	-	2.452	1.514	3.966	
Strategic regional water resources	Capex	4L.35	36.032	[0.424]	-	-	-	35.608	
Strategic regional water resources	Opex	4L.36	-	-	-	-	-	-	
Strategic regional water resources	Totex	4L.37	36.032	[0.424]	-	-	-	35.608	
Total supply-demand expenditure Totex 4L.38				35.900	[0.419]	-	6.621	7.520	49.622

				Expenditure in report year					
				Water resources	Water network+				Total
					Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
RAG4 reference				£m					£m
Metering									
New meters requested by existing customers (optants)	Capex	4L.39	-	-	-	-	2.297	2.297	
New meters requested by existing customers (optants)	Opex	4L.40	-	-	-	-	-	-	
New meters requested by existing customers (optants)	Totex	4L.41	-	-	-	-	2.297	2.297	
New meters introduced by companies for existing customers	Capex	4L.42	-	-	-	-	8,781	8,781	
New meters introduced by companies for existing customers	Opex	4L.43	-	-	-	-	-	-	
New meters introduced by companies for existing customers	Totex	4L.44	-	-	-	-	8,781	8,781	
New meters for existing customers – business	Capex	4L.45	-	-	-	-	-	-	
New meters for existing customers – business	Opex	4L.46	-	-	-	-	-	-	
New meters for existing customers – business	Totex	4L.47	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Capex	4L.48	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Opex	4L.49	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Totex	4L.50	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Capex	4L.51	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Opex	4L.52	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Totex	4L.53	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Capex	4L.54	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Opex	4L.55	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Totex	4L.56	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Capex	4L.57	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Opex	4L.58	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Totex	4L.59	-	-	-	-	-	-	
Smart meter infrastructure	Capex	4L.60	-	-	-	-	-	-	
Smart meter infrastructure	Opex	4L.61	-	-	-	-	-	-	
Smart meter infrastructure	Totex	4L.62	-	-	-	-	-	-	
Total metering expenditure	Totex	4L.63	-	-	-	-	11.078	11.078	

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continued

					Expenditure in report year				Total	
					Water resources	Water network+				
		RAG4 reference	£m		Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m	
Other enhancement										
Improvements to taste, odour and colour	Capex	4L.64	-		-	-	-	-	-	
Improvements to taste, odour and colour	Opex	4L.65	-		-	-	-	-	-	
Improvements to taste, odour and colour	Totex	4L.66	-		-	-	-	-	-	
Addressing raw water deterioration (grey solutions)	Capex	4L.67	-		-	-	6.113	-	6.113	
Addressing raw water deterioration (grey solutions)	Opex	4L.68	-		-	-	-	1.183	1.183	
Addressing raw water deterioration (grey solutions)	Totex	4L.69	-		-	-	6.113	1.183	7.296	
Addressing raw water deterioration (green solutions)	Capex	4L.70	-		-	-	-	-	-	
Addressing raw water deterioration (green solutions)	Opex	4L.71	0.065		-	0.006	0.043	1.178	1.292	
Addressing raw water deterioration (green solutions)	Totex	4L.72	0.065		-	0.006	0.043	1.178	1.292	
Addressing raw water deterioration (total)	Capex	4L.73	-		-	-	6.113	-	6.113	
Addressing raw water deterioration (total)	Opex	4L.74	0.065		-	0.006	0.043	2.361	2.475	
Addressing raw water deterioration (total)	Totex	4L.75	0.065		-	0.006	6.156	2.361	8.588	
Improvements to river flow	Capex	4L.76	-		-	-	-	-	-	
Improvements to river flow	Opex	4L.77	-		-	-	-	-	-	
Improvements to river flow	Totex	4L.78	-		-	-	-	-	-	
Enhancing resilience to low-probability high-consequence events	Capex	4L.79	-		-	-	0.368	12.509	12.877	
Enhancing resilience to low-probability high-consequence events	Opex	4L.80	-		-	-	-	-	-	
Enhancing resilience to low-probability high-consequence events	Totex	4L.81	-		-	-	0.368	12.509	12.877	
Conditioning water to reduce plumbosolvency	Capex	4L.82	-		-	-	-	-	-	
Conditioning water to reduce plumbosolvency	Opex	4L.83	-		-	-	-	-	-	
Conditioning water to reduce plumbosolvency	Totex	4L.84	-		-	-	-	-	-	
Lead communication pipes replaced or relined for water quality	Capex	4L.85	-		-	-	-	1.535	1.535	
Lead communication pipes replaced or relined for water quality	Opex	4L.86	-		-	-	-	-	-	
Lead communication pipes replaced or relined for water quality	Totex	4L.87	-		-	-	-	1.535	1.535	
Other lead reduction-related activity	Capex	4L.88	-		-	-	-	-	-	
Other lead reduction-related activity	Opex	4L.89	-		-	-	-	-	-	
Other lead reduction-related activity	Totex	4L.90	-		-	-	-	-	-	
Meeting lead standards (total)	Capex	4L.91	-		-	-	-	1.535	1.535	
Meeting lead standards (total)	Opex	4L.92	-		-	-	-	-	-	
Meeting lead standards (total)	Totex	4L.93	-		-	-	-	1.535	1.535	
Security – Security and Emergency Measures Direction ('SEMD')	Capex	4L.94	-		-	-	-	-	-	
Security – SEMD	Opex	4L.95	-		-	-	-	-	-	
Security – SEMD	Totex	4L.96	-		-	-	-	-	-	
Security – Non-SEMD	Capex	4L.97	-		-	-	-	-	-	
Security – Non-SEMD	Opex	4L.98	-		-	-	-	-	-	
Security – Non-SEMD	Totex	4L.99	-		-	-	-	-	-	
Total other enhancement expenditure	Totex	4L.120	0.065		-	0.006	6.524	16.405	23.000	
Total enhancement										
Total enhancement expenditure	Capex	4L.121	51.508		[0.424]	-	21.488	28.524	101.096	
Total enhancement expenditure	Opex	4L.122	0.065		0.005	0.006	0.043	8.367	8.486	
Total enhancement expenditure	Totex	4L.123	51.573		[0.419]	0.006	21.531	36,891	109.582	

				Cumulative expenditure on schemes completed in the report year				
				Water Resources	Network+			Total
	RAG4 reference	£m			Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m
EA/NRW environmental programme (WINEP/NEP)								
Investigations	Capex 4L.16	4.412		-	-	-	-	4.412
Investigations	Opex 4L.17	-		-	-	-	-	-
Investigations	Totex 4L.18	4.412		-	-	-	-	4.412
Total environmental programme expenditure	Totex 4L.19	4.412		-	-	-	-	4.412

		RAG4 reference	Cumulative expenditure on all schemes to reporting year-end £m	Cumulative expenditure on all schemes to reporting year-end £m	Cumulative allowed expenditure on all schemes 2020–25 £m
EA/NRW environmental programme ('WINEP/NEP')					
Ecological improvements at abstractions	Totex	4L.3	17.499	25.572	25.572
Eels Regulations (measures at intakes)	Totex	4L.6	-	-	-
Invasive Non-native Species	Totex	4L.9	0.283	0.475	0.475
Drinking Water Protected Areas (schemes)	Totex	4L.12	0.072	-	-
Water Framework Directive measure	Totex	4L.15	61.068	121.943	121.943
Investigations	Totex	4L.18	6.452	7.680	7.680
Total environmental programme expenditure	Totex	4L.19	85.374	155.669	155.669
Supply-demand balance					
Supply-side improvements delivering benefits in 2020–2025	Totex	4L.22	10.747	8.180	8.180
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Totex	4L.25	32.951	44.687	44.687
Leakage improvements delivering benefits in 2020–2025	Totex	4L.28	-	-	-
Internal interconnectors delivering benefits in 2020–2025	Totex	4L.31	-	-	-
Supply-demand balance improvements delivering benefits starting from 2026	Totex	4L.34	29.327	27.801	27.801
Strategic regional water resources	Totex	4L.37	65.338	107.142	107.142
Total supply-demand expenditure	Totex	4L.38	138.364	187.809	187.809
Total metering expenditure	Totex	4L.63	85.750	73.715	73.715
Other enhancement					
Improvements to taste, odour and colour	Totex	4L.66	0.303	-	-
Addressing raw water deterioration (grey solutions)	Totex	4L.69	-	-	-
Addressing raw water deterioration (green solutions)	Totex	4L.72	-	-	-
Addressing raw water deterioration (total)	Totex	4L.75	33.294	3.870	3.870
Improvements to river flow	Totex	4L.78	0.047	0.643	0.643
Enhancing resilience to low-probability high-consequence events	Totex	4L.81	24.140	17.448	17.448
Conditioning water to reduce plumbosolvency	Totex	4L.84	-	-	-
Lead communication pipes replaced or relined for water quality	Totex	4L.87	-	-	-
Other lead reduction-related activity	Totex	4L.90	-	-	-
Meeting lead standards (total)	Totex	4L.93	9.526	10.823	10.823
Security – SEMD	Totex	4L.96	-	-	-
Security – Non-SEMD	Totex	4L.99	-	-	-
Total other enhancement expenditure	Totex	4L.120	67.309	32.784	32.784
Total enhancement expenditure	Totex	4L.123	376.797	449.978	449.978

Table 4L details enhancement capital expenditure to deliver improvements to the supply/demand balance (both supply-side and demand-side), together with expenditure for strategic regional water resource options.

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continued

The table was populated by first identifying the relevant projects sitting in each category within the table and then including all associated costs of that project. Capital overheads were then allocated across the projects in line with our methodology statement published on our website at affinitywater.co.uk/reports-publications.

Cumulative significant variances to our allowances are detailed below (all values in £m).

	Cumulative expenditure on all schemes to reporting year-end	Cumulative allowed expenditure on all schemes to reporting year-end	(under)/overspend to date	
Ecological improvements at abstractions	17.499	25.572	[8.073]	Performance Commitment of 36 units achieved during Year 5, with projects delivered on eight rivers in our region. Underspend due to efficient delivery, and reprofiling of work due to weather and planning delays. Year 5 spend greater than forecast in Action Plan.
Water Framework Directive measure	61.068	121.943	[60.875]	We have delivered against our sustainability reductions programme while are generally outperforming our allowance, notably on trunk mains, where our approach to value engineering has resulted in efficiencies. Our key investments in treatment have advanced significantly during 24/25, and will complete commissioning early in 25/26.
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	32.951	44.687	[11.736]	This underspend has been caused by the expenditure split and allocation of metering costs and PCC programmes, both of which are designed to reduce consumption.
Strategic regional water resources	65.337	107.142	[41.805]	We continue to deliver all obligations and meet all quality requirements in our submissions to RAPID, with Gate 3 submissions early in 25/26. This is a 'ring-fenced' allowance and underspend is returned to customers through midnight adjustments at PR24.
Addressing raw water deterioration [total]	32.294	3.870	29.424	This additional investment is due to a DWI notice to address Crypto at Iver and Egham treatment plants to address this raw water quality risk, not included in our Final Determination.
Enhancing resilience to low-probability high-consequence events	24.140	17.448	6.692	We continue to recover the underspend driven by delays in planning and land purchase for the construction of two new reservoirs, with one in final commissioning and the other to complete construction in early 2025/26.

Capital overheads totalling £44.451m have been apportioned across base and enhancement capital expenditure categories, with the split based on the proportion of direct capital costs allocated to each category. £27.358m of overheads were allocated to enhancement expenditure in 2024/25. Details of the overhead allocation can be found in our methodology statement on our website at affinitywater.co.uk/reports-publications.

4N – Developer services expenditure for the 12 months ended 31 March 2025 – water network+ [price control]

	RAG4 reference	Capex £m	Opex £m	Totex £m
New connections	4N.1	8.004	2.106	10.110
Requisition mains	4N.2	6.299	-	6.299
Infrastructure network reinforcement	4N.3	5.319	-	5.319
s185 diversions	4N.4	0.316	-	0.316
Other price controlled activities	4N.5	-	-	-
Total developer services expenditure	4N.6	19.938	2.106	22.044

4P – Expenditure on non-price control diversions for the 12 months ended 31 March 2025

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
Capex				
Costs associated with New Road and Street Works Act ['NSWRA'] diversions	4P.1	-	1.245	1.245
Costs associated with other non-price control diversions	4P.2	0.748	8.815	9.563
Other developer services non-price control capex	4P.3	-	-	-
Developer services non-price control capex	4P.4	0.748	10.060	10.808
Opex				
Costs associated with New Road and Street Works Act ['NSWRA'] diversions	4P.5	-	-	-
Costs associated with other non-price control diversions	4P.6	-	-	-
Other developer services non-price control opex	4P.7	-	-	-
Developer services non-price control opex	4P.8	-	-	-
Totex				
Costs associated with New Road and Street Works Act ['NSWRA'] diversions	4P.9	-	1.245	1.245
Costs associated with other non-price control diversions	4P.10	0.748	8.815	9.563
Other developer services non-price control totex	4P.11	-	-	-
Developer services non-price control totex	4P.12	0.748	10.060	10.808

4Q – Developer services – New connections, properties and mains

	RAG4 reference	Total number
Connections volume data		
New connections [residential – excluding NAVs]	4Q.1	2,949
New connections [business – excluding NAVs]	4Q.2	267
Total new connections served by incumbent	4Q.3	3,216
New connections – SLPs	4Q.4	1,424
Properties volume data		
New properties [residential – excluding NAVs]	4Q.5	6,788
New properties [business – excluding NAVs]	4Q.6	311
Total new properties served by incumbent	4Q.7	7,099
New residential properties served by NAVs	4Q.8	3,408
New business properties served by NAVs	4Q.9	-
Total new properties served by NAVs	4Q.10	3,408
Total new properties	4Q.11	10,507
New properties – SLP connections	4Q.12	2,366
New water mains data		
Length of new mains [km] – requisitions	4Q.13	11
Length of new mains [km] – SLPs	4Q.14	15

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continued

New water mains data

More details can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

4R – Connected properties, customers and population

	RAG4 reference	Units	Unmeasured	Measured	Total	Voids
Customer numbers – average 2024/25						
Residential water only customers	4R.1	000s	394.812	1,061.281	1,456.093	30.382
Residential wastewater only customers	4R.2	000s	-	-	-	-
Residential water and wastewater customers	4R.3	000s	-	-	-	-
Total residential customers	4R.4	000s	394.812	1,061.281	1,456.093	30.382
Business water only customers	4R.5	000s	7.979	51.497	59.476	11.452
Business wastewater only customers	4R.6	000s	-	-	-	-
Business water and wastewater customers	4R.7	000s	-	-	-	-
Total business customers	4R.8	000s	7.979	51.497	59.476	11.452
Total customers	4R.9	000s	402.791	1,112.778	1,515.569	41.834

	RAG4 reference	Units	Unmeasured	Measured	Total
Property numbers – average 2024/25					
Residential properties billed	4R.10	000s	394.812	1,061.281	1,456.093
Residential void properties	4R.11	000s	-	-	30.382
Total connected residential properties	4R.12	000s	-	-	1,486.475
Business properties billed	4R.13	000s	7.979	51.497	59.475
Business void properties	4R.14	000s	-	-	11.452
Total connected business properties	4R.15	000s	-	-	70.927
Total connected properties	4R.16	000s	-	-	1,557.402

Property and meter numbers – at end of year [31 March]	RAG4 reference	Unmeasured					Total
		No meter	Basic meter	AMR meter	AMI meter [capable]	AMI meter [active]	
Total new residential properties connected in year	4R.17	0.422	0.009	0.004	-	-	0.435
Total number of new business properties connections	4R.18	-	-	-	-	-	-
Residential properties billed at year-end	4R.19	329.632	0.980	44.105	0.384	-	375.101
Residential properties unbilled at year-end	4R.20	-	-	-	-	-	-
Residential void properties at year-end	4R.21	-	-	-	-	-	15.770
Total connected residential properties at year-end	4R.22	-	-	-	-	-	390.871
Business properties billed at year-end	4R.23	7.897	-	-	-	-	7.897
Business properties unbilled at year-end	4R.24	-	-	-	-	-	-
Business void properties at year-end	4R.25	-	-	-	-	-	1.729
Total connected business properties at year-end	4R.26	-	-	-	-	-	9.626
Total connected properties at year-end	4R.27	-	-	-	-	-	400.497

Property and meter numbers – at end of year [31 March]	RAG4 reference	Measured					Total
		No meter	Basic meter	AMR meter	AMI meter [capable]	AMI meter [active]	
Total new residential properties connected in year	4R.17	-	0.447	11.120	0.079	-	11.646
Total number of new business properties connections	4R.18	-	0.003	0.174	-	-	0.177
Residential properties billed at year-end	4R.19	-	565.024	500.418	19.479	-	1,084.921
Residential properties unbilled at year-end	4R.20	-	-	-	-	-	-
Residential void properties at year-end	4R.21	-	-	-	-	-	14.379
Total connected residential properties at year-end	4R.22	-	-	-	-	-	1,099.300
Business properties billed at year-end	4R.23	-	37.943	13.291	-	-	51.234
Business properties unbilled at year-end	4R.24	-	-	-	-	-	-
Business void properties at year-end	4R.25	-	-	-	-	-	9.803
Total connected business properties at year-end	4R.26	-	-	-	-	-	61.037
Total connected properties at year-end	4R.27	-	-	-	-	-	1,160.337

Property and meter numbers – at end of year [31 March]	RAG4 reference	Unbilled		Total
		Uneconomic to bill	Other	
Total new residential properties connected in year	4R.17	-	-	-
Total number of new business properties connections	4R.18	-	-	-
Residential properties billed at year-end	4R.19	-	-	-
Residential properties unbilled at year-end	4R.20	30.141	-	30.141
Residential void properties at year-end	4R.21	-	-	-
Total connected residential properties at year-end	4R.22	-	-	-
Business properties billed at year-end	4R.23	-	-	-
Business properties unbilled at year-end	4R.24	-	0.510	0.510
Business void properties at year-end	4R.25	-	-	-
Total connected business properties at year-end	4R.26	-	-	-
Total connected properties at year-end	4R.27	-	-	-

Property and meter numbers – at end of year [31 March]	RAG4 reference	Totals			Grand Total
		Unmeasured	Measured	Unbilled	
Total new residential properties connected in year	4R.17	0.435	11.646	-	12.081
Total number of new business properties connections	4R.18	-	0.177	-	0.177
Residential properties billed at year-end	4R.19	375.101	1,084.921	-	1,460.022
Residential properties unbilled at year-end	4R.20	-	-	30.141	30.141
Residential void properties at year-end	4R.21	15.770	14.379	-	30.149
Total connected residential properties at year-end	4R.22	390.871	1,099.300	-	1,520.312
Business properties billed at year-end	4R.23	7.897	51.234	-	59.131
Business properties unbilled at year-end	4R.24	-	-	0.510	0.510
Business void properties at year-end	4R.25	1.729	9.803	-	11.532
Total connected business properties at year-end	4R.26	9.626	61.037	-	71.173
Total connected properties at year-end	4R.27	400.497	1,160.337	-	1,591.485

Population data	RAG4 reference	Units	Water
Resident population	4R.28	000s	4,043.305
Non-resident population (wastewater)	4R.29	000s	-

Section 4 – Additional regulatory information – service level

continued

	RAG4 reference	Units	Resident population	Non-resident population	Total
Household population data					
Household population	4R.30	000s	3,991.497	-	3,991.497
Household measured population (water only)	4R.31	000s	2,660.196	-	2,660.196
Household unmeasured population (water only)	4R.32	000s	1,331.301	-	1,331.301

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

4V – Mark to market of financial derivatives analysed based on payment dates

	RAG4 reference	Derivatives – Analysed by earliest payment date			Total
		Net settled	Gross settled outflows	Gross settled inflows	
		£m	£m	£m	£m
Due within one year	4V.1	[0.702]	-	-	[0.702]
Between one and two years	4V.2	[0.021]	-	-	[0.021]
Between two and three years	4V.3	-	-	-	-
Between three and four years	4V.4	-	-	-	-
Between four and five years	4V.5	1.831	-	-	1.831
After five years	4V.6	[10.035]	-	-	[10.035]
Total	4V.7	[8.927]	-	-	[8.927]

	RAG4 reference	Derivatives – Analysed by expected maturity date			Total
		Net settled	Gross settled outflows	Gross settled inflows	
		£m	£m	£m	£m
Due within one year	4V.1	[0.702]	-	-	[0.702]
Between one and two years	4V.2	[0.021]	-	-	[0.021]
Between two and three years	4V.3	-	-	-	-
Between three and four years	4V.4	-	-	-	-
Between four and five years	4V.5	1.831	-	-	1.831
After five years	4V.6	[10.035]	-	-	[10.035]
Total	4V.7	[8.927]	-	-	[8.927]

4W – Defined Benefit Pension Scheme – Additional Information

			Defined benefit pension schemes
	RAG4 reference	Unit	Pension scheme 1
Scheme details			
Scheme name	4W.1	Text	Affinity Water Pension Plan
Scheme status	4W.2	Text	The scheme is closed to new members, but open to future accrual
Scheme valuation under IAS/IFRS/FRS			
Scheme assets	4W.3	£m	335.867
Scheme liabilities	4W.4	£m	286.121
Scheme surplus/(deficit) total	4W.5	£m	49.746
Scheme surplus/(deficit) appointed business	4W.6	£m	49.746
Pension deficit recovery payments	4W.7	£m	1.200
Scheme valuation under part 3 of Pensions Act 2004			
Scheme funding valuation date	4W.8	Date	31 December 2023
Assets	4W.9	£m	376.800
Technical provisions	4W.10	£m	372.000
Scheme surplus/(deficit)	4W.11	£m	4.800
Discount rate assumptions	4W.12	Text	Gilts +0.25%
Recovery plan (where applicable)			
Recovery plan structure	4W.13	Text	N/A
Recovery plan end date	4W.14	Date	N/A
Asset-backed funding (ABF) arrangements	4W.15	Text	N/A
Responsibility for ABF arrangements	4W.16	Text	N/A

Section 4 – Additional regulatory information – service level

continued

4X – Accelerated infrastructure delivery project expenditure for the 12 months ended 31 March 2025 - water resources and water network+

				Expenditure in report year				
				Water resources	Water network+			
					Raw water transport	Raw water storage	Water treatment	Treated water distribution
				£m	£m	£m	£m	£m
				RAG4 reference				Total
								£m
Accelerated infrastructure delivery project								
Stortford Resilience P022695	Capex	4X.1	-	-	-	-	0.445	-
Accelerated scheme 1	Opex	4X.2	-	-	-	-	-	-
Accelerated scheme 1	Totex	4X.3	-	-	-	-	0.445	-
Smart Metering P023024	Capex	4X.4	-	-	-	-	-	6.163
Accelerated scheme 2	Opex	4X.5	-	-	-	-	-	-
Accelerated scheme 2	Totex	4X.6	-	-	-	-	-	6.163
Broome nitrate removal P023047	Capex	4X.7	-	-	-	-	0.370	-
Accelerated scheme 3	Opex	4X.8	-	-	-	-	-	-
Accelerated scheme 3	Totex	4X.9	-	-	-	-	0.370	-
Kingsdown nitrate removal P023048	Capex	4X.10	-	-	-	-	0.582	-
Accelerated scheme 4	Opex	4X.11	-	-	-	-	-	-
Accelerated scheme 4	Totex	4X.12	-	-	-	-	0.582	-
Holywell GAC PFAS P023052 and Nitrates Enabling P023067	Capex	4X.13	-	-	-	-	-	0.137
Accelerated scheme 5	Opex	4X.14	-	-	-	-	-	-
Accelerated scheme 5	Totex	4X.15	-	-	-	-	-	0.137
Total accelerated programme capex	Capex	4X.16	-	-	-	-	1.398	6.300
Total accelerated programme opex	Opex	4X.17	-	-	-	-	-	-
Total accelerated programme expenditure	Totex	4X.18	-	-	-	-	1.398	6.300
								7.698

4Z – Household bill reduction schemes, debt and Guaranteed Standards Scheme ('GSS') payments

Section A – Other direct bill reduction schemes for household customers struggling to pay

	RAG4 reference	Target households	Number of unique households helped by scheme	Total amount bills reduced by through scheme £'000s	Funding source
Other bill reduction schemes					
Water assistance payment	4Z.A1	Support with cost of living	55,985	2,799.220	Cross-subsidy

Section B – Debt metrics

	RAG4 reference	Water only	Wastewater only	Dual service
Total number of household customers served - active and final accounts				
Number of household customers served- active accounts	4Z.B1	102,685	-	1,327,231
Number of household customers served- final accounts	4Z.B2	2,087	-	36,539

	RAG4 reference	Number of households	Total amount of debt £'000s
Household customers in arrears			
Households in arrears – active accounts with debt repayment arrangements	4Z.B3	6,423	1,937.286
Households in arrears – final accounts with debt repayment arrangements	4Z.B4	695	215.456
Households in arrears – active accounts without debt repayment arrangements	4Z.B5	105,029	52,342.009
Households in arrears – final accounts without debt repayment arrangements	4Z.B6	30,462	9,958.201
Households not having made any payment for the year – active accounts	4Z.B7	44,617	36,407.759
Households not having made any payment for the year – final accounts	4Z.B8	19,500	7,680.556

	RAG4 reference	Number of households	Total amount deferred £'000s
Temporary payment suspension			
Households with temporarily suspended payments – payment break arrangements	4Z.B9	614	296.201
Households with temporarily suspended payments – breathing space arrangements	4Z.B10	597	583.924

	RAG4 reference	Number of households	Total value of debt £'000s
Household debt collection through third party agents where water company remains creditor			
Debt collected by external agents – active accounts	4Z.B11	71,173	58,062.000
Debt collected by external agents – final accounts	4Z.B12	28,209	17,347.000
PSR customers with debt passed on to external debt collection agents – active and final accounts	4Z.B13	Unavailable	Unavailable

Section 4 – Additional regulatory information – service level

continued

	RAG4 reference	Number of accounts	Total value of payment matches £'000s
Payment matching activities			
Active accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	4Z.B17	123	6.895
Final accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	4Z.B18	2	0.465

	RAG4 reference	Number of accounts	Total amount involved £'000s
Unpaid household bills referred to courts			
Number of county court claims	4Z.B19	363	928.956
Number of county court judgements	4Z.B20	126	242.714
Number of county court judgement enforcements	4Z.B21	98	199.973
Number of high court claims	4Z.B22	-	-
Number of high court judgements	4Z.B23	-	-
Number of high court judgement enforcements	4Z.B24	-	-

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme ('GSS')

	RAG4 reference	Number of payments	Total amount £'000s	Number of unique households
GSS payments to household customers				
Total value of payments made to household customers under GSS	4Z.C1	-	46.535	-
Total number of payments made to household customers under GSS	4Z.C2	2,548	-	-
Total number of unique household customers receiving GSS payments	4Z.C3	-	-	1,937

Number and value of statutory payments and other payments in excess of the statutory amounts for events that are currently part of the GSS to household customers by type in the reporting period	RAG4 reference	Total number of times the statutory GSS amounts were paid to household customers	Total value of payments made in relation to column 1 £'000s	Total number of times amounts higher than the statutory GSS amounts were paid to household customers for GSS related events.	Total value of payments made in relation to column 3 £'000s	Total number of times the statutory GSS penalty payments were made to household customers	Total value of payments made in relation to column 5 £'000s
Appointments not kept	4Z.C4	690	13.800	3	0.025	5	0.050
Appointment notification not given	4Z.C5	4	0.080	1	0.005	-	-
Incidences of low water pressure	4Z.C6	15	0.375	-	-	-	-
Incorrect notice of planned interruptions to supply	4Z.C7	-	-	-	-	-	-
Supply not restored - initial period	4Z.C8	130	2.600	130	1.300	2	0.040
Supply not restored - each 24 hr period	4Z.C9	16	0.320	48	0.640	-	-
Account/billing queries not responded to	4Z.C10	256	5.120	-	-	39	0.390
Requests for changes to payment arrangements not responded to	4Z.C11	-	-	-	-	-	-
Written complaints not responded to within 10 working days	4Z.C12	985	19.700	1	0.080	406	4.060
Properties sewer flooded internally	4Z.C13	-	-	-	-	-	-
Properties sewer flooded externally	4Z.C14	-	-	-	-	-	-

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 4 – Additional regulatory information – service level

continued

	RAG4 reference	Total number of payments for all events that are not part of the current GSS scheme	Total value of payments made in relation to column 1 £'000s
Number and value of payments made to household customers for events that are currently not part of the GSS			
Ex-gratia payments	4Z.C15	2,515	90.282
	RAG4 reference	Total number of penalty payments made under the current GSS scheme	Total value of payments made in relation to column 1 £'000s
Number and value of statutory GSS penalty payments made to household customers			
Penalty payments made under the current GSS scheme	4Z.C25	452	4.540

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 5 – Additional regulatory information – water resources

5A – Water resources asset and volumes data for the 12 months ended 31 March 2025

Water resources	RAG4 reference	Units	Input
Water from impounding reservoirs	5A.1	Ml/d	7.43
Water from pumped storage reservoirs	5A.2	Ml/d	19.26
Water from river abstractions	5A.3	Ml/d	304.88
Water from groundwater works excluding managed aquifer recharge ('MAR') water supply schemes	5A.4	Ml/d	594.38
Water from artificial recharge ('AR') water supply schemes	5A.5	Ml/d	-
Water from aquifer storage and recovery ('ASR') water supply schemes	5A.6	Ml/d	-
Water from saline abstractions	5A.7	Ml/d	-
Water from water reuse schemes	5A.8	Ml/d	-
Number of impounding reservoirs	5A.9	Nr	2
Number of pumped storage reservoirs	5A.10	Nr	2
Number of river abstractions	5A.11	Nr	3
Number of groundwater works excluding managed aquifer recharge ('MAR') water supply schemes	5A.12	Nr	108
Number of artificial recharge ('AR') water supply schemes	5A.13	Nr	-
Number of aquifer storage and recovery ('ASR') water supply schemes	5A.14	Nr	-
Number of saline abstraction schemes	5A.15	Nr	-
Number of reuse schemes	5A.16	Nr	-
Total number of sources	5A.17	Nr	115
Total number of water reservoirs	5A.18	Nr	4
Total volumetric capacity of water reservoirs	5A.19	Ml	3,691
Total number of intake and source pumping stations	5A.20	Nr	114
Total installed power capacity of intake and source pumping stations	5A.21	kW	14,597
Total length of raw water abstraction mains and other conveyors	5A.22	Km	0.96
Average pumping head – raw water abstraction	5A.23	m.hd	17.87
Energy consumption – water resources (MWh)	5A.24	MWh	33,667.642
Total number of raw water abstraction imports	5A.25	Nr	-
Water imported from 3rd parties to raw water abstraction systems	5A.26	Ml/d	-
Total number of raw water abstraction exports	5A.27	Nr	-
Water exported to 3rd parties from raw water abstraction systems	5A.28	Ml/d	-
Water resources capacity (measured using water resources yield)	5A.29	Ml/d	968.91
Total number of completed investigations ('WINEP/NEP'), cumulative for AMP	5A.30	Nr	26

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 5 – Additional regulatory information – water resources

continued

5B – Water resources operating cost analysis for the 12 months ended 31 March 2025

	RAG4 reference	Impounding reservoir £m	Pumped storage £m	River abstractions £m	Ground-water, excluding MAR water supply schemes £m	Artificial recharge ['AR'] water supply schemes £m	Aquifer Storage and recovery ['ASR'] water supply schemes £m	Other £m	Total £m
Power	5B.1	0.056	0.146	2.317	4.517	-	-	-	7.036
Income treated as negative expenditure	5B.2	-	-	-	-	-	-	-	-
Abstraction charges/discharge consents	5B.3	0.049	0.127	2.011	3.920	-	-	-	6.107
Bulk supply	5B.4	0.020	0.051	0.804	1.566	-	--	-	2.441
Other operating expenditure									
Renewals expensed in year (Infrastructure)	5B.5	-	-	-	-	-	-	-	-
Renewals expensed in year (Non-infrastructure)	5B.6	-	-	-	-	-	-	-	-
Other operating expenditure excluding renewals	5B.7	0.045	0.116	1.836	3.579	-	-	-	5.576
Local authority and Cumulo rates	5B.8	0.013	0.034	0.534	1.040	-	-	-	1.621
Total operating expenditure (excluding 3rd party)	5B.9	0.183	0.474	7.502	14.622	-	-	-	22.781

Section 6 – Additional regulatory information – water network plus

6A – Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2025

Raw water transport and storage	RAG4 reference	Units	Input
Total number of balancing reservoirs	6A.1	Nr	4
Total volumetric capacity of balancing reservoirs	6A.2	Ml	133
Total number of raw water transport stations	6A.3	Nr	35
Total installed power capacity of raw water transport pumping stations	6A.4	kW	9,033
Total length of raw water transport mains and other conveyors	6A.5	Km	199.06
Average pumping head – raw water transport	6A.6	m.hd	20.05
Energy consumption – raw water transport (MWh)	6A.7	MWh	37,769.060
Total number of raw water transport imports	6A.8	Nr	1
Water imported from 3rd parties to raw water transport systems	6A.9	Ml/d	0.034
Total number of raw water transport exports	6A.10	Nr	-
Water exported to 3rd parties from raw water transport systems	6A.11	Ml/d	-
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	6A.12	Km	32.70

Water treatment – treatment type analysis	RAG4 reference	Surface water		Ground water	
		Water treated Ml/d	Number of works	Water treated Ml/d	Number of works
All simple disinfection works	6A.13	-	-	15.61	4
W1 works	6A.14	-	-	-	-
W2 works	6A.15	-	-	16.98	6
W3 works	6A.16	53.63	1	12.48	3
W4 works	6A.17	-	-	270.16	54
W5 works	6A.18	389.28	5	238.86	17
W6 works	6A.19	-	-	-	-

Water treatment – works size	RAG4 reference	% of total DI	Number of works
WTWs in size band 1	6A.20	2.3%	21
WTWs in size band 2	6A.21	5.0%	20
WTWs in size band 3	6A.22	9.8%	20
WTWs in size band 4	6A.23	10.2%	20
WTWs in size band 5	6A.24	16.4%	20
WTWs in size band 6	6A.25	9.6%	20
WTWs in size band 7	6A.26	5.6%	20
WTWs in size band 8	6A.27	41.0%	20

Water treatment – other information	RAG4 reference	Units	Input
Peak week production capacity ('PWPC')	6A.28	Ml/d	1,192.34
Total peak week production capacity ('PWPC') having enhancement expenditure for grey solution improvements to address raw water quality deterioration	6A.29	Ml/d	377.82
Total peak week production capacity ('PWPC') having enhancement expenditure for green solutions improvements to address raw water quality deterioration	6A.30	Ml/d	-
Total water treated at more than one type of works	6A.31	Ml/d	53.82
Number of treatment works requiring remedial action because of raw water deterioration	6A.32	Nr	27
Zonal population receiving water treated with orthophosphate	6A.33	000s	3,073.484
Average pumping head – water treatment	6A.34	m.hd	9.90
Energy consumption – water treatment (MWh)	6A.35	mWh	18,659.803
Total number of water treatment imports	6A.36	Nr	-
Water imported from 3rd parties to water treatment works	6A.37	Ml/d	-
Total number of water treatment exports	6A.38	Nr	-
Water exported to 3rd parties from water treatment works	6A.39	Ml/d	-

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 6 – Additional regulatory information – water network plus

continued

6B – Treated water distribution – assets and operations for the 12 months ended 31 March 2025

Assets and operations	RAG4 reference	Units	Input
Total installed power capacity of potable water pumping stations	6B.1	KW	50,837
Total volumetric capacity of service reservoirs	6B.2	Ml	1,545.3
Total volumetric capacity of water towers	6B.3	Ml	37.7
Water delivered (non-potable)	6B.4	Ml/d	0.80
Water delivered (potable)	6B.5	Ml/d	824.98
Water delivered (billed measured residential properties)	6B.6	Ml/d	370.08
Water delivered (billed measured business)	6B.7	Ml/d	150.84
Proportion of distribution input derived from impounding reservoirs	6B.8	Propn 0 to 1	0.004
Proportion of distribution input derived from pumped storage reservoirs	6B.9	Propn 0 to 1	0.078
Proportion of distribution input derived from river abstractions	6B.10	Propn 0 to 1	0.337
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge ('MAR') water supply schemes	6B.11	Propn 0 to 1	0.581
Proportion of distribution input derived from artificial recharge ('AR') water supply schemes	6B.12	Propn 0 to 1	-
Proportion of distribution input derived from aquifer storage and recovery ('ASR') water supply schemes	6B.13	Propn 0 to 1	-
Proportion of distribution input derived from saline abstractions	6B.14	Propn 0 to 1	-
Proportion of distribution input derived from water reuse schemes	6B.15	Propn 0 to 1	-
Total number of potable water pumping stations that pump into and within the treated water distribution system	6B.16	Nr	278
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	6B.17	Nr	86
Number of potable water pumping stations delivering surface water into the treated water distribution system	6B.18	Nr	1
Number of potable water pumping stations that re-pump water already within the treated water distribution system	6B.19	Nr	185
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	6B.20	Nr	6
Total number of service reservoirs	6B.21	Nr	108
Number of water towers	6B.22	Nr	44
Energy consumption – treated water distribution (MWh)	6B.23	MWh	147,087.357
Average pumping head – treated water distribution	6B.24	M.hd	78.07
Total number of treated water distribution imports	6B.25	Nr	13
Water imported from 3rd parties to treated water distribution systems	6B.26	Ml/d	59.77
Total number of treated water distribution exports	6B.27	Nr	81
Water exported to 3rd parties from treated water distribution systems	6B.28	Ml/d	14.85
Peak 7-day rolling average distribution input	6B.29	Ml/d	1,063.57
Peak 7-day rolling average distribution input/annual average distribution input	6B.30	%	112.11%

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

6B – Treated water distribution – assets and operations for the 12 months ended 31 March 2025

Water balance – company level	RAG4 reference	Units	Input
Measured household consumption (excluding supply pipe leakage)	6B.31	Ml/d	357.11
Unmeasured household consumption (excluding supply pipe leakage)	6B.32	Ml/d	257.02
Measured non-household consumption (excluding supply pipe leakage)	6B.33	Ml/d	150.18
Unmeasured non-household consumption (excluding supply pipe leakage)	6B.34	Ml/d	7.71
Total annual leakage	6B.35	Ml/d	148.14
Distribution system operational use	6B.36	Ml/d	0.46
Water taken unbilled	6B.37	Ml/d	22.58
Distribution input	6B.38	Ml/d	943.20
Distribution input (pre-MLE)	6B.39	Ml/d	948.65
Components of total leakage (post MLE) – company level			
Leakage upstream of DMA	6B.58	Ml/d	23.37
Distribution main losses	6B.59	Ml/d	94.39
Customer supply pipe losses – measured households excluding void properties	6B.60	Ml/d	12.97
Customer supply pipe losses – unmeasured households excluding void properties	6B.61	Ml/d	13.98
Customer supply pipe losses – measured non-households excluding void properties	6B.62	Ml/d	0.66
Customer supply pipe losses – unmeasured non-households excluding void properties	6B.63	Ml/d	0.28
Customer supply pipe losses – void measured households	6B.64	Ml/d	1.55
Customer supply pipe losses – void unmeasured households	6B.65	Ml/d	0.54
Customer supply pipe losses – void measured non-households	6B.66	Ml/d	0.35
Customer supply pipe losses – void unmeasured non-households	6B.67	Ml/d	0.06

Section 6 – Additional regulatory information – water network plus

continued

6C – Water network+ – Mains, communication pipes and other data for the 12 months ended 31 March 2025

	RAG4 reference	Units	Input
Treated water distribution – mains analysis			
Total length of potable mains as at 31 March	6C.1	Km	17,041.6
Total length of potable mains relined	6C.2	Km	-
Total length of potable mains renewed	6C.3	Km	3.5
Total length of new potable mains	6C.4	Km	47.3
Total length of potable water mains (≤320mm)	6C.5	Km	15,725.7
Total length of potable water mains (>320mm and ≤ 450mm)	6C.6	Km	628.9
Total length of potable water mains (>450mm and ≤610mm)	6C.7	Km	504.5
Total length of potable water mains (> 610mm)	6C.8	Km	182.4
Treated water distribution – mains age profile			
Total length of potable mains laid or structurally refurbished pre-1880	6C.9	Km	76.5
Total length of potable mains laid or structurally refurbished between 1881 and 1900	6C.10	Km	202.5
Total length of potable mains laid or structurally refurbished between 1901 and 1920	6C.11	Km	606.3
Total length of potable mains laid or structurally refurbished between 1921 and 1940	6C.12	Km	2,515.2
Total length of potable mains laid or structurally refurbished between 1941 and 1960	6C.13	Km	3,846.1
Total length of potable mains laid or structurally refurbished between 1961 and 1980	6C.14	Km	3,707.5
Total length of potable mains laid or structurally refurbished between 1981 and 2000	6C.15	Km	2,748.6
Total length of potable mains laid or structurally refurbished between 2001 and 2020	6C.16	Km	3,097.0
Total length of potable mains laid or structurally refurbished post 2021	6C.17	Km	241.9
Communication pipes			
Number of lead communication pipes	6C.18	Nr	310,145
Number of galvanised iron communication pipes	6C.19	Nr	245,812
Number of other communication pipes	6C.20	Nr	537,356
Number of lead communication pipes replaced or relined for water quality	6C.21	Nr	300
Other			
Company area	6C.22	Km²	4,515
Compliance Risk Index	6C.23	Nr	1.44
Event Risk Index	6C.24	Nr	-
Properties below reference level at end of year	6C.25	Nr	18,870

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

6D – Demand management – Metering and leakage activities for the 12 months ended 31 March 2025

	RAG4 reference	Units	Basic meter	AMR meter	AMI meter
Metering activities – Totex expenditure					
New optant meter installation for existing customers	6D.1	£m	-	2.297	-
New selective meter installation for existing customers	6D.2	£m	-	8.781	-
New business meter installation for existing customers	6D.3	£m	-	-	-
Residential meters renewed	6D.4	£m	-	1.681	-
Business meters renewed	6D.5	£m	-	0.214	-
Metering activities – Explanatory variables					
New optant meters installed for existing customers	6D.6	000s	-	3.962	-
New selective meters installed for existing customers	6D.7	000s	-	10.695	0.188
New business meters installed for existing customers	6D.8	000s	0.002	0.072	-
Residential meters renewed	6D.9	000s	-	12.826	20.183
Business meters renewed	6D.10	000s	0.030	1.635	-
Replacement of basic meters with smart meters for residential customers	6D.11	000s	-	10.364	8.681
Replacement of AMR meter with AMI meters for residential customers	6D.12	000s	-	-	11.502
Replacement of basic meters with smart meters for business customers	6D.13	000s	-	1.418	-
Replacement of AMR meters with AMI meters for business customers	6D.14	000s	-	-	-
New residential meters installed for existing customers – supply-demand balance benefit	6D.15	Ml/d	-	0.42	-
New business meters installed for existing customers – supply-demand balance benefit	6D.16	Ml/d	-	-	-
Replacement of basic meters with smart meters for residential customers – supply-demand balance benefit	6D.17	Ml/d	-	{0.23}	-
Replacement of AMR meters with AMI meters for residential customers – supply-demand balance benefit	6D.18	Ml/d	-	-	-
Replacement of basic meters with smart meters for business customers – supply-demand balance benefit	6D.19	Ml/d	-	{0.42}	-
Replacement of AMR meters with AMI meters for business customers– supply-demand balance benefit	6D.20	Ml/d	-	-	-
Residential properties – meter penetration	6D.21	%	38.7	34.3	1.3

	RAG4 reference	Units	Maintaining leakage	Reducing leakage	Total
Leakage activities					
Total leakage activity	6D.22	£m	31.626	13.975	45.601
Leakage improvements delivering benefits in 2020–25	6D.23	Ml/d	-	-	5.40

	RAG4 reference	Units	Total
Per capita consumption (excluding supply pipe leakage)			
Per capita consumption (measured)	6D.24	l/h/d	134.24
Per capita consumption (unmeasured)	6D.25	l/h/d	193.07

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 6 – Additional regulatory information – water network plus

continued

Total Leakage activity

We have amended our methodology for reporting total leakage activity costs to align with the PR24 business plan table guidance for line CW19.1.

In Line CW19.1 we were requested to report all capex and opex expenditure related to the 'PALM' categories including indirect costs, mains renewal costs and the mend costs. This results in a figure of £45,601m for 2024-25 which is in line with our PR24 forecast where we forecasted a total expenditure of £44,886m.

We have assigned 69% of these costs to maintaining leakage based on our assessment of breakout. The remaining 31% of the costs have been assigned to reducing leakage.

6F – WRMP annual reporting on delivery – non-leakage activities

Activity – Classification	Delivery year (in use)	2020/21	2021/22	2022/23	2023/24	2024/25	After 2024/25
Capital expenditure							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	0.121	0.095	0.092	1.145	0.480
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	–	–	–	–	–	–
Sundon conditioning plant – Supply-side improvements delivering benefits from 2026	2024/25	0.426	4.514	3.650	8.480	2.452	–
Customer-side demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	1.641	5.191	5.471	6.045	4.348	–
Total		2.067	9.826	9.216	14.617	7.944	0.480
Opex costs							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	–	–	–	–	0.272
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	–	–	–	–	–	–
Sundon – Supply-side improvements delivering benefits from 2026	2024/25	–	–	–	–	–	2.442
Customer side-demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	0.024	1.045	1.420	1.407	1.663	–
Total		0.024	1.045	1.420	1.407	1.663	2.714
Benefits							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	–	–	–	–	17.000
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	0.07	0.07	0.07	0.07	0.07	0.07
Sundon – Supply-side improvements delivering benefits in 2020–2025	2024/25	–	–	–	–	41.00	41.00
Customer-side demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	0.56	21.72	47.35	87.63	113.75	113.75
Total		0.63	21.79	47.42	87.70	154.82	171.82

Activity – Classification	Delivery use (in year)	Length (km)	Diameter (mm)	Pipe material	Pumping capacity installed (kW)	Storage capacity installed (m3)
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	-	-	-	747	-

More details can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications, with a high level summary included as follows.

Internal interconnectors delivering benefits in 2020–2025

We have one scheme, AFF-CTR-WRZ4-4001: Egham to Iver, which is captured under this category. This is for the installation of a new booster pump to enable an additional 17Ml/d to be transferred from our Wey community to Pinn community.

[6F.1] Variance with table 4L - Within table 4L Egham to Iver scheme is included under 'Supply demand balance improvements delivering benefits starting from 2026' (Water treatment distribution) as this is where spend has been allocated. As this is not a supply demand benefits scheme, we have retained reporting it in table 6F under internal interconnectors.

Supply-side improvements delivering benefits in 2020–2025

We have one scheme that falls within this category. AFF-RTR-WRZ7-0639: Deal Continuation After 2020: This is the continuation of an existing bulk transfer agreement. The transfer agreement only entitles us to use it under emergency conditions and therefore is not forecasted within our opex budget. There is no new infrastructure required so there are no capex costs associated with the scheme. The benefits have been included for all years at 0.07Ml/d as per the terms of the agreement.

Supply-side improvements delivering benefits starting from 2026

Sundon conditioning plant (Sundon Reservoir) is the work required to upgrade the existing conditioning plant at Sundon, with the upgraded plant scheduled to become operational in 2024/25. The delivery of this project will remove water quality constraints that currently prevent the full use of our bulk import from Anglian Water into WRZ3 (Lee) enabling us to increase our utilisation of the Anglian Water Grafham bulk supply up to its full 91Ml/d capacity (pre climate change impact), which is currently capped at 50Ml/d.

[6F.3] Alignment with table 4L - Sundon was originally allowed funding under the original PR19 code 'long term enhancement', which no longer exists. The equivalent code is now 'Supply Demand balance improvements delivering benefits starting from 2026', and is reported here in 4L. The Capex figures listed in Table 4L include Overhead and IT Share.

Demand-side improvements delivering benefits in 2020–25 (excluding leakage and metering)

We have worked continuously to reduce overall demand throughout the year via water efficiency device installation and innovative behavioural change campaigns.

We have developed water sector, national and community partnerships to support the delivery of our challenging demand reduction target. These partnerships have allowed us to target our demand reduction campaigns, intervention and support to specific communities and geographies.

Within 6F demand management spend is included under capex as this is how it is funded, however for statutory purposes a proportion of the spend has to be treated as opex in 4L. For consistency we have continued to report this as capex in 6F.

Schemes not included in Table 6F

During 2024/25, there were no new schemes not included in 6F.

Section 9 – Additional regulatory information – innovation competition

9A – Innovation competition

	RAG4 reference	Current year £m
Allowed		
Allocated innovation competition fund price control revenue	9A.1	1.209
Revenue collected for the purposes of the innovation competition		
Allowed innovation fund income from customers	9A.2	1.209
Collected income from customers to fund innovation projects the company is leading on	9A.3	-
Income from customers as part of the inflation top-up mechanism	9A.4	-
Income awarded to fund innovation projects the company is leading on	9A.5	-
Income from customers that is transferred to other companies [via the MOSL arrangements] as part of the innovation fund	9A.6	-
Non-price control revenue [e.g. royalties, assets sold that were purchased using innovation funding]	9A.7	-
Administration		
Administration charge for innovation partner	9A.8	0.053

	RAG4 reference	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year [excl. 10% partnership contribution]	Actual expenditure on innovation fund projects in year [excl. 10% partnership contribution]	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects [excl. 10% partnership contribution]
Water neutrality at NAV sites	9A.9	3.490	-	-	0.369	0.369	3.490
Smarter tanks	9A.10	0.095	-	-	-	-	0.086
Project Seagrass	9A.11	0.250	-	-	-	-	0.250
Total	9A.24	3.835	-	-	0.369	0.369	3.826

	RAG4 reference	Cumulative actual expenditure on innovation fund projects [excl. 10% partnership contribution]	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects	In-year expenditure on innovation projects funded by shareholders of the lead water company	In-year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by project partner contribution	Total remaining funds [unspent] for completed projects
Water neutrality at NAV sites	9A.9	1.220	[2.270]	-	0.041	-	0.136	-	N/A
Smarter tanks	9A.10	0.086	-	-	-	-	0.009	-	0.009
Project Seagrass	9A.11	0.250	-	-	-	-	0.028	-	-
Total	9A.24	1.556	[2.270]	-	0.041	-	0.173	-	0.009

As at 31 March 2025, three awards had been granted under the innovation competition scheme with £3,826,000 awarded to fund the projects. Actual expenditure of £1,556,000 had been incurred on projects funded through the scheme to date. Funds received under the scheme are allocated to separate general ledger codes and held as payments received in advance until funds are spent. Funds are only spent on innovation projects as allocated and are not used to fund business-as-usual activities.

The cash received related to the innovation fund and not spent to date (£2,270,000) is included within the appointed cash and cash equivalents total of £166,178,000 in table 1C row 1C.11. £0.369m costs relating to bids awarded prior to 1 April 2024. There were no new bids awarded during the year to 31 March 2025. Any bids awarded after 31 March 2025 will be included in subsequent APRs.

Section 10 – Additional regulatory information – infrastructure delivery projects

10F – Additional reporting to account for impacts of the accelerated infrastructure delivery projects for the 12 months ended 31 March 2025

From Table 6C	RAG4 reference	Main table reference	Unit	Input
Total length of new potable mains	10F.1	6C.4	Km	-
Number of lead communication pipes replaced for water quality	10F.2	6C.21	Nr	-

From Table 6D	RAG4 reference	Main table reference	Units	Basic meter	AMR meter	AMI meter
Metering activities – Totex expenditure						
New selective meter installation for existing customers	10F.3	6D.2	£m			4.698
New business meter installation for existing customers	10F.4	6D.3	£m			-
Residential meters renewed	10F.5	6D.4	£m			-
Business meters renewed	10F.6	6D.5	£m			-
Metering activities – Explanatory variables						
New selective meters installed for existing customers	10F.7	6D.7	000s			0.188
New business meters installed for existing customers	10F.8	6D.8	000s			-
Residential meters renewed	10F.9	6D.9	000s			20.183
Business meters renewed	10F.10	6D.10	000s			-
Replacement of basic meters with smart meters for residential customers	10F.11	6D.11	000s		-	8.681
Replacement of AMR meters with AMI meters for residential customers	10F.12	6D.12	000s			11.502
Replacement of basic meters with smart meters for business customers	10F.13	6D.13	000s		-	-
Replacement of AMR meters with AMI meters for business customers	10F.14	6D.14	000s			-
New residential meters installed for existing customers – supply-demand balance benefit	10F.15	6D.15	Ml/d			-
New business meters installed for existing customers – supply-demand balance benefit	10F.16	6D.16	Ml/d			-
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	10F.17	6D.17	Ml/d		-	-
Replacement of AMR meter with AMI meters for residential customers – supply-demand balance benefit	10F.18	6D.18	Ml/d			-
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	10F.19	6D.19	Ml/d		-	-
Replacement of AMR meter with AMI meters for business customers – supply-demand balance benefit	10F.20	6D.20	Ml/d			-
Metering activities - impact on PCC and leakage performance						
Per capita consumption reduction	10F.21		l/h/d		-	
Leakage reduction	10F.22		Ml/d		-	
Leakage activities						
Leakage improvements delivering benefits in 2020-25	10F.23	6D.23	Ml/d	5.40		

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 10 – Additional regulatory information – Infrastructure delivery projects

continued

10G – Additional reporting to account for impacts of transition expenditure for the 12 months ended 31 March 2025

From Table 6C	RAG4 reference	Main table reference	Unit	Input
Total length of new potable mains	10G.1	6C.4	Km	-
Number of lead communication pipes replaced for water quality	10G.2	6C.21	Nr	-

From Table 6D	RAG4 reference	Main table reference	Units	Basic meter	AMR meter	AMI meter
Metering activities – Totex expenditure						
New selective meter installation for existing customers	10G.3	6D.2	£m			-
New business meter installation for existing customers	10G.4	6D.3	£m			-
Residential meters renewed	10G.5	6D.4	£m			-
Business meters renewed	10G.6	6D.5	£m			-
Metering activities - Explanatory variables						
New selective meters installed for existing customers	10G.7	6D.7	000s			0.188
New business meters installed for existing customers	10G.8	6D.8	000s			-
Residential meters renewed	10G.9	6D.9	000s			20.183
Business meters renewed	10G.10	6D.10	000s			-
Replacement of basic meters with smart meters for residential customers	10G.11	6D.11	000s		-	8.681
Replacement of AMR meters with AMI meters for residential customers	10G.12	6D.12	000s			11.502
Replacement of basic meters with smart meters for business customers	10G.13	6D.13	000s		-	-
Replacement of AMR meters with AMI meters for business customers	10G.14	6D.14	000s			-
New residential meters installed for existing customers – supply-demand balance benefit	10G.15	6D.15	Ml/d			-
New business meters installed for existing customers – supply-demand balance benefit	10G.16	6D.16	Ml/d			-
Replacement of basic meters with smart meters for residential customers – supply-demand balance benefit	10G.17	6D.17	Ml/d		-	-
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	10G.18	6D.18	Ml/d			-
Replacement of basic meters with smart meters for business customers – supply-demand balance benefit	10G.19	6D.19	Ml/d		-	-
Replacement of AMR meters with AMI meters for business customers– supply-demand balance benefit	10G.20	6D.20	Ml/d			-
Metering activities - impact on PCC and leakage performance						
Per capita consumption reduction	10G.21		l/h/d	-		
Leakage reduction	10G.22		Ml/d	-		
Leakage activities						
Leakage improvements delivering benefits in 2020-25	10G.23	6D.23	Ml/d	-		
Other additional items not included in the lines above						
AMP8 Programme Readiness	10G.38		£m	1.557		
Connect 2050 Design	10G.39		£m	3.267		

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

10H – Accelerated schemes data capture reconciliation model input for the 12 months ended 31 March 2025

Scheme 7	Total allowance £m
Smart metering	9.00

						2023-24		2024-25	
	Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete
Component 1	PR19 delivery AMR meters – unmeasured properties	10G.89	Nr	0	42,000	44,931	107.0%	14,729	35.1%
Component 2	PR19 delivery basic to AMR meter upgrades	10G.90	Nr	0	11,000	15,465	140.6%	11,782	107.1%
Component 3	Acceleration new AMI smart meters installed	10G.91	Nr	0	4,000	-	0.0%	188	4.7%
Component 4	Acceleration AMI for basic replacements	10G.92	Nr	0	16,000	-	0.0%	20,183	126.1%
Component 5	Baseline basic meters	10G.93	Nr	0	585,286	587,998	100.5%	581,221	99.3%
Component 6	Baseline AMR meters	10G.94	Nr	0	553,663	533,688	96.4%	554,895	100.2%
Component 7	Per capita consumption	10G.95	l/h/d [cum.]	2	0.85	-	0.0%	-	0.0%
Component 8	Leakage	10G.96	Ml/d [cum.]	2	0.07	-	0.0%	-	0.0%

Scheme 8	Total allowance £m
Broome [NO3]	0.40

						2023-24		2024-25	
	Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete
Component 1	Completion of planning permission, detailed design and delivery contracts	10G.97	%	0	100%	63%	63.0%	80%	80.0%

Scheme 9	Total allowance £m
Kingsdown [NO3]	0.40

						2023-24		2024-25	
	Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	Component level to date	Percentage complete
Component 1	Completion of planning permission, detailed design and delivery contracts	10G.98	%	0	100%	63%	63.0%	98%	98.0%

Section 10 – Additional regulatory information – Infrastructure delivery projects continued

Scheme 17									Total allowance £m
Holywell (PFOS)									0.25
	Name	RAG4 reference	Unit	Decimal places	Component level at completion	2023-24		2024-25	
						Component level to date	Percentage complete	Component level to date	Percentage complete
Component 1	Adsorbers (each of 18m³ minimum volume) receiving regenerated or virgin GAC media	10G.99	Nr [cum.]	0	12	3	25.0%	7	58.3%
Component 2	PFOS removal maximum output capability	10G.100	ML/d	2	20.46	5.12	25.0%	11.94	58.3%

Scheme 18									Total allowance £m
Stortford WQ (NO3)									1.94
	Name	RAG4 reference	Unit	Decimal places	Component level at completion	2023-24		2024-25	
						Component level to date	Percentage complete	Component level to date	Percentage complete
Component 1	Annual average deployable output with nitrate and resilience solutions	10G.101	ML/d	2	2.69	0	0.0%	2.69	100.0%
Component 2	Operational availability of blending controls at 3 pumping stations	10G.102	Nr	0	3	0	0.0%	2	66.7%
Component 3	Operational availability of 250mm HPPE main	10G.103	Km	0	2	2	105.0%	2	100.0%
Component 4	Operational availability of emergency booster operation from Forest Hall Booster	10G.104	Nr	0	1	0	0.0%	1	100.0%
Component 5	Domestic properties receiving an improved security of supply	10G.105	Nr	0	4,846	0	0.0%	4,846	100.0%

More details on these metrics can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications.

Section 11 – Additional regulatory information – greenhouse gas emissions

11A – Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2025

	RAG4 reference	Water (tCO ₂ e)
Scope one emissions		
Burning of fossil fuels (location-based)	11A.1	1,172.327
Process and fugitive emissions	11A.2	2,022.426
Vehicle transport	11A.3	2,049.642
Emissions from land	11A.4	-
Total scope one emissions (location-based)	11A.5	5,244.395
Scope one emissions; Greenhouse Gas ('GHG') type CO ₂	11A.6	3,188.216
Scope one emissions; GHG type CH ₄	11A.7	1.578
Scope one emissions; GHG type N ₂ O	11A.8	2,046.449
Scope one emissions; GHG other types	11A.9	8.152
Scope two emissions		
Purchased electricity (location-based)	11A.10	45,847.360
Purchased electricity (market-based)	11A.11	82,593.892
Purchased heat	11A.12	-
Electric vehicles	11A.13	4.336
Removal of electricity to charge electric vehicles at site	11A.14	-
Total scope two emissions (location-based)	11A.15	45,851.696
Total scope two emissions (market-based)	11A.16	82,598.228
Scope two emissions; GHG type CO ₂	11A.17	45,382.218
Scope two emissions; GHG type CH ₄	11A.18	199.307
Scope two emissions; GHG type N ₂ O	11A.19	270.172
Scope two emissions; GHG other types	11A.20	-
Scope three emissions		
Business travel	11A.21	190.550
Outsourced activities	11A.22	17.200
Purchased electricity; extraction, production, transmission and distribution – location-based	11A.23	15,094.973
Purchased heat; extraction, production, transmission and distribution	11A.24	-
Purchased fuels; extraction, production, transmission and distribution	11A.25	723.505
Chemicals	11A.26	10,172.253
Disposal of waste	11A.27	-
Total scope three emissions (location-based)	11A.28	26,198.481
Scope three emissions; GHG type CO ₂	11A.29	4,199.124
Scope three emissions; GHG type CH ₄	11A.30	17.983
Scope three emissions; GHG type N ₂ O	11A.31	25.636
Scope three emissions; GHG other types	11A.32	-
Gross operational emissions (Scope 1,2 and 3)		
Gross operational emissions (location-based)	11A.33	77,294.572
Gross operational emissions (market-based)	11A.34	82,598.228
Emissions reductions		
Exported renewables	11A.35	-
Exported biomethane	11A.36	-
Insets	11A.37	-
Other emissions reductions	11A.38	-
Total emissions reductions	11A.39	-
Emissions reductions		
Green tariff electricity	11A.40	-
Net annual emissions		
Net annual emissions (location-based)	11A.41	77,294.572
GHG intensity ratios		
Emissions per Ml of treated water	11A.42	223.230
Emissions per Ml of sewage treated	11A.43	-

Section 11 –
Additional regulatory information –
greenhouse gas emissions

continued

Capital projects		
Capital projects (cradle-to-gate)	11A.44	-
Capital projects (cradle-to-build)	11A.45	9,478.000
Purchased goods and services	11A.46	48,948.000

More details on our greenhouse gas emissions can be found in our non-financial line commentary published on our website at affinitywater.co.uk/reports-publications, including the strengths, weaknesses, opportunities and threats ('SWOT') analysis, traffic light rating and an explanatory statement of our approach to reducing greenhouse gas ('GHG') emissions.

Non-audited additional
regulatory information

Transactions with Associated Companies

Service received	Company	Turnover of associate £m	Terms of supply	Value £m
Interest paid on loan	Affinity Water Capital Funds Limited*	-	Market rate at time of loan inception	0.165
Interest paid on loan	Affinity Water Finance (2004) PLC*	-	At market rate, on-lent by associate on the same terms	13.211
Interest paid on loan	Affinity Water Finance PLC*	-	At market rate, on-lent by associate on the same terms	49.617

Service provided	Company	Turnover of associate £m	Terms of supply	Value £m
Support services	Affinity Water Capital Funds Limited*	-	No market – services charged at a fixed annual fee based on actual cost or recharged by time allocation	0.188

* these companies do not have turnover

The company has applied a materiality threshold of £100,000 for disclosing transactions with individual related parties. No contracts individually exceeded this threshold.

In 2004, Affinity Water Limited borrowed £200,000,000 from its wholly owned subsidiary, Affinity Water Finance (2004) PLC, using the proceeds from the latter's £200,000,000 Class A bonds issued that year, maturing in July 2026 with an annual coupon of 5.875%. This loan was lent on the same terms. On 16 July 2014, Affinity Water Finance (2004) PLC completed a tap issue of £50,000,000 on the same terms as the original bond.

On 3 March 2025, Affinity Water Finance (2004) PLC initiated a successful tender offer to repurchase part of the £250,000,000 fixed-rate bond maturing in July 2026, settling the offer on 13 March 2025. As a result, £147,324,000 of the repurchased bonds were cancelled.

The net proceeds from both the original bond issue and the tap issue have been lent to Affinity Water Limited on the same terms. At year-end, net of amortised debt issuance costs, the outstanding amount was £103,032,000 (2024: £251,395,000).

As part of the Whole Business Securitisation ('WBS') in February 2013, all existing loans and revolving

credit facilities, except for the above £250,000,000 initial bond, were replaced by the following four new bonds issued on 4 February 2013 by the company's former subsidiary, Affinity Water Programme Finance Limited: £80,000,000 Class A Guaranteed Notes maturing in September 2022 with a coupon of 3.625%, £250,000,000 Class A Guaranteed Notes maturing in March 2036 with a coupon of 4.500%, £150,000,000 Class A Guaranteed RPI-linked Notes maturing in June 2045 with a coupon of 1.548% and £95,000,000 Class B Guaranteed RPI-linked Notes maturing in June 2033 with a coupon of 3.249%.

On 29 October 2015, Affinity Water Programme Finance Limited completed a tap issue of £40,000,000 on the same terms as its existing £150,000,000 Class A Guaranteed RPI-linked Notes.

On 19 February 2016, Affinity Water Programme Finance Limited issued £10,000,000 Class B guaranteed RPI-linked Notes maturing in June 2033 with a coupon rate of 1.024%.

On 22 August 2016, Affinity Water Programme Finance Limited exchanged £65,800,000 of its 3.625% Guaranteed Notes due 2022 for a new issue of 3.278% Guaranteed Notes due 2042. An additional £19,200,000 of 3.278% Guaranteed Notes due 2042 were issued at the same time.

On 22 November 2017, Affinity Water Programme Finance Limited issued £60,000,000 Class A Guaranteed Notes maturing in November 2033 with a coupon of 2.699% and £60,000,000 Class A Guaranteed CPI-linked Notes maturing in November 2042 with a coupon of 0.230%.

On 22 January 2019, the assets and liabilities of Affinity Water Programme Finance Limited were transferred to the company's subsidiary Affinity Water Finance PLC.

On 20 October 2021, Affinity Water Finance PLC issued £130,000,000 Class A Guaranteed CPI-linked Notes maturing in September 2038 with a coupon rate of 0.010%.

On 5 March 2025, Affinity Water Finance PLC issued a £350,000,000 Class A Green Bond maturing in September 2040 with a coupon rate of 6.250%.

The £14,204,000 Class A Guaranteed Notes with a coupon of 3.625% matured in September 2022. The Company repaid this amount in full to Affinity Water Finance PLC in September 2022.

The net proceeds of the bond issues and the tap issue have been lent to the company on the same terms.

The amount outstanding at year-end, net of amortised debt issuance costs, was £1,470,305,000 (2024: £1,104,506,000).

Non-audited additional regulatory information

continued

On 4 February 2013, the company borrowed an amount of £3,550,000 from Affinity Water Capital Funds Limited, the company's intermediate parent company. The final repayment date of this loan is 31 March 2036, with interest terms having been set at 4.500%.

There are no loans to group companies.

Dividend policy

Our dividend policy was approved by the Board and became effective from 1 April 2025, incorporating updates to align with the new licence wording regarding dividends. These changes reflect our continued commitment to balancing the interests of shareholders, customers, and stakeholders, while maintaining the financial resilience of the company.

Our dividend policy is available at: affinitywater.co.uk/corporate/governance-assurance

The dividend policy of Affinity Water Limited is to consider and, if appropriate, pay a dividend commensurate with appropriate long-term returns and aligned with business performance, providing shareholders with an appropriate return from their investment in the company, whilst not impairing the company's financial resilience, taking into account current and future investment needs and commitments to its stakeholders and customers. In determining the level of dividend, the financial performance of the appointed and non-appointed businesses are considered separately.

Key Principles

Financial Performance

Dividends will be considered in light of the company's performance, both for the appointed and non-appointed businesses, which are assessed separately.

Base Dividend

For the appointed business, the base dividend will be determined based on the company's business plan, with an annual yield on equity not exceeding

4%, averaged over the AMP period. This base may be adjusted depending on the company's actual financial performance.

Performance-Based Adjustments

The Board will assess the company's operational and financial performance, including:

- Customer service levels and delivery of performance commitments.
- Operational commitments and sustainability objectives.
- Employee welfare and pension plan health.
- Delivery against AMP7 Final Determinations, including performance commitments and associated Outcome Delivery Incentives (ODIs), as well as any ODI penalties or rewards earned.

Investment and Resilience

Dividends will be adjusted based on the company's financial resilience, including liquidity, distributable profits, cash facilities, and key financial ratios. The Board will also ensure that any dividend payments do not compromise the company's ability to invest in necessary infrastructure and improvements, particularly those related to resilience and environmental protection.

Regulatory and Legal Compliance

All proposed dividend payments will be tested against applicable legal and regulatory requirements, including compliance with financial covenants and the management of economic risks.

Dividend Restrictions in AMP7

Throughout AMP7, Affinity Water Limited has made a conscious decision to restrict dividends to enable substantial investments to enhance the company's resilience and protect the environment. As a result, no equity dividends were paid in 2023/24 or 2024/25. This reflects

our shareholders' commitment to reinvesting all planned returns from both the appointed and non-appointed businesses (the part of our business not regulated by Ofwat) for the benefit of our customers.

This policy will be reviewed periodically to ensure it remains aligned with the company's strategy, regulatory obligations, and the evolving needs of our customers and stakeholders.

Viability statement

The Board's consideration of the company's longer-term viability and prospects is an extension of our business planning process. This includes financial budgeting and forecasting, and a robust risk management process. Our strategy aims to enhance our long-term prospects by making sure that our operations and finances are sustainable. The directors have assessed the company's long-term prospects in the context of our WRMP, which sets out our plan to secure the long-term provision of resilient and sustainable water supplies for customers from 2025 to 2075. The results of financial modelling presented to the Board over this period to enable the assessment of the company's long-term prospects reflect the expected level of investment implied by this plan and recovery of this investment from customers.

The directors have assessed the company's financial viability over a shorter ten-year period to 31 March 2035 (the 'lookout period'). The Company's viability statement, including information on the company's approach to producing this statement, can be found within the Strategic Report on pages 57 to 61 of our Annual Report and Financial Statements 2024/25. The sensitivities used in stress-testing the base case cash flow forecast were in some instances more severe than the sensitivities specified by Ofwat to be used in stress-testing AMP7 business plans.

Stress-testing was performed on a Board-approved base case cash flow forecast prepared by management. The base case reflects the difficult and uncertain economic environment we continue to operate in and has taken into account the impact of inflation, interest rates, supply-chain cost pressures, the energy-price crisis and the cost-of-living crisis, and has also reprofiled capital expenditure from projects.

The Audit, Risk and Assurance Committee considered and provided input into the determination of which of the company's principal risks and combinations thereof might have an impact on the company's financial viability, and reviewed the results of management's stress testing of the company's base cash flow forecasts. The results of management's stress-testing and the viability statement were reviewed by the Board in approving the Strategic Report.

To address previous feedback from Ofwat, we continue to include cross

references in the viability statement linking key risks to further details provided in our Strategic Report on operational activities. The viability statement also includes mitigating actions the company might put in place for the scenarios in the stress-testing. We also conclude that our higher levels of gearing do not impact our viability. Our stress test scenarios show sufficient headroom in all years when the appropriate mitigating actions are taken. In the absence of mitigating actions, a trigger or default event could occur in a number of scenarios. The compounding impacts of a challenging PR19 Final Determination, Covid-19, energy prices and inflation have significantly reduced our ability to absorb further cost shocks under the stress test scenarios, however, there are a number of actions management would implement in the event of a downside scenario, primarily working capital management, restriction of dividends, operating cost reduction plans and

additional inflation-linked swaps. Under an ICR Trigger Event, the company would be subject to certain constraints such as restrictions on dividends and restriction on debt buybacks. However, the directors are satisfied that an ICR Trigger Event would not fundamentally constrain the company's ability to carry out its business, particularly after considering the company's strong cash position meaning that the company has no further funding requirement in AMP7.

PricewaterhouseCoopers ('PwC') did not include any matters in its independent Auditors' report on pages 166 to 173 of our Annual Report and Financial Statements 2024/25 in relation to viability or going concern. The Board has signed the Board statement on the completeness and accuracy of information confirming it is satisfied the data and assumptions made are accurate and complete.

Current tax reconciliations

The appointed current tax charge assessed for the period is lower than the standard rate of corporation tax in the UK of 25% for the year ended 31 March 2025. The differences are explained below:

	£m
Loss on appointed activities before tax and fair value movements	(35.091)
Tax calculated at the standard rate of tax in the UK of 25%	(8.773)
Tax effects of:	
– Adjustments in respect of prior years	-
– Expenses not deductible for tax purposes	0.508
– Accelerated capital allowances	5.401
– Other timing differences – pension	(0.722)
– Other timing differences – grants and contributions	(1.130)
– Fair value movements	3.040
– Unrelieved losses carried forwards	-
Appointed current tax charge	(1.676)

There were no amounts paid or transferred for the use of group relief assets.

Non-audited additional regulatory information

continued

Significant variations between the appointed current tax charge and the total current tax charge for the year ended 31 March 2025 allowed in the company’s price limits are explained below:

	£m
Appointed current tax charge	(1.676)
Variance in profit before tax excluding fair value movements	9.491
Variance in fair value movements	(3.040)
Adjustments in respect of prior years	-
Variance in assumptions – capital allowances	(9.901)
Other timing differences – pensions	0.537
Other timing differences – grants and contributions	1.793
Variance due to increase in tax rate	0
Variance due to losses carried forwards	3.255
Other	(0.458)
Total current tax charge allowed in price limits	-

The loss before tax for 2024/25 has materially changed compared to the PR19 model resulting in a substantial variance in the capital allowances claimed. The capital allowances are disclaimed to restrict the carried forward tax losses for the year to a nil amount.

Factors affecting future tax charges

The UK corporation tax rate increased from 19% to 25%, effective 1 April 2023, and this change was substantively enacted on 24 May 2021. Deferred tax has been calculated using these rates, reflecting the anticipated timing of the reversal of the related timing differences [2024: 25%].

Tax strategy related to the appointed business

Our approach to tax is based on the values incorporated in the updated Affinity Water Limited Code of Ethics:

At Affinity Water, we pay our way. We are committed to being a responsible and transparent taxpayer. We do not engage in tax evasion. We follow all relevant laws and regulations.

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures. We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities. Any available tax reliefs and incentives are only used in accordance with permissible rules and law.

Trust is hard won but easily lost. That’s why we must always act with fairness and integrity. That simply means behaving in a way you’re proud of – whether you think people will find out or not.

We must never accept or offer anything that could be considered a bribe or turn a blind eye to the actions of others. We are committed to implementing and enforcing effective systems – and to ensuring that we all take clear steps – to prevent bribery and any other form of corruption in our business.

We ensure any gifts and hospitality offered or received are reasonable and appropriate. They must never improperly influence our decisions or impartiality. Any gifts and hospitality we offer or receive must be appropriate and reasonable in terms of value, frequency, nature, and timing.

We are open, honest, and collaborative with our regulators and share transparently all information which should be in the public domain.

Any concerns at work can be reported confidentially on our whistleblowing service, Luminate. It’s a secure, independent service. Everyone is empowered to report misconduct or behaviour which breaches Company standards.

Approach to risk management and governance

Tax strategy is part of our overall risk management and governance framework, which is overseen by the Audit, Risk and Assurance Committee and the Board.

Adam Stephens, the Chief Financial Officer (‘CFO’), is ultimately responsible for tax strategy. Responsibility for day-to-day tax matters, and for reporting to the Audit, Risk and Assurance Committee and the Board on the Group’s tax position, is delegated to the Group Tax Manager.

The CFO meets with the Group Tax Manager, Head of Corporate Finance and Group Financial Controller regularly, to discuss current business issues and forthcoming significant transactions. These meetings ensure that the Group Tax Manager is involved in one-off transactions at an early stage and has time to identify tax risks and assess their potential impact on the business.

The CFO, Group Tax Manager and Head of Corporate Finance review the Group’s tax risks every other month. We maintain a risk register, which documents potential impact on the business and controls in place to minimise risk. Key risks are reported to the executive team and Board at least half yearly and this includes tax risks where necessary.

We consider our main tax risk to be the introduction of new legislation or changes in tax practice, which could result in increased tax payments that have not been included in the current regulatory settlement for Affinity Water Limited’s appointed business.

Attitude to tax planning

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures. We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities, and we always comply with what we understand to be both the letter and the spirit of the law. All profits are reported and taxed in the country in which there is economic substance. We operate solely in the UK, and all of our customers are based here. No funds are held off-shore, and all finance is raised and held within the UK. All our profits are reported and taxed in the UK.

Whilst we do not interpret tax legislation aggressively, we have an obligation to minimise our tax liability so that our customers are not funding excessive and unnecessary charges through increased bills. We are able to reduce our Corporation Tax charge by making beneficial claims and elections, such as those available for investment in research and development activities, reflecting the scale of our investment in assets vital to securing the ongoing delivery of an essential service to our customers and communities.

The tax implications of significant transactions are initially assessed by the Group Tax Manager, with assistance from external advisors when necessary. We seek external advice in order to reduce uncertainty and to ensure that our interpretation of current tax law and practice is correct.

Level of acceptable risk in relation to UK tax

Our approach to tax risk is part of our wider risk management framework, in the context of our regulatory settlement.

The level of acceptable UK tax risk is not rigidly defined, however, the Group generally seeks to reduce tax risk. Uncertainties over the interpretation of tax law are resolved as far as possible by seeking advice from external experts, our industry group or HMRC.

Dealing with HMRC

We have an open relationship with HMRC, and we advise them of any complex issues so that we can work with them to determine the correct amount of tax due. Whenever possible, we agree the tax treatment with HMRC before the tax returns are submitted. If this is not possible, we draw HMRC’s attention to complex issues at the time of submitting the tax returns.

We actively engage with HMRC and other relevant authorities on proposed changes to tax legislation by responding to public consultations and attending engagement meetings for businesses. This is done either directly or as part of our industry group.

It is rare for us to disagree with HMRC over the interpretation of tax law, however, when disagreements occur, they are resolved through discussion rather than litigation.

Assurance

The data presented in this regulatory Annual Performance Report has been subject to the company’s governance, risk management and internal control framework as set out in the governance section of the Annual Report and Financial Statements on page 95 onwards of our Annual Report and Financial Statements 2024/25.

For further information on our assurance procedures and results, please refer to our Assurance Plan for AMP7, which is published on our website: affinitywater.co.uk.



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