Affinity Water

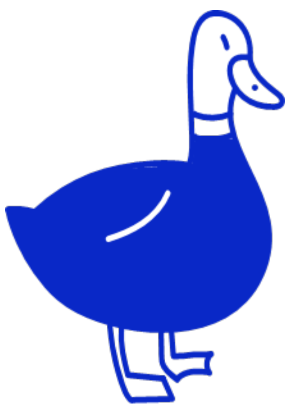
Interim Investor Report

Affinity Water Limited ('Affinity Water')

Six Month period ended 30 September 2023

Published 29 December 2023

Table of Contents



AffinityWater
Taking care of your water

Affinity Water at a glance

We are a 'Water Only' company. That means we supply clean water to our customers, but we do not manage or process wastewater or sewage.

In fact, we are the largest Water Only company. We own and manage the water assets and network in an area of approximately 4,500km2 across three supply regions in the South East of England. We have been supplying water to the local community for more than 170 years

Our Vision

Our vision is to be the UK's leading community-focused water company.

Our Purpose

We supply high quality drinking water and take care of our environment, for our communities now and in the future.

948Ml/d
Daily amount of drinking water supplied
(FY22: 936Ml/d)

3.89m
Customers served
(FY22: 3.86m)

1.49m
Household properties connected
(FY22: 1.48m)

16,900km
Length of mains network
(FY22: 16,800km)

1,460
Number of employees (excluding directors)
(FY22: 1,407)

91
Number of water treatment works
(FY22: 91)

We are

Stewards of the local environment

Our aspiration

- To provide a long-term sustainable supply of water through reducing leakage, reducing demand and bringing online new sources of water

- To take care of the environment through ending unsustainable abstraction from chalk groundwater sources, working with our communities to restore rivers and improve biodiversity in our supply area.

- Achieve Net Zero carbon from operations by 2030

Helping customers use water better

Our aspiration

- We aim to reduce individual daily water use by 12.5% by 2025 through metering and inspiring our customers to use less through our award winning 'Save Our Streams' campaign

- We'll continue to work with government, regulators and across sectors to campaign for the changes we need to make saving water simpler

Giving customers an exceptional experience

Our aspiration

- We'll continue to produce high-quality affordable water
- We will improve our customer experience through investing in digitisation and customer service
- We'll continue to drive down disruption for our communities by using the latest methods and technology to keep water flowing
- We'll support more customers who are struggling to pay, and provide extra support to vulnerable customers through our priority services register

AffinityWater
Taking care of your water

Financial Highlights

Financial results for the six-month period ended 30 September 2023

Revenue (£m)	172.8 Sep 2022: 158.5
Loss for the Period (£m)	(28.2) Sep 2022: 19.6
Regulatory Capital Value (RCV) (£m)	1,763.3 Sep 2022: 1,587.0
Senior Net Indebtedness	1,336.3 Sep 2022: 1,162.8
Gearing (%)	75.8% Sep 2022: 73.3%

Our Customer Outcomes

Our Business Plan for 2020-25 includes a total of 28 stretching performance commitments that will ensure we deliver our four customer outcomes.

Supplying high quality water you can trust

Commitments

- Reduce the number of contacts about appearance, taste and odour to 0.67 per thousand population by 2024/25
- Meet water quality standards on compliance failures by scoring less than two annually in DWI's new water quality measure CRI

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

Commitments

- 20% leakage reduction on a three-year average from the 2019/20 baseline
- 12.5% reduction in PCC on a three-year average from the 2019/20 baseline
- Complete river restoration and habitat enhancement projects under the Water Framework Directive
- Reduce water abstraction by 27.3 Ml/d by 2024/25
- Complete eight environmental pilot projects working in partnership with our local communities
- Delivery of schemes within the WINEP programme
- Reduce abstraction from environmentally sensitive sites to nil when flows or levels are low

Providing a great service that you value

Commitments

- Improve the overall customer experience provided to our household customers
- Improve the overall experience provided to developer services customers including property developers, self-lay providers and New Appointments and Variations (NAVs)
- Proactively assist more of our customers in vulnerable circumstances by understanding and prioritising their needs
- 90% of customers in vulnerable circumstances receiving help are satisfied with the service from us
- Achieve a score of at least 7.8 out of 10 for customer satisfaction in a value for money survey
- Proactively reducing the number of household properties falsely classed as empty on our billing system to 2.10% in

Minimising disruption to you and your community

Commitments

- Reduce supply interruptions to customers to five minutes in 2024/25
- No more than 320 properties affected by a supply interruption per year of more than 12 hours duration
- Improve IT resilience by a 29% reduction in the impact of disruption to customers and employees by 2024/25
- Reduce the properties at risk of receiving low pressure to 1.118 per thousand properties by 2024/25
- Reduce the average time each property experiences low water pressure to less than 8 hours 42 minutes in 2024/25
- To have no customers at risk of experiencing severe restrictions in a 1-in-200 drought on average over 25 years
- Reduce the number of mains repairs to 142.3 per thousand kilometres of network

Operational Performance

We have aligned our operational KPIs to our key performance commitments in response to customer expectations. We want customers and stakeholders to be able to measure our success and hold us to account.

The first three years of the 2020–2025 period have now been completed. We are required to report our performance against targets as set by Ofwat in our final determination 2019. These targets include the performance commitments made in our Business Plan 2020–2025. Our performance in relation to these targets for 2023/24 is analysed in the tables below.

Key:

- On-Target
- Slightly Off-Target
- Significantly Off-Target

Water Quality

Compliance Risk Index (CRI)

Target: 2.000

The Compliance Risk Index ('CRI') is a measure to inform the risk arising from treated water compliance failures. Whilst the ultimate target for water quality would be an index score of zero, we are on course to achieve a performance that is within the 'deadband' of between 0 and 2.0 for the 2023 calendar year and will not incur a financial penalty.

We anticipate a higher score than 2022 due to the detection of a coliform in a sample at one of our water treatment works that is still under investigation.

PCC

Average water use (litres/person/day)

Target: 10% reduction

PCC is reported as a three-year average against a baseline level from 2019/20 average water use. PCC is a measure of water usage in the home.

We are forecasting that we will not meet our 2023/24 target. Water usage increased during Covid-19 and has remained high since. From the peak in 2020/21, we are slowly bringing yearly PCC down, but this has not yet returned to pre pandemic levels.

Alongside our existing water efficiency campaigns, we continue to look for new and innovative ways to educate on the need for reducing consumption.

D-Mex

Score

Target: Mid table

D-MeX is the measure of levels of service in the developer services area of activity. The index score is made up of both a qualitative and a quantitative element which contribute 50% each to the score.

Our quantitative scores for Q1 was 99.92% and our qualitative score was 71.26 (13th position), overall placing us 13th in the league table with a score of 85.59. This compares to 10th at the end of 2022/23 with a score of 86.36. We anticipated a lower Q1 score due to a backlog of construction jobs. We have worked to proactively manage this and anticipate scores returning to former levels.

Leakage

Average Annual water leakage (Ml/d)

Target 17%

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

We are currently on course to achieve the 2023/24 target of 17% reduction in the three-year rolling average leakage figure. This is in line with our strategy of outperformance in years 3 and 4 of the AMP and achieving the full 20% reduction by year 5.

Unplanned interruptions to supply over 12 hours

Number of properties

Target: 320 or less

We are reporting below our target YTD and are currently on target to achieve the commitment for the full year.

As with interruptions to supply, weather has a significant impact on this metric and can be affected by winter weather

Mains Repairs

Number per 1000km mains

Target: 144.4

The number of mains repairs for the first half of 2023/24 was 40.13, below our profiled target of 60.37.

We are entering the winter period where we may experience an increase, however we are expecting out run rate to remain below the target for the rest of the year and achieve our year-end commitment .

Water supply interruptions >3 hours

Average minutes per property, water supply interruption

Target: 00:05:20

Interruptions are reported as the average number of minutes properties are without water (for interruptions lasting 3 hours or more).

Interruptions to supply are running below our target for the first six months (00:01:46 YTD actual compared to a YTD target of 00:02:09), with our current year end forecast achieving the full year target. We are currently on target to achieve our best ever performance, although winter weather can be unpredictable and has a significant effect on this metric

Properties at risk of low pressure

Per 10,000 properties

Target: 1.250

This is a measure of the number of properties that are at risk of experiencing low pressure in the mains water supply.

Performance for 2023/24 is reporting below target, and we do not expect to meet our year end performance commitment.

C-Mex

Score

Target: 75.75

Customer Measure of Experience (C-MeX) is a mechanism to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain. C-MeX is based on a league table comparison of performance by the other 17 water companies in England and Wales.

Our overall year-to-date C-MeX score is 72.89 placing us 14th out of 17 companies. We are encouraged to see our Q2 score improved on our Q1 score at 73.05.

We are focused on achieving a score of 75.75 for the full year, by investing in additional resources and training volunteers from other areas of the business to deliver a noticeable improvement in response times to customers across our contact centres and back-office teams.

Financial Performance

Financial results for the six-month period ended 30 September 2023

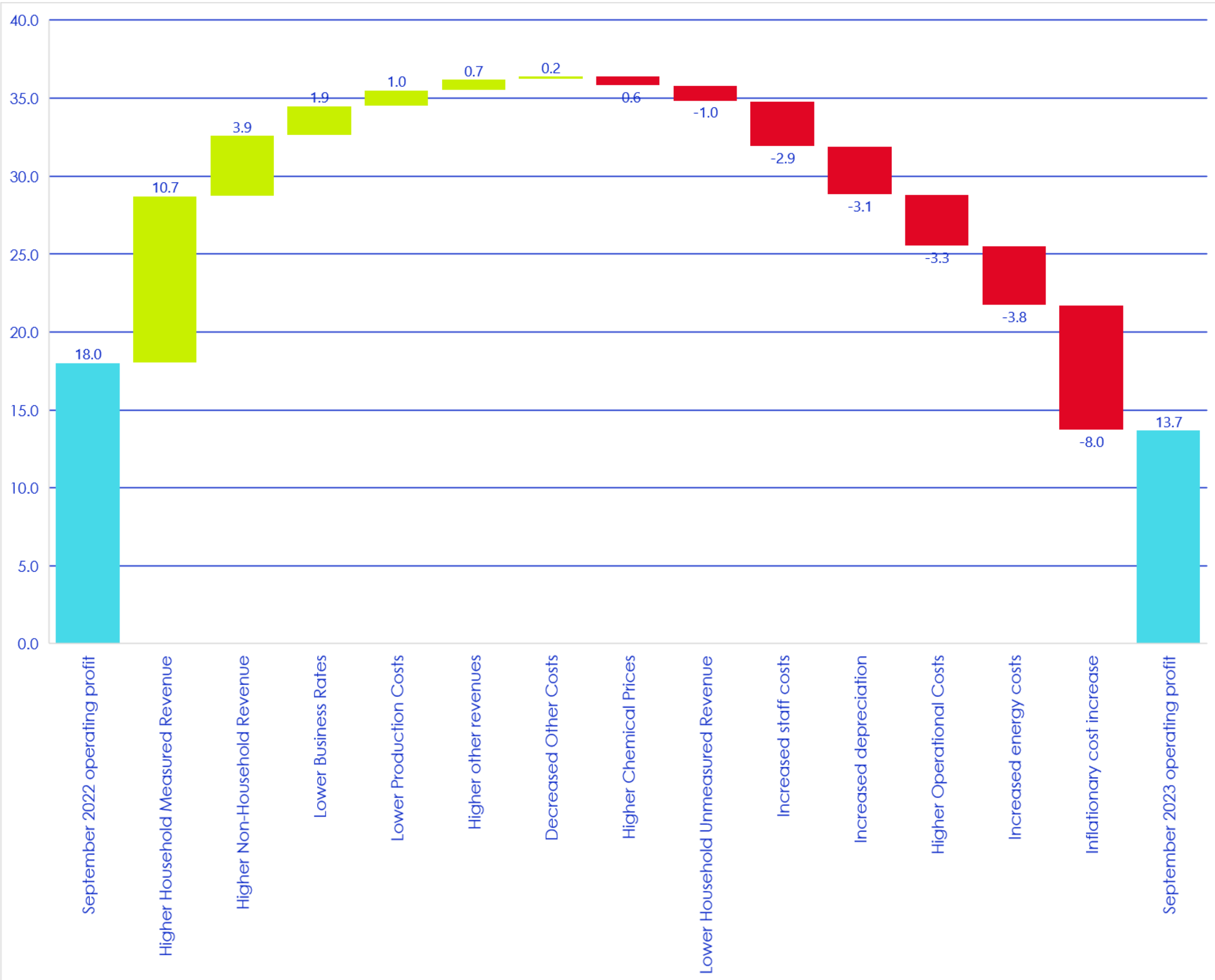
	2023	2022
	£000	£000
Revenue	**172,825**	158,546
Cost of sales	**(146,357)**	(131,034)
Gross profit	**26,468**	27,512
Administrative expenses	**(20,481)**	(17,302)
Impairment losses on financial and contract assets	**(2,810)**	(2,568)
Other income	**10,476**	10,428
Operating profit	**13,653**	18,070
Finance income	**10,612**	9,149
Finance costs	**(63,863)**	(95,924)
Fair value loss on inflation swaps	**13,682**	58,366
Net finance costs	**(39,569)**	(28,409)
Fair value gain on energy swaps	**(9,849)**	36,345
Profit/ (Loss) before tax	**(35,765)**	26,006
Income tax credit/(expense)	**7,525**	(6,348)
Profit/(Loss) for the year	**(28,240)**	19,658

Revenue

Revenue for the first six months of the year was £172.8m, being a £14.3m (9.0%) increase on the same period last year (six-month period ended 30 September 2022: £158.5m restated). The increase is primarily due to higher household consumption and tariff increases. Additionally, non-household wholesale revenue has been higher as the final settlement run from the previous period showed an increase on the previous settlement reporting. Other income for the period was £10.5m, being a £0.1m (0.9%) increase on the same period last year (six-month period ended 30 September 2022: £10.4m).

Operating costs

Total operating costs of £169.6m for the first half of the year were £18.7m (12.4%) higher than for the same period last year (six-month period ended 30 September 2022: £150.9m restated). Average CPIH inflation for the six-month period to September being 7.0% higher year-on-year has added £8.0m onto our costs, while a further £3.1m was due to increased depreciation on our growing asset base. Energy costs were £3.8m higher than the prior period due to increased usage across our sites, although wholesale prices have now started to fall. We have an increase of £2.9m to staff costs in addition to the inflationary pay rise. Additionally, infrastructure renewals, materials and subcontracting have increased by £3.3m compared to the prior period. The growth in costs have been slightly offset by £1.9m savings in rates and £0.5m reduction due to lower bulk water import. Operating profit of £13.7m was £4.3m (23.9%) lower than the same period last year (six-month period ended 30 September 2022: £18.0m restated). The key variances are explained in the following graph:



Interest and Fair Value Movements

The net finance cost of £39.6m was £11.2m (39.4%) higher in the current period, primarily due to fair value movements on our inflation swaps, which made a fair value gain of £13.7m in the current period compared to a £58.4m gain in the prior period due to more favourable mark to market movements last year. This was partially offset by £32.1m higher accretion on our index-linked bonds. There was also a £9.8m fair value loss on our energy swaps which was £46.1m lower than the gain made in the prior period (£36.3m), as a result of unfavourable mark to market movements driven by forecast energy prices reducing compared to the price we locked in at.

Taxation

Income tax credit of £7.5m was £13.8m (219%) higher than to the prior period primarily due a loss in the current period. No corporation tax was paid during the period ended 30 September 2023 as we are forecasting a tax loss for 2023/24 therefore no tax is expected to be payable (six-month period ended 30 September 2022: £nil). The tax credit in the condensed interim financial statements for the period ended 30 September 2023 is a deferred tax credit. All our profits are taxed in the UK.

Dividends

We are restricting dividends to our shareholders throughout AMP7 to enable the substantial investments to improve resilience and protect the environment. No equity dividends were paid during the six-month period ended 30 September 2023 (six-month period ended 30 September 2022: £nil), as our shareholders have agreed to re-invest all AMP7 planned returns from our appointed business for the benefit of our customers.

Capital expenditure

Capital expenditure in the six-month period ended 30 September 2023 was £80.1m (six-month period ended 30 September 2022: £58.6m). This was incurred principally on sustainability reductions, increased spend on universal metering, strong spend at Sundon, and on leakage and water treatment programmes. The total excludes £13.1m (six-month period ended 30 September 2022: £10.1m) of infrastructure renewals expenditure, which is treated as an operating cost under FRS 101. The higher capital expenditure in the first half of this year will continue for the second half of the year.

Net debt and gearing

At 30 September 2023, compliance net debt, as defined in the financial covenants in the company's securitisation documentation (compliance net debt), was £1,336.3m. Gearing, calculated as compliance net debt to RCV at 30 September 2023, was 75.8% (31 March 2023: 73.4%) and remains below our internal gearing level of 80.0%. This allows sufficient headroom within the gearing covenants, which are only triggered at a level of more than 90.0%.

Cash flow

Net cash flow before tax and financing for the first six months of the year was a £23.4m outflow being a £29.6m (477.4%) decrease on the same period last year (six-month period ended 30 September 2022: £6.2m inflow). The decrease is primarily due to lower cash generated from operations and a significantly higher level of property, plant and equipment purchases.

Structure

Affinity Water Limited is financially and operationally 'ring-fenced' from the rest of the Affinity Water Group by way of a Whole Business Securitisation ('WBS'). The securitisation further enhances the ring-fencing provisions already in our licence.

We believe that the ring-fencing structure provides significant corporate benefits, providing better access to long-term debt markets and an opportunity to reduce the cost of capital employed in the regulated business for the benefit of customers.

Credit ratings

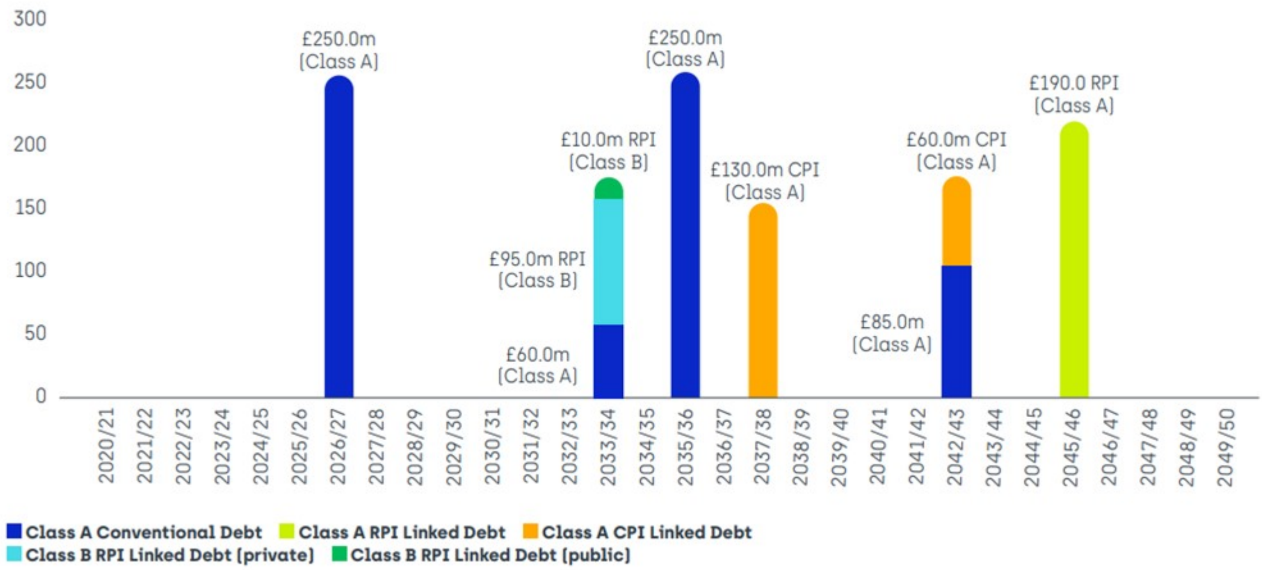
The table below shows the current credit rating held with each agency. The credit ratings for our subsidiaries' bonds assigned by the rating agencies, Moody's, Standard & Poor's and Fitch, have not changed since March 2022. However, Standard & Poor's placed our outlook on negative in October 2022.

Bonds	Moody's	Standard & Poors	Fitch
Class A	A3	BBB+	BBB+
Class B	Baa3	BBB-	BBB-
Corporate family rating	Baa1	Not applicable	Not applicable

Debt portfolio

As we are a business with a long-term outlook and expenditure commitments, we need to match this with long-term sources of debt finance. We consider the most cost-effective way to raise long-term debt to be through the debt capital markets. Our financing subsidiaries have outstanding external bonds totalling £1,130.0m, raised in the debt capital markets and on-lent to the company on the same terms. Our next significant debt maturity is in July 2026 when a £250.0m fixed rate bond matures.

The following chart shows the maturity profile of the bonds issued by the company's subsidiaries as at 30 September 2023:



Liquidity

Our liquidity is managed through banking arrangements and adequate (though not excessive) cash resources, borrowing arrangements and standby facilities. This enables us, at all times, to have the level of funds available that are necessary for the achievement of our business and service objectives. At 30 September 2023, we had cash balances of £61.3 million (2022: £78.8 million) and short-term deposits held as investments of £52.5 million (2022: £66.7 million). The decrease in cash from the prior year is due to continued investment in our network in the year.

To the extent that additional funding is required, as well as our cash balances, we have access to two revolving credit facilities totalling £100.0 million (2022: £100.0 million), which were undrawn at 30 September 2023 (2022: undrawn), to finance capital expenditure and working capital requirements. In addition, we have access to a further £52.0 million of liquidity facilities (2022: £55.0 million), consisting of a 364-day revolving £27.0 million facility to fund any debt service payments in the event of a liquidity shortfall, which would, otherwise, prevent such payments being made and a 364-day revolving facility of £25.0 million to fund operating and capital maintenance expenditure in the event of a liquidity shortfall.

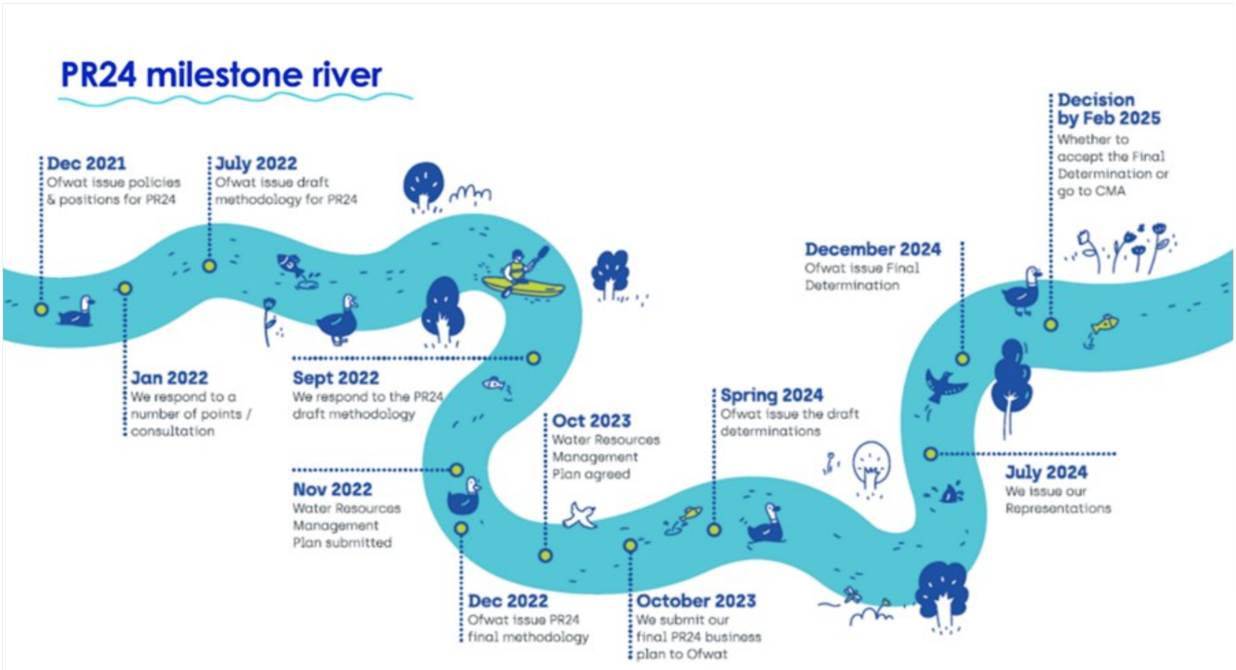
Regulatory update

Our business is a regional monopoly and is subject to incentive-based economic regulation by Ofwat. We are subject to a strict revenue control regime designed to incentivise efficiency in operations and investment decisions.

Our draft water resources management plan, published in November 2022, set out our approach to keeping water supply and demand in balance. The South East of the UK is a particularly water-stressed area, and this is only due to become more so in the future. Our Business Plan addresses the significant challenges posed by climate change, demand for water, population growth and how we will take care of the environment going forward. Throughout the process, we have engaged with thousands of customers and stakeholders to really understand what they want to see from their local water company and their feedback has really helped to shape our Business Plan. This is our most ambitious plan to date and represents an investment of £2.12 billion between 2025-2030 to ensure we can meet the challenges we face and take care of our environment for our communities now and in the future.

Our Business Plan was finalised and submitted to Ofwat in October 2023. Here is a snapshot of our key commitments for 2025-2030:

- Reduce leakage by 31% (reduction from 2019/20 baseline);
- Reduce individual demand for water by 16%;
- Reduce water taken from chalk groundwater by a further 35 million litres a day;
- Reduce operational emissions by 55,800 tonnes of CO_2e to help meet Net Zero ambitions;
- Reduce water supply interruptions to 3 minutes, 40 seconds (based on the average minutes of interruptions over three hours across our customer base);
- Maintain industry leading water quality performance by investing £76million in water quality treatment upgrades;
- Support more customers struggling to pay and extend our social tariff to 150,000 customers and continue with tariff trials to help make bills fairer;
- Further improvements to our natural environment through river restoration schemes, biodiversity improvements and catchment management; and
- Delivering the strategic regional water resources across our region, which are scheduled for preparatory work between 2025 and 2030 and delivery from 2030 to 2035 and beyond.



Governance update

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. This incorporates the Ofwat Board Leadership, Transparency and Governance Principles 2019 in their entirety, and those parts of the UK Corporate Governance Code 2018 that are deemed relevant to our business.

Our shareholders have an important role to play and a direct interest in the strong and effective governance and stewardship of our business. We explain how we engage with our shareholders and involve them in decision making in our publication: Consulting with our Shareholders.

Board appointments

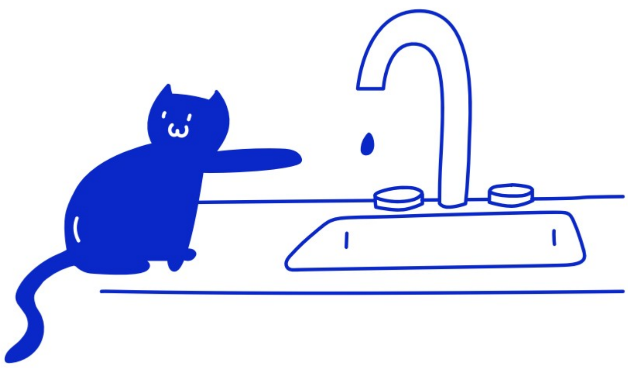
Shelley Malton, Director of Operations at NatWest Group plc, who has been appointed as an independent non-executive director with effect from 1 December 2023. Shelley is a FTSE-30 operating Board level Managing Director, with a strong commercial focus delivering customer centricity, people leadership, cultural and transformational change. She brings a 25+ year track record in customer experience turnaround, operations, digital, cyber, and commercial roles in global, regulated businesses of high complexity across multiple sectors.

Andrew Cox, has been appointed as a non-executive director and will be acting as Allianz Capital Partner's alternative shareholder representative.

Executive appointments

Dean Garvey-North has been appointed as Director of Technology and Transformation. Dean has over 20 years working in digital technology and has spent the last 10 years in senior and leadership roles taking businesses on successful digital transformation for national and global organisations across several sectors, including Thames Water.

Emma Davies has been appointed as our new People and Culture Director. Emma is an accomplished Human Resources and Organisational Development (OD) professional with significant experience working within large and complex NHS organisations. As a HR and OD specialist, Emma has honed her skills in employee relations, performance management, organisational design and the management of complex change.



Common Terms Agreement Compliance

Calculation of financial ratios[1]

Test Period		**Year 1** **1 April 2023** **To** **31 March 2024**	**Year 2** **1 April 2024** **To** **31 March 2025**
Net Cash Flow divided by	£'000	110,707	123,640
Class A Debt Interest	£'000	17,987	20,585
Class A ICR	**Ratio**	**6.2**	**6.0**

Test Period		**Year 1** **1 April 2023** **To** **31 March 2024**	**Year 2** **1 April 2024** **To** **31 March 2025**
Net Cash Flow less	£'000	110,707	123,640
CCD and IRC	£'000	-	-
Adjusted Net Cash Flow divided by	£'000	110,707	123,640
Class A Debt Interest	£'000	17,987	20,585
Class A Adjusted ICR	**Ratio**	**6.2**	**6.0**

1 – This Investor Report contains a high-level summary of covenant calculations. The detailed calculations were provided to the Trustee and other relevant parties on 28th November 2023 along with the Compliance Certificate.

Test Period		**Year 1** **1 April 2023** **To** **31 March 2024**	**Year 2** **1 April 2024** **To** **31 March 2025**
Net Cash Flow less	£'000	110,707	123,640
CCD and IRC	£'000	-	-
Adjusted Net Cash Flow divided by	£'000	110,707	123,640
Senior Debt Interest	£'000	22,821	25,470
Senior Adjusted ICR	**Ratio**	4.9	4.9

Test Period	**Year 1** **1 April 2023** **To** **31 March 2024**	**Year 2** **1 April 2024** **To** **31 March 2025**
Year 1 (March 2023)	5.9	5.9
Year 2 (March 2024)	6.2	6.2
Year 3 (March 2025)	6.0	6.0
Class A Average Adjusted ICR **3 year average**	**6.0**	**6.0**

Test Period	**Year 1** **1 April 2023** **To** **31 March 2024**	**Year 2** **1 April 2024** **To** **31 March 2025**
Year 1 (March 2023)	4.7	4.7
Year 2 (March 2024)	4.9	4.9
Year 3 (March 2025)	4.9	4.9
Senior Average Adjusted ICR **3 year average**	**4.8**	**4.8**

Test Period		Year 1 1 April 2023 To 31 March 2024	Year 2 1 April 2024 To 31 March 2025
Net Cash Flow less	£'000	116,320	129,253
RCV Depreciation and Capitalised IRE	£'000	(85,428)	(96,047)
Conformed Adjusted Net Cash Flow divided by	£'000	30,892	33,206
Class A Debt Interest	£'000	17,987	20,585
Conformed Class A Adjusted ICR	**Ratio**	1.7	1.6

Test Period		Year 1 1 April 2023 To 31 March 2024	Year 2 1 April 2024 To 31 March 2025
Net Cash Flow less	£'000	116,320	129,253
RCV Depreciation and Capitalised IRE	£'000	(85,428)	(96,047)
Conformed Adjusted Net Cash Flow divided by	£'000	30,892	33,206
Senior Debt Interest	£'000	22,821	25,470
Conformed Senior Adjusted ICR	**Ratio**	1.4	1.3

Test Period	Year 1 1 April 2023 To 31 March 2024	Year 2 1 April 2024 To 31 March 2025
Year 1 (March 2023)	1.8	1.8
Year 2 (March 2024)	1.7	1.7
Year 3 (March 2025)	1.6	1.6
Conformed Class A Average Adjusted ICR 3 year average	1.7	1.7

Test Period	Year 1 1 April 2023 To 31 March 2024	Year 2 1 April 2024 To 31 March 2025
Year 1 (March 2023)	1.5	1.5
Year 2 (March 2024)	1.4	1.4
Year 3 (March 2025)	1.3	1.3
Conformed Senior Average Adjusted ICR 3 year average	1.4	1.4

Test Period		Calculation Date	31 March 2024	31 March 2025
Class A Net Indebted-ness divided by	£'000	1,175,634	1,219,491	1,250,207
RCV	£'000	1,763,307	1,821,562	1,830,559
Class A RAR	£'000	0.667	0.669	0.683

Test Period		Calculation Date	31 March 2024	31 March 2025
Senior Net Indebted-ness divided by	£'000	1,336,293	1,379,710	1,410,829
RCV	£'000	1,763,307	1,821,562	1,830,559
Senior RAR	£'000	0.758	0.757	0.771

The following table reconciles the Class A Net Indebtedness and Senior Net Indebtedness to the amounts reported in the financial statements.

Date	**30 September 2023** **£'000**
Borrowings	1,354,835
Less Permitted Legacy Loan	(3,550)
Add Unamortised Debt Issue Costs and	(28,839)
Add Accrued Interest	9,485
Add Swap Accretion	118,222
Less Cash and cash equivalents	(113,860)
Senior Net Indebtedness	**1,336,293**
Less Class B Indebtedness	(160,659)
Class A Net Indebtedness	**1,175,634**
RCV	1,763,307

AWL has adopted IFRS 16: 'Leases' ('IFRS 16') from 1 April 2019 but has not restated comparatives for the prior reporting period, as permitted under the specific transitional provisions in the standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees, thereby impacting the Income Statement and Statement of Financial Position from the adoption date. In particular IFRS 16 would result in the removal of operating lease costs from Operating Expenditure, being replaced with additional depreciation and interest charges. This accounting treatment has been excluded for the purposes of calculating the ratios.

Further Certifications

Surplus

Our Board has approved dividend and executive remuneration policies that provide for dividends and executive remuneration proportionate with long-term returns and performance of the company, whilst not impairing its longer term financeability. The performance of the company comprises our financial performance as well as an assessment of performance in the following areas: customer service, operational commitments, environmental commitments and people.

Authorised Investments

Terms	Bank Deposits (£m)	Liquidity Funds (£m)	Total (£m)
Overnight	26.3	32.2	58.5
3 Months	31.3	-	31.3
6 Months	15.5	-	15.5
9 Months	5.1	-	5.1
1 Year	-	-	-
Total	78.2	32.2	110.4

Debt Service Reserve Accounts

There is no balance in each of the Debt Service Reserve Accounts as at 30 September 2023. The required debt service reserve is provided by a liquidity facility from National Australia Bank PLC totalling £27.0m.

Permitted Subsidiaries acquired

There were no Permitted Subsidiaries acquired pursuant to a Permitted Acquisition in the period to 30 September 2023.

Annual Finance Charge

Affinity Water Limited has calculated the Annual Finance Charge for the period from 1 April 2023 to 31 March 2024 as £22.8m.

	1 April 2023 to 31 March 2024
Forecast interest paid	22.4
Forecast interest paid	0.0
Other recurring finance	0.4
Total	**22.8**

Additional confirmations

Affinity Water Limited also confirms that:

- no Default or Potential Trigger Event is outstanding; and
- that Affinity Water Limited's insurances are being maintained in accordance with the Common Terms Agreement.

Yours faithfully,

Martin Roughead

Chief Financial Officer

Affinity Water Limited

(in its capacity as Transaction Agent)

Affinity Water