AFFINITY WATER LIMITED

UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2020

(Registered Number 02546950)

Affinity Water Limited

Glossary of key acronyms and definitions commonly used within the water industry

AMP – Asset Management Plan
The five-year price control period covered by a company's Business Plan. AMP7 runs from 2020-25.
C-MeX – Customer Measure of Experience
A measure of customer service levels used by Ofwat.
CCG – Customer Challenge Group
An independent group of individuals who hold us to account on how we are performing against our Performance Commitments.
CCW – Consumer Council for Water
The regulator tasked with investigating customer complaints relating to service, price and value for money.
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 used by Ofwat.
Defra – Department for the Environment, Food and Rural Affairs
The UK government department responsible for water policy.
DWI – Drinking Water Inspectorate
The regulator ensuring compliance with drinking water quality regulations.
EA – Environment Agency
A non-governmental organisation which controls, inter alia, how much water we can abstract from the environment.
Ml/d – Megalitres per day
A measure of consumption. One megalitre is equal to one million litres.
MZC – Mean Zonal Compliance
A measure of water quality compliance derived from monitoring samples taken from customers' taps.
MOSL – Market Operator Services Limited
The independent operator of the non-household retail market in England and Wales.
ODI – Outcome Delivery Incentive
Mechanism for financial rewards or penalties which underpins the Performance Commitments submitted in a company's Business Plan (the "Plan").
Ofwat – Water Services Regulation Authority
The economic regulator of the water industry.
PCC – Per Capita Consumption
The amount of water used by each person, usually measured in litres per person per day ('l/p/d').
PCs – Performance Commitments
Outcomes agreed with Ofwat during the Periodic Review process that reflect customers' views and priorities.
PR – Periodic Review
The price determination process undertaken by Ofwat ahead of each new AMP. The PR19 process set the price controls for AMP7.
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.
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.

Affinity Water Limited

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Introduction

Affinity Water Limited (the ‘company’) owns and manages the water assets and network in an area of approximately 4,500km^2 split over three regions, comprising eight separate water resource zones (our communities), in the South East of England. Our purpose is to provide high quality drinking water and to take care of our environment for our communities now and in the future.

We supply drinking water to 3.6 million people every single day and we recognise that we have to make sure our product is the right quality, every single time. We operate 95 water treatment works to ensure that our water is of the highest quality, distributing our water through a network of over 16,700km of mains pipes. We are constantly innovating and exploring new ideas and techniques to check whether our assets are running at optimum efficiency. We plan to invest £1.44bn in our wholesale business during AMP7 in order to meet the very stretching targets that we have committed to.

We have been operationally and financially impacted by COVID-19 throughout the six month period to 30 September 2020. Our non-household revenue has decreased by £9.1m mainly due to businesses temporarily closing as a result of the pandemic. Household revenue has only increased by £0.7m despite consumption significantly increasing as households follow the UK Government’s advice to stay at home during a hot, dry summer, due to a bill reduction and a significant number of customers being on unmetered tariffs. Our operational costs, particularly bulk water imports and electricity costs, have increased as a result of higher demand and supply. The impact of COVID-19 along with a significant fair value loss[1] on financial derivatives has resulted in a £36.0m loss for the six month period.

Our vision, to be the UK’s leading community-focused water company, reflects the importance we place on our people working within and for the communities of customers we serve. We want to help our customers better understand the value of water, reduce consumption and support the ongoing protection of the environment. By understanding and responding to the needs of different community groups, we are accountable to them at a local level for how well we provide our services. We divide our supply area into eight different communities, each named after a local river, allowing us to tailor a high quality service to customers at a local level.

[1] Profits or losses arising from fair value changes are accounting entries only, impacting the condensed interim income statement but not the condensed interim statement of cash flows during the period.

Affinity Water Limited

Interim management report (continued)

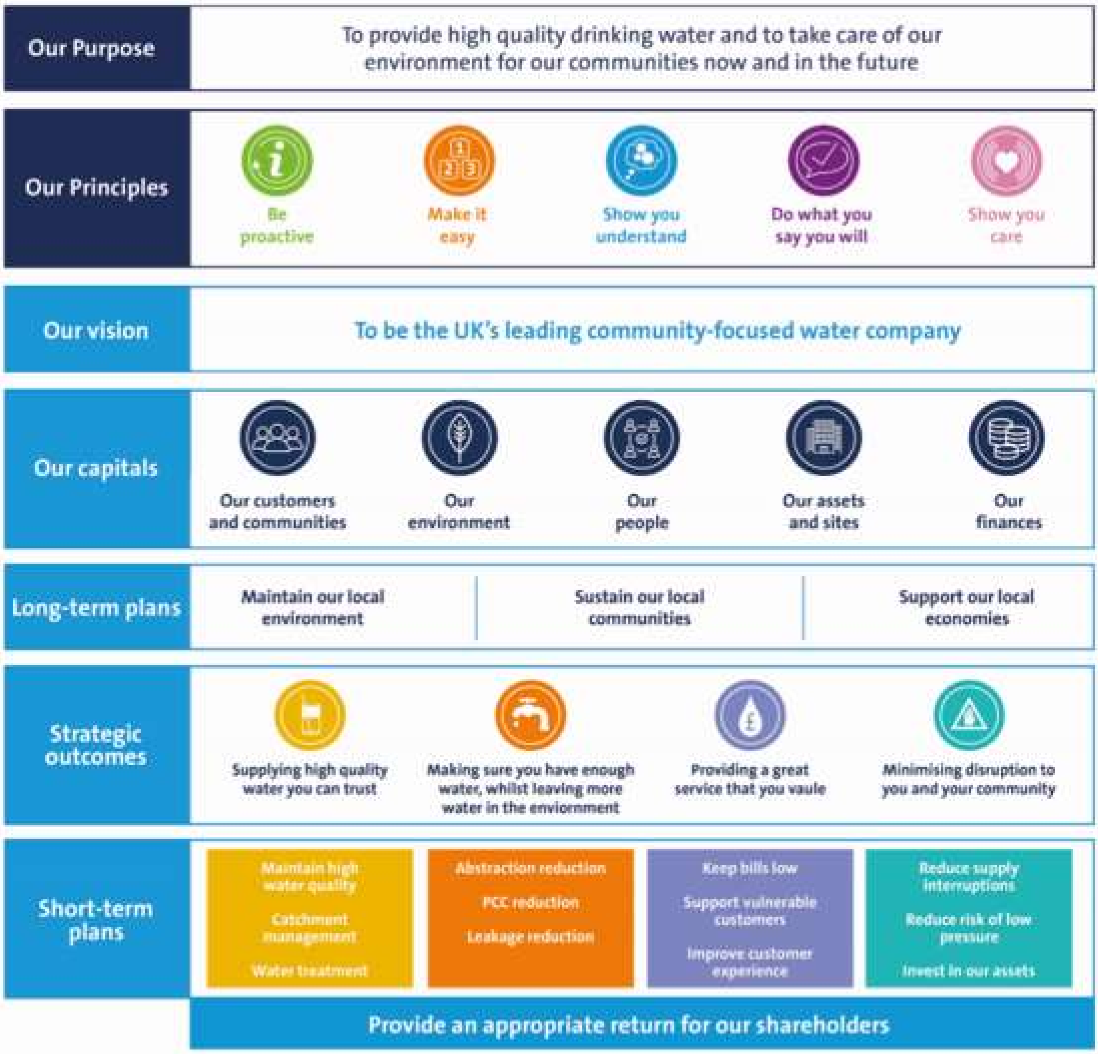
Our business model

Our purpose is to provide high quality drinking water and to take care of our environment for our communities now and in the future. It overarches our business model, along with our principles that underpin how we will deliver it for our stakeholders.

Our purpose links to our vision to be the UK's leading community focused water company both through explicit reference to our communities and the neighbourhoods that we serve but also by creating significant public value. Through investing in the environment we will create economic value to the regions we serve.

Our business model is driven by five capitals which we have identified as key to enable us to deliver our long- and short-term plans. We create long-term value for our customers and stakeholders by maintaining our local environment, sustaining our local communities and supporting our local economies.

We draw upon our capitals as inputs for our business and transform them through our operating activities into our strategic outcomes, ensuring alignment between the interests of customers, our people, our investors, regulators and stakeholders. This report shows how we are using our capitals to better understand our business impacts and dependencies, and the total contribution that we are making to all our stakeholders.



Affinity Water Limited

Interim management report (continued)

Our financial highlights for the six months ended 30 September 2020

Operating profit: £12.4m

2019: £24.9m

Our operating profit for the six months ended 30 September 2020 was lower than the prior period mainly due to lower non-household revenue due to businesses temporarily closing or reducing activity as a result of COVID-19, and higher operational costs associated with increased supply and demand from household customers staying at home.

Net cash inflow before tax and financing[1]: £8.4m

2019: £24.2m

Our net cash inflow was lower than the prior period, primarily due to lower cash generated from operations as a result of lower revenues, as well as higher net investment in fixed assets in the current period in line with our AMP7 plan.

Gearing: 78.2%

31 March 2020: 78.9%

Our gearing at 30 September 2020 was slightly lower than at 31 March 2020, and remains below our internal threshold of 80.0% of regulatory capital value ('RCV'). This allows sufficient headroom within our gearing covenants.

Credit rating:

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

There has been no change to our ratings since 31 March 2020. All of our ratings remain investment grade.

[1] This "non-GAAP" measure is calculated as the total of the following line items per the statement of cash flows (refer to page 26): cash generated from operations; purchases of property, plant and equipment; capital contributions; proceeds from sale of property, plant and equipment; purchase of intangible assets; and principal elements of lease payments.

Affinity Water Limited

Interim management report (continued)

Our operational highlights for the six months ended 30 September 2020

Leaving more water in the environment

Leakage is running slightly higher than the mid-year target, as a result of COVID-19 impacting usage, however we still anticipate meeting our year-end target.

We are not expecting to achieve our PCC target as we have seen household consumption rise during the period, as businesses close and households stay at home, following the UK Government's COVID-19 advice.

Our AMP7 projects are on track to meet our overall AMP7 abstraction reduction target.

Supplying high quality drinking water

There have been 17 exceedances in the first nine months of 2020, compared to 35 in the same period in 2019.

All 17 exceedances have contributed to our CRI score, although we are still firmly on track to meet our CRI target of no more than 2.0 for the 2020 calendar year.

Five of the 17 exceedances contributed to MZC. We are on track to meet our MZC target of at least 99.95% for the 2020 calendar year.

Minimising disruption to our customers

The number of repairs due to bursts per 1,000km of mains during the period is slightly higher than our year to date target.

We are slightly behind our target for water interruptions to supply over 3 hours, although have seen a marked improvement in performance in this area.

We have already exceeded our target for unplanned interruptions to supply over 12 hours as a result of one large outage.

Providing a value for money service

Our C-MeX score for Q2 was 78.59 against an industry average of 81.53, ranking us 14th out of 17 companies.

Written complaints have fallen by 17.5%, and escalations have fallen by 51% in the six-month period to 30 September 2020 compared with the same period in the prior year.

How we create value

<table>
<tr><th>Our capitals</th><th>Our AMP7 commitments</th><th>Our customer outcomes and KPIs[1]</th></tr>
<tr><td rowspan="4">Our customers and communities

Relationship and trust between us and our stakeholders

Our environment

The natural resources that we rely on

Our people

Our experience, skills and competences we share

Our assets and sites

The lifecycle of our assets and investment projects

Our finances

Finance available to sustain our business</td><td>To achieve a CRI score of less than 2.0

To continue to support the quality of our water resources through our catchment management and river restoration programmes to help habitats and biodiversity of rivers in our supply area

To reduce the number of contacts about water appearance, taste and odour to 0.67 per thousand population per annum by 2024/25</td><td>Supplying high quality water you can trust

KPI: Water quality</td></tr>
<tr><td>To reduce the amount of water we take from the environment by a further 27.3 Ml/d by 2024/25 and reduce abstraction from environmentally sensitive sites when flows or levels are low

To reduce leakage from water pipes by 20% on a three year average basis from a 2019/20 baseline

To reduce PCC by 12.5% on a three year average basis from a 2019/20 baseline</td><td>Making sure you have enough water, whilst leaving more water in the environment

KPI: Abstraction reduction
KPI: Leakage
KPI: PCC</td></tr>
<tr><td>Average annual customer bills will reduce by 5.5% in real terms over AMP7, and we will deliver over £200.0m of totex efficiencies to keep bills as low as possible

To proactively provide assistance to more of our customers in vulnerable circumstances by understanding and prioritising their needs

To improve customer experience by listening to customer needs and investing in the right technologies to deliver great customer interaction and increased engagement</td><td>Providing a great service that you value

KPI: C-Mex
KPI: D-Mex</td></tr>
<tr><td>To reduce supply interruptions to customers to 5 minutes per property per year on average by 2024/25

To reduce the number of properties at risk of receiving low pressure to 1.118 properties per 1,000 properties by 2024/25

To invest £1.44 billion in our wholesale business to maintain core network assets to keep services running 24 hours a day, 365 days a year, investing in local level assets such as pumps, mains upgrades, new mains and investment in service reservoirs that allow us to move water to where we need it</td><td>Minimising disruption to you and your community

KPI: Mains repairs (due to bursts)
KPI: Unplanned interruptions to supply over 12 hours
KPI: Water supply interruptions over 3 hours</td></tr>
</table>

[1] Our policies provide for dividends and executive remuneration proportionate with long-term returns and performance of the company, whilst not impairing its longer term financeability. Performance comprises our financial performance as well as an assessment of performance in the following areas: customer service, operational commitments and community commitments, linked to customer outcomes, and people.

Affinity Water Limited

Interim management report (continued)

Operational performance

Key performance indicators

We have aligned our operational KPIs to the key performance commitments made in our AMP7 Business Plan and in response to customer expectations. We want customers and stakeholders to be able to assess our track record and hold us to account. We are required to report our performance annually against targets set by Ofwat, the DWI and Defra. Our projected annual performance in relation to these targets for the six-month period ended 30 September 2020 is shown in the table below:

Key: 🟢 on track to meet or exceed year-end target 🟡 slightly off-track 🔴 significantly off-track/failed

KPI: Water quality CRI (Score)	
2020 target: 2.0 or less Projected year end status: 🟢	Our CRI performance is on track to meet our target of less than 2.0 for the 2020 calendar year.
KPI: Abstraction reduction Cumulative average annual reduction in water abstracted from our river catchments (Ml/d)	
AMP7 target: 27.3 Ml/d Projected AMP7 status: 🟢	Our AMP7 projects are on track to meet our overall AMP7 target. There are no targets set in the first four years of the AMP.
KPI: Leakage Average annual water leakage from our network (Ml/d)	
2020/21 target: 2.7% reduction Projected year end status: 🟢	Leakage is running slightly higher than the mid-year target, but we have plans in place for the remainder of the year and we anticipate meeting our year-end target.
KPI: PCC Average water use (l/p/d)	
2020/21 target: 1.7% reduction Projected year end status: 🔴*	We are not expecting to achieve this target as we have seen household consumption rise during the period, as businesses close and households stay at home, following the UK Government's COVID-19 advice.
KPI: C-Mex (Score)	
2020/21 internal target: 13th Projected year end status: 🟡	Our C-MeX score for Q2 was 78.59 against an industry average of 81.53, ranking us 14th out of 17 English and Welsh water companies. This is a stable position from March 2020, and an improvement from September 2019 when we scored 70.09 ranking 15th.
KPI: D-Mex (Score)	
2020/21 internal target: 13th Projected year end status: 🟡	Our D-MeX score for Q1 was 76.76 against an industry average of 72.17, ranking us 15th out of 17 English and Welsh water companies. The score for Q2 is due to be published in December 2020.
KPI: Mains repairs (due to bursts) (Number per 1,000km mains)	
2020/21 target: 150.7 or less Projected year end status: 🟡	Mains repairs are running slightly higher than our profiled target to date. However, following the hot weather burst numbers have begun return to a more stable position and we hope to achieve the year-end target.
KPI: Unplanned interruptions to supply over 12 hours (Number of properties)	
2020/21 target: 320 or less Projected year end status: 🔴	We have already exceeded this target for the year due to a single incident in Harrow Weald on 31 May 2020. This was caused by the air-locking of a main due to extreme high demand resulting from the hot weather combined with the UK Government's COVID-19 advice to stay at home.
KPI: Water supply interruptions over 3 hours (Minutes beyond 3 hours per property)	
2020/21 internal target: 11:00 Projected year end status: 🟢	We are currently outperforming against our internal mid-year target, and are on a glide-path to achieve our Business Plan PC as we progress through the AMP.

***has been significantly impacted by COVID-19**

Affinity Water Limited

Interim management report (continued)

Operational performance (continued)

Our customers and communities

We are privileged to serve our communities. Being the monopoly supplier and steward of a precious resource for future generations, we are acutely aware that we must continually invest in building trust and legitimacy with our customers and make ourselves accountable to our communities for our performance. This is central to achieving our vision of being a community-focused, sustainable and responsible business.

We are helping our customers who are most in need of financial help during the COVID-19 pandemic through our ongoing partnership with Money Advice Trust. We have launched a jointly branded webpage with the independent debt charity National Debtline to improve access to information and financial assistance for our customers, and have raised awareness of this partnership through local press in our supply area, wider consumer focused press and our social media channels.

Our financial help packages include a range of different payment options and budgeting schemes, alternative tariffs, and our priority services register. Our 'debt-help' and 'struggling to pay' webpages show how we have helped other customers in similar financial or vulnerable positions. We provided payment breaks to nearly 1,500 customers in April 2020, shortly after the Government placed the UK into lockdown.

Our C-MeX score for the six months ended 30 September 2020 was 78.59 against an industry average of 81.53, ranking us 14th out of 17 companies. The C-Mex score is made up of two surveys: Satisfaction and Experience. The actions we took to support our customers through the beginning of the COVID-19 pandemic and the hot, dry summer have helped us to move up to 9th place in the Satisfaction survey. Unfortunately, we did not see the same improvement in the Experience survey, ranking 17th. Customer experience is of utmost importance to us, so we recognise there are areas we need to improve on in order to climb further up the league table.

The key focus for the remainder of 2020/21 will be to continue improving our customer experiences by ensuring we are proactive in keeping our customers informed and up to date, and striving to complete interactions correctly first time. We will be rolling out improvements to customer journeys within various areas including metering and complaints. Additionally, we are redesigning a new bill based on customer feedback, and will launch this in time for annual billing.

We will develop deeper relationships with customers through further roll out of our newly developed Tone of Voice and by personalising the service we provide through the use of segmentation, to show we truly understand our customers. We will adapt both the messaging and the channels we use to communicate with different customer groups, based on what we know about them, their lifestyle and their attitudes towards water use and the environment, to ensure we are as relevant as possible.

Operational performance (continued)

Our environment

As a community-focused organisation we remain committed to those issues which our customers and stakeholders feel strongly about. We operate in geographical areas that the Secretary of State for the Environment, Food and Rural Affairs has designated as being under serious water stress. Protecting the rare and sensitive chalk streams within our operating area is a priority.

We are endeavouring to address the environmental challenges of protecting our precious local rivers and habitats through reducing abstraction while also encouraging behavioural change. In our AMP7 Business Plan, we committed to reducing the amount of water we take from the environment by 27.3 Ml/d by 2024/25. Please refer to our case study on page 13 for more details on what we achieved during the period. We will also work with neighbouring water companies to provide a foundation for water trading in the South East of England by transferring water from water-rich areas to drier regions.

We are also aiming to achieve a reduction in PCC by 12.5% over AMP7. However, we have seen consumption rise during the period, as businesses close and households stay at home, following the UK Government's COVID-19 advice. We have also experienced several spells of hot weather over the summer months, which has further driven up consumption.

Climate change along with a population increase in our supply area, means that demand for water will outstrip supply by 256Ml/d by 2080. New access to water, improved demand management and increased flexibility in the movement of water are all essential. We have led work with other water companies in the South East of England to encourage the best use of existing resources through the introduction of new sources and transfers of water and to secure the development of additional regional supply resources.

When it comes to saving water, our customers expect us to lead the way and we are committed to doing so. We committed to reducing leakage from water pipes by 20% over AMP7, following on from the 15% reduction achieved in AMP6, which was the water industry's largest percentage reduction target for AMP6. We did this through a major transformation programme, better use of data, investing in the latest technologies, innovating to improve our productivity and working closely with other companies to share ideas and best practice.

We now frequently monitor and compare our distribution input to the demand in each zone across our supply area. We have also improved our leakage detection over the past twelve months. Using our leakage software, we are able to pinpoint the location of any leak. We have reconfigured our acoustic loggers to report night usage measurements at a district level to better observe leakage and have increased the use of leak noise mapping to help identify genuine leakage as opposed to higher usage.

We have introduced a process of assessment, recruitment and training that ensures we have operational teams capable of meeting our leakage reduction targets. We are managing and responding to leakage as it occurs, tackling leakage zones that have been high for some time, and continuing our step-test programme by systematically working through districts to pinpoint leaks down to a street level. We are also focusing on enhancing our free repairs for customer supply pipes and reducing the overall repair time.

On 21 September 2020 we launched our first Environmental Handbook, that brought together key environmental requirements and guidance for our staff to adhere to, to effectively manage our daily operations with environment at the forefront. This will help ensure that we are protecting the environment in all aspects of our work and is an important step to help us fulfil our company purpose. This new digital handbook can be accessed from laptop, tablet or phone and provides an easy to use reference guide to help us check and understand our environmental requirements within our daily operations.

Affinity Water Limited

Interim management report (continued)

Operational performance (continued)

Our people

We aspire to embed continuous innovation in everything we do. We are continuing to shift our working practices to be more agile and more responsive as well as transforming customer experience. As a business we have been closely monitoring the UK Government's COVID-19 advice and have adapted our operations to protect our people, as well as allowing much of our support services staff to work effectively from home.

We have created a strong culture of learning and development through significant investment in training and are building a culture of coaching and mentoring to release the potential of our people. During the period we continued with the Enhance Management Development Programme, which was launched last year, where new and inexperienced line managers undertake an eight month programme focused on developing their leadership and management skills.

With many our teams working from home due to COVID-19, we launched our Remote Manager training supporting our managers and developing the skills of setting clear direction and driving performance through effective performance management practices whilst teams are working remotely. We also organised and ran regular live webinar sessions for all employees focusing on all aspects of our business for our people to increase their knowledge and awareness of the business and stay connected.

The safety, health and wellbeing of our people and suppliers are priorities we take very seriously and we are committed to operate our business without harm. Our people are encouraged to spot unsafe behaviour and take ownership to stop it. Since 1 April 2020, we have reported one RIDDOR incident and have recorded one other lost time injury. At 30 September 2020 both our Accident Frequency Rate ('AFR') and Lost Time Injury Frequency Rate ('LTIFR') measures were at 0.04 compared to 0.16 at 31 March 2020 for the AFR and 0.20 for the LTIFR. A period of 422 days without a work related lost time injury has been a significant feature in this improvement.

We have given considerable focus to our employees wellbeing and mental health, with 245 of our line managers completing the Mental Health Awareness Training. Along with this we maintain our focus through mental health webinars. 12 webinars were delivered between May 2020 and October 2020, and these will continue monthly through to the end of the year.

We are committed to promoting equality of opportunity in all areas of employment including recruitment, promotion, opportunities for training and pay and benefits. The table below provides a breakdown of the gender of directors and employees as at 30 September 2020 and 31 March 2020:

	30 September 2020		**31 March 2020**	
	Men	**Women**	**Men**	**Women**
Our Board	7	5	7	5
Senior Leadership	58	20	42	23
All other employees	801	517	782	506

We believe that our people play a critical role in creating long term value. They are our ambassadors, living and working in the communities we serve. They have the local knowledge and understanding to make sure we deliver what our communities expect of us and ensure our contribution to those communities makes a difference. It is important that their voice is represented when making strategic decisions.

Operational performance (continued)

Our people (continued)

We have established a Culture Ambassador forum to improve our culture across the organisation and make Affinity Water a great place to work. We have 39 Culture Ambassadors who represent all departments and directorates throughout the company. During the early months of the COVID-19 pandemic the Culture Ambassadors played a key role in sharing messages with the business and providing insight to how the teams were feeling, helping to shape future communications and an inaugural Wellbeing Survey which was conducted in October 2020. Please refer to our case study on page 14 for more details on what they have achieved during the period.

Our suppliers and contractors provide us with essential services which we rely on to deliver our short and long-term plans. We have seen a reduction in our average time to pay invoices (from 35 days for the period 1 October 2019 to 31 March 2020 to 28 days for the period 1 April 2020 to 30 September 2020) although late payments have increased (from 38% to 46%) primarily due to the implementation of a new system in July 2020 causing a backlog. We will continue to monitor our performance and maintain ongoing communication with all stakeholders to facilitate more efficient invoice processing and payments.

Our assets and sites

Our AMP7 investment programme has been delayed slightly as all non-essential work ceased during the UK's Government's COVID-19 lockdown period, although we still anticipate meeting this year's mains renewals target of 14.4km by 31 March 2021, of which 0.8km are trunk mains. This investment will be key to maintaining resilience and making sure our customers have enough water, whilst leaving more water in the environment by delivering sustainable abstraction reductions in line with our WRMP for the 60-year period from 2020 to 2080.

We have a performance commitment to reduce the number of properties at risk of receiving low pressure. We now check low pressures throughout our operational area using continually monitored pressure loggers in all of our leakage zones. We have embarked on an extensive pressure improvement programme targeting the areas falling under our pressure threshold, at times, during 2019/20. However, the combined effect of the first national COVID-19 lockdown and the hot, dry summer weather increased customer consumption significantly such that many more properties were affected in wider spread areas. We are continuing with our programme of improvements but are putting in place additional measures to reduce the likelihood of poor pressures next year although not planning for another extreme lockdown scenario.

The High Speed 2 ('HS2') project is a major national infrastructure project to develop the UK's new high speed rail network, with the proposed route cutting through our supply area. We have worked hard to overcome complex design and construction challenges while limiting the impact of the planned outages on the wider network.

During the period, we have made each of our manned sites COVID-19 secure in line with UK Government guidance. We have also worked hard in the period to reduce our energy usage and carbon emissions across all of our sites as part of the formulation of our energy strategy for the next 20 years, supporting our AMP7 Business Plan and our WRMP. We are aiming to use electricity more efficiently to reduce usage and cost, as well as reduce carbon emissions.

Operational performance (continued)

Our finances

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 £1,014.2m, raised in the debt capital markets and on-lent to the company on the same terms. We have only £14.2m of debt maturing in AMP7 and a spread of maturity beyond this (refer to our financing update on page 16). We expect to undertake our next major refinancing exercise in July 2026 when our £250.0m fixed rate bond matures.

Our challenge is to achieve value creation for investors by performing efficiently while also achieving value for money for customers by maintaining our local environment, sustaining our local communities and supporting our local economies. Investor value can be created by outperforming in selected areas, thereby receiving regulatory rewards for doing so and through effective risk management to reduce cash flow volatility. Value for money for customers is achieved by delivering the standards of service customers expect along with the performance commitments included in our Business Plan at a reasonable price.

Our forecast average annual household bill for 2020/21 is £163, the equivalent of just 45 pence per day, which we think represents great value for money. We have worked hard to keep our bills low across AMP7 whilst maintaining a high quality and trusted service, with our forecast average bill for 2020/21 reducing by 6.9% in real terms from a 2019/20 baseline.

Our support for financially vulnerable customers, who have a low household income or are claiming benefits, has grown with more than 70,000 households now supported by our social tariffs, which has increased during the period as a result of the economic hardship that COVID-19 has caused. These customers receive a reduced fixed rate spread over 12 months. We plan to introduce a Customer Assistance Fund by the end of this financial year and our projections suggest, that the number of customers receiving support through our social tariff, will increase to 82,000 customers in 2024/25.

In April and May 2020, we responded to the COVID-19 national pandemic by partnering with other utilities to provide financial support to seven Community Foundations in our supply area to distribute much needed funds to our vulnerable customers quickly and bring help at a local level where it can make the most impact in boosting community resilience. We donated £15,000 to Coronavirus Emergency Funds which has supported many charities who offer front-line services to tackle the immediate effects of the pandemic as well as those who continue to offer ongoing services, including foodbanks, Citizens Advice Bureau, mental health charities, organisations helping the homeless and outreach programmes for those at risk of isolation.

We are restricting dividends to our shareholders throughout AMP7 to enable the substantial investments to improve resilience and protect the environment. Our policy for executive director pay continues to be aligned to the company's strategy of delivering value through high quality customer service and operational performance whilst ensuring the cost of water remains affordable. Our Board-approved dividend and executive remuneration policies are available on our website: *affinitywater.co.uk/governance-assurance*. Whilst the current economic environment as a result of COVID-19 is clearly challenging, the company has put in place suitable mitigating actions to ensure that even under a severe but plausible downside scenario, the company is not forecasting any covenant breaches. The company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future.

To meet our commitment of being open and transparent, we published our second 'Understanding our finances' report in November 2020. The purpose of this report is to help our customers and other stakeholders understand our business and our finances, including how we fund our operations and how we spend our customers' money. The full report is available on our website: *affinitywater.co.uk/performance.*

Taking action to restore priceless English chalk streams

On World Rivers Day we celebrated our chalk streams by voluntarily stopping abstraction from two boreholes in our Chess River catchment, within the Chiltern Hills, an Area of Outstanding Natural Beauty. On the day, we also sponsored the Chess Valley Challenge, a 10 mile walk along the River Chess bringing the local community together and raising awareness of the value of local rivers to us all.

Key stakeholders:

- Chilterns Conservation Board
- Environment Agency
- River Chess Association
- Chalk Stream Project
- Herts and Middlesex Wildlife Trust

Our inputs – drawing from our capitals

Our people from a number of departments incuding Production, Asset Strategy and Corporate Affairs all worked together to succesfully complete investigation, trials, and engagement with local groups in the Chilterns to protect a globally rare chalk stream.

Ceasing abstraction from two boreholes in the Chess Valley, in the Chilterns, an Area of Outstanding Natural Beauty to help protect the ecology of River Chess and maintain the amenity value for local communities

Actions and outputs – enhancing the environment

- The water abstraction reduction, equivalent to 7.27 Ml/d annual average deployable output, follows years of investigation, trials, and collaborative efforts with local groups in the Chilterns and confirms our commitment to contribute to the restoration of globally rare chalk streams, and to protect the River Chess, a globally rare habitat.

- The voluntary abstraction reduction is an important part of company's response to protecting environment and managing the increasing challenges that impact our water resources such as climate change, growing population and higher than average water consumption in the region.

- Sponsorship of the Chess Valley Challenge, an annual event that raises money for local charity Herts and Middlesex Wildlife Trust and engages Trust members and local community that share the appreciation of local rivers and the value they provide for wellbeing, nature and water supply.

Culture Ambassadors

We have set up a Culture Ambassador forum to improve our culture across the organisation and make Affinity Water a great place to work. We have 39 Culture Ambassadors who represent all departments and directorates throughout the company. This forum is now a channel for on-going two-way dialogue, communication and discussion on workplace culture and the Culture Ambassadors play a major role in creating an informed employee voice for everyone.

Key stakeholders:

- Culture Ambassadors
- 4 Co-Chairs
- Board Non-Exec Director
- HR & Culture Director
- Internal Comms

NB. Photograph taken before COVID-19 social distancing guidelines were put in place.

Our inputs – drawing from our capitals

The Culture Ambassadors held 11 virtual meetings between March and June 2020 to discuss the impact of COVID-19. They provided a valuable insight to how our teams are feeling and this helped shape further communications to the business.

Culture Ambassadors reviewed and helped shape our Wellbeing Survey

Actions and outputs – embedding the right culture to deliver on our purpose

- During the COVID-19 pandemic, the Culture Ambassadors have played a key role in sharing messages with the business, helping us understand their team's concerns and feeding this back to the group.

- To ensure a planned and co-ordinated approach to our Culture Ambassador meetings we have created a Culture Ambassador Steering Group with four Culture Ambassador Co-Chairs who help drive the meeting and agree future agendas.

- Some of our Culture Ambassadors are making great progress within their business areas. For example, within Leakage our three Culture Ambassadors have:
  - reached out to their teams through regular check-in surveys;
  - helped to redesign the interview process and now sit in on these to ensure the technical element is first and interview pre-work is now aligned to Our Principles; and
  - been influential in setting up the current Apprenticeship Scheme.

Affinity Water Limited

Interim management report (continued)

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 AMP7 price controls were published in December 2019 and we accepted them in February 2020. Our price limits for AMP7 already include the financial adjustments relating to our performance commitments in the first four years of AMP6, 2015-19, but any price control incentive penalties or rewards in relation to our performance in the last year of AMP6, 2019/20, will be considered as part of the PR19 Reconciliation framework, for which final rules are expected in late 2020.

Our wholesale price control is further disaggregated into a 'water resources' control (abstraction) and a 'network plus' control (raw water transport, storage, treatment and treated water distribution) which intends to support trading in water resources. Our retail household price control operates on a maximum allowed revenue per customer basis.

In addition to controlling revenues, Ofwat has determined eight PCs with financial incentives that are common across all companies and nine PCs with financial incentives that are bespoke to us. A further 11 bespoke PCs do not carry financial penalties, but if we fail to meet the standards required, we are likely to worsen our reputation with stakeholders. Where ODI penalties and rewards become due, these will be made in-period, not at the end of the five-year control period as was the case in AMP6.

Our PR19 price control determination contains the following key customer outcomes:

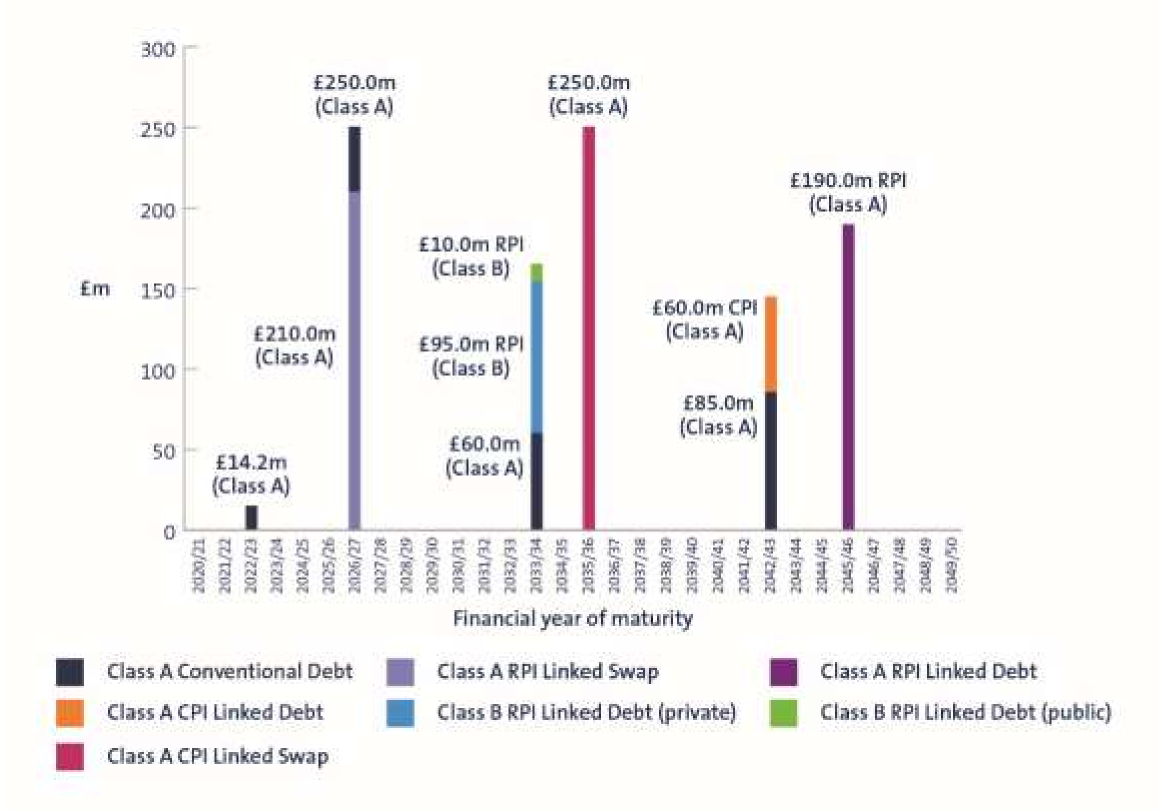
- a reduction to the average household bill of 5.5% in real terms by 2025;
- our commitment towards operational service improvements for customers, including a 20% reduction in leakage, a 12.5% reduction in per capita consumption and significantly fewer minutes of supply unavailability per customer; and
- additional commitments dedicated towards excellent customer service and supporting customers in vulnerable circumstances including those who would benefit from our Priority Services Register.

Affinity Water Limited

Interim management report (continued)

Financing update

The following chart shows the maturity profile of the bonds issued by the company's subsidiaries as at 30 September 2020:



The credit ratings for our subsidiaries' bonds assigned by the rating agencies, Moody's, Standard & Poor's and Fitch, have not changed since March 2020:

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

At 30 September 2020, net debt, as defined in the financial covenants in the company's securitisation documentation ('compliance net debt'), was £985.4m (at 31 March 2020: £972.9m - refer to note 1E in the Annual Performance Report for the year ended 31 March 2020 for the basis of the calculation). Gearing, calculated as compliance net debt to RCV at 30 September 2020, was 78.2% (31 March 2020: 78.9%) 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% with a restricted payment condition at 85.0%.

The company has transacted £225.0m of CPI linked inflation swaps and £75.0m of RPI linked inflation swaps during the period in order to mitigate our interest cover ratio covenant. These transactions lead to a net interest receivable cashflow over the life of the swap, offset by an accretion payment on maturity (2026 for the RPI swap and 2036 for the CPI swap). There is no liquidity risk prior to these dates as there is no requirement to pay collateral prior to maturity.

Affinity Water Limited

Interim management report (continued)

Financial performance

Our financial results are prepared in accordance with the recognition and measurement requirements of EU-adopted International Financial Reporting Standards ('IFRS'; refer to note 2 of the condensed interim financial statements for further details). Our unaudited financial results for the six months to 30 September 2020 are summarised as follows:

	2020 £m	2019 £m
Revenue	**144.3**	153.9
Operating costs	**(140.5)**	(138.2)
Other income	**8.6**	9.2
Operating profit	**12.4**	24.9
Net finance costs	**(56.6)**	(36.6)
Loss before tax	**(44.2)**	(11.7)
Tax credit	**8.2**	0.7
Loss for the period	**(36.0)**	(11.0)

Revenue for the first six months of the year was £144.3m, being a £9.6m (6.3%) decrease on the same period last year (2019: £153.9m). The decrease is primarily due to lower non-household wholesale revenue as a result of businesses temporarily closing due to COVID-19. Conversely, household revenue increased significantly due to increased measured consumption while more people stay at home following the Government's COVID-19 advice, and further increased due to the hot, dry weather over the summer, although both of these factors have been offset by a customer bill reduction. New connections activity was also reduced during the Spring lockdown, resulting in lower contributions received.

Total operating costs of £140.5m for the first half of the year were £2.3m (1.7%) higher than for the same period last year (2019: £138.2m).

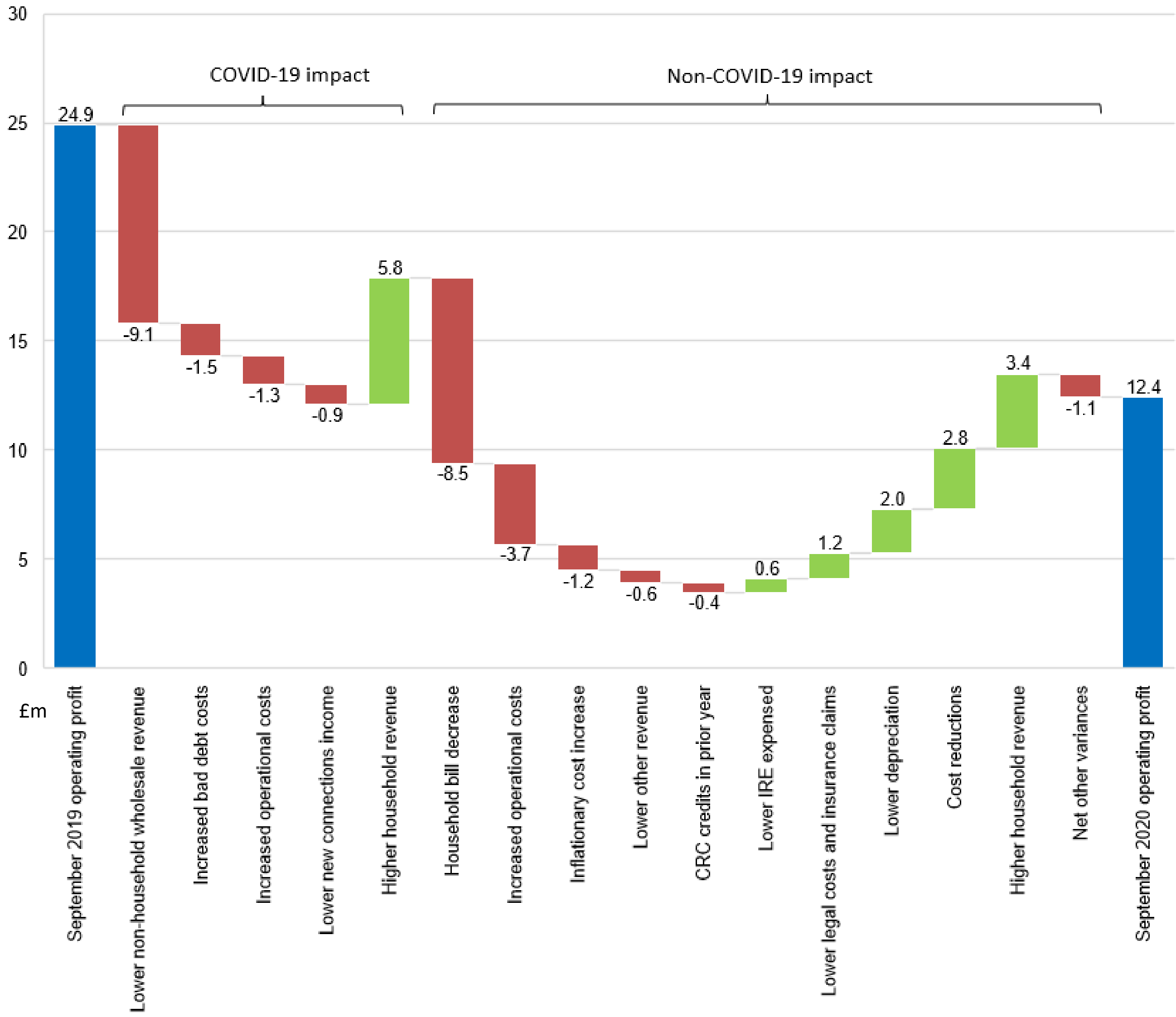
Our operational costs increased by £5.0m as a result of increased demand and supply of water, particularly increasing our bulk water import and electricity costs. Of this, it has been estimated that £1.3m can be attributed to COVID-19 as more people stay at home following the Government's advice, with £1.5m relating to the hot, dry summer weather. Bad debt costs have also increased by approximately £1.5m as a result of COVID-19. Inflation, which at September 2020 was 1.13% higher year-on-year, also caused a £1.2m cost increase.

A number of initiatives continued throughout the period aimed at reducing our costs. The restructuring of the business in order to be able to deliver the significant efficiencies planned for AMP7 has led to cost savings of £2.8m through a lower headcount. Furthermore, legal costs and insurance claims have decreased by £1.2m due to an initiative to decrease the number of consultants being used by the business and also one-off corporate legal costs in the prior year which have not repeated. Depreciation has also reduced by £2.0m as COVID-19 has delayed projects from completing in the six month period to 30 September 2020.

Other income for the first six months of the year was £8.6m, being a £0.6m (6.4%) decrease on the same period last year (2019: £9.2m).

Financial performance (continued)

Operating profit of £12.4m was £12.5m (50.3%) lower than the same period last year. The key variances are detailed on the previous page and shown in the following graph:



Financial performance (continued)

The net finance cost of £56.6m was £19.9m (54.3%) higher in the current year primarily as a result of fair value losses[1] on financial derivatives, mainly in relation to the CPI linked inflation swaps, which were incepted between March 2020 and June 2020. The fair value loss on the financial derivative reflects the market conditions at 30 September 2020 and is non cash in nature.

Loss before tax increased by £32.5m (276.6%) to a £44.2m loss (2019: £11.7m loss), primarily due to the reduction in revenue and higher net finance costs as explained above.

Income tax credit of £8.2m was £7.5m (1056.2%) favourable to the prior period due to higher taxable losses. The effective tax rate of 18.5% is lower than the current corporation tax rate of 19.0%.

All our profits are taxed in the UK, and we do not use tax avoidance schemes or tax havens to reduce our tax liabilities. We comply with what we understand to be both the letter and the spirit of the law. Details of the tax strategy for the Affinity Water Limited regulated business can be found on page 265 of our regulatory Annual Performance Report for the year ended 31 March 2020, and the group tax strategy of Daiwater Investment Limited, our ultimate holding and controlling company in the United Kingdom, can be found on our website: *affinitywater.co.uk/investors*.

No corporation tax was paid during the period as we are forecasting a tax loss for 2020/21 therefore no tax will be payable (2019: £2.2m).

No equity dividends were paid during the period (2019: £nil), as our shareholders have agreed to re-invest all planned returns from our appointed business for the benefit of our customers for the time being to ensure that any group debt can be serviced from the non-appointed business before a distribution to shareholders is considered.

Capital expenditure in the period was £64.7m (2019: £56.6m), and was incurred principally on our mains renewals, trunk main replacement and water treatment programmes. The total includes expenditure relating to our work on the HS2 project but excludes £8.3m (2019: £8.8m) of infrastructure renewals expenditure, which is treated as an operating cost under the recognition and measurement requirements of IFRS. The higher capital expenditure in the first half of this year reflects our increased work in the current period on the HS2 project, for which we also received higher capital contributions offsetting these costs.

Net cash inflow before tax and financing[2] for the first six months of the year was £8.4m being a £15.8m (65.3%) decrease on the same period last year (2019: £24.2m). The decrease is primarily due to higher operational expenditure, partially offset by lower net (including capital contributions) investment in fixed assets in the current period.

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[1] Profits or losses arising from fair value changes are accounting entries only, impacting the condensed interim income statement but not the condensed interim statement of cash flows during the period.

[2] This "non-GAAP" measure, which is used internally to evaluate our financial performance, is calculated as the total of the following lines per the statement of cash flows (refer to page 26): cash generated from operations; purchases of property, plant and equipment; capital contributions; proceeds from sale of property, plant and equipment; purchases of intangible assets; and principal elements of lease payments.

Affinity Water Limited

Interim management report (continued)

Principal risks and uncertainties

We have an established framework for identifying, evaluating and managing the key risks we face. A key aim is to foster a culture in which teams throughout the business manage risks as part of their management of day-to-day operations. Our Executive Management Team now also carries out regular assessments of emerging risks, including horizon scanning and monitoring of early warning indicators. Operational risks are recorded and assessed, including existing management and control processes, and an action plan is prepared, if necessary, to implement further mitigation. Activities against these plans are monitored on an on-going basis. Operational risks are also ranked by our teams during the year. Based on these rankings, the most significant risks are discussed by our senior management and included in the strategic risk register, which is reviewed by the Board and the Audit, Risk and Assurance Committee. The latter reviews senior management's work on risk management and reports to the Board on the effectiveness of risk management processes.

We have kept our principal risks and uncertainties under regular review and they remain unchanged from those reported in the annual report and financial statements for the year ended 31 March 2020.

Our emergency response plans and business continuity plans have stood us in good stead and allowed us to continue to deliver our essential services during the period of the COVID-19 pandemic and the period of hot weather during the summer. We had restarted many of the operational processes which we ceased at the beginning of the first national lockdown period. We are keeping these under frequent close review, having recently entered a second national lockdown.

The principal risks and uncertainties reported for the year ended 31 March 2020 were as follows:

- Operational risks:
  - Failure to prevent injuries and accidents to our people and the public
  - Failure to meet our obligations to provide a sufficient supply of high-quality drinking water
  - Failure to attract, develop and retain good quality employees
  - Information security, protection of personal data and data quality failure
  - Supply chain failure
  - Failure to deliver our business plan, commitments and service to customers
  - Environment
  - Managing change
  - National health pandemic

- Regulatory risks:
  - Adverse changes to the regulatory framework, or social or political climate
  - Failure to comply with laws, our Instrument of Appointment and other recognised standards

- Financial risks:
  - Failure to secure appropriate financing for our business activities
  - Macro-economic risk (interest rate and inflation risks)

Further information on these risks and uncertainties can be found on pages 39 to 48 of the company's annual report and financial statements for the year ended 31 March 2020, which is available on our website: *www.affinitywater.co.uk/performance.*

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

Interim management report (continued)

Going concern

The company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future. This is based on assessment of the principal risks of the company, as detailed on the previous page, and consideration of the company's budgeted cash flows, short and long term forecasts and ability to generate future revenues, related assumptions and available debt facilities.

Whilst the current economic environment as a result of COVID-19 is clearly challenging, the company has put in place suitable mitigating actions to ensure that even under a severe but plausible downside scenario, the company is not forecasting any covenant breaches. To assess the severe but plausible downside scenario, management have considered a base case scenario that reflects the current market conditions under the pandemic and have applied a series of severe downside assumptions including a reduction in revenue and an increase in bad debt as a result of the pandemic. Management also considered the impact of a severe cold weather event over the winter period and a further increase in operating expenditure.

COVID-19 is projected to have an adverse impact on the financials in 2020/21, however it is expected that forecasted revenues and cash flows will return to pre-pandemic levels in following years. Due to the nature of the regulated water company's business, the directors consider it appropriate to place reliance on projected financials.

For this reason, the directors continue to adopt the going concern basis in preparing the condensed interim financial statements.

Related parties

Details of significant related party transactions can be found in note 21. There has been no change to the nature of related party transactions in the first six months of the financial year which has materially affected the financial position or performance of the company.

Governance

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

Forward-looking statements

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

Affinity Water Limited

Condensed interim income statement
for the six months ended 30 September 2020

	Note	**30 September 2020 £000 Unaudited**	30 September 2019 £000 Unaudited
Revenue	5	**144,270**	153,935
Cost of sales		**(114,688)**	(111,110)
Gross profit		**29,582**	42,825
Administrative expenses		**(25,247)**	(23,143)
Impairment losses on financial and contract assets		**(587)**	(3,980)
Other income		**8,633**	9,227
Operating profit	6	**12,381**	24,929
Finance income	7	**7,106**	4,185
Finance costs	7	**(25,738)**	(31,126)
Fair value loss on financial instrument	7	**(37,936)**	(9,721)
Net finance costs		**(56,568)**	(36,662)
Loss before tax		**(44,187)**	(11,733)
Tax credit	8	**8,174**	707
Loss for the period		**(36,013)**	(11,026)

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

The notes on pages 27 to 41 are an integral part of these condensed interim financial statements.

Affinity Water Limited

Condensed interim statement of comprehensive income for the six months ended 30 September 2020

	Note	**30 September 2020 £000 Unaudited**	30 September 2019 £000 Unaudited
Loss for the period		**(36,013)**	(11,026)
Other comprehensive income for the period which will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		**(18,356)**	2,753
Deferred income tax credit/(charge) on items that will not be reclassified	17	**3,488**	(468)
Other comprehensive (loss)/income for the period, net of tax		**(14,868)**	2,285
Total comprehensive loss for the period		**(50,881)**	(8,741)

The notes on pages 27 to 41 are an integral part of these condensed interim financial statements.

Affinity Water Limited

Condensed interim statement of financial position as at 30 September 2020

	Note	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Assets			
Non-current assets			
Property, plant and equipment	9	**1,508,702**	1,479,039
Right-of-use assets	9	**10,960**	12,436
Intangible assets	9	**46,173**	45,768
Investments		**100**	100
Retirement benefit surplus	10	**88,648**	104,619
Other receivables	11	**2,298**	2,300
		1,656,881	1,644,262
Current assets			
Inventories		**3,925**	3,017
Other investments		**20,190**	25,202
Trade and other receivables	11	**113,198**	82,099
Cash and cash equivalents		**80,273**	85,587
		217,586	195,905
Total assets		**1,874,467**	1,840,167
Equity and liabilities			
Equity			
Ordinary shares	12	**26,506**	26,506
Share premium	12	**1,400**	1,400
Capital contribution reserve	12	**30,150**	30,150
Retained earnings		**78,037**	128,918
Total equity		**136,093**	186,974
Liabilities			
Non-current liabilities			
Trade and other payables	13	**149,471**	132,694
Borrowings	14	**1,095,073**	1,090,641
Lease liabilities	15	**8,214**	9,068
Derivative financial instrument	16	**48,208**	9,149
Deferred tax liabilities	17	**186,982**	198,644
Provisions for other liabilities and charges	17	**5,708**	5,507
		1,493,656	1,445,703
Current liabilities			
Trade and other payables	13	**237,265**	199,330
Lease liabilities	15	**2,896**	3,491
Current tax liabilities		**4,063**	4,062
Provisions for other liabilities and charges	17	**494**	607
		244,718	207,490
Total liabilities		**1,738,374**	1,653,193
Total equity and liabilities		**1,874,467**	1,840,167

The notes on pages 27 to 41 are an integral part of these condensed interim financial statements.

Affinity Water Limited

Condensed interim statement of changes in equity for the six months ended 30 September 2020

	Share capital	Share premium	Capital contribution reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 April 2020	**26,506**	**1,400**	**30,150**	**128,918**	**186,974**
Loss for the period	**-**	**-**	**-**	**(36,013)**	**(36,013)**
Other comprehensive income	**-**	**-**	**-**	**(14,868)**	**(14,868)**
Total comprehensive loss	**-**	**-**	**-**	**(50,881)**	**(50,881)**
Dividends	**-**	**-**	**-**	**-**	**-**
Total transactions with owners recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Balance as at 30 September 2020	**26,506**	**1,400**	**30,150**	**78,037**	**136,093**
Balance at 1 April 2019	26,506	1,400	30,150	150,569	208,625
Profit for the period	-	-	-	(11,026)	(11,026)
Other comprehensive loss	-	-	-	2,285	2,285
Total comprehensive loss	-	-	-	(8,741)	(8,741)
Dividends	-	-	-	-	-
Total transactions with owners recognised directly in equity	-	-	-	-	-
Balance as at 30 September 2019	26,506	1,400	30,150	141,828	199,884

The notes on pages 27 to 41 are an integral part of these condensed interim financial statements.

Affinity Water Limited

Condensed interim statement of cash flows for the six months ended 30 September 2020

	Note	30 September 2020 £000 Unaudited	30 September 2019 *restated*[1] £000 Unaudited
Cash flows from operating activities			
Cash generated from operations	18	**45,065**	58,546
Interest paid		**(18,840)**	(21,512)
Tax paid		**(1)**	(2,239)
Net cash flows from operating activities excluding capital contributions		**26,224**	34,795
Capital contributions		**29,855**	23,904
Net cash flows from operating activities		**56,079**	58,699
Cash flows from investing activities			
Investment in short-term deposits		**5,012**	(10,106)
Purchases of property, plant and equipment		**(59,884)**	(54,255)
Proceeds from sale of property, plant and equipment		**32**	3
Purchases of intangible assets		**(4,850)**	(2,295)
Interest received		**148**	494
Net cash used in investing activities		**(59,542)**	(66,159)
Cash flows from financing activities			
Principal elements of lease payments		**(1,851)**	(1,689)
Net cash used in financing activities		**(1,851)**	(1,689)
Net decrease in cash and cash equivalents		**(5,314)**	(9,149)
Cash and cash equivalents at start of period		**85,587**	96,482
Cash and cash equivalents at end of period		**80,273**	87,333

The notes on pages 27 to 41 are an integral part of these condensed interim financial statements.

[1] Prior year figures have been restated by £10.106m, moving this amount from cash and cash equivalents to other investments, and include a £23.904m reclassification of capital contributions from investing activities to operating activities.

Affinity Water Limited

Notes to the condensed interim financial statements

1. General information

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

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

These condensed interim financial statements were approved for issue on 25 November 2020.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 were approved by the Board of directors on 24 June 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter and did not contain any statement under section 498 of the Companies Act 2006.

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

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

2. Basis of preparation

These condensed interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ('FCA') and International Accounting Standard ('IAS') 34: 'Interim financial reporting' ('IAS 34'), as adopted by the European Union ('EU').

The company prepared its financial statements for the year ended 31 March 2020 in compliance with the requirements of Financial Reporting Standard 101: 'Reduced disclosure framework' ('FRS 101').

Under FRS 101, the company applies the recognition and measurement requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The condensed interim financial statements should be read in accordance with the company's annual report and financial statements for the year ended 31 March 2020, which is available on our website: *affinitywater.co.uk/performance.*

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed interim financial statements as the company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future. This is based on assessment of the principal risks of the company (refer to page 20) and consideration of the company's budgeted cash flows, short and long term forecasts and ability to generate future revenues, related assumptions and available debt facilities.

Whilst the current economic environment as a result of COVID-19 is clearly challenging, the company has put in place suitable mitigating actions to ensure that even under a severe but plausible downside scenario, the company is not forecasting any covenant breaches.

2. Basis of preparation (continued)

Going concern (continued)

To assess the severe but plausible downside scenario, management have considered a base case scenario that reflects the current market conditions under the pandemic and have applied a series of severe downside assumptions including a reduction in revenue and an increase in bad debt as a result of the pandemic. Management also considered the impact of a severe cold weather event over the winter period and a further increase in operating expenditure.

COVID-19 is projected to have an adverse impact on the financials in 2020/21, however it is expected that forecasted revenues and cash flows will return to pre-pandemic levels in following years. Due to the nature of the regulated water company's business, the directors consider it appropriate to place reliance on projected financials.

3. Accounting policies

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 March 2020, except in relation to taxation. Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss. No new standards became applicable for the current reporting period that have a material impact on the company.

4. Critical accounting estimates and judgements

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 March 2020, which are available on our website: *affinitywater.co.uk/performance.*

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

5. Revenue

	Six months ended 30 September 2020 £000 Unaudited	Six months ended 30 September 2019 £000 Unaudited
Timing of revenue recognition – at a point in time		
Unmeasured supplies	**50,487**	55,642
Measured supplies	**73,710**	67,831
Non-household wholesale revenue	**15,256**	24,362
Connection charges	**3,753**	4,612
Chargeable services	**13**	37
	143,219	152,484
Timing of revenue – over time		
Requisitioned mains/extensions	**292**	285
Diversions	**168**	609
Infrastructure charges	**515**	478
Other	**76**	79
	1,051	1,451
	144,270	153,935

6. Operating profit

	Six months ended 30 September 2020 £000 Unaudited	Six months ended 30 September 2019 £000 Unaudited
Operating profit is stated after charging:		
Water abstraction charges	**1,993**	2,046
Business rates	**7,839**	7,751
Depreciation of tangible fixed assets	**29,352**	31,758
Amortisation of other intangible assets	**4,445**	4,480
Depreciation of right-of-use assets	**1,877**	1,750
Infrastructure renewals expense	**8,281**	8,815

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

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

7. Finance income and costs

	Six months ended 30 September 2020 £000 Unaudited	Six months ended 30 September 2019 £000 Unaudited
Finance income:		
Bank interest income	**148**	494
Net interest receivable on RPI linked inflation swap	**2,951**	2,469
Net interest receivable on CPI linked inflation swaps	**2,794**	-
Net income from post-employment benefits	**1,213**	1,222
	7,106	4,185
Finance costs:		
Interest payable on loan from parent company	**(80)**	(80)
Interest payable on loans from subsidiary undertakings	**(18,789)**	(18,726)
Accretion payable in respect of interest on loans from subsidiary undertakings	**(4,833)**	(8,712)
Accretion payable on financial instrument	**(1,355)**	(3,213)
Interest payable on lease liabilities	**(158)**	(182)
Other	**(523)**	(213)
	(25,738)	(31,126)
Fair value loss on financial instrument	**(37,936)**	(9,721)
Net finance costs	**(56,568)**	(36,662)

8. Tax credit

Tax credit is recognised based on management’s estimate of the weighted average annual corporation tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 March 2021 is 18.5% (the estimated tax rate for the year to 31 March 2020 was 2.5%).

The company is forecasting a loss before tax for the year to 31 March 2021; therefore no corporation tax will be charged. The tax credit in the accounts for the period ended 30 September 2020 is a deferred tax credit.

In September 2016 changes were enacted to the main rate of corporation tax in the UK, from 19.0% to 17.0% effective from 1 April 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the Corporation Tax rate would remain at 19.0% (rather than reducing to 17.0%, as previously enacted). This new law was substantively enacted on 17 March 2020.

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

	PPE	Right-of-use assets	Other intangible assets
	£000	**£000**	**£000**
	Unaudited	**Unaudited**	**Unaudited**
Six months ended 30 September 2020			
Opening net book amount as at 1 April 2020	**1,479,039**	**12,436**	**45,768**
Additions	**59,997**	**401**	**4,850**
Disposals	**(982)**	**-**	**-**
Depreciation and amortisation	**(29,352)**	**(1,877)**	**(4,445)**
Closing net book amount as at 30 September 2020	**1,508,702**	**10,960**	**46,173**
Six months ended 30 September 2019			
Opening net book amount as at 1 April 2019	1,419,556	-	47,903
Recognition of right-of-use assets on adoption of IFRS 16 on 1 April 2019	-	14,494	-
Additions	52,576	924	2,238
Disposals	(409)	(10)	(11)
Depreciation and amortisation	(31,758)	(1,750)	(4,480)
Closing net book amount as at 30 September 2019	1,439,965	13,658	45,650

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

10. Retirement benefit surplus

Defined benefit scheme

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

	Six months ended 30 September 2020	Year ended 31 March 2020	Six months ended 30 September 2019
	Unaudited	Audited	Unaudited
Discount rate	**1.50% pa**	2.30% pa	1.80% pa
Salary growth	**3.05% pa**	2.70% pa	3.20% pa
RPI	**2.85% pa**	2.50% pa	3.00% pa
CPI	**2.05% pa**	1.70% pa	2.20% pa
Life expectancy for a male pensioner from age 65 (years)	**22**	22	22
Life expectancy for a female pensioner from age 65 (years)	**24**	24	24
Life expectancy from age 65 (years) for a male participant currently aged 45 (years)	**23**	24	23
Life expectancy from age 65 (years) for a female participant currently aged 45 (years)	**26**	26	26

Deferred pensions are revalued to retirement age in line with the CPI assumption of 2.05% per annum (2019: 2.20% per annum) unless otherwise prescribed by statutory requirements or the plan rules.

The amounts recognised in the income statement were as follows:

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000
	Unaudited	Unaudited
Total current service cost of the Affinity Water Pension Plan	**(1,329)**	(2,008)
Contributions from participating employer	**40**	46
Interest cost on defined benefit obligation	**(4,495)**	(4,937)
Interest return on assets	**5,708**	6,159
	(76)	(740)

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

	30 September 2020 £000	31 March 2020 £000
	Unaudited	Audited
Fair value of plan assets	**556,605**	501,251
Present value of funded obligations	**(467,957)**	(396,632)
Post-employment benefit surplus in the statement of financial position	**88,648**	104,619

The latest actuarial valuation of the AWPP, determined by an independent qualified actuary, was at 31 December 2017 which concluded that the pension scheme was funded on a self-sufficiency basis. The company signed a new schedule of contributions effective from October 2018 and no further deficit payments are required.

Notes to the condensed interim financial statements (continued)

11. Trade and other receivables

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Non-current:		
Other receivables	**2,298**	2,300
Current:		
Trade receivables	**102,758**	61,453
Less: loss allowance for trade receivables	**(35,467)**	(34,585)
	67,291	26,868
Amounts owed by group undertakings	**201**	-
Interest receivable from external parties	**2,098**	5,051
Other receivables	**2,310**	5,411
Unbilled accrual for metered customers	**35,633**	39,150
Prepayments and accrued income	**5,665**	5,619
	113,198	82,099
	115,496	84,399

12. Share capital

	Number of shares (thousands)	**Ordinary shares of £0.10 each £000**	**Share premium £000**	**Capital contribution reserve £000**	**Total £000**
At 30 September 2020 (unaudited), 1 April 2020 (audited), 30 September 2019 (unaudited) and 1 April 2019 (audited)	**265,058**	**26,506**	**1,400**	**30,150**	**58,056**

Notes to the condensed interim financial statements (continued)

13. Trade and other payables

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Non-current:		
Deferred grants and contributions	**149,471**	132,694
Current:		
Trade payables	**10,440**	9,544
Amounts due to group undertakings	**300**	389
Interest payable to subsidiary companies	**6,547**	13,850
Commitment fees	**44**	65
Social security and other taxes	**1,632**	1,559
Other payables	**5,862**	5,221
Capital accruals	**14,610**	14,498
Deferred grants and contributions	**3,186**	2,239
Payments received in advance	**114,902**	116,768
Deferred income	**51,281**	1,677
Other accruals	**28,461**	33,520
	237,265	199,330
	386,736	332,024

14. Borrowings and loans

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Non-current		
Loan from Affinity Water Finance (2004) PLC financed by bond issue	**253,239**	253,462
Loan from Affinity Water Finance PLC financed by bond issue	**838,250**	833,595
Loan from intermediate parent company	**3,550**	3,550
Debenture stock	**34**	34
	1,095,073	1,090,641

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

14. Borrowings and loans (continued)

Movements in borrowings are analysed as follows:

Six months ended 30 September 2020	**£000**
	Unaudited
Opening amount as at 1 April	**1,090,641**
Indexation on loans from subsidiary undertakings	**4,833**
Amortisation on loans from subsidiary undertakings	**(401)**
Closing amount as at 30 September 2020	**1,095,073**

Six months ended 30 September 2019	£000
	Unaudited
Opening amount as at 1 April 2019	1,081,253
Indexation on loans from subsidiary undertakings	8,711
Amortisation on loans from subsidiary undertakings	(410)
Closing amount as at 30 September 2019	1,089,554

The company has the following undrawn committed borrowing facilities:

	30 September 2020 £000	31 March 2020 £000
	Unaudited	Audited
Floating rate:		
Expiring within one year	**61,000**	61,000
Expiring beyond five years	**100,000**	100,000
	161,000	161,000

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

15. Lease liabilities

	30 September 2020 £000	31 March 2020 £000
Non-current:		
Lease liabilities	**8,214**	9,068
Current:		
Lease liabilities	**2,896**	3,491

Depreciation charge of right-of-use assets recognised in the income statement for the six-month period ended 30 September 2020 is £1,877,000 (six-month period to 30 September 2019: £1,750,000) (refer to note 9).

The interest expense on lease liabilities recognised in the income statement for the six-month period ended 30 September 2020 is £158,000 (six-month period to 30 September 2019: £182,000) (refer to note 7).

Total cash outflow for leases for the six-month period ended 30 September 2020 was £2,009,000 (six-month period to 30 September 2019: £1,871,000), of which £1,851,000 (six-month period to 30 September 2019: £1,689,000) was principal elements of lease payments and £158,000 (six-month period to 30 September 2019: £182,000) was interest payments.

Additions to right-of-use assets in the six-month period ended 30 September 2020 was £401,000 (refer to note 9). The carrying amount of right-of-use assets at 30 September 2020 is £10,960,000 (refer to note 9).

16. Derivative financial instrument

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Non-current		
Fair value of RPI linked inflation swap	**10,187**	2,430
Accretion on RPI linked inflation swap	**5,758**	4,975
Fair value of CPI linked inflation swap	**31,954**	1,775
Accretion on CPI linked inflation swap	**309**	(31)
	48,208	9,149

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

17. Provisions for other liabilities and charges

Six months ended 30 September 2020	**Deferred tax £000**	**Insurance £000**	**Other £000**	**Total £000**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Opening amount at 1 April 2020	**198,644**	**4,837**	**1,277**	**204,758**
(Credited)/charged to the income statement	**(8,174)**	**524**	**-**	**(7,650)**
Credited to other comprehensive income	**(3,488)**	**-**	**-**	**(3,488)**
Utilised in the period	**-**	**(322)**	**(114)**	**(436)**
Closing amount at 30 September 2020	**186,982**	**5,039**	**1,163**	**193,184**
Six months ended 30 September 2019				
Opening amount at 1 April 2019	178,961	4,237	2,832	186,030
(Credited)/charged to the income statement	(2,657)	1,676	-	(981)
Charged to other comprehensive income	468	-	-	468
Utilised in the period	-	(611)	(1,521)	(2,132)
Closing amount at 30 September 2019	176,772	5,302	1,311	183,385

Deferred tax

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

Insurance

Insurance represents the amount of the company's liability in respect of individual claims. This is based upon data provided by loss adjusters to insurers and is calculated on settlement experience.

Included within this provision is an amount of £2,298,000 (30 September 2019: £2,419,000), which would be recoverable from the company's insurer and is, therefore, also disclosed as a non-current other receivable in the company's condensed interim statement of financial position.

Other provisions

Other provisions include £494,000 (30 September 2019: £641,000) in relation to a corporate reorganisation, which is expected will be utilised by 31 March 2021 and is therefore presented as a current liability in the company's condensed interim statement of financial position, and £670,000 (30 September 2019: £670,000) in relation to unfunded pension liabilities for a former non-executive director, which it is expected will be utilised by January 2051.

18. Notes to the condensed interim statement of cash flows

a) Cash generated by operations

	30 September 2020	30 September 2019
	£000	£000
	Unaudited	Unaudited
Loss before tax	**(44,187)**	(11,733)
Adjustments for:		
Depreciation of property, plant and equipment	**29,352**	31,758
Depreciation of right-of-use assets	**1,877**	1,750
Amortisation of intangible assets	**4,445**	4,480
Amortisation of grants and contributions	**(1,051)**	(1,451)
Profit on sale of property, plant and equipment	**(32)**	(3)
Loss on disposal of infrastructure assets	**933**	420
Post-employment benefits	**(1,172)**	(492)
Net finance costs	**56,568**	36,662
Changes in working capital:		
- Inventories	**(908)**	86
- Trade and other receivables	**(36,325)**	(45,880)
- Trade and other payables	**35,565**	42,949
Cash generated from operations	**45,065**	58,546

b) Reconciliation of liabilities arising from financing activities

	At 1 April 2020	**Cash flow**	**Non-cash flows**	**At 30 September 2020**
	£000	**£000**	**£000**	**£000**
	Audited	**Unaudited**	**Unaudited**	**Unaudited**
Loan from Affinity Water Finance (2004) PLC financed by bond issue	**253,462**	**-**	**(223)**	**253,239**
Loan from Affinity Water Finance PLC financed by bond issue	**833,595**	**-**	**4,655**	**838,250**
Loan from intermediate parent company	**3,550**	**-**	**-**	**3,550**
Lease liabilities	**12,559**	**(2,009)**	**560**	**11,110**
Debenture stock	**34**	**-**	**-**	**34**
Total liabilities arising from financing activities	**1,103,200**	**(2,009)**	**4,992**	**1,106,183**

	At 1 April 2019	Cash flow	Non-cash flows	At 30 September 2019
	£000	£000	£000	£000
	Audited	Unaudited	Unaudited	Unaudited
Loan from Affinity Water Finance (2004) PLC financed by bond issue	253,922	-	(232)	253,690
Loan from Affinity Water Finance PLC financed by bond issue	823,747	-	8,533	832,280
Loan from intermediate parent company	3,550	-	-	3,550
Lease liabilities	14,494	(1,689)	914	13,719
Debenture stock	34	-	-	34
Total liabilities arising from financing activities	1,095,747	(1,689)	9,215	1,103,273

Non-cash flows relate to loan indexation and amortisation of bond issuance costs and net additions of leases.

19. Financial risk management and financial instruments

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

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's financial statements for the year ended 31 March 2020 (refer to note A4 to the financial statements for the year ended 31 March 2020).

There have been no changes in any risk management policies since 31 March 2020.

Fair value of financial assets and liabilities

	30 September 2020 £000	31 March 2020 £000
	Unaudited	Audited
Non-current:		
Bonds	**1,375,098**	1,348,245
Derivative financial instrument	**48,208**	9,149
	1,423,306	1,357,394

Between 1 April 2020 and 30 September 2020, market interest rates decreased, increasing the overall fair value of the bonds on-lent from the company’s two financing subsidiaries.

The fair value of Class A bonds has been derived from ‘level 1’ fair value measurements: quoted prices (unadjusted) in active markets for identical liabilities. The fair values of Class B bonds and the derivative financial instrument have been derived from ‘level 2’ fair value measurements: directly observable market inputs other than Level 1 inputs.

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

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

20. Commitments

The directors have authorised a programme of asset-related expenditure, of which the contracted capital element not provided for in the condensed interim financial statements amounted to £12,454,000 at 30 September 2020 (31 March 2020: £16,579,000).

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

21. Related party transactions

The following transactions were carried out with related parties:

Receipts	Nature of relationship	In respect of	**Six months ended 30 September 2020** Value £000	**Six months ended 30 September 2020** Balance £000	Six months ended 30 September 2019 Value £000	Six months ended 30 September 2019 Balance £000
			Unaudited	**Unaudited**	Unaudited	Unaudited
Castle Water (Southern) Limited, formerly Affinity for Business (Retail) Limited[1]	Former group undertaking	Water services and support services	**-**	**-**	21,493	465
Affinity Water Capital Funds Limited	Group undertaking	Support services	**201**	**201**	-	-

Payments	Nature of relationship	In respect of	**Six months ended 30 September 2020** Value £000	**Six months ended 30 September 2020** Balance £000	Six months ended 30 September 2019 Value £000	Six months ended 30 September 2019 Balance £000
			Unaudited	**Unaudited**	Unaudited	Unaudited
Allianz Global Corporate and Specialty AG	Common ownership	Insurance	**1,009**	**-**	843	-
Allianz Insurance plc	Common ownership	Insurance	**1**	**-**	1	-
SSE plc	Shared director	Electricity	**5,296**	**160**	13,622	1,994
Affinity Water Finance (2004) PLC	Subsidiary undertaking	Interest on loan	**7,130**	**3,179**	7,123	3,170
Affinity Water Finance PLC Limited	Subsidiary undertaking	Interest on loan	**16,492**	**3,368**	20,314	3,329
Castle Water (Southern) Limited, formerly Affinity for Business (Retail) Limited[1]	Former group undertaking	Water services	**-**	**-**	5	800

Details of the loans from Affinity Water Finance (2004) PLC and Affinity Water Finance PLC, the company's subsidiary undertakings, can be found in note 14.

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

[1] Affinity for Business (Retail) Limited was sold to Castle Water Limited on 1 April 2020. The entity changed its name on 3 April 2020 to Castle Water (Southern) Limited and is no longer a related party in the current period.

Affinity Water Limited

Notes to the condensed interim financial statements (continued)

22. Events occurring after the reporting period

There were no significant events after the reporting period.

23. Ultimate parent company and controlling party

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

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

Copies of the group financial statements of Daiwater Investment Limited and Affinity Water Holdco Finance Limited for the period ended 31 March 2020 may be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

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

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

- Allianz Infrastructure Holding I Pte. Limited (up until 20 November 2019, Allianz Infrastructure Luxembourg I S.à r.l)
- DIF Management Holding BV
- DIF Management UK Limited
- HICL Infrastructure plc
- Sun Life Financial Inc (up until 1 July 2020, InfraRed Capital Partners Limited (Management) LLP)

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

DIF is an independent and specialist fund management company, which invests in infrastructure assets that generate long-term stable cash flows, including public-private partnerships, regulated infrastructure assets and renewable energy projects in Europe, North America and Australia.

HICL Infrastructure plc is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. HICL has a portfolio of infrastructure investments, which are positioned at the lower end of the risk spectrum, in three target market segments: public-private partnerships, regulated assets and demand-based assets. The Investment Manager to HICL is InfraRed Capital Partners Limited, a leading international investment manager focused on infrastructure and real estate.

Affinity Water Limited

Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Affinity Water Limited are listed in the company's annual report and financial statements for the year ended 31 March 2020, with the exception that Patrick O'D Bourke resigned as a director on 29 September 2020 and Justin Read was appointed on 14 July 2020. A list of current directors is maintained on the governance pages of the company's website: *affinitywater.co.uk/board.*

By order of the Board

Pauline Walsh	Stuart Ledger
Chief Executive Officer	Chief Financial Officer

25 November 2020