

An aerial photograph of a lush green landscape featuring a water treatment facility. In the foreground, a wooden walkway with metal railings spans across a body of water. Two workers in high-visibility orange jackets are standing on the walkway. To the left, a blue van with 'Affinity Water' branding is parked on a paved area. The background shows rolling green hills under a blue sky with scattered white clouds. The text 'Taking care of your water now and for the future' is overlaid in white, with 'your water' circled in yellow.

Taking care  
of your water  
now and for  
the future

**Affinity**Water

Regulatory Annual  
Performance Report  
for the year ended  
31 March 2024

[Registered Number 02546950]

# Affinity Water Regulatory Annual Performance Report

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

### AMP – Asset Management Plan

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

### C-MeX – Customer Measure of Experience

A measure of customer service levels being used by Ofwat.

### CRI – Compliance Risk Index

A measure of water quality compliance designed to illustrate the risk arising from treated water compliance failures.

### D-MeX – Developer Measure of Experience

A measure of developer service levels being used by Ofwat.

### ICG – Independent Challenge Group

An independent group of stakeholders provide challenge and advice on the delivery of our plans for customers.

### MI/d – Megalitres per day

A measure of consumption. One megalitre is equal to one million litres.

### MOSL – Market Operator Services Limited

The market operator of England's non-household water market.

### ODI – Outcome Delivery Incentive

Mechanism for financial rewards or penalties that underpins the Performance Commitments.

### PCC – Per Capita Consumption

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

### PR – Periodic Review

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

### R-MeX – Retailer Measure of Experience

A measure of retailer service levels being used by Ofwat.

### RAGs – Regulatory Accounting Guidelines

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

### RCV – Regulatory Capital Value

The economic value of the regulated business, as determined by the price control regime.

### RORE – Return On Regulated Equity

A financial metric used by Ofwat to determine the profitability of the regulated company.

### Totex – Total expenditure

The sum of operational expenditure and capital expenditure.

### WINEP – Water Industry National

#### Environment Programme

A set of actions that water companies must complete in order to meet their environmental obligations as required by the Environment Agency.

### WRMP – Water Resources Management Plan

A long-term plan detailing how a water company will maintain a sustainable balance between future demand and supply of water.

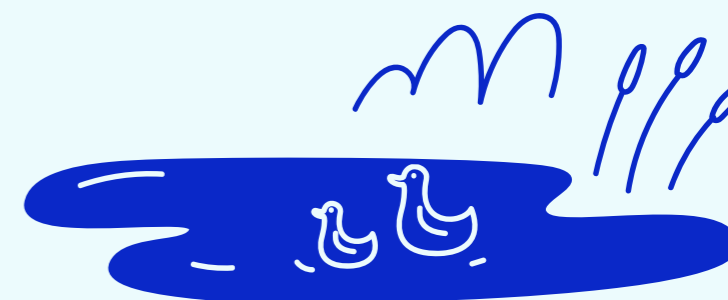
## Important information

### Terms used in this report

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

### Our registered office

Tamblin Way  
Hatfield  
Hertfordshire  
AL10 9EZ

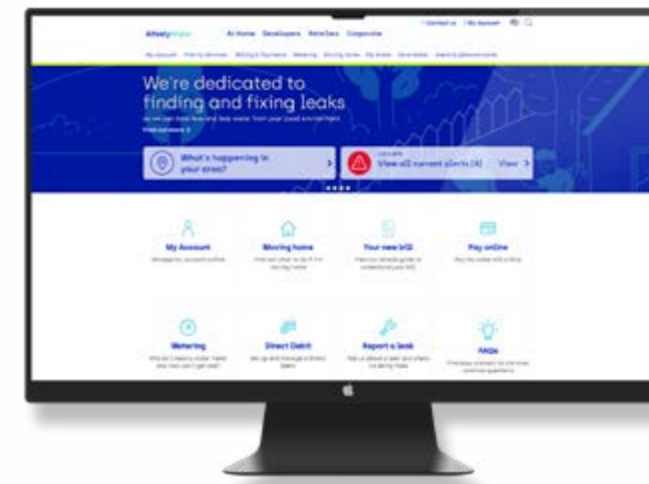


# Regulatory Annual Performance Report

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The following regulatory Annual Performance Report is prepared to enable the Water Services Regulation Authority ('Ofwat') to monitor the financial performance of the regulated water business of Affinity Water Limited. This regulatory Annual Performance Report should be read in conjunction with the Annual Report and Financial Statements of Affinity Water Limited for the year ended 31 March 2024, which can be found here:



[affinitywater.co.uk/performance](https://affinitywater.co.uk/performance)



# Statement from the Chair



The successful introduction of our innovative tariff trials and industry leading campaigns on saving water, show our commitment, passion and focus on sustainability - it's at the heart of what we do as a business."

**Ian Tyler**  
Company Chair

## Highlights

- Achieved 24 out of our 28 performance commitments targets.
- Outperformed our leakage target.
- Continued to grow our priority services register to ensure we are supporting those customers who need help.
- Focused our approach to Environment, Social & Governance (ESG) making sure our values are embedded right across the business
- Set out ambitious plans to improve our services to customers, communities and the environment through the submission of our Business Plan from 2025 to 2030.

Welcome to our Annual Performance Report for the year ended 31 March 2024. It has been my great pleasure to see the company transform over the last few years, delivering for both its customers, community, the environment and strengthening the foundations for continued success into the long term.

We have had a successful year, achieving 24 of our 28 performance commitment targets, and are delighted to have again outperformed our leakage target this year. Our customers tell us how important reducing leakage is to them and the continued focus from the team has seen us introducing further innovation such as no-dig techniques to fix leaks on communication pipes that link to customers houses.

We have also seen significant improvements on last year performance in key areas such as interruptions to supply, ensuring our customers have constant supply of water is a core service and we continue to keep working hard to minimise any disruption for customers.

We also need to ensure we can support those customers who need bespoke services and additional help in times of need, so I am really proud we continue to make real strides forward in areas such as our priority services register. We have more than doubled our target for ensuring we know which customers need priority services, with over 10% of our customer households now on the register.

Our underlying performance on water quality has remained strong, and although we had two isolated events that have affected the measurement of the Compliance Risk Index, these are fully resolved, and short and long terms plans established to continue investment and maintenance of our treatment works.

A significant milestone for the company this year was the submission of our Business Plan to our regulator, Ofwat, for the 2025 to 2030 period, setting out how the company will provide a sustainable supply of water, while taking care of the environment for the next five years.

The Board worked closely with the wider team to set the strategy for the coming five years and overall long-term direction for the next 25 years. We are proud of our ambitious plans for improving services for customers and the environment and are satisfied that we are financially resilient and sustainable over the period and beyond. We were also satisfied that our challenge proved our plan was deliverable, robust and efficient and achieved value for money for our customers. While the Final Determination will be published in December this year, we continue to focus on our delivery planning and enabling work with our supply chain to ensure we are ready to start on our largest ever investment programme.

The company has not only focused on the next five years, but also produced a 25-year long-term strategy. We are currently awaiting approval from DEFRA, to publish our final Water Resources Management Plan (WRMP), which sets out how we will provide a sustainable supply of water, while taking care of the environment for the next 50 years.

These long-term plans are vital to our delivery of the company's ambitions. While we, as a water only company, don't manage sewage, we play a significant part in ensuring our rivers have good ecological health through reducing abstraction and making wider environmental

improvements. Publishing our final WRMP is a significant step in this journey and, as we progress on developing the first of the major schemes to deliver water for the future (the Grand Union Canal Transfer) we need to attract significant capital from investors and banks to ensure the most cost-efficient delivery for our customers and communities.

As a Board we have continued to focus on sustainability with the company developing its strategy and activities on areas such as Net Zero, natural capital and the circular economy. I am very pleased that this financial year, we have laid the groundwork to transition our Safety, Health, Environment and Drinking Water quality (SHEDWQ) Committee to a new Environment, Social and Governance (ESG) Committee. The ESG Committee met for the first time last month and is in place to continuously challenge and improve the company's performance, minimising risk and maximising value for the environment and society. We have also continued to see some significant steps in helping our customers continue to reduce their water use. With the successful introduction of our innovative tariff trials and industry-leading campaigns on water saving, we are committed to a clear passion and focus on sustainability at the heart of what we do as a business.

18.3%

Reduction in leakage. Meeting our 23/24 target and on track for 20% reduction by 2025

26

Project units completed to date for national environment programme



Read the **executive summary of operational performance** on pages 12 to 15

# Statement from the Chair

continued

I would like to emphasise the importance of our company culture and values which we have reviewed and updated this year, and we continue to support a positive, inclusive and productive work environment. I was particularly proud to see the development of our Equality, Diversity and Inclusion (EDI) strategy; helping us maintain and support a strong, diverse and engaged workforce.

Over the past year, we have welcomed a new independent non-executive director, Shelley Malton, who joined us on 1 December 2023 and we see Trevor Didcock step down from the Board later this year, after nine valued years of service. I would like to thank Trevor for his commitment and insight over these years.

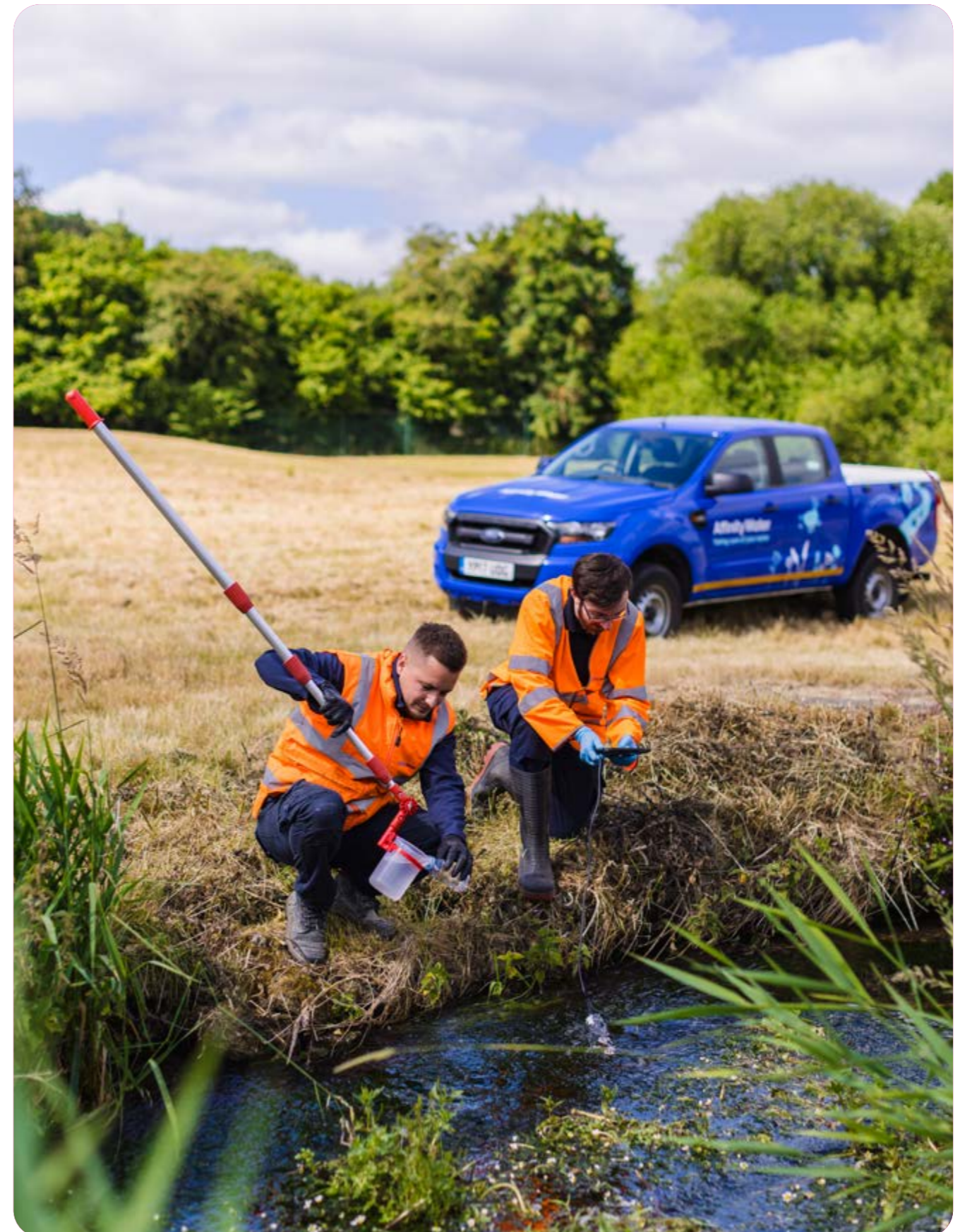
I made an announcement of my own back in January, that I will be stepping down as Chair of the Board and, the recruitment process is well underway for my replacement. This feels like an appropriate time hand the role over with the strong leadership of Keith Haslett at the helm as Affinity Water's Chief Executive, and a highly capable and

cohesive management team and effective and engaged Board. Having received positive feedback on our plan for the next five years, I will guide the business up to the PR24 Final Determination.

I would like to thank everyone at Affinity Water for their continued efforts. From the great strides in improving performance to managing challenging events, and submitting strong and ambitious plans for the future, the hard work, passion and commitment of all our colleagues is evident and reflected in Affinity Water's commitment to its customers, ensuring we can continue to deliver a vital public service to all the communities we serve.

**Ian Tyler**

Company Chair



# Statement from the Chief Executive Officer



“

I am confident we have the right people and plans in place to deliver the service our customers and stakeholders expect of us.”

**Keith Haslet**  
CEO

## Highlights

- Continued to build on our performance improvements, achieving our best ever reduction in supply interruptions for customers as well as outperforming our leakage and interruptions to supply targets.
- Supported our customers with innovative payment support, including launching a tariff trial with 1500 customer to explore if different ways of charging make bills more affordable and encourage water saving.
- Refreshed our vision and values in alignment as a customer focused business through widespread engagement across all our teams and set ourselves up for success in the coming years.

I am pleased to present our Annual Performance Report (APR) for the year ended 31 March 2024. This report is designed to give customers and other stakeholders clear and transparent information on both our operational and financial performance during the year, including the progress we have made to deliver on our commitments. The report is also designed to give stakeholders details on our legal obligations as a water provider and how we are meeting our licence conditions.

## An operational overview

We have seen positive improvements in performance this year as well as some challenges, and I have full confidence that we will continue to build on this strong performance in the coming year with a highly engaged workforce and delivering transformational activities for key operational areas of the business.

We have worked hard this year to set out our plan for the next five years to 2030 and how this will be delivered. A key element is building and supporting our team in terms of retaining and attracting the best talent to ensure we

meet customer expectation for service levels now and in the future. We are making good progress through our focus on health & safety, and equality, diversity & inclusion and we have refreshed our vision, purpose, and values to reflect these priorities for our employees.

We are recovering well from performance challenges seen in previous years and have made significant progress in key areas such as leakage and interruptions to supply. While there have been some challenges to overcome, we are improving on the delivery of our commitments for this current five-year plan to 2025 with improved levels of interaction with our customers in key areas.

We have continued to make progress in driving down leakage and are proud to have outperformed our target by reducing leakage by 18.3% at the end of 2023/24. We have kept in place our elevated levels of Active Leakage Control and completed our increased pressure management programme, and, as we enter into the final year of this five-year period, we are on target to deliver the overall commitment of a 20% reduction by 2025 and 50% by 2050.

We continued to push hard to drive down per capita consumption. The reduction in our 3-year rolling average has increased from -4.3% at the end of 2022-2023 to -1.5% at the end of 2023-24. Behaviour change campaigns such as our home leak campaign hosted by property developer and broadcaster, Sarah Beeny, to raise awareness of internal plumbing losses and how to repair them, have been really valuable, along with home visits (which install water efficient devices) and the installation of flow regulators, have helped reduce overall property consumption. We know we have a lot more to do to help our customers and communities reduce water usage and we look forward to implementing a smart metering trial in the coming year.

We did not meet our performance commitment (PC) for compliance risk index (CRI) in 2023 where 50 results did not meet the relevant standard; we had similar results of 46 in 2022. This shortfall was explained in the main part in 2023, by the two exceedances from Iver Water Treatment Works (WTW), our highest output treatment works. Consequently, the CRI score for these two exceedances was 7.06, making up around 88% of our total CRI score.

At the heart of our plans today and in the future is sustainability. Our region is home to 10% of the world's globally rare chalk streams. Chalk streams are under threat from the effects of climate change, demand for water, pollution, and centuries of river alterations.

The state of our chalk streams is very much a societal issue, which is why we need to work closely with other water companies, regulators, government, businesses, landowners, and our customers to do all that we can to protect them.

We continue to play our part and are making good progress in terms of delivering the assets and changes to our network. The commissioning of Sundon Conditioning Plant is the priority scheme that must be delivered ahead of March 2025 in order to allow the Abstraction Reductions to be implemented on time and commissioning will be complete in December 2024.

We have also continued to help our customers make sustainable choices, encouraging them through our ongoing advertising campaigns around water saving, water efficiency and working with developers to look at water neutrality, especially in new housing developments.

Details of our operational performance and achievement of our commitments over the AMP are included within this APR on pages 12 to 15.



Read the [executive summary of operational performance](#) on pages 12 to 15

# Statement from the Chief Executive Officer

continued

## A financial overview

As with many other businesses across the UK, we continue to weather the storm of high inflation which has been at its highest in 40 years. A part of this increase is the fact that energy prices have risen sharply over the last two years. The treatment and distribution of water is energy intensive, making energy one of our biggest costs. We are resilient to these inflationary shocks and our hedging strategy for energy has protected us to some extent, however, higher prices for energy and across the supply chain to keep our network running, especially with the increase in bursts from weather events, have been a challenge from a cost perspective.

The first two years of the pandemic in 2020/21 and 2021/22 also affected our investment programme, as all construction was halted for a six-month period. We've also experienced delays in the planning timescales as we emerged from the lockdowns. However, we are absolutely determined to deliver on our investment programme by the end of this AMP. We are already on track to deliver all outcomes under the Water Industry National Environment Programme (WINEP) and have kept Ofwat and other stakeholders updated with the action plan detailing how we will meet our obligations for enhancement expenditure, also published on our website.

Details of our financial expenditure can be found in sections 1 - 11 of this APR and in our executive summary of financial performance on page 16 onwards.

## Outlook

Our ambition for PR24 is to produce a robust and credible plan that enables us to deliver the services our customers and stakeholders expect for 2025-2030, and the longer-term.

In the first half of the year, we completed work to prepare our PR24 submission, publishing our plan in October. Between now and 2030, we project water bill increases of around 13%, which will allow us to invest in smart metering, improve the transferability of water across our region and develop our water supply system so that it can accept water from strategic water resources schemes over the next decade and longer term.

We expect to shortly receive the draft Determination from Ofwat, and we will consider our response ahead of Final Determination in December 2024.



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

Every five years, water companies produce business plans that set out the performance commitments ('PC's) they will deliver over a five-year period. These plans are shaped by customers and stakeholders on the things they want their company to deliver on and are formalised by Ofwat, our economic regulator, in the Final Determination. The five-year period is referred to as AMP7. Our current Business Plan for 2020–2025, includes a total of 28 stretching performance commitments that will ensure we deliver our four customer outcomes.

The first four years of AMP7 have brought significant challenges to our business and our performance commitments themselves. AMP7 began with the onset of the global pandemic. Covid-19 affected all aspects of life and the workings of the industry. Offices closed, schools shut with many customers and staff suddenly working from home or furloughed. The impact to our business was felt immediately, and new ways of working had to be found. Significant sections of our commuter-belt customers were suddenly remaining within our supply area and using more water within their homes and at different times. The onset of the pandemic also coincided with a significant hot, dry summer further exacerbating changes in usage and the amounts of water used. The easing of restrictions in 2021 and an anticipated return to a 'new normal' was met with an energy crisis and a downturn in the economy. Further hot/dry weather was experienced in the summer of 2022, bringing the hottest weather in 30 years and a freeze/thaw event with temperatures down to -7°C.

The pandemic, increasingly extreme weathers and an unsettled economy have all brought additional challenges to our stretching commitments. Despite this, we are working hard to achieve the commitments we set out at PR19. Performance against our commitments is detailed in the following sections.

## Supplying high-quality water you can trust

### Compliance Risk Index ('CRI') Metric [calendar year]

	2020	2021	2022	2023
CRI	1.31	0.87	1.09	<b>8.05</b>
[Dead Band] target	2.00	2.00	2.00	<b>2.00</b>
Metric [Dead Band] target achieved?	Yes	Yes	Yes	<b>No</b>

2023 saw a significant increase in our CRI score, primarily because of two exceedances at our biggest treatment works, Iver WTW, one for coliforms and one for turbidity. These two exceedances accounted for around 88% of the score. Our investigations identified that both exceedances were probably as a result of continuous coagulant carry over post the rapid gravity filters (RGFs). Our reliance on water from Iver WTW has been exacerbated in AMP7 by the pandemic and nearby HS2 works which delayed much needed maintenance activities. We have now completed this maintenance work and have a programme in place to prevent further exceedances. We also have just started a project to build a further set of RGFs, due to be completed in 2027, which will further reduce coagulant carry over.

The underlying quality of our drinking water supplies remains high and consequently our expectation for future CRI performance is that our scores will fall back below 2 in 2024/25 and remain so in AMP8.

## Customer contacts per 1,000 population for water quality

Metric	2020/21	2021/22	2022/23	2023/24
Water quality contacts	0.83	0.75	0.56	<b>0.58</b>
Target	0.67	0.67	0.67	<b>0.67</b>
Metric achieved?	No	No	Yes	<b>Yes</b>

Our performance continues the improving trend that we saw prior to Covid-19 restrictions. Our performance commitment (PC) for customer contacts per 1000 population for water quality (taste, odour & appearance) was met in 2023 with the contact rate being 0.58 against a target of 0.67. This was made up of 1,427 (0.37) contacts regarding appearance and 795 (0.21) contacts regarding taste and/or odour. This continues our good performance for this measure from 2022.

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

### Leakage

Metric	2020/21	2021/22	2022/23	2023/24
Leakage reductions	1.9%	10.8%	15.8%	<b>18.3%</b>
Target	2.7%	11.1%	14.0%	<b>17.0%</b>
Metric achieved?	No	No	Yes	<b>Yes</b>

We have achieved an 18.3% reduction in the 3 year rolling average leakage value from the 2019-20 baseline value. Our performance commitment required us to achieve a 17% reduction from baseline in the 3-year rolling average in year 4

We are pleased to have outperformed our leakage target this year, and we will maintain our focus on improving leakage performance. We have kept in place our elevated levels of Active Leakage Control and completed our increased pressure management for this AMP.

## Per capita consumption ('PCC')

Metric	2020/21	2021/22	2022/23	2023/24
PCC reductions	-3.5	-3.4%	-4.3%	<b>-1.5%</b>
Target	1.7	4.9%	7.3%	<b>10.0%</b>
Metric achieved?	No	No	No	<b>No</b>

The reduction in our 3-year rolling average has increased from -4.3% at the end of 2022-2023 to -1.5% at the end of 2023-2024.

We are determined to further drive down per capita consumption across our regions with the continuation of our three main activities. These cover our behaviour change campaigns, including the promotion of reducing home leaks through influencers such as Sarah Beeney to raise awareness of internal plumbing losses and how to repair them. Another key area of activity are the home visits which help install water efficient devices while discussing water behaviour and repair internal plumbing losses. We also target the installation of flow regulators to help reduce overall property consumption. By completing these main three activities it has helped to see that reduction in Year 4 Per Capita Consumption.

## Providing a great service that you value

### Customer measure of experience ('C-MeX')

C-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain.

Metric	2020/21	2021/22	2022/23	2023/24
C-MeX*	15th (77.88.71)	14th (76.57)	14th (74.59)	<b>12th (73.16)</b>
Target	Mid Table (8th)	Mid Table (8th)	Mid Table (8th)	<b>Mid Table (8th)</b>
Metric achieved?	No	No	No	<b>No</b>

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



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

Our aspiration is to be one of the leading water companies for service and our focus is on resolving all customers issues, quickly, efficiently and to a high standard. Following significant investment in training, improving processes and knowledge, we are beginning to see these improvements manifest themselves into improvements in our customer satisfaction, as reported via our C-MeX Service survey results.

Our 2023-24 full year performance improved two places year-on-year to 12th position. For 2024-25, we are focusing on improving customer resolution so that customers see their issue resolved quickly.

## Developer services measure of experience ('D-Mex')

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

Metric	2020/21	2021/22	2022/23	2023/24
D-Mex*	10th [84:71]	9th [86:00]	10th [86:36]	<b>12th [87:03]</b>
Target	Mid Table (8th)	Mid Table (8th)	Mid Table (8th)	<b>Mid Table (8th)</b>
Metric achieved?	No	No	No	<b>No</b>

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

Although we saw our D-MeX score increase from 2022/23, We are disappointed to achieve a 2023/24 full year industry league table position of twelfth. We aspire to become one of the leading water companies when it comes to the service we provide our customers through Developer Services.

D-MeX is calculated from an equal split of scores from qualitative and quantitative surveys. By working collaboratively with our delivery partner, we have consistently improved our quantitative performance and in year four we achieved 99.87% in these scores. Our qualitative performance increased from 72.75 in 2022/23 to 74.20 in 2023/24, this increase is linked to improvements made to timescales and moving to more proactive communication.

## Minimising disruption to you and your community

### Mains repairs

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

Metric	2020/21	2021/22	2022/23	2023/24
Mains repairs	158.9	100.2	169.6	<b>98.3</b>
Target	150.7	148.6	146.5	<b>144.4</b>
Metric achieved?	No	Yes	No	<b>Yes</b>

We have significantly exceeded the target for mains repairs in 2023-24.

While our performance against this PC is heavily weather dependant, we continue to work on reducing the necessary background level of repairs and our ability to reduce the impact of adverse weather. This is primarily through ongoing network and asset optimisation to deliver improvements in performance.

### Interruptions to supply ('I2S')

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

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

In the 2023-24 reporting year, our performance on interruptions to supply showed significant improvement, with an actual interruption time of just 2 minutes and 49 seconds, well below our target of 5 minutes and 23 seconds for the year. This is a remarkable improvement when compared to the previous year's performance of 12 minutes and 53 seconds against a target of 5 minutes and 45 seconds. In 2023-24 while we did see benign weather with no prolonged hot summer or a cold winter, the trend over the last four years highlights the significant improvements we have made in enhancing our operational efficiency and reducing supply interruptions.

## Properties at risk of receiving low pressure.

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

This is intended as a measure of the number of properties that are at risk of experiencing low pressure in the mains water supply per 10,000 connections. Our reported performance against this metric is an outlier to the industry. However, we do not consider the measure provides comparable performance information across companies due to significant differences in the way companies chose to interpret and apply the reporting guidance.

We recognise that water pressure is important to customers, and we are proposing to maintain the 'average time of low pressure' through a bespoke performance commitment in the 2025-30 period as this provides a more meaningful measure of customers experiences of low pressure

## Unplanned outage

Metric	2020/21	2021/22	2022/23	2023/24
Unplanned outage	1.65	1.19	2.09	<b>1.43</b>
Target	2.34	2.34	2.34	<b>2.34</b>
Metric achieved?	Yes	Yes	Yes	<b>Yes</b>

Our target for Unplanned Outage is set at 2.34% throughout AMP7. As of 31 March 2024, we have achieved a performance of 1.43%, improving from 2.09% in the previous year (2022-23).

Despite facing unprecedented hot and dry conditions last year, the most recent autumn, winter and spring have been much wetter than usual. This has allowed groundwater levels to recover to above average in all of our supply regions. Levels in our supply regions are much higher than they were at this time last year. This improvement has seen a slight decrease in customer demand compared to last year.



# Executive summary of financial performance – AMP to date and current year

continued

## Segmental income statement

	Residential retail £m				Water resources £m				Water network + £m			
	20/21	21/22	22/23	23/24	20/21	21/22	22/23	23/24	20/21	21/22	22/23	23/24
Total revenue	27.9	29.0	26.9	<b>28.7</b>	35.9	43.2	50.4	<b>58.0</b>	216.4	237.4	238.0	<b>257.2</b>
Operating expenditure – including PU recharge impact	(29.2)	(28.4)	(31.4)	<b>(32.3)</b>	(18.0)	(18.6)	(21.7)	<b>(22.9)</b>	(163.1)	(179.4)	(196.7)	<b>(202.2)</b>
Depreciation and amortisation	(0.7)	(0.2)	(0.3)	<b>(0.3)</b>	(5.5)	(2.7)	(8.4)	<b>(8.4)</b>	(72.9)	(72.3)	(71.6)	<b>(71.6)</b>
Other operating income	1.6	2.3	2.6	<b>2.6</b>	0.0	0.1	0.1	<b>0.5</b>	0.7	0.8	1.1	<b>1.3</b>
Operating profit/(loss)	(0.3)	2.7	(2.1)	<b>(1.3)</b>	12.4	22.0	20.4	<b>26.7</b>	(19.9)	(13.4)	(29.2)	<b>(15.3)</b>

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

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

## Totex vs our allowed expenditure

£m	Water resources				Water network +			
	20/21	21/22	22/23	23/24	20/21	21/22	22/23	23/24
Final determination allowed totex	46.4	59.3	72.3	<b>94.5</b>	237.8	244.4	261.9	<b>260.3</b>
Actual totex	31.1	25.7	27.1	<b>50.5</b>	222.1	276.9	295.1	<b>325.2</b>
Under/(over) spend	15.3	33.6	45.2	<b>44.0</b>	15.7	(32.5)	(33.2)	<b>(64.9)</b>

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

The impact of any net variance will be assessed as part of the PR24 price review process which concludes in 2025 and will then be reflected in customer bills during subsequent periods.

For the first four years of the AMP, the underspend in water resources is primarily due to the mix of capital work completed between water resources and water network + and an underspend on enhancement capital works, which will be completed in later years of the AMP.

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

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

## Enhancement expenditure

The company has underspent its enhancement allowance in all four years of the AMP, with a cumulative spend in the AMP of £259.3m compared to an allowance of £365.1m. This is in part due to some efficiencies being met but is primarily due to a delay in expenditure for reasons including planning delays, the impact of Covid-19 in earlier years of the AMP, WINEP delivery delays and the profiling of jobs to be completed during AMP7.

The company has an action plan in place to ensure the spend is completed by the end of AMP7 and has ongoing correspondence with Ofwat regarding progress in this area. The action plan is published on our website at [affinitywater.co.uk/docs/corporate/2023/AFW-AMP7-](https://affinitywater.co.uk/docs/corporate/2023/AFW-AMP7-)

enhancement-spend-action-plan-March-2023 and shows how the company has completed a thorough review of each enhancement item, with progress to date, the factors affecting our original delivery plans, and our action plans to get our programmes back on track.

Where the company has acknowledged that where projects are no longer required due to changing business needs (i.e. the South Lincolnshire Reservoir and the Anglian to Affinity

Water transfer both within Strategic regional water resources expenditure lines in table 4L), these funds will be returned to customers as part of the AMP8 revenue reconciliation.

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

## Key financial metrics

		20/21	21/22	22/23	23/24
Regulatory gearing	%	77.06%	73.99%	74.06%	<b>74.90%</b>
RORE (return on regulatory equity)	%	1.85%	0.74%	(1.61%)	<b>5.49%</b>
Funds from operations	£m	49.359	74.275	64.282	<b>63.456</b>
Adjusted interest cover (cash)	2dp	0.79	1.36	0.47	<b>0.25</b>
Return on RCV	%	0.44%	2.07%	0.50%	<b>1.04%</b>
Credit rating (Moody's)	N/A	Baa1 (stable)	Baa1 (stable)	Baa1 (stable)	<b>Baa1 (stable)</b>

Regulatory gearing is calculated as net debt divided by RCV determined at final determination. This metric has decreased over the AMP in line with the de-gearing scenario agreed with the company's shareholders and detailed in our AMP7 Business Plan, however, the current high levels of inflation has increased the value of our borrowings and has resulted in a slight increase in gearing from prior year.

The RORE has decreased over the AMP due to financing underperformance as a result of the increased cost of debt with the current high levels of inflation, although this has been partially offset by our hedging arrangements. Our operational results have contributed to the performance in RORE in 2023/24, with totex underperformance, ODI underperformance and retail overspend having an adverse impact on RORE.

Our funds from operations increased between 2020/21 and 2021/22 due to higher operating profits in 2021/22 and changes in our working capital position. This metric

reduced in 2022/23 and 2023/24 due to a decrease in net cash generated from operating activities, in addition to a worsening working capital position due our capital investment programme and continued high inflation affecting our operational costs.

Our adjusted interest cover (cash) increased from 2020/21 to 2021/22 due to favourable movements in our funds from operations detailed above and slightly lower interest payments in 2021/22 due to favourable hedging arrangements. This reduced in 2022/23 and 2023/24 due to the worsening funds from operations, an increase in interest payable and higher RCV run off in the year included in the calculation.

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



## Where do we want to go – PR24 looking ahead

Our ambition for PR24 is to produce a robust and credible plan that enables us to deliver the services our customers and stakeholders expect for 2025-2030, and the longer-term.

In the first half of the year, we completed work to prepare our PR24 submission, publishing our plan in October. Our plan has been developed through significant engagement with customers, partners and communities and is supported by our investors. Between now and 2030, we project water bill increases of around 13%, which will allow us to invest in smart metering, improve the transferability of water across our region and develop our water supply system so that it can accept water from strategic water resources schemes over the next decade and longer term. Our plan balances our ambitions for customer service improvements for our customers and the environment, keeps water bills affordable for all and provides extra support for customers who find it difficult to pay.

Following publication of our plan, we provided further information and explanation to Ofwat through their business plan query process. We expect to shortly receive the draft Determination from Ofwat, and we will consider our response ahead of Final Determination in December 2024.

In parallel with our PR24 business plan, we consulted on and refined our draft Water Resources Management Plan, which now awaits approval from the government.

To deliver on our ambitions for 2025 and beyond, we need to begin the next price control from a position of strong performance. We remain focussed on delivering against our key performance commitments, completing the 2020-25 investment programmes and putting in place delivery arrangements. Realising these outcomes will enable us to deliver exceptional service for our customers and the environment in the last year of this period and will place us in the best position to start the next price control period.



# Our stakeholders

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

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

The communities we serve are diverse, and we welcome the broad range of perspectives this brings to help improve our services and strategic plans. Trust is critical to achieving our purpose. We must continue to build trust with our stakeholders by successfully meeting our commitments and be open with them when we fall short of their expectations.

Building a trusting relationship ensures we can continue to engage effectively with our stakeholders in a constructive manner and shape the future of our essential public service together.

## Affinity Water's stakeholders



- Stakeholders we generate value for
- Stakeholders that influence what we do

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



Read the [Section 172 statement](#) on pages 72 to 79 of our Annual Report and Financial Statements 2023/24



## Key interests of the stakeholders we generate value for

### Customers

#### Why engagement is important

Customers rely on water as an essential service, while our business model is based on customers paying water bills.

#### Key interests

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

### Communities

#### Why engagement is important

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

#### Key interests

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

### Employees

#### Why engagement is important

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

#### Key interests

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

### Suppliers

#### Why engagement is important

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

#### Key interests

- Innovation
- Responsible supply chain – working together to create positive social and economic benefits for our communities and take care of our environment
- Health, safety and wellbeing

### Shareholders

#### Why engagement is important

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

#### Key interests

- The environment
- Exceptional customer service and performance
- Financial risk management
- Trust, transparency and legitimacy

### Regulators

#### Why engagement is important

The company's licence to operate and the framework it operates in are determined by the government and regulators.

#### Key interests

- Trust, transparency and legitimacy
- Exceptional customer service
- The environment
- Sustainable, high-quality and resilient water supplies
- Innovation
- Leakage and water efficiency

## Affordability for customers

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

We know that some of our customers find it difficult to pay their water bills and that high inflation during this year has caused a fall in living standards for many. More than ever, this means that we need to do what we can to support customers that are most in need. We are proactive in identifying and offering help to customers and we continue to make significant efforts to engage with our customers, advertising and encouraging uptake of the services and help we can give.

We continue to identify and add customers to our Priority Services Register, for instance, by careful listening for trigger words during phone calls that could indicate vulnerability and extensive training for our customer

service agents. We collaborate with power companies and other partners to proactively identify customers who may be in vulnerable circumstances, widen the reach of our Low Income Fixed Tariff ('LIFT') and help customers apply for and access the assistance offered by other trusted, partner organisations.

When customers are not able to pay their bills we operate within the industry's Paying Fair guidelines. This means that we make it as easy as possible for customers to pay and we treat customers in difficulty fairly and sympathetically. We are proactive in contacting customers in debt and we help them directly, as well as helping them access support from others.



## Financial resilience

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

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

### Long-term financing arrangements

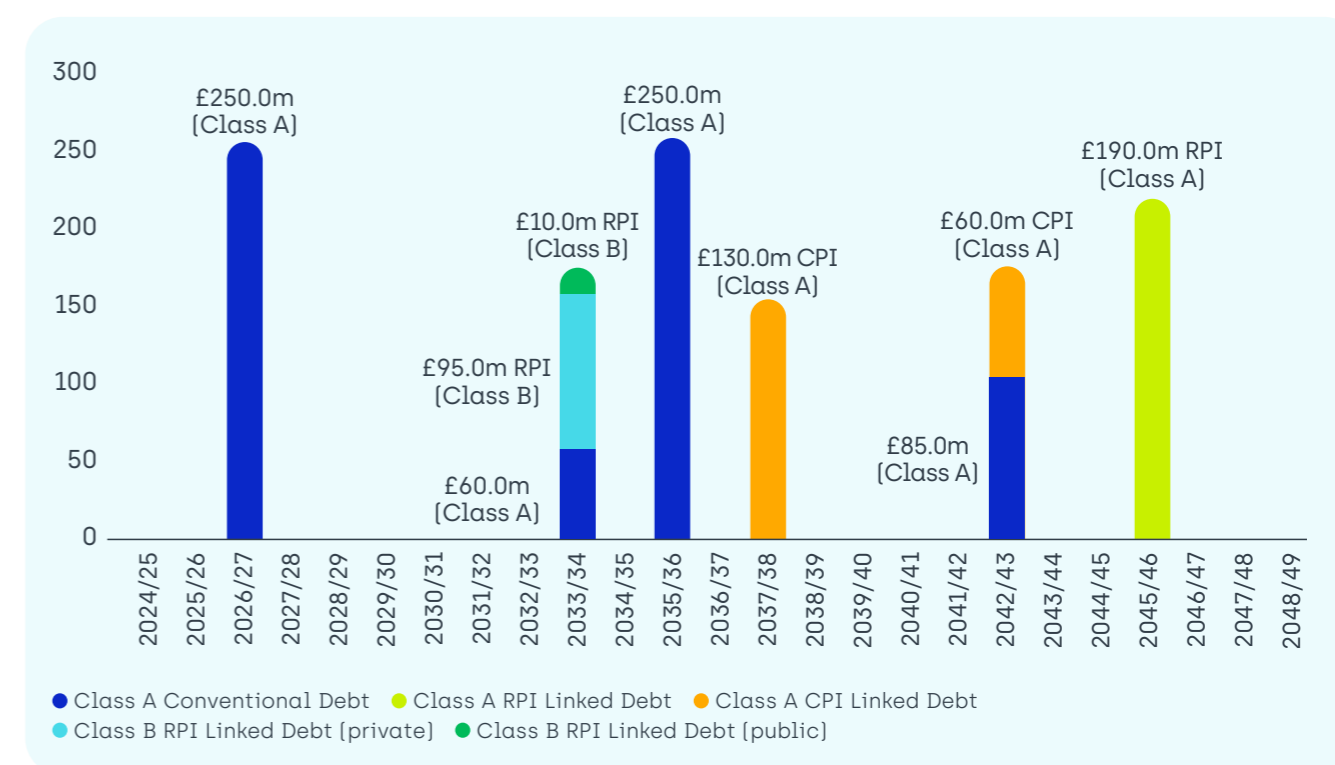
We consider the most cost-effective way to raise long-term debt to be through the debt capital markets. The company has significant long-term capital with maturities ranging from July 2026 to June 2045, see the graph below.

The debt is a mixture of both fixed and index-linked bonds. The company seeks to manage its interest rate risk by maintaining its exposure within a Board-approved range, primarily through using a mixture of fixed, inflation-linked and floating rate borrowings. The remaining high levels of inflation are leading to an increase in accretion on the index-linked debt and are a large driver of the current losses before tax (2024: loss £49.0m, 2023: loss £122.7m). This is a non-cash item in the year and becomes payable

on maturity of the bonds. As our RCV increases with inflation, it is anticipated that the accretion payable on maturity could be refinanced as part of the bond refinancing if required.

A series of RPI-linked inflation swaps with a total nominal value of £210.0m, linked to the maturity of the Class A fixed rate £250.0m bond (July 2026), were entered into between August 2018 and October 2020. A series of CPI-linked inflation swaps with a total nominal value of £250.0m, linked to the Class A fixed rate £250.0m bond (March 2036), were entered into between March 2020 and June 2020.

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



# Financial resilience

continued

Our next significant debt maturity is in July 2026 when a £250.0m fixed rate bond matures and the accretion on the RPI swaps becomes payable. The company is planning on refinancing this bond and the accretion and is currently looking at the options available. The term length of our bonds, combined with ratings given to these bonds by the credit rating agencies Moody's, Standard and Poor's ('S&P') and Fitch (see section below on credit ratings), supports the view that the Group can successfully raise additional funding from the market if required.

## Financial structure

The risk to financial resilience cannot be captured solely by looking at the levels of gearing within a company but needs to take into account a variety of factors including our shareholders, group structure, company credit ratings and the macroeconomic environment we are operating in. Market forces directly mitigate the risk of companies adopting a high level of gearing as ultimately, increased gearing results in an increase in the cost of debt. Our future capital structure plans are contained in our Business Plan for PR24.

Our three main shareholders are long-term international investors, bringing a wealth of knowledge to our Board gained from their portfolios of similar infrastructure

investments across the world. They play a vital role in supporting the investment we need to make, but do also seek reasonable, stable returns on their investment.

Ofwat's final methodology for PR24 published in December 2022 indicates an early view of allowed returns of

3.29%

## Financial headroom and flexibility

The Board's consideration of the company's longer-term viability and prospects is an extension of our business planning process. This includes financial budgeting and forecasting and a robust risk management process. The budget for the forthcoming year adequately supports our commitments set in the Final Determination and provides sufficient resources to meet our operating and investment expenditure needs for at least the next 12 months.

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

The company is profitable at an operational level, with operational profits in the year of £22.1m (2023: £14.6m). The increase in operational profits from the prior year is primarily as a result of a reduction in bad debt costs, as well as a prior year one-off cost.

The company has cash reserves and term deposits of £59.8m and £21.6m (2023: £78.8m and £66.7m) which provide sufficient liquidity to meet our cash flow forecast. To the extent that additional funding is required, we have access to two revolving credit facilities totalling £100.0m which were undrawn at 31 March 2024, to finance capital expenditure and working capital requirements. In addition, we have access to a further £57.0m of liquidity facilities consisting of a 364-day revolving £29.0m facility to fund any debt service payments in the event of a liquidity shortfall that would otherwise prevent such payments being made and a 364-day revolving facility of £28.0m to fund operating and capital maintenance expenditure in the event of a liquidity shortfall.

## Covenant compliance

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

The compounding impacts of a challenging PR19 final determination, Covid-19, energy prices and inflation have significantly reduced our ability to absorb further cost shocks under the stress test scenarios, however, there are a number of actions management would implement in the event of a downside scenario, primarily working capital management, restriction of dividends, operating cost reduction plans and additional inflation-linked swaps.

Under an ICR Trigger Event, the company would be subject to certain constraints such as restrictions on dividends and restriction on debt buybacks. However, the directors are satisfied that an ICR Trigger Event would not fundamentally constrain the company's ability to carry out its business, particularly after considering the company's strong liquidity position meaning that the company has no further funding requirement in AMP7.

## Dividend payments

Our Board has agreed to restrict the payment of dividends throughout AMP7 to enable substantial investments to improve our resilience and protect the environment. The Board fully supports that any future dividend payment would need to take into consideration our ability to deliver for customers and the environment, our future investment needs and the company's own financial resilience, as detailed in our dividend policy summarised on page 119.

## Credit rating

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

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

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

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

In October 2022 S&P has placed us and many peers on a negative outlook based on the macroeconomic environment including current inflationary cost pressures, rising interest rates, pollution incidents in the year relating to wastewater companies and the upcoming PR24 price review. This is not a standalone issue for the company, but an issue for the sector as a whole and the company is currently working to secure a positive outcome at PR24 price review that will ensure adequate returns for our investors while balancing the need to keep customer bills reasonable and improving services. See page 18 for more details on our approach to PR24.

## Scale of investment needed to address current performance relative to financial headroom

The company recognises the need for significant investment in PR24 to ensure we can meet our commitments to our customers and the environment. The company also recognises the need to ensure we spend our allowances for enhancement expenditure over the remainder of AMP7 to ensure we are in a strong position to commence AMP8 plans. See page 18 for more details on our approach to PR24 and our investment plans.

# Q&As

## In conversation with:



**Dean Garvey-North**  
Director of Technology and Transformation

## Open Data



### What is open data and why is it so important for the water industry?

Water companies play an essential role in our customers everyday lives and enable our local communities to thrive. Whilst our vast network of pipes and infrastructure often feels impenetrable, transparency is key to breaking down those barriers. Open data provides an insight into our inner workings and allows us to make data easily available for everyone to access, use and share. We believe it is a vital component in building trust and accountability with the public, our regulators, and stakeholders.

The industry faces a number of challenges in the coming decades including population growth, the demand for water and climate change. Through open data, we can share how we'll manage our resources and ensure a resilient water supply for our customers. We hope that more easily accessible information will also inform public debate on sustainability and reducing the demand for water. We want anyone with an interest in the water sector to be able to engage with us and what we do.



### What is Affinity Water doing to improve its access to data?

We have established a dedicated project team to explore how we can best capture and share data. We are engaging with customers and stakeholders on how they access data and actively seeking feedback. Additionally, we have completed the first draft of our internal open data strategy.

To improve access to data, we launched our environmental data portal in 2023. This is a free open-source tool that provides access to data on groundwater resources, river flows and catchment management monitoring for the public.

More recently, we have joined forces with our industry partners on Stream, which will unlock water data and encourage collaboration & innovation across the sector. We have already started to release minimum night flow data on the platform and look forward to engaging with stakeholders on how they are utilising this information.



### What are Affinity Water's plans for the future of open data?

As our industry adapts to new technologies and innovations, we understand how important data is. We're dedicated to building on the work we have already done, continuing to refine and expand our datasets. We want to ensure our data is accessible and easy to understand, whilst providing the most value to society. By leveraging open data, we aim to drive innovation and develop new data products that can enhance our services and benefit our customers. We hope to collaborate further with the sector through initiatives like Stream, sharing our own learnings and insights as we progress.



# Statement on direction and performance



In this regulatory period, we are committed to meeting challenging performance outcomes, and we recognise the importance of meeting these. These commitments relate to the significant long-term environmental, social and governance challenges we face from rising population and increased demand for water, as well as reduction in the availability of water in the years ahead. We recognise how crucial our business activities are to the wider environment and understand the need to deliver more for the environment and our customers, for an affordable price. We know we can adjust rapidly and transform our ways of working and we have continued this transformation this year, for example through our 'Journey to 2025' plans.

As a Board, we spend a significant amount of time aligning our company's direction with customers, employees and wider stakeholders' interests. Our Section 172 statement on pages 72 to 79 of our Annual Report and Financial Statements 2023/24 shows how we have engaged with our key stakeholders to make key decisions in the year. We have re-invigorated the business considerably over the last few years, with a new executive team, a strengthened Board, committed long-term investors, an excellent team of colleagues, and a clear purpose to help us move forwards. Our Independent Challenge Group, consisting of representatives with experience representing household customers, holds us to account on how we are performing against our performance commitments, all of which can be read on pages 12 to 15.

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

We reflect our ambition in our purpose "to provide high-quality drinking water for our customers and take care of the environment, for our communities now and in the future". This year for instance, the company published its draft Water Resources Management Plan setting out four ambition statements that will help us deliver our purpose, focused on the environment, resilience, customers and communities. The statement was co-created with our communities, engagement with our local customers and listening to key stakeholders and colleagues to ensure we have shared outcomes and common purposes. The Board and senior leadership team were heavily involved throughout the year.

As a Board, we are responsible for fostering the right culture, and we work with senior leadership to reinforce the right behaviours to allow all members of our workforce to bring their true selves to work, to enable them to reach their full potential and deliver on our purpose. By committing to inclusivity, we ensure that our company and its values best reflect the communities we serve and allow us to strive to be world class in what we do. For more details on our purpose and culture, see page 1 of our Annual Report and Financial Statements 2023/24.

Our shareholders are highly regarded and have experience of long-term asset ownership. They support our plans to invest and enhance our infrastructure to ensure future resilience, as demonstrated by their agreement to forego dividends in recent years. Details of our finances can be read on page 50 of our Annual Report and Financial

Statements 2023/24, including our investment plans and funding of these programmes. Our Board's dividend and executive remuneration policies ensure that dividends and executive remuneration are proportionate with the company's performance, and do not impair its financeability. Our dividend policy states that dividends paid by the appointed business must take into account our performance against the final determination for AMP7 for the following areas: financial performance, operational performance, customer and community performance, and safety and health performance.

Our salary and benefit pay policy for executives is based on market benchmarks. Executive annual bonuses are linked to delivery in the year of financial, operational, customer and community, and health and safety measures, which are linked to our AMP7 commitments and detailed in our Remuneration Report on pages 138 to 155 of our Annual Report and Financial Statements 2023/24. The Board is reassured that the pay structure incentivises executives to deliver long-term sustainable performance for customers and communities, employees and shareholders.

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

On behalf of the Board:

**Ian Tyler**  
Company Chair

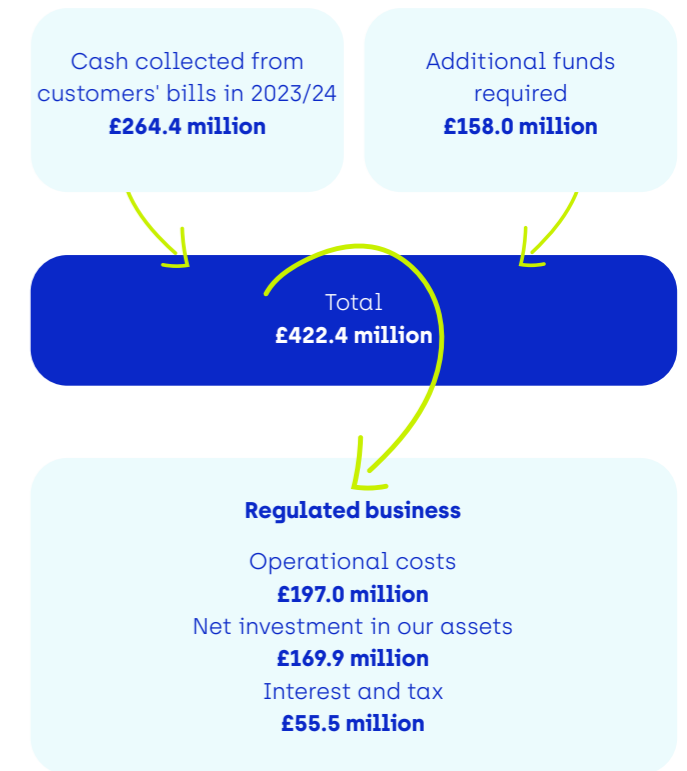
# Funding our regulated business

Our average household bill for 2023/24 was approximately £192, the equivalent of just 53p per day, which we think represents great value for money.

In 2023/24, we spent 87p of every £1 on our suppliers for operating services, our assets and our people, ensuring customers receive the highest quality water and service. Seven pence of every £1 was spent on debt financing and the remaining 6p of every £1 was spent on taxes and charges relevant to local and central governments.

Not all of the funds required by our business come from customers' water bills. For every £1 in 2023/24, we required an additional 37p in order to operate.

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



## How we spend each pound of our total expenditure

**Our assets:**

**40p**

[2023: 35p] Investment in our asset



**Our bondholders:**

**7p**

[2023: 6p] Interest paid on debt financing



**Our suppliers for operating services:**

**27p**

[2023: 32p] Operational cost of suppliers' services



**Local and central government:**

**6p**

[2023: 8p] Corporation tax, business rates, abstraction charges, employer's national insurance and streetworks permits



**Our people:**

**20p**

[2023: 19p] Wages, salaries and pension



**Our shareholders:**

**0p**

[2023: 0p] Dividends from our regulated business and interest on shareholder debt





## Board statement on the completeness and accuracy of information



**Ian Tyler**  
Company Chair

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

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

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

Our Assurance Plan [affinitywater.co.uk/corporate/about/governance-assurance](http://affinitywater.co.uk/corporate/about/governance-assurance) sets out the main assurance activities that we either carry out ourselves or engage third-party providers to carry out independently. It describes the main categories of information which we report, and the main assurance controls we have in place for each category. By delivering against our plan, we ensure that the information we report to customers, stakeholders and regulators is accurate, transparent, reliable, relevant, complete and up to date. We consider it essential to demonstrate that we report information on our performance that meets these criteria as part of our commitment to demonstrate that we take ownership of the information we report.

The Chair of the Audit, Risk and Assurance Committee reported to the Board in respect of the outcomes of the above.

The activities referred to above and detailed in full in our Assurance Plan lead the Board to conclude that all data and information which the company has provided to Ofwat during 2023/24 and which we have published in our Annual Report and Financial Statements and Annual Performance Report in our role as water undertaker was accurate and complete with no material exceptions to report.

On behalf of the Board

**Ian Tyler**  
Company Chair

8 July 2024



## Certificates of compliance

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

### Ring-Fencing Certificate

This is to certify that on 8 July 2024 the Board of Affinity Water Limited ('the Appointee') resolved that in its opinion, in accordance with the company's Condition P licence requirements:

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

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

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

### Financial resources and facilities:

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

The company had cash at the year-end, in the form of bank accounts and bank deposits, of £81.3 million.

The company has a £250.0 million loan from its subsidiary, Affinity Water Finance (2004) PLC, which represents the proceeds of a bond. The bond has an interest rate of 5.875% and matures in July 2026. The company has loans totalling £880.0 million from its subsidiary, Affinity Water

Finance PLC, which represent the proceeds from eight bonds, five of which are index linked. The earliest maturity of the bonds is July 2026.

The last time the company raised long-term debt in the public markets was October 2021 through a bond issuance of £130.0 million index-linked (CPI) bond, which is due to mature in 2038, the company's first issued green bond.

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

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

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

### Performance against final determinations (FDs) set at the last price review

The company's cash flow budget for 2024/25 indicates a net cash outflow position of £20.0 million pre tax and debt service (and before dividends); the budget is supported by long-term plans and performance against the final determination set at the most recent price review, for both operating and investment expenditure. Each ELT member is fully involved in the budget-setting process.

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

The company has committed revolving loan facilities available to draw totalling £100.0 million. These facilities are to meet day-to-day expenditure of the company and consist of a £60.0 million facility from Barclays Bank PLC and a £40.0 million facility from Lloyds Bank PLC. As at 31 March 2024 these facilities were completely undrawn. The facilities are intended for the purpose of financing capital expenditure and working capital requirements to the extent that additional funding is required and have maturity dates of July 2026 and July 2025, respectively. These facilities were renewed on 24 June 2020 and use SONIA as the reference rate and have sustainability performance measures included.

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

# Certificates of compliance

continued

The first facility is a committed £29.0 million debt service reserve liquidity facility from National Australia Bank Limited to meet the company's Debt Service Reserve requirements. This needs to cover the finance costs for all of its Class A and Class B debt for the next 12 months. This requirement is on a continuous rolling basis.

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

The company's internal policy is a threshold of 80% debt to RCV (Senior Regulatory Asset Ratio ('RAR') was 74.6% and Class A RAR 65.9% as at 31 March 2024) with a senior trigger level of 90.0% and a Class A trigger level of 75.0%. Therefore, the capacity to raise debt to the trigger level is 9.1% of RCV, i.e. £168.9 million, before causing a trigger event under the covenant package (however, a restricted payment condition in respect of dividends would come into effect at 85.0% at a senior debt level and 75.0% at Class A). In the event that the company defaulted on its covenant conditions and moved into standstill period, the £57.0 million of liquidity facilities would be available for drawdown to fund debt service and operating expenditure.

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

## Business plans, long-term viability statements, etc.

The results of the stress-testing performed in relation to the company's viability statement for the year ended 31 March 2024 (refer to page 90 of the company's Annual Report and Financial Statements 2023/24), which is subject to external assurance and includes the impacts of the current cost of living crisis and the high levels of inflation (refer to our Board statement on the completeness and accuracy of information on page 30 for details on controls and the levels of assurance obtained during 2023/24).

## Financial resources and facilities – conclusion

The Board concludes that the budget for the forthcoming year adequately supports our commitments set in the final determination and provides sufficient resources to meet our operating and investment expenditure needs for at least the next 12 months. The company has sufficient financing arrangements available to it to meet

these commitments, taking into account the impact of any potential principal risks and uncertainties and the results of stress-testing performed on the base case forecasts and budgets. Therefore, the Board concludes the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities.

## Management resources:

### Management skills, experience and relevant qualifications

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

2023/24 showed the ability of the Executive and Senior Leadership Teams to focus their teams on delivering on a number of complex and high profile projects without detriment to other services provided to its customers.

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

### Recruitment process, staff engagement

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

The Board engages with employees in a number of different ways, detailed within the Section 172[1] statement included on page 72 of our Annual Report and Financial Statements 2023/24, led through our Director of Employee Engagement. The Board considered the results of our regular employee engagement surveys.

### Succession planning for key management/staff

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

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

### Quality of management/staff induction and other training and development

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

### Process for ensuring diversity of perspectives

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

### Board or management activities, reports or statements

Both the Board and the ELT meet regularly to consider and decide upon a range of operational, financial, regulatory and strategic matters impacting the company and receive a range of management information. Further information on the operation of the Board can be found in the Section 172[1] statement on pages 72 to 79 and in the Corporate Governance Report on pages 106 to 117 of our Annual Report and Financial Statements 2023/24.

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

### Independence of Board

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

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

### Management resources – conclusion

The Board concludes that directors have sufficient time to engage with the company and to discharge their responsibilities effectively. The Board concludes that there is an appropriate mix of skills and experience on

the Board and the individual Committees, including sufficient independent membership on Committees for the individual directors to constructively challenge and appropriate division of responsibilities, see the skills matrix in the Corporate Governance Statement on page 110 of our Annual Report and Financial Statements 2023/24. The Board concludes that there are appropriate steps in place to ensure good succession planning that allows for orderly succession to both the Board and senior management positions, ensuring there is a diverse pipeline for succession that reflects the communities that we serve.

## Systems of planning and internal control:

### Governance procedures; risk management frameworks, oversight procedures

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

For more details on the company's governance procedures, see the Corporate Governance Report on pages 106 to 117 of our Annual Report and Financial Statements 2023/24.

The company has an established framework for identifying, evaluating and managing its key risks. The main aim is to foster a culture where teams throughout the business manage risks as part of their management of day-to-day operations. The ELT also carries out regular assessments of emerging risks, including horizon scanning and monitoring of early warning indicators. See details of the principal risks and the company approach to risk on pages 80 to 89 of the Strategic Report section of our Annual Report and Financial Statements 2023/24.

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

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

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

# Certificates of compliance

continued

The company's output is subject to considerable external assurance, both financial and operational (refer to our Board statement on the completeness and accuracy of information on page 30 for details on controls and the levels of assurance obtained during 2023/24).

## Systems for maintaining supply/ business continuity, stated action plans

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

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

See pages 106 to 117 of the Corporate Governance Report in our Annual Report and Financial Statements 2023/24.

## Policies to prevent fraud and other unethical behaviour; whistleblowing policy

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

## Risk, compliance and other assurance statements

See the Statement of Risk and Compliance in this report on pages 37 to 38 for details on the company approach to risk and compliance.

## Systems of planning and internal control – conclusion

The Board concludes that the internal control procedures are working effectively and that the Internal Audit team has the appropriate skills and qualifications it requires to monitor and improve controls across the company. The Board concludes that the work of the Audit, Risk and

Assurance Committee (detailed on pages 118 to 125 of our Annual Report and Financial Statements 2023/24) overseeing the systems of planning and internal control is sufficient.

## Rights and resources other than financial resources:

### Corporate missions and/or values

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

### Technology and other systems for ensuring checks and balances

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

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

### Policies to encourage an integrated approach and 'systems thinking'

Our SkillStation platform was launched in the previous financial year, streamlining training and skills, and giving greater visibility and assurance in the allocation of workplace activities, ensuring the safety, health and wellbeing of our people.

### Planning systems

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

### Assets maintenance/insurance factors

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

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

## Rights and resources other than financial resources – conclusion

The Board concludes that the company values and clearly defined purpose drive the company and concludes that this and the assets available are sufficient to enable it to carry out the Regulated Activities.

## Contracting:

### Position/status of key contracts in place

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

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

Any transactions with Associated Companies are disclosed in the Non-audited additional regulatory information section of the company's regulatory Annual Performance Report for the year ended 31 March 2024 (refer to page 118), which is subject to external assurance under Regulatory Accounting Guideline 5.07; Guideline for transfer pricing in the water and sewerage sectors (refer to our Board statement on the completeness and accuracy of information on page 30 for details on controls and the levels of assurance obtained during 2023/24). These contracts were checked for compliance with licence requirements and confirmed as so in the Certificate of Compliance on page 31 of this Regulatory Annual Performance Report.

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

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

This certificate was approved unanimously at the Board meeting on 8 July 2024 by

**Ian Tyler**

Chair

**Keith Haslett**

Executive Director, CEO

**Martin Roughead**

Executive Director, CFO

**Trevor Didcock**

Independent Non-Executive

**Shelley Malton**

Independent Non-Executive

**Chris Newsome**

Independent Non-Executive

**Justin Read**

Independent Non-Executive

**Michael Osborne**

Non-Executive

**Roxana Tataru**

Non-Executive

**Adam Waddington**

Non-Executive

Signed on behalf of the Board members listed above,

**Ian Tyler**

Chair

Regulatory Annual Performance Report for the year ended 31 March 2024

# Certificates of compliance

continued

## Compliance with Condition P, paragraph P14

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

The company hereby certifies that at 31 March 2024 it was in compliance with paragraph P14 of Condition P.

## Statement of disclosure of transactions with Associated Companies

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

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

## Statement of directors' responsibilities

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

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

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

# Statement of risk and compliance

## Purpose of this statement

The purpose of this statement is:

- to confirm that we have a full understanding of, and are meeting, our relevant statutory, licence and regulatory obligations;
- to confirm that we have taken steps to understand and meet customer expectations;
- to confirm that the company is taking appropriate steps to manage or mitigate the material risks it faces; and
- to explain any significant matters relevant to the company's performance in 2023/24, as presented in section 3 of the regulatory Annual Performance Report.

The statement explains the company's approach to regulatory compliance and assurance and sets out its statement of compliance. It should be read alongside the company's Annual Report and Financial Statements for the year ended 31 March 2024, which includes a summary of the company's operational performance for 2023/24 from page 42 of our Annual Report and Financial Statements 2023/24 and from page 80 sets out how the company manages risk and uncertainty.

## Regulatory compliance and assurance

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

The company's Director of Regulation and Strategy is responsible for monitoring regulatory compliance and is supported in discharging this responsibility by employees in the Regulation, Assurance, Legal and Internal Audit teams. The company continues to employ external assurance partners to scrutinise, challenge and give independent advice on the procedures the company uses to collect and report the information underpinning this compliance statement. The assurance partners have highlighted that the company has full understanding of and has sufficient processes and internal systems of controls to meet reporting obligations.

The assurance partners also highlighted that the majority of reporting processes continue to demonstrate either consistent good practice or improvements from previous years, and in the few cases where areas of inadequacy in reporting procedures were noted in previous years, these have now been addressed.

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

In February 2024, the new Customer-focused licence condition came into effect, which aim to transform the care we provide for customers. The condition requires that customers are well informed, that the full diversity of customers' needs is well understood and met in the services we provide and if things do go wrong, that customers can have confidence that we will put things right. To support the new condition, Ofwat have published a register of guidance that we must take into account when complying with the condition. We are committed to delivering the intended outcomes and have commissioned external auditors to assess our compliance with the guidance, licence condition and highlight any areas where we can improve.

## Understanding and meeting customers' expectations

The company supplies a diverse customer base with a range of expectations for service. It undertakes appropriate activities to inform itself about customers' expectations including customer research, consultation with consumer representatives and proactive communication with customers to seek feedback. It aims to provide services that best fulfil those expectations, remaining mindful of the need to balance customers' expectations with those of its other stakeholders, its environmental protection objectives and considering customers' ability to pay and acceptability of water bills.

# Statement of risk and compliance continued

## Regulatory outputs

The Board has reviewed the performance of the company against its regulatory outputs set at the final determination 2019. This regulatory Annual Performance Report identifies differences between the outputs that the company has delivered in 2023/24 and those that were assumed in its final determination 2019.

## Compliance statement

As a Board, we confirm that:

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

On behalf of the Board

**Keith Haslett**  
CEO

**Justin Read**  
Independent Non-Executive Director

## Exceptions

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

Duty/Obligation	Disclosure	Actions being taken to improve
Performance Commitments	For 2023/24, out of our 28 performance commitments, we have not met the following targets: <ul style="list-style-type: none"> <li>• Water quality compliance (CRI)</li> <li>• Per capita consumption</li> <li>• Properties at risk of receiving low pressure</li> <li>• Unplanned interruptions to supply &gt;12 hours</li> <li>• Risk of severe restrictions in drought.</li> </ul>	Details of our performance and the actions we are taking are detailed in Section 3 of our Annual Performance Report (APR) and the non-financial line commentary accompanying the APR tables.
Leakage and Per Capita Consumption reporting	For 2023/24, we have not achieved full compliance with the Leakage and Per Capita Consumption component checklist. Details of our reporting can be found in the non-financial line commentary under parts 3A.3 and 4.	The checklist under 3A.3 and 4 of the non-financial line commentary provides a breakdown of improvements, representativeness and work in progress to comply with the individual components.
Duty to provide information	During 2023/24 there was one instance relating to a customer dispute, where we did not provide reliable and accurate information to Ofwat at first time of asking and needed to re-submit information.	We have improved our procedures for handling information, including clarifying responsibilities, seniority of reviewers and checks for regulatory compliance prior to provision of information to Ofwat.
Utilities Contract Regulations 2016	As part of operation, and ongoing improvement, of our procurement processes, potential issues on two procurements have been identified.	We have addressed the issues and corrective action has been taken to ensure ongoing compliance in the future.

# Independent Auditors' report

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

## Opinion

We have audited the sections of/tables within Affinity Water Limited's Regulatory Annual Performance Report for the year ended 31 March 2024 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (appointed activities) (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis - wholesale (table 2B), cost analysis - retail (table 2C), the historical cost analysis of tangible fixed assets (table 2D), the analysis of 'grants and contributions' water resources, water network+ and wastewater network+ (table 2E), residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), the Household affordability support and debt (line 2N.1 to 2N.23) and historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited Section B to E (line 24 to 62 of table 2N), the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4U, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Affinity Water Limited's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2), set out on pages 52 to 55.

## Basis for opinion

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

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

## Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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

The Regulatory Accounting Statements on pages 42 to 117 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

# Independent Auditors' report continued

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

### Conclusions relating to going concern

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

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

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

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

We have nothing to report based on these responsibilities.

### Responsibilities of the Directors for the Regulatory Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the directors are responsible for the preparation of the Regulatory Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2).

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

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

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

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs [UK] will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the Water Services Regulation Authority, UK Companies Act 2006, Listing Rules, pensions legislation, tax legislation etc; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Water Industry Act 1991, health and safety regulation (including the requirements of The Health and Safety at Work etc Act 1974) and the company's operating licence, regulatory solvency requirements and environmental regulations.

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

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

- discussions with management, internal audit and the company's legal team, including inquiring of known or suspected instances of non-compliance with laws and regulation and fraud, and review of board minutes and internal audit reports;
- discussions with the General Counsel and Head of Ethics & Compliance to discuss both the litigation report and summary of whistleblowing matters arising;

- challenging assumptions made by management when preparing accounting estimates, in particular those that involve the assessment of future events, which are inherently uncertain – the key estimates determined in this respect are those relating to the measured income accrual and loss allowance for trade receivables; and
- identifying and testing a sample of journal entries posted A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2024 on which we reported on 9 July 2024 which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Watford

9 July 2024

# Section 1 – Regulatory financial reporting

## 1A – Income statement for the 12 months ended 31 March 2024

	RAG4 reference	Statutory £m	Adjustments			Total appointed activities £m
			Differences between statutory and RAG definitions £m	Less: non-appointed £m	Total adjustments £m	
<b>Revenue</b>	<b>1A.1</b>	<b>347,651</b>	<b>(3,724)</b>	<b>–</b>	<b>(3,724)</b>	<b>343,927</b>
Operating costs	1A.2	(346,647)	(4,420)	(5,100)	0,680	(345,967)
Other operating income	1A.3	21,104	(5,862)	12,195	(18,057)	3,047
<b>Operating profit</b>	<b>1A.4</b>	<b>22,108</b>	<b>(14,006)</b>	<b>7,095</b>	<b>(21,101)</b>	<b>1,007</b>
Other income	1A.5	–	14,006	–	14,006	14,006
Interest income	1A.6	17,983	–	–	–	17,983
Interest expense	1A.7	(94,112)	–	–	–	(94,112)
Other interest expense	1A.8	2,396	–	–	–	2,396
<b>Profit before tax and fair value movements</b>	<b>1A.9</b>	<b>(51,625)</b>	<b>–</b>	<b>7,095</b>	<b>(7,095)</b>	<b>(58,720)</b>
Fair value gains/(losses) on financial instruments	1A.10	2,686	–	–	–	2,686
Profit before tax	1A.11	(48,939)	–	7,095	(7,095)	(56,034)
UK Corporation tax	1A.12	–	–	(1,774)	1,774	1,774
Deferred tax	1A.13	11,617	–	–	–	11,617
<b>Profit for the year</b>	<b>1A.14</b>	<b>(37,322)</b>	<b>–</b>	<b>5,321</b>	<b>(5,321)</b>	<b>(42,643)</b>
<b>Dividends</b>	<b>1A.15</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Tax analysis						
Current year	1A.16	–	–	1,774	(1,774)	(1,774)
Adjustments in respect of prior years	1A.17	–	–	–	–	–
<b>UK Corporation tax</b>	<b>1A.18</b>	<b>–</b>	<b>–</b>	<b>1,774</b>	<b>(1,774)</b>	<b>(1,774)</b>
<b>Analysis of non-appointed revenue</b>						
Imported sludge	1A.19	–	–	–	–	–
Tankered waste	1A.20	–	–	–	–	–
Other non-appointed revenue	1A.21	–	–	12,195	–	–
<b>Revenue</b>	<b>1A.22</b>	<b>–</b>	<b>–</b>	<b>12,195</b>	<b>–</b>	<b>–</b>

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

	Revenue recognition £m	Connection charges income £m	Amortisation of deferred grants and contribution £m	Loss on disposal of fixed assets £m	Meter reading commission £m	Rental and sundry income £m	Total £m
Revenue	5,571	(0,711)	(8,584)	–	–	–	(3,724)
Operating costs	(5,571)	–	–	0,913	0,238	–	(4,420)
Other operating income	–	–	–	(0,913)	–	(4,949)	(5,862)
Other income	–	0,711	8,584	–	(0,238)	4,949	14,006
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

£5,571,000 of the difference between statutory and RAG-defined revenue relates to the disapplication in the Regulatory Accounts of the provision of IFRS 15, which states that revenue should only be recognised when it is probable that the economic benefits associated with the transaction will flow to the entity (refer to the revenue recognition accounting policy note on page 52). This is offset by the reclassification of £711,000 of connection charges income and £8,584,000 of amortisation associated with deferred grants and contributions, which are presented within other income in the Regulatory Accounts.

The difference between statutory and RAG-defined operating costs consists of the revenue recognition adjustment described in the previous paragraph of £5,571,000, offset by the reclassification of a £913,000 net loss on disposal of fixed assets, which is presented within other operating income in the Regulatory Accounts, and £238,000 of meter reading commission included within other income is offset against operating costs in the Regulatory Accounts.

The difference between statutory and RAG-defined other operating income consists of the reclassification of the net loss on disposal of fixed assets from operating costs described in the previous paragraph of £913,000 and the reclassification of £4,949,000 of rental and sundry income, which is presented within other income in the Regulatory Accounts.

The difference between statutory and RAG-defined other income consists of the reclassification of £711,000 of connection charges income, £8,584,000 of amortisation associated with deferred grants and contributions, £4,949,000 of rental and sundry income offset by £238,000 of meter reading income.

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

### Analysis of the interest charge

The appointed interest expense of (£94,112,000) and other interest expense of £2,396,000 shown in table 1A is broken down as follows:

	£m
Interest charged on external borrowings, excluding those relating to Direct Procurement for Customers arrangements	(24,577)
Interest payable on intra-group borrowings	(70,522)
Interest payable in relation to other leases under IFRS 16	(0,249)
Amortisation of debt issuance costs	(0,284)
Amortisation of any debt premiums/discounts	2,305
Any other financing costs/interest charges	(0,785)
<b>Total</b>	<b>(94,112)</b>
Interest paid in relation to pension scheme liabilities	(15,913)
Expected return on pension scheme assets	18,309
<b>Total other interest (expense)/credit</b>	<b>2,396</b>

## 1B – Statement of comprehensive income for the 12 months ended 31 March 2024

	RAG4 reference	Statutory £m	Adjustments			Total appointed activities £m
			Differences between statutory and RAG definitions £m	Less: non-appointed £m	Total adjustments £m	
Profit for the year	1B.1	(37,322)	–	5,321	(5,321)	(42,643)
Actuarial gains/(losses) on post-employment plans	1B.2	(27,443)	–	–	–	(27,443)
Other comprehensive income	1B.3	6,861	–	–	–	6,861
<b>Total comprehensive income for the year</b>	<b>1B.4</b>	<b>(57,904)</b>	<b>–</b>	<b>5,321</b>	<b>(5,321)</b>	<b>(63,225)</b>

# Section 1 – Regulatory financial reporting

 continued

## 1C – Statement of financial position for the 12 months ended 31 March 2024

	RAG4 reference	Statutory £m	Adjustments			Total appointed activities £m
			Differences between statutory and RAG definitions £m	Less: non- appointed £m	Total adjustments £m	
<b>Non-current assets</b>						
Fixed assets	1C.1	1,808.111	–	–	–	1,808.111
Intangible assets	1C.2	34.408	–	–	–	34.408
Investments – loans to group companies	1C.3	–	–	–	–	–
Investments – other	1C.4	21.652	(21.552)	–	(21.552)	0.100
Financial instruments	1C.5	1.127	–	–	–	1.127
Retirement benefit assets	1C.6	28.700	–	–	–	28.700
<b>Total non-current assets</b>	<b>1C.7</b>	<b>1,893.998</b>	<b>(21.552)</b>	<b>–</b>	<b>(21.552)</b>	<b>1,872.446</b>
<b>Current assets</b>						
Inventories	1C.8	4.451	–	–	–	4.451
Trade and other receivables	1C.9	115.134	–	0.646	(0.646)	114.488
Financial instruments	1C.10	0.493	–	–	–	0.493
Cash and cash equivalents	1C.11	59.777	21.552	6.268	15.284	75.061
<b>Total current assets</b>	<b>1C.12</b>	<b>179.855</b>	<b>21.552</b>	<b>6.914</b>	<b>14.638</b>	<b>194.493</b>
<b>Current liabilities</b>						
Trade and other payables	1C.13	(177.364)	2.739	0.726	2.013	(175.351)
Capex creditor	1C.14	(21.941)	–	–	–	(21.941)
Borrowings	1C.15	(3.343)	–	–	–	(3.343)
Financial instruments	1C.16	(1.119)	–	–	–	(1.119)
Current tax liabilities	1C.17	(3.422)	–	(2.319)	2.319	(1.103)
Provisions	1C.18	(11.022)	6.922	–	6.922	(4.100)
<b>Total current liabilities</b>	<b>1C.19</b>	<b>(218.211)</b>	<b>9.661</b>	<b>(1.593)</b>	<b>11.254</b>	<b>(206.957)</b>
<b>Net current assets/(liabilities)</b>	<b>1C.20</b>	<b>(38.356)</b>	<b>31.213</b>	<b>5.321</b>	<b>25.892</b>	<b>(12.464)</b>
<b>Non-current liabilities</b>						
Trade and other payables	1C.21	–	–	–	–	–
Borrowings	1C.22	(1,363.459)	(122.630)	–	(122.630)	(1,486.089)
Financial instruments	1C.23	(126.364)	122.630	–	122.630	(3.734)
Retirement benefit obligations	1C.24	–	–	–	–	–
Provisions	1C.25	(3.473)	–	–	–	(3.473)
Deferred income – grants and contributions ('G&Cs')	1C.26	(329.690)	(9.661)	–	(9.661)	(339.351)
Deferred income – adopted assets	1C.27	–	–	–	–	–
Preference share capital	1C.28	–	–	–	–	–
Deferred tax	1C.29	(188.260)	–	–	–	(188.260)
<b>Total non-current liabilities</b>	<b>1C.30</b>	<b>(2,011.246)</b>	<b>(9.661)</b>	<b>–</b>	<b>(9.661)</b>	<b>(2,020.907)</b>
<b>Net assets</b>	<b>1C.31</b>	<b>(155.604)</b>	<b>–</b>	<b>5.321</b>	<b>(5.321)</b>	<b>(160.925)</b>
<b>Equity</b>						
Called up share capital	1C.32	30.506	–	–	–	30.506
Retained earnings and other reserves	1C.33	(186,110)	–	5.321	(5.321)	(191.431)
<b>Total equity</b>	<b>1C.34</b>	<b>(155.604)</b>	<b>–</b>	<b>5.321</b>	<b>(5.321)</b>	<b>(160.925)</b>

The £21,552,000 difference between statutory and RAG-defined investments – other and cash and cash equivalents consists of a reclassification of short-term deposits, treated as investments in the statutory accounts and cash and cash equivalents under RAG terminology.

The £2,739,000 difference between statutory and RAG-defined trade and other payables consists of the reclassification of payments received for costs incurred in relation to the High Speed 2 ('HS2') rail programme, which will cross the Affinity Water supply area, which have not yet been commissioned for use.

In line with our accounting policy for grants and contributions received in respect of property, plant and equipment, which include contributions received for diversions, in the company's statutory financial statements, income received is treated as deferred income and released to cost of sales and administrative expenses over the useful economic life of the property, plant and equipment to which it relates once these assets are commissioned (as at 31 March 2024, £142,693,000 of our property, plant and equipment had been commissioned and therefore £142,693,000 of associated payments received have been recognised initially in deferred income. We have an additional £2,739,000 of contributions received for property, plant and equipment that hasn't been commissioned and therefore these contributions are included within payments in advance in trade and other payables). Given assets constructed by the company under the HS2 programme may not be commissioned for several years, adopting this accounting policy in the Regulatory Accounts would lead to a mismatch of costs incurred and payments received in relation to these costs in the totex tables in sections 2 and 4 of these Regulatory Accounts (tables 2B, 4C and 4D). Therefore, the payments received in relation to HS2 within statutory payments in advance have been reclassified to deferred income – G&Cs in the Regulatory Accounts and £3,826,000 of payments received in 2023/24 are included in the totex tables to offset the expenditure incurred in 2023/24. The payments received in 2023/24 have also been included in the diversion's lines within the analysis of capital contributions for both Water Resources and Water Network+ (table 2E).

The £6,922,000 difference between statutory and RAG-defined provisions within current liabilities relates to the reclassification of current deferred G&Cs to deferred income – G&Cs.

The £9,661,000 difference between statutory and RAG-defined deferred income – G&Cs relates to the reclassifications detailed in the previous paragraphs.

The £122,630,000 difference between statutory and RAG-defined borrowings and financial instruments relates to the reclassification of accretion on the inflation-linked swap from financial instruments to borrowings.



# Section 1 – Regulatory financial reporting

 continued

## 1D – Statement of cash flows for the 12 months ended 31 March 2024

	RAG4 reference	Statutory £m	Adjustments			Total appointed activities £m
			Differences between statutory and RAG definitions £m	Less: non-appointed £m	Total adjustments £m	
<b>Operating activities</b>						
Operating profit	1D.1	22,108	(14,006)	7,095	(21,101)	1,007
Other income	1D.2	–	14,006	–	14,006	14,006
Depreciation	1D.3	88,531	–	–	–	88,531
Amortisation – Grants & Contributions	1D.4	(8,584)	–	–	–	(8,584)
Changes in working capital	1D.5	0,552	–	0,348	(0,348)	0,204
Pension contributions	1D.6	(1,959)	–	–	–	(1,959)
Movement in provisions	1D.7	1,981	–	–	–	1,981
Profit on sale of fixed assets	1D.8	0,210	–	–	–	0,210
<b>Cash generated from operations</b>	<b>1D.9</b>	<b>102,839</b>	<b>–</b>	<b>7,443</b>	<b>(7,443)</b>	<b>95,396</b>
Net interest paid	1D.10	(49,274)	15,764	–	15,764	(33,510)
Tax paid	1D.11	–	–	(1,774)	1,774	1,774
<b>Net cash generated from operating activities</b>	<b>1D.12</b>	<b>53,565</b>	<b>15,764</b>	<b>5,669</b>	<b>10,095</b>	<b>63,660</b>
<b>Investing activities</b>						
Capital expenditure	1D.13	(159,922)	–	–	–	(159,922)
Grants and contributions	1D.14	23,423	–	–	–	23,423
Disposal of fixed assets	1D.15	0,944	–	–	–	0,944
Other	1D.16	66,313	(60,921)	–	(60,921)	5,392
<b>Net cash used in investing activities</b>	<b>1D.17</b>	<b>(69,242)</b>	<b>(60,921)</b>	<b>–</b>	<b>(60,921)</b>	<b>(130,163)</b>
<b>Net cash generated before financing activities</b>	<b>1D.18</b>	<b>(15,677)</b>	<b>(45,157)</b>	<b>5,669</b>	<b>(50,826)</b>	<b>(66,503)</b>
<b>Cash flows from financing activities</b>						
Equity dividends paid	1D.19	–	–	–	–	–
Net loans received	1D.20	(3,329)	–	–	–	(3,329)
Cash inflow from equity financing	1D.21	–	–	–	–	–
<b>Net cash generated from financing activities</b>	<b>1D.22</b>	<b>(3,329)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(3,329)</b>
<b>Increase/(decrease) in net cash</b>	<b>1D.23</b>	<b>(19,006)</b>	<b>(45,157)</b>	<b>5,669</b>	<b>(50,826)</b>	<b>(69,832)</b>

The cash flow has been prepared in accordance with the RAG templates and, resultantly, net cash generated from operating activities in the table above does not align to the statutory cash flow. £23,423,000 of capital contributions are treated as operating cash flows in the statutory cash flow and are shown within investing activities in table 1D.

The £14,006,000 difference between statutory and RAG-defined operating profit consists of the reclassification of £712,000 of connection charges income, £8,584,000 of amortisation associated with deferred grants and contributions and £4,949,000 of rental and sundry income, all of which are shown in other income, offset by the reclassification of £238,000 of meter read commission, which is presented within other income in the Statutory Accounts.

The £15,764,000 difference between statutory and RAG-defined net interest paid is due to offsetting the interest received on inflation-linked swaps against interest paid in the year. The £60,921,000 difference between statutory and RAG-defined other investing activities is the movement in short-term deposits treated as investments in the statutory accounts and cash and cash equivalents under RAG terminology in addition to offsetting interest received on inflation-linked swaps against interest paid in the regulatory numbers.

### Reconciliation of net interest paid

	£m
Interest paid on borrowings	48,654
Interest paid on leases	0,249
Other interest paid	0,371
<b>Gross interest paid</b>	<b>49,274</b>
Less: interest received under swap arrangements	(15,764)
<b>Net interest paid per 1D.10</b>	<b>33,510</b>

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

## 1E – Net debt analysis (appointed activities) at 31 March 2024

	RAG4 reference	Fixed rate £m	Floating rate £m	Index-linked		Total £m
				RPI £m	CPI/CPIH £m	
<b>Interest rate risk profile</b>						
Borrowings (excluding preference shares)	1E.1	195,901	–	731,069	534,406	1,461,376
Preference share capital	1E.2	–	–	–	–	–
Total borrowings	1E.3	195,901	–	731,069	534,406	1,461,376
Cash	1E.4	–	–	–	–	(53,509)
Short-term deposits	1E.5	–	–	–	–	(21,552)
Net debt	1E.6	–	–	–	–	1,386,315
<b>Gearing</b>						
Gearing	1E.7	–	–	–	–	74.891%
Adjusted gearing	1E.8	–	–	–	–	74.675%
<b>Interest</b>						
Full year equivalent nominal interest cost	1E.9	7,162	–	71,576	36,094	115,012
Full year equivalent cash interest payment	1E.10	7,162	–	15,328	5,210	27,700
<b>Indicative interest rates</b>						
Indicative weighted average nominal interest rate [%]	1E.11	3.656%	–	9.815%	6.754%	7.870%
Indicative weighted average cash interest rate [%]	1E.12	3.656%	–	2.097%	0.975%	1.895%
<b>Time to maturity</b>						
Weighted average years to maturity	1E.13	14,746	–	11,372	12,308	12.162

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

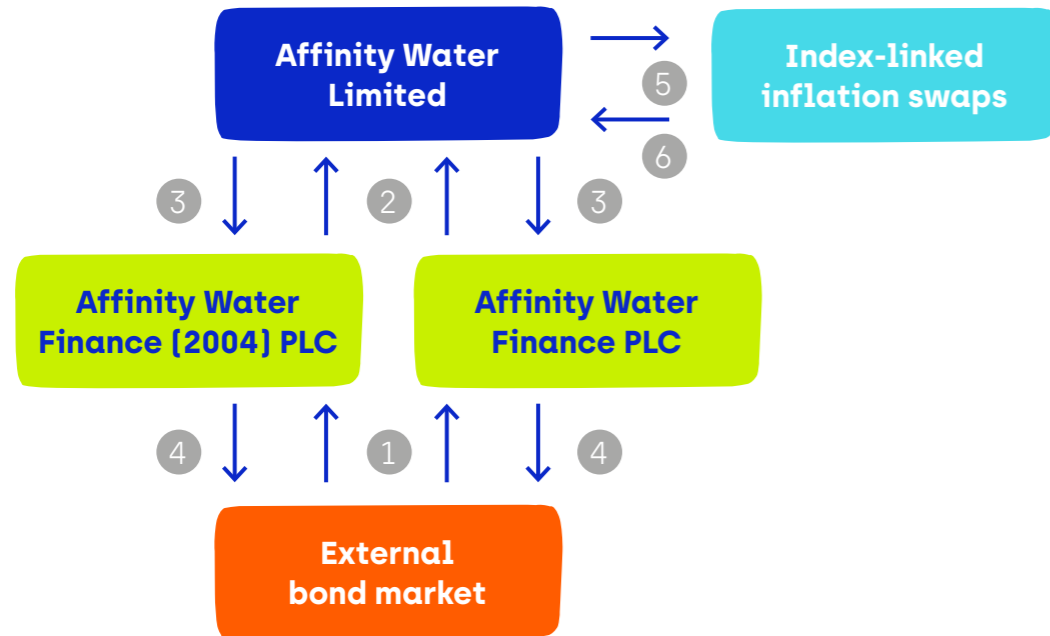
	£m
Total borrowings (excluding preference shares) presented in table 1C.15 and 1C.22 (total) and in 4B.805	(1,489,432)
Less: capitalised bond premium/issue costs – Fixed	7,494
Less: capitalised bond premium/issue costs – RPI	6,495
Less: capitalised bond premium/issue costs – CPI	14,067
Net debt presented above	(1,461,376)

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

	Fixed rate £m	Floating rate £m	Index linked		Total £m
			RPI £m	CPI/CPIH £m	
Borrowings (excluding preference shares)	188,898	–	731,069	534,406	1,454,373
Preference share capital	–	–	–	–	–
Less: loan from intermediate parent company	–	–	–	–	(3,550)
Add: accrued interest on borrowings	–	–	–	–	12,821
Total borrowings	–	–	–	–	1,463,644
All cash and short-term deposits	–	–	–	–	(81,335)
Net debt	–	–	–	–	1,382,309

# Section 1 – Regulatory financial reporting continued

Affinity Water Limited has two financing subsidiaries that have issued bonds listed by the UK Listing Authority. Affinity Water Finance (2004) PLC has issued an external bond of £250.0m and Affinity Water Finance PLC has issued external bonds totalling £880.0m, the proceeds of which have been lent on to and are guaranteed by Affinity Water Limited, as shown in the diagram below:



1. Affinity Water Finance (2004) PLC and Affinity Water Finance PLC have raised debt from the external sterling bond market in the form of several bond issuances.
2. The two financing subsidiaries have on-lent the debt to Affinity Water Limited on the same terms.
3. Affinity Water Limited pays interest payments annually to the financing subsidiaries and will repay the principal debt upon maturity of the bond.
4. Affinity Water Finance (2004) PLC and Affinity Water Finance PLC pay interest payments annually to the bondholders, and will repay the principal debt upon maturity of the bond.
5. Affinity Water Limited receives a fixed interest payment annually for the index-linked inflation swap.
6. Affinity Water Limited pays index-linked interest payments annually for the index-linked inflation swap and will make a final accretion payment based on the mark to market valuation at maturity.

## 1F – Financial flows for the 12 months ended 31 March 2024 and for the price review to date – (2017–18 financial year average CPIH)

	12 months ended 31 March 2024						
	RAG4 reference	%			£m		
		Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
<b>Regulatory equity</b>							
Regulatory equity	1F.1	576.867	576.867	353.580			
<b>Return on regulatory equity</b>							
Return on regulatory equity	1F.2	4.21%	2.58%	4.21%	24.261	14.871	14.871
<b>Financing</b>							
Impact of movement from notional gearing	1F.3		1.63%	1.16%		9.391	4.100
Gearing benefits sharing	1F.4		0.00%	0.00%		–	–
Variance in corporation tax	1F.5		0.08%	0.14%		0.483	0.483
Group relief	1F.6		0.00%	0.00%		–	–
Cost of debt	1F.7		5.12%	9.54%		29,515	33,744
Hedging instruments	1F.8		(2.08%)	(3.39%)		(11,986)	(11,986)
<b>Return on regulatory equity including financing adjustments</b>	<b>1F.9</b>	<b>4.21%</b>	<b>7.33%</b>	<b>11.66%</b>	<b>24.261</b>	<b>42.274</b>	<b>41.212</b>
<b>Operational Performance</b>							
Totex out / (under) performance	1F.10		(0.20%)	(0.33)%		(1.169)	(1.169)
ODI out / (under) performance	1F.11		(0.82%)	(1.33)%		(4.719)	(4.719)
C-MeX out / (under) performance	1F.12		(0.18%)	(0.30)%		(1.060)	(1.060)
D-MeX out / (under) performance	1F.13		(0.06%)	(0.10)%		(0.370)	(0.370)
Retail out / (under) performance	1F.14		(0.64%)	(1.05)%		(3.696)	(3.696)
Other exceptional items	1F.15		0.07%	0.11%		0.382	0.382
<b>Operational performance total</b>	<b>1F.16</b>		<b>(1.84%)</b>	<b>(3.01)%</b>		<b>(10.632)</b>	<b>(10.632)</b>
Return on Retained Earnings ('RoRE')	1F.17	4.21%	5.49%	8.65%	24.261	31.641	30.579
Regulatory Capital Value ('RCV') growth	1F.18	4.52%	4.52%	4.52%	26.050	26.050	15.967
Voluntary sharing arrangements	1F.19		(0.02%)	(0.03)%		(0.100)	(0.100)
<b>Total shareholder return</b>	<b>1F.20</b>	<b>8.72%</b>	<b>9.98%</b>	<b>13.13%</b>	<b>50.311</b>	<b>57.591</b>	<b>46.446</b>
<b>Dividends</b>							
Gross dividend	1F.21	0.82%	0.00%	0.00%	4.730	–	–
Interest received on intercompany loans	1F.22		0.00%	0.00%		–	–
<b>Retained value</b>	<b>1F.23</b>	<b>7.90%</b>	<b>9.98%</b>	<b>13.13%</b>	<b>45.581</b>	<b>57.591</b>	<b>46.446</b>
<b>Cash impact of 2015–20 performance adjustments</b>							
Totex out / (under) performance	1F.24		0.00%	0.00%		(0.014)	(0.014)
ODI out / (under) performance	1F.25		(0.51%)	(0.83)%		(2.921)	(2.921)
Total out / (under) performance	1F.26		(0.51%)	(0.83)%		(2.935)	(2.935)

# Section 1 – Regulatory financial reporting

 continued

## Average 2020–2025

	RAG4 reference	%			£m		
		Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
<b>Regulatory equity</b>							
Regulatory equity	1F.1	530.565	530.565	324.135			
<b>Return on regulatory equity</b>							
Return on regulatory equity	1F.2	4.12%	2.52%	4.12%	21.857	13.353	13.353
<b>Financing</b>							
Impact of movement from notional gearing	1F.3		1.60%	1.17%	8.504	3.786	
Gearing benefits sharing	1F.4		[0.11%]	[0.18%]	[0.576]	[0.576]	
Variance in corporation tax	1F.5		0.37%	0.60%	1.958	1.958	
Group relief	1F.6		0.00%	0.00%	–	–	
Cost of debt	1F.7		2.06%	3.04%	10.921	9.849	
Hedging instruments	1F.8		[1.43%]	[2.35%]	[7.605]	[7.605]	
<b>Return on regulatory equity including financing adjustments</b>	<b>1F.9</b>	<b>4.12%</b>	<b>5.00%</b>	<b>6.41%</b>	<b>21.857</b>	<b>26.554</b>	<b>20.764</b>
<b>Operational Performance</b>							
Totex out / (under) performance	1F.10		[0.33%]	[0.54%]	[1.740]	[1.740]	
ODI out / (under) performance	1F.11		[1.15%]	[1.88%]	[6.086]	[6.086]	
C-MeX out / (under) performance	1F.12		[0.17%]	[0.28%]	[0.912]	[0.912]	
D-MeX out / (under) performance	1F.13		[0.04%]	[0.06%]	[0.208]	[0.208]	
Retail out / (under) performance	1F.14		[0.47%]	[0.76%]	[2.475]	[2.475]	
Other exceptional items	1F.15		0.06%	0.10%	0.309	0.309	
<b>Operational performance total</b>	<b>1F.16</b>		<b>[2.09%]</b>	<b>[3.43%]</b>	<b>[11.112]</b>	<b>[11.112]</b>	
RoRE	1F.17	4.12%	2.91%	2.98%	21.857	15.443	9.652
RCV growth	1F.18	5.81%	5.81%	5.81%	30.852	30.852	18.848
Voluntary sharing arrangements	1F.19		[0.02%]	[0.03%]	[0.100]	[0.100]	
<b>Total shareholder return</b>	<b>1F.20</b>	<b>9.93%</b>	<b>8.71%</b>	<b>8.76%</b>	<b>52.710</b>	<b>46.195</b>	<b>28.401</b>
<b>Dividends</b>							
Gross dividend	1F.21	0.82%	0.00%	0.00%	4.351	–	–
Interest received on intercompany loans	1F.22		0.00%	0.00%	–	–	–
<b>Retained value</b>	<b>1F.23</b>	<b>9.11%</b>	<b>8.71%</b>	<b>8.76%</b>	<b>48.359</b>	<b>46.195</b>	<b>28.401</b>
<b>Cash impact of 2015–20 performance adjustments</b>							
Totex out / (under) performance	1F.24		0.00%	0.00%	[0.013]	[0.013]	
ODI out / (under) performance	1F.25		[0.53%]	[0.86%]	[2.799]	[2.799]	
Total out / (under) performance	1F.26		[0.53%]	[0.87%]	[2.813]	[2.813]	

## 12 months ended 31 March 2024

The return on regulatory equity was 4.21% as determined at PR19. It increases to 5.37% after adjusting for the company's actual capital structure 1.16%, as reported in the gearing line of this table). The PR19 determination was carried out on a notional capital structure with 60% net debt to RCV gearing, the actual average level of gearing of 74.9% creates an adjustment of +1.16%. There was nil gearing benefits sharing adjustment. There was a favourable adjustment before hedging instruments of 9.54% resulting from the company's actual cost of debt overperforming against the 2.24% allowed in the PR19 determination after taking into account the movement in average CPIH during 2023/24 of 5.55%. Our hedging instruments have partially offset the favourable adjustment by 3.39%. The variance in corporation tax (calculated as the difference between the amount allowed for corporation tax in the PR19 determination and actual tax payable, before any fair value adjustments, after taking into account adjustments for capital allowances and prior year adjustments, refer to the reconciliation on page 85 increases the adjustment by 0.14%.

The favourable +11.66% regulatory return on equity including financing adjustments has worsened by -3.01% when considering the impact of operational performance, such that RoRE is +8.65%. Totex underperformance in the year results in a -0.33% decrease (refer to table 4C), ODI underperformance in the year (refer to table 3A, including the estimated PCC penalty for the year) results in a -1.33% reduction with C-MeX and D-MeX underperformance resulting in a further -0.40% reduction. The performance of the retail business unit (refer to table 2C) also creates a -1.05% adverse adjustment.

After factoring in RCV growth due to indexation and voluntary sharing arrangements, the total shareholder return for the year is 13.13%. No dividend was paid out by the regulated business, which equates to a 0.00% adjustment.

## Average 2020–2025

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

# Section 1 – Regulatory financial reporting

continued

## Statement of accounting policies

### Basis of preparation

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

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

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

### Standards and interpretations which are not yet effective

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

### Revenue recognition

Revenue represents the fair value of income receivable in the ordinary course of business from the regulated activities of the business in 2023/24 exclusive of value added tax. The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity and when specific criteria have been met.

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

- for unmetered customers, the amount which the company has a right to receive is determined by the period of time during which a customer occupies a property to which water is supplied by the company.

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

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

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

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

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

### Measured income accrual

The measured income accrual is an estimation of the amount of mains water unbilled at year ending 31 March 2024. The accrual is estimated using a defined methodology based upon weighted average water consumption by tariff, which is calculated based upon historical information. No changes have been made to the methodology in calculating the measured income accrual during 2023/24. The measured income accrual is recognised within revenue.

Revenue for the year ended 31 March 2023 included a measured income accrual of £40,190,000. The value of billing recognised in the year ended 31 March 2024 for consumption in the prior year was £40,275,000. This resulted in an increase of £85,000 in the current year's revenue due to the under-estimation of the prior year's revenue. This represented 0.02% of 2023/24 revenue and is within acceptable tolerance for accounting estimates.

### Adjustments from statutory to regulatory accounts

The Regulatory Accounts disapply the provision of IFRS 15 which states that revenue should only be recognised if it is probable that it will be received, considering the customer's ability and intention to pay that amount of consideration when it is due. For regulatory reporting purposes, companies are required to assume that where an amount is billed it is probable that cash will be collected, thereby deviating from the IFRS 15 requirement

in that there is no judgement applied to the probability of collection. Therefore, in the Regulatory Accounts the company does not derecognise revenue where historical evidence indicates that the company will probably never be able to collect the revenue billed. No further differences exist between the revenue recognition policies in the statutory accounts and in the Regulatory Accounts.

### Charging policy

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

### Definition and treatment of properties

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

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

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

## Capitalisation policy

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

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

The company does not capitalise any borrowing costs relating to the purchase of property, plant and equipment, right-of-use assets or intangible assets in its statutory accounts, as the costs do not meet the criteria for capitalisation set out in IAS 23: 'Borrowing Costs'.

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

# Section 1 – Regulatory financial reporting

continued

## Bad debt

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

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

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

Our bad debt provision increased during 2023/24 as a result of additional amounts provided for in the current year as a result of the ongoing cost of living crisis, offset by the debt sale that took place, where fully provided for debt was sold outside of the company. There has been an increase in the provision from £36,968,000 at 31 March 2023 to £37,100,000 at 31 March 2024 as a result of the above reasons.

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

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

- Closed accounts under £15 are written off without any internal recovery activity.
- Closed accounts under the name of 'the Occupier' are written off without any internal recovery action.

- Closed accounts under £50 are written off following all internal recovery activity where there is a forwarding address for the customer.
- Closed accounts under £100 are written off following all internal recovery activity where there is no forwarding address for the customer.

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

The company's write-off policy has remained unchanged and has been consistently applied in 2023/24 compared with the previous year. The amount of debt written off increased from £7,362,000 in 2022/23 to £8,414,000 in 2023/24.

There has been an increase in trade receivables during 2022/23 £43,753,000 at 31 March 2024, (£36,839,000 at 31 March 2023) due to increased billing in the year to March 2024 compared to in March 2023.

## Grants and contributions

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

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

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

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

## Grants and contributions - change in accounting policy

Grants and contributions considered to be given in compensation for expenses incurred with no future related costs, including charges billed to developers for new connections ('connection charges'), are recognised in revenue in the income statement over a period of time. In the prior year, contributions received in respect of new connections were recognised immediately in the income statement. Following changes to the Ofwat charging

scheme for new connections, the accounting treatment has been reviewed and as a result of the charges being on a per plot basis, it is felt more appropriate to treat developer services as a bundle of services with a consistent accounting treatment across all types of contribution on the basis that the new connection has no economic value without the promise to provide an ongoing supply of water. Therefore, contributions in respect of new connections are now also recognised over a period of time.

## Statement of directors' remuneration and standards of performance

Executive directors' remuneration comprises a package of base salary together with an annual performance-related bonus and a long-term incentive plan. Executive directors' bonuses paid by the company are linked to the standards of performance of the company and are therefore in accordance with RAG 3.14. The elements of the 2023/24 remuneration arrangements for executive directors were established by the company's Remuneration Committee in 2023/24.

An executive remuneration policy was approved in October 2023 and published on our website at [affinitywater.co.uk/corporate/about/governance-assurance](https://affinitywater.co.uk/corporate/about/governance-assurance). The policy continues to align executive pay to the company's stretching performance for customers and the environment. It is intended to incentivise stretching performance for customers through delivering high-quality customer and operational performance while ensuring the cost of water remains affordable for customers by incentivising financial efficiencies.

The key changes made in 2023/24 were included in the 2022/23 Annual Report and Financial Statements, and are also summarised in the tables below. Fundamentally they reinforce the structure and metrics of both the long-term and short-term incentive plans to ensure that they are in line with the expectations set by Ofwat of a minimum of 60% of incentives being aligned to stretching customer outcomes. We have ensured that our targets, particularly in the Long Term Incentive Plan ('LTIP'), are focused on the long term, taking into account the priorities for the 2025–30 period and the broader performance agenda, particularly around Environmental, Social and Governance measures and support the transformation of our business and the planning process for the next Asset Management Plan period ('AMP') to ensure that we have a high-quality plan that delivers for customers and stakeholders.

More details on our remuneration policy can be found in the Governance Report within our Annual Report and Financial Statements for the year ended 31 March 2024.

# Section 1 – Regulatory financial reporting

 continued

Purpose and link to strategy	Policy and approach	Maximum potential value (as percentage of base pay)	Performance metrics	Changes for 2024/25
<b>Base salary</b>				
<b>To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the company.</b>	To target around market median, dependent on experience in the role.	N/A	N/A	No changes have been made to the policy for 2023/24 up to the date of approval of this Annual Report and Financial Statements.
<b>LTIP</b>				
<b>To incentivise executives to achieve long-term shareholder value, whilst achieving high levels of customer experience performance, although both award and payment are discretionary.</b>	<p>Base awards are granted as a percentage of salary and are paid out in cash at the end of the multi-year performance period, with 33% of the amount earned paid at the end of the performance period, 33% paid at the end of the following year and 33% paid at the end of the second year following the performance period subject to the achievement of performance conditions.</p> <p>The 2023/24 scheme is based on end of AMP7 targets (with a two-year performance period) that are aligned to the delivery of AMP7 and preparation for AMP8. The payment dates would be July 2025 (33%), July 2026 (33%), and July 2027 (33%).</p> <p>Base awards include clawback and malus provisions, detailed as follows: circumstances of malus include wilful or gross misconduct, acts of personal dishonesty or fraud, conviction of certain criminal offences, conduct which results in significant losses to the company, material failure of related management or business units, material misstatement in the audited financial statements, and reputational damage.</p> <p>The awards do not automatically vest on change of control of the business.</p>	<p>Up to 100% of base salary for the CEO and CFO.</p> <p>For 2023/24, the scheme was aligned to Ofwat guidance providing a substantial link to delivery for customers and the environment (&gt;60%).</p> <p>The award is determined based on the performance of the company over the two years to 31 March 2025.</p> <p>20% of the scheme pay-out is based on financial targets, including Base Expenditure and Enhancement Investment; 60% based on delivery for our customers and the environment, measured by the Outcome Delivery Incentive position across our ten key metrics;</p> <p>5% based on employee engagement; and 15% based on long-term planning, including quality of AMP8 readiness, and the AMP7 target operating model.</p> <p>A former metric involving an underpin based on safety performance has been removed, but performance in this area will form part of the Remuneration Committee's discretion.</p> <p>A former metric involving an underpin based on safety performance has been removed, but performance in this area will form part of the Remuneration Committee's discretion.</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in May 2023.</p>	<p>For 2024/25 the scheme is combined with the 2023/24 scheme, adopting the same performance metrics and vesting and payout periods, with targets set by reference to end of AMP performance rather than on an annual basis.</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in May 2023.</p> <p>The June 2024 Remuneration Committee meeting approved the disaggregation of the ten key metrics into component parts, with a higher weighting applied to the Compliance Risk Index and Per capita consumption measures, in lieu of the Low pressure measure, due to the financial sensitivity of these performance commitments and the importance of customer and environment requirements.</p>	<p>For 2024/25 there have been no changes made to the policy for 2023/24 up to the date of approval of this Annual Report and Financial Statements.</p>
<b>Other taxable benefits</b>				
<b>To provide market competitive benefits.</b>	Private health care insurance cover and life assurance are provided, together with a fully expensed company car (or car allowance).	N/A	N/A	No changes have been made to the policy for 2023/24 up to the date of approval of this Annual Report and Financial Statements.

Purpose and link to strategy	Policy and approach	Maximum potential value (as percentage of base pay)	Performance metrics	Changes for 2024/25
<b>Annual bonus plan</b>				
<b>The annual bonus plan is designed to provide a direct link between executive and company performance and the level of bonus awarded, although award and payment remain discretionary.</b>	<p>Maximum bonus potential is set at a market competitive level.</p> <p>The bonus is based on budgeted non-financial and financial targets that are aligned to the company's commitments for AMP7, plus individual targets.</p>	<p>Up to 100% of base salary for the CEO and up to 75% of base salary for the CFO.</p> <p>Where discretion is applied to executives relating to the performance of measures, the same level of discretion must be applied to all employees and managers. This is not reciprocal; discretion may be applied to employees and not executives.</p>	<p>For 2023/24, in order to maintain the Ofwat guidance that 60% of incentives should be based on achievement of customer measures, the scheme metrics have been set as follows:</p> <ul style="list-style-type: none"> <li>Financial: Base Costs (6.67%), Enhancement Expenditure (6.67%), and Cash Generation (6.67%)</li> <li>Customer &amp; Environment: (5.00% each): <ol style="list-style-type: none"> <li>C-MeX</li> <li>D-MeX</li> <li>Leakage</li> <li>Customer contacts for water quality</li> <li>Compliance Risk Index</li> <li>Per capita consumption</li> <li>Interruptions to supply</li> <li>Mains repairs</li> <li>Unplanned outage</li> <li>Low pressure</li> <li>Net zero</li> <li>Enhancement Action Plan</li> </ol> </li> <li>Safety (5%)</li> </ul> <p>Personal performance against objectives (15%).</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in May 2023.</p>	<p>For 2024/25 there have been no changes made to the policy, with the metrics set as follows:</p> <ul style="list-style-type: none"> <li>Financial: Base Costs (6.67%), Enhancement Expenditure (6.67%), and Cash Generation (6.67%)</li> <li>Customer &amp; Environment: (5.00% each unless otherwise specified): <ol style="list-style-type: none"> <li>C-MeX</li> <li>D-MeX</li> <li>Leakage</li> <li>Customer contacts for water quality</li> <li>Compliance Risk Index (7.5%)</li> <li>Per capita consumption (2.5%)</li> <li>Interruptions to supply</li> <li>Mains repairs</li> <li>Unplanned outage</li> <li>Low pressure</li> <li>Net zero</li> <li>Enhancement Action Plan</li> </ol> </li> <li>Safety (5%)</li> </ul> <p>Personal performance against objectives (15%).</p> <p>These arrangements were formally agreed during the Remuneration Committee meeting in May 2024.</p>
<b>Pension-related benefits</b>				
<b>To provide competitive post-retirement benefits.</b>	Executives, including the CEO and CFO, are aligned to contributions made by the general employee population, with the company doubling contributions made by the executive up to a maximum company contribution of 12%.	<p>12% of executive salary.</p> <p>Where executive directors are not members of the defined contribution scheme, the directors received a taxable allowance in lieu.</p>	N/A	No changes have been made to the policy for 2023/24 up to the date of approval of the Annual Report and Financial Statements.

# Section 1 – Regulatory financial reporting continued

Purpose and link to strategy	Policy and approach	Maximum potential value (as percentage of base pay)	Performance metrics	Changes for 2024/25
<b>Compensation for the forfeit of variable remuneration from previous employer</b>				
To provide compensation for forfeited remuneration from previous employers.	The Committee may make additional cash awards if deferred pay is forfeited by an executive director on leaving a previous employer. Such awards would take into account the nature of awards forfeited (i.e. cash or shares), time horizons, attributed expected value and performance conditions.	N/A	N/A	No changes have been made to the policy for 2023/24 up to the date of approval of this Annual Report and Financial Statements.

## Remuneration implementation report

### Directors' remuneration 2023/24 (audited)

The following table shows directors' remuneration in respect of 2023/24.

	Base salary/fees <sup>1</sup>		Taxable benefits <sup>2</sup>		Annual bonus		LTIP <sup>3</sup>		Pension-related benefits <sup>3</sup>		Other <sup>4</sup>		Total fixed remuneration		Total variable remuneration		Total <sup>5</sup>		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23	
<b>Non-executive</b>																			
<b>Current</b>																			
Trevor Didcock	64	60	-	-	-	-	-	-	-	-	-	-	64	60	-	-	64	60	
Shelley Malton	17	-	-	-	-	-	-	-	-	-	-	-	17	-	-	-	17	-	
Chris Newsome	63	56	-	-	-	-	-	-	-	-	-	-	63	56	-	-	63	56	
Justin Read	60	55	-	-	-	-	-	-	-	-	-	-	60	55	-	-	60	55	
<b>Company Chair</b>																			
<b>Current</b>																			
Ian Tyler	195	234	-	-	-	-	-	-	-	-	-	-	195	234	-	-	195	234	
<b>Executive</b>																			
<b>Current</b>																			
Keith Haslett	376	91	16	3	272	34	-	-	45	-	-	104	437	94	272	138	709	232	
Martin Roughead	220	-	12	-	123	-	-	-	27	-	40	48	259	-	163	48	422	48	
	995	496	28	3	395	34	-	-	72	-	40	152	1,095	499	435	186	1,530	685	

1 Fees in 2022/23 for Ian Tyler include an amount of £39,230 for an additional allowance as compensation for taking on the Executive Chair role for a period of five weeks and providing CEO transitional activities over a further period of seven weeks.  
 2 Taxable benefits comprise company car allowance and healthcare.  
 3 Pension-related benefits for Keith Haslett comprised contributions paid to the company's money purchase scheme; there were no amounts outstanding at the year-end. Pension-related benefits for Martin Roughead comprised amounts paid in lieu of being a member of the pension scheme; there were no amounts outstanding at the year-end.  
 4 Other remuneration in 2023/24 for Martin Roughead related to a relocation allowance. Other remuneration in 2022/23 for Keith Haslett related to compensation for the forfeit of a variable remuneration arrangement with his previous employer and a relocation allowance. Other remuneration in 2022/23 for Martin Roughead related to compensation for the forfeit of a variable remuneration arrangement with his previous employer.  
 5 The total amounts for 2023/24 are higher than for 2022/23 due to Keith Haslett only being in post for three months of 2022/23 and Martin Roughead joining in April 2023. Martin's predecessor (as interim CFO) was not an executive director of the Board and therefore not included in this table.

The remuneration policy operated as intended during 2023/24. Executive director bonuses are only being paid where operational targets were met and base salaries were set at a level that attracted and retained key employees, reflecting their experience and position in the company.







The Remuneration Committee believes this was appropriate.

### Achievement against performance-related measures (annual bonus)

The annual bonus scheme is designed to provide a direct link between executive and company operational, customer and financial performance, and the level of bonus awarded, although award and payment remain discretionary. The table below shows the percentage of maximum annual bonus potential awarded in relation to 2023/24 for Keith Haslett as CEO and Martin Roughead as CFO for each of the performance measures. No amounts in relation to these bonuses have been deferred.

Performance measure	Link to Alignment of culture, purpose, values and strategy	2023/24 target	2023/24 actual	Maximum weighting for 2023/24 (as a % of base salary)		2023/24 achievement (as a % of base salary)		
				Target met	Keith Haslett	Martin Roughead	Keith Haslett	Martin Roughead
Financial measure	Base operating plus base capital costs	Targeting base operating and capital expenditure ensures we can invest in our assets efficiently and provide a great service that customers value	£324.5m or less	£323.8m	6.67%	5.00%	6.67%	5.00%
	Enhancement expenditure	Targeting sufficient enhancement expenditure ensures our commitment to invest in the resilience of our infrastructure	£75.5m or more	£86.1m	6.67%	5.00%	6.67%	5.00%
	Cash generated from operations from the non-regulated business	Targeting sufficient cash generated by operations ensures we can provide sufficient returns to investors, finance group debt and ensure we are financially resilient	(£19.0m) or more	(£37.2m)	6.66%	5.00%	0.00%	0.00%
Customer and Environment measures	C-MeX <sup>1</sup> : score	Targeting an improvement in the C-MeX positions ensures we focus on providing a great service that customers value	£75.75m or more	73.16%	5.00%	3.75%	0.00%	0.00%
	D-MeX <sup>2</sup> : position in the league table	Targeting an improvement in the D-MeX positions ensures we focus on providing a great service that developers value	88.40 or more	87.04	5.00%	3.75%	0.00%	0.00%
	Leakage: volume of water lost through leaks on the network (Ml/d)	Targeting a continued reduction in leakage will ensure customers have enough water, while leaving more water in the environment	17% reduction from base or more	18.3%	5.00%	3.75%	5.00%	3.75%
	Water quality: Customer contacts reported per 1,000 population	Targeting low customer contact ensures customers have high-quality water they can trust	0.67 or less	0.58	5.00%	3.75%	5.00%	3.75%
	Water quality: CRI score	Targeting a low CRI score ensures customers have high-quality water they can trust	2.0 or less	8.05	5.00%	3.75%	0.00%	0.00%
	Customer consumption: PCC litres per day	Targeting customer consumption ensures we can make sure customers have enough water, while leaving more water in the environment	33.67 Ml/d reduced through activity	37.85 Ml/d	5.00%	3.75%	5.00%	3.75%
	Interruptions to supply: minutes interrupted above 3 hours	Targeting few interruptions to supply ensures we can minimise disruption for customers and the community	5 mins and 23 seconds or less	2 mins and 46 seconds	5.00%	3.75%	5.00%	3.75%

## Section 1 – Regulatory financial reporting continued

Performance measure	Link to Alignment of culture, purpose, values and strategy	2023/24 target	2023/24 actual	Maximum weighting for 2023/24 (as a % of base salary)		2023/24 achievement (as a % of base salary)	
				Target met	Keith Haslett	Martin Roughead	Keith Haslett
Mains repairs (per 1,000km)	Targeting mains repairs ensures we can minimise disruption for customers and the community	 less than 144.4 repairs per 1,000km of mains	98.3 ●	5.00% £18,798	3.75% £8,625	5.00% £18,798	3.75% £8,625
Unplanned outage [%]	Targeting unplanned outage ensures we can minimise disruption for customers and the community	 2.34% or less	1.42% ●	5.00% £18,798	3.75% £8,625	5.00% £18,798	3.75% £8,625
Properties at risk of low pressure: per 10,000 properties	Targeting reducing properties at risk of lower pressure ensures we can minimise disruption for customers and the community	 1.250 or less	138.594 ●	5.00% £18,798	3.75% £8,625	0.00% £nil	0.00% £nil
Net zero: Scope 1 emissions reduced by 5% (tCO2e)	Targeting reduced emissions ensures we are demonstrating our commitment to net zero	 5,970 tonnes or less	5,212 tonnes ●	5.00% £18,798	3.75% £8,625	5.00% £18,798	3.75% £8,625
Enhancement action plan: 90% of enhancement action plan milestones delivered on a cumulative basis	Targeting the success of our enhancement action plan ensures our commitment to invest in the resilience of our infrastructure	 34 or more	40 ●	5.00% £18,798	3.75% £8,625	5.00% £18,798	3.75% £8,625
Safety and health measure	Accident frequency rate (annual target): number of lost time injuries per 100,000 hours worked	 0.12 or below	0.11 ●	5.00% £18,798	3.75% £8,625	5.00% £18,798	3.75% £8,625
Personal performance <sup>3</sup> :				15.00% £56,393	11.25% £25,875	14.00% £52,633	9.75% £22,425
<b>Total % of base salary</b>				<b>100.00%</b>	<b>75.00%</b>	<b>72.34%</b>	<b>53.51%</b>
<b>Base salary</b>						<b>£375,950</b>	<b>£230,000</b>
<b>Bonus paid</b>						<b>£271,962</b>	<b>£123,062</b>

Key: ● Target met ● Target not met

See the Remuneration Report published in our Annual Report and Financial Statements for the year ended 31 March 2024 for more details.

<sup>1</sup> C-MeX is the industry's measure of customer experience

<sup>2</sup> D-MeX is the industry's measure of developer experience

<sup>3</sup> The Remuneration Committee exercised judgement in determining the level of bonus awarded in relation to the personal performance element of the executive directors' annual bonus within the pre-agreed base salary percentage cap. The Committee considered achievement of personal objectives set at the start of the year in exercising its judgement together with events occurring during 2023/24.

## Section 2 – Price review and other segmental reporting

### Accounting policy for price control segments

The tables in this section have been prepared in accordance with RAG 2.09, as detailed in the company's Accounting Separation Methodology Statement, which can be found on the company's website: [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications). The methodology statement explains the basis for the allocations of costs and assets and has been updated for changes to the requirements in 2023/24. Changes to the methodology are also explained within the company's Accounting Separation Methodology Statement on the company's website. Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied and assets have been allocated to business units based on an assessment of the principal user, as described in the methodology.

### 2A – Segmental income statement for the 12 months ended 31 March 2024

	RAG4 reference	Residential retail £m	Business retail £m	Water resources £m	Water network+ £m	Total £m
Revenue – price control	2A.1	28.714	–	58.035	253.978	340.727
Revenue – non-price control	2A.2	–	–	–	3.200	3.200
Operating expenditure – excluding PU recharge impact	2A.3	(32.308)	–	(22.971)	(202.158)	(257.437)
PU opex recharge	2A.4	(0.271)	–	–	0.271	–
Operating expenditure – including PU recharge impact	2A.5	(32.579)	–	(22.971)	(201.887)	(257.437)
Depreciation – tangible fixed assets	2A.6	(0.001)	–	(4.532)	(76.406)	(80.939)
Amortisation – intangible fixed assets	2A.7	(1.179)	–	–	(6.413)	(7.592)
Other operating income	2A.8	2.647	–	0.029	0.370	3.046
<b>Operating profit</b>	<b>2A.9</b>	<b>(2.398)</b>	<b>–</b>	<b>30.561</b>	<b>(27.158)</b>	<b>1.005</b>



# Section 2 – Price review and other segmental reporting continued

## 2B – Totex analysis for the 12 months ended 31 March 2024 – wholesale

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
<b>Base operating expenditure</b>				
Power	2B.1	7,064	41,762	48,826
Income treated as negative expenditure	2B.2	–	–	–
Service charges/discharge consents	2B.3	6,185	–	6,185
Bulk supply/bulk discharge	2B.4	1,958	10,931	12,889
Renewals expensed in year (Infrastructure)	2B.5	–	20,607	20,607
Renewals expensed in year (Non-Infrastructure)	2B.6	–	–	–
Other operating expenditure (including location specific costs & obligations)	2B.7	5,965	101,029	106,994
Local authority and Cumulo rates	2B.8	1,598	10,973	12,571
<b>Total base operating expenditure</b>	<b>2B.9</b>	<b>22,770</b>	<b>185,302</b>	<b>208,072</b>
<b>Other operating expenditure</b>				
Enhancement operating expenditure	2B.10	0,201	9,817	10,018
Developer services operating expenditure	2B.11	–	4,109	4,109
Total operating expenditure excluding third-party services	2B.12	22,971	199,228	222,199
Third-party services	2B.13	–	2,659	2,659
<b>Total operating expenditure</b>	<b>2B.14</b>	<b>22,971</b>	<b>201,887</b>	<b>224,858</b>
<b>Grants and contributions</b>				
Grants and contributions – operating expenditure	2B.15	–	–	–
<b>Capital expenditure</b>				
Base capital expenditure	2B.16	0,735	48,490	49,225
Enhancement capital expenditure	2B.17	23,209	67,439	90,648
Developer services capital expenditure	2B.18	5,562	24,457	30,019
Total gross capital expenditure (excluding third-party)	2B.19	29,506	140,386	169,892
Third-party services	2B.20	–	–	–
<b>Total gross capital expenditure</b>	<b>2B.21</b>	<b>29,506</b>	<b>140,386</b>	<b>169,892</b>
<b>Grants and contributions</b>				
Grants and contributions – capital expenditure	2B.22	2,109	21,651	23,760
<b>Net totex</b>	<b>2B.23</b>	<b>50,368</b>	<b>320,622</b>	<b>370,990</b>
<b>Cash expenditure</b>				
Pension deficit recovery payments	2B.24	0,112	1,330	1,442
Other cash items	2B.25	0,009	0,110	0,119
<b>Totex including cash items</b>	<b>2B.26</b>	<b>50,489</b>	<b>322,062</b>	<b>372,551</b>

Table 2B above shows our total wholesale expenditure in 2023/24 is split across Water resources and Water network+, after deducting for grants and contributions received. For analysis of the totex compared to our allowed expenditure, please see table 4C. For a breakdown of base capital expenditure, enhancement capital expenditure and developer services capital expenditure, see tables 4J, 4L and 4N respectively.

## 2C – Cost analysis for the 12 months ended 31 March 2024 – retail

	RAG4 reference	Residential £m
<b>Operating expenditure</b>		
Customer services	2C.1	8,889
Debt management	2C.2	2,923
Doubtful debts	2C.3	8,297
Meter reading	2C.4	1,842
Services to developers	2C.5	–
Other operating expenditure	2C.6	10,029
Local authority and Cumulo rates	2C.7	0,171
<b>Total operating expenditure excluding third-party services</b>	<b>2C.8</b>	<b>32,151</b>
<b>Depreciation</b>		
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	2C.9	–
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	2C.10	0,001
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	2C.11	–
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	2C.12	1,179
<b>Recharges</b>		
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	2C.13	–
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	2C.14	–
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	2C.15	0,271
Income from wholesale assets acquired after 1 April 2015 principally used by retail	2C.16	–
Net recharges costs	2C.17	0,271
<b>Total retail costs excluding third-party and pension deficit repair costs</b>	<b>2C.18</b>	<b>33,602</b>
Third-party services operating expenditure	2C.19	–
Pension deficit repair costs	2C.20	0,157
<b>Total retail costs including third-party and pension deficit repair costs</b>	<b>2C.21</b>	<b>33,759</b>
<b>Debt written off</b>		
Debt written off	2C.22	8,414
<b>Capital expenditure</b>		
Capital expenditure	2C.23	–
<b>Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale</b>		
Demand-side water efficiency – gross expenditure	2C.24	7,452
Demand-side water efficiency – expenditure funded by wholesale	2C.25	7,452
Demand-side water efficiency – net retail expenditure	2C.26	–
Customer-side leak repairs – gross expenditure	2C.27	1,024
Customer-side leak repairs – expenditure funded by wholesale	2C.28	–
Customer-side leak repairs – net retail expenditure	2C.29	1,024
<b>Comparison of actual and allowed expenditure</b>		
Cumulative actual retail expenditure to reporting year end	2C.30	135,443
Cumulative allowed expenditure to reporting year end	2C.31	127,185
<b>Total allowed expenditure 2020–25</b>	<b>2C.32</b>	<b>164,889</b>

Total retail costs including third-party and pension deficit repair costs were £33,759,000 in 2023/24 against allowed expenditure of £29,157,000 in current year prices, resulting in an overspend in 2023/24 of £4,602,000. This was primarily due to continued inflationary increases to retail running costs.

## Section 2 – Price review and other segmental reporting continued

### 2D – Historic cost analysis of tangible fixed assets at 31 March 2024

	RAG4 reference	Residential retail £m	Water resources £m	Water Network+ £m	Total £m
<b>Cost</b>					
At 1 April 2023	2D.1	5,740	163,198	2,464,386	2,633,324
Disposals	2D.2	–	[0,003]	[2,092]	[2,095]
Additions	2D.3	–	29,506	139,187	168,693
Adjustments	2D.4	–	–	57,500	57,500
Assets adopted at nil cost	2D.5	–	–	–	–
<b>At 31 March 2024</b>	<b>2D.6</b>	<b>5,740</b>	<b>192,701</b>	<b>2,658,981</b>	<b>2,857,422</b>
<b>Depreciation</b>					
At 1 April 2023	2D.7	[1,028]	[30,492]	[936,097]	[967,617]
Disposals	2D.8	–	–	0,882	0,882
Adjustments	2D.9	–	–	[1,637]	[1,637]
Charge for the year	2D.10	[0,001]	[4,532]	[76,406]	[80,939]
At 31 March 2024	2D.11	[1,029]	[35,024]	[1,013,258]	[1,049,311]
Net book amount at 31 March 2024	2D.12	4,711	157,677	1,645,723	1,808,111
Net book amount at 1 April 2023	2D.13	4,712	132,706	1,528,289	1,665,707
<b>Depreciation charge for year</b>					
Principal services	2D.14	[0,001]	[4,532]	[76,406]	[80,939]
Third-party services	2D.15	–	–	–	–
<b>Total</b>	<b>2D.16</b>	<b>[0,001]</b>	<b>[4,532]</b>	<b>[76,406]</b>	<b>[80,939]</b>

The net book value includes £189,003,000 in respect of assets in the course of construction.

Capital expenditure in 2023/24 was incurred principally in addressing raw water deterioration, supply and demand balance improvements, water treatment, metering programmes, leakage infrastructure, storage and mains renewals. Water resources additions in 2023/24 largely relate to spend on our strategic regional water resources, ecological improvements at abstractions and investigations.

### 2E – Analysis of 'grants and contributions' for the 12 months ended 31 March 2024 – water resources, water network+ and wastewater network+

	RAG4 reference	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
<b>Grants and contributions – water resources</b>					
Diversions – s185	2E.1	–	–	–	–
Other contributions (price control)	2E.2	–	–	–	–
Price control grants and contributions	2E.3	–	–	–	–
Diversions – New Roads and Street Works Act 'NRSWA'	2E.4	–	–	–	–
Diversions – other non-price control	2E.5	–	1,857	–	1,857
Other contributions (non-price control)	2E.6	–	0,252	–	0,252
<b>Total</b>	<b>2E.7</b>	<b>–</b>	<b>2,109</b>	<b>–</b>	<b>2,109</b>
Value of adopted assets	2E.8	–	–	–	–
<b>Grants and contributions – water network+</b>					
Connection charges	2E.9	–	8,336	–	8,336
Infrastructure charge receipts – new connections	2E.10	–	8,106	–	8,106
Requisitioned mains	2E.11	–	4,552	–	4,552
Diversions – s185	2E.12	–	1,088	–	1,088
Other contributions (price control)	2E.13	–	–	–	0,000
<b>Price control grants and contributions before deduction of income offset</b>	<b>2E.14</b>	<b>–</b>	<b>22,082</b>	<b>–</b>	<b>22,082</b>
Income offset	2E.15	–	2,524	–	2,524
<b>Price control grants and contributions after deduction of income offset</b>	<b>2E.16</b>	<b>–</b>	<b>19,558</b>	<b>–</b>	<b>19,558</b>
Diversions – NRSWA	2E.17	–	0,124	–	0,124
Diversions – other non-price control	2E.18	–	1,969	–	1,969
Other contributions (non-price control)	2E.19	–	–	–	–
<b>Total</b>	<b>2E.20</b>	<b>–</b>	<b>21,651</b>	<b>–</b>	<b>21,651</b>
Value of adopted assets	2E.21	–	–	–	–

£3,826,000 of payments received in 2023/24 for costs incurred in relation to the HS2 rail programme are included in the diversions – other non-price control lines in the above table, with £1,857,000 included within Water Resources and £1,969,000 included within Water Network+.

	RAG4 reference	Water resources	Water network+	Total £m
<b>Movements in capitalised grants and contributions</b>				
Brought forward	2E.34	87,935	235,621	323,556
Capitalised in year	2E.35	2,109	21,651	23,760
Amortisation (in income statement)	2E.36	[0,078]	[7,886]	[7,964]
<b>Carried forward</b>	<b>2E.37</b>	<b>89,966</b>	<b>249,386</b>	<b>339,352</b>

## Section 2 – Price review and other segmental reporting continued

### 2F – Residential retail for the 12 months ended 31 March 2024

	RAG4 reference	Revenue £m	Number of customers 000s	Average residential revenues £
<b>Residential revenue</b>				
Wholesale charges	2F.1	249,358	–	–
Retail revenue	2F.2	28,714	–	–
<b>Total residential revenue</b>	<b>2F.3</b>	<b>278,072</b>	<b>–</b>	<b>–</b>
<b>Retail revenue</b>				
Revenue recovered	2F.4	28,714	–	–
Revenue sacrifice	2F.5	–	–	–
Actual revenue [net]	2F.6	28,714	–	–
<b>Customer information</b>				
Actual customers	2F.7	–	1,446,622	–
Reforecast customers	2F.8	–	1,446,789	–
<b>Adjustment</b>				
Allowed revenue	2F.9	27,539	–	–
Net adjustment	2F.10	(1,175)	–	–
<b>Other residential information</b>				
Average residential retail revenue per customer	2F.11	–	–	19,849

Total average residential retail revenue per customer has increased from £18,769 in the prior year to £19,849 in the current year. This is primarily due to the movement in C-MEX penalty.

A number of customers have moved onto measured tariffs from unmeasured as part of our Water Savings Programme.

### 2I – Revenue analysis for the 12 months ended 31 March 2024

	RAG4 reference	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
<b>Wholesale charge – water</b>							
Unmeasured	2I.1	87,808	2,926	90,734	16,877	73,857	90,734
Measured	2I.2	161,550	59,729	221,279	41,158	180,121	221,279
Third-party revenue	2I.3	–	–	–	–	–	–
Total wholesale water revenue	2I.4	249,358	62,655	312,013	58,035	253,978	312,013
<b>Wholesale total</b>	<b>2I.16</b>	<b>249,358</b>	<b>62,655</b>	<b>312,013</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Retail revenue</b>							
Unmeasured	2I.17	7,132	–	7,132	–	–	–
Measured	2I.18	21,582	–	21,582	–	–	–
Retail third-party revenue	2I.19	–	–	–	–	–	–
<b>Total retail revenue</b>	<b>2I.20</b>	<b>28,714</b>	<b>–</b>	<b>28,714</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Third-party revenue – non-price control</b>							
Bulk supplies – water	2I.21	–	–	3,200	–	–	–
Other third-party revenue – non-price control	2I.23	–	–	–	–	–	–
<b>Principal services – non-price control</b>							
Other appointed revenue	2I.24	–	–	–	–	–	–
<b>Total appointed revenue</b>	<b>2I.25</b>	<b>–</b>	<b>–</b>	<b>343,927</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 2J – Infrastructure network reinforcement costs for the 12 months ended 31 March 2024

	RAG4 reference	Network reinforcement capex £m	On site/ site specific capex (memo only) £m
<b>Wholesale water network+ (treated water distribution)</b>			
Distribution and trunk mains	2J.1	4,115	–
Pumping and storage facilities	2J.2	0,353	–
Other	2J.3	–	–
<b>Total</b>	<b>2J.4</b>	<b>4,468</b>	<b>–</b>

### 2K – Infrastructure charges reconciliation for the 12 months ended 31 March 2024

	RAG4 Reference	Total £m
<b>Impact of infrastructure charge discounts</b>		
Infrastructure charges	2K.1	8,106
Discounts applied to infrastructure charges	2K.2	–
Gross infrastructure charges	2K.3	8,106
<b>Comparison of revenue and costs</b>		
Variance brought forward	2K.4	(4,569)
Revenue	2K.5	8,106
Costs	2K.6	(4,468)
<b>Variance carried forward</b>	<b>2K.7</b>	<b>(0,931)</b>

In the first two years of the AMP, costs were significantly higher than the revenue collected. In 2022/23 this trend started to reverse and revenue collected was higher than the costs, this is due to the timing of expenditure and revenue receipts. In 2023/24, we have seen a further increase in revenue vs costs than in prior year, and we anticipate that we will see higher connections activity and infrastructure charges over the remainder of the AMP.

No discounts have been applied to infrastructure charges during 2023/24 that would require presentation in the above table. The company's policy is to apply a discount if the new connection was a reconnection and had been disconnected within the past five years.

### 2L – Analysis of land sales for the 12 months ended 31 March 2024

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
<b>Land sales – proceeds from disposals of protected land</b>	<b>2L.1</b>	<b>–</b>	<b>0,952</b>	<b>0,952</b>

Proceeds from disposals of protected land are shared with customers on a 50% sharing basis. The land sales relate to the disposal of one property, with gross proceeds £959,000 and selling costs of £7,000. This sale was not reported to Ofwat under licence condition K as it was sold to an external party and was below the licence condition K materiality threshold of £1,000,000.

# Section 2 – Price review and other segmental reporting continued

## 2M – Revenue reconciliation for the 12 months ended 31 March 2024 – wholesale

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
<b>Revenue recognised</b>				
Wholesale revenue governed by price control	2M.1	58.035	253.978	312.013
Grants and contributions (price control)	2M.2	–	19.558	19.558
<b>Total revenue governed by wholesale price control</b>	<b>2M.3</b>	<b>58.035</b>	<b>273.536</b>	<b>331.571</b>
<b>Calculation of the revenue cap</b>				
Allowed wholesale revenue before adjustments (or modified by Competition and Markets Authority ('CMA'))	2M.4	57.993	253.661	311.654
Allowed grants and contributions before adjustments (or modified by CMA)	2M.5	–	19.538	19.538
Revenue adjustment	2M.6	(3.564)	(5.825)	(9.389)
Other adjustments	2M.7	–	–	–
<b>Revenue cap</b>	<b>2M.8</b>	<b>54.429</b>	<b>267.374</b>	<b>321.803</b>
<b>Calculation of the revenue imbalance</b>				
Revenue cap	2M.9	54.429	267.374	321.803
Revenue Recovered	2M.10	58.035	273.536	331.571
<b>Revenue imbalance</b>	<b>2M.11</b>	<b>[3.606]</b>	<b>[6.162]</b>	<b>[9.768]</b>

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

Higher-than-anticipated levels of measured household consumption, driven by enduring changes in post-lockdown behaviours and consumption trends, has driven household revenue up by £32.7m. Additionally, the company has been implementing a metering programme which is moving customers from an unmeasured to a measured tariff, encouraging a reduction in consumption in line with our drive for a reduction in PCC but allowing the company to bill for actual water used. Actual customer numbers are slightly above forecast at 1,446,622 compared to a reforecast of 1,446,789 used when setting the tariff for 2023/24 in the prior year.

Additionally, final settlement runs for non-household income relating to 2021-2022 have been higher than our estimations and have unwound in the year resulting in additional revenue recognised of £2.9m.

The number of new connections completed in the year was 4,266 as per table 4Q.3 against a forecast of 16,986 set at PR19.

## 2N – Household affordability support and debt

### Section A – Social tariffs

	RAG4 reference	Revenue £m	Number of customers 000s	Average amount per customer £
<b>Number of residential customers on social tariffs</b>				
Residential water only social tariffs customers	2N.1	–	101.150	–
Residential wastewater only social tariffs customers	2N.2	–	–	–
Residential dual service social tariffs customers	2N.3	–	–	–
<b>Number of residential customers not on social tariffs</b>				
Residential water only no social tariffs customers	2N.4	–	1,345.472	–
Residential wastewater only no social tariffs customers	2N.5	–	–	–
Residential dual service no social tariffs customers	2N.6	–	–	–
<b>Social tariff discount</b>				
Average discount per water only social tariffs customer	2N.7	–	–	77.123
<b>Social tariff cross-subsidy – residential customers</b>				
Total customer-funded cross-subsidies for water only social tariffs customers	2N.10	7.801	–	–
Average customer-funded cross-subsidy per water only social tariffs customer	2N.13	–	–	5.393
<b>Social tariff cross-subsidy – company</b>				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	2N.16	–	–	–
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer	2N.19	–	–	–
<b>Social tariff support – willingness to pay</b>				
Level of support for social tariff customers reflected in business plan	2N.22	–	–	5.517
Maximum contribution to social tariffs supported by customer engagement	2N.23	–	–	5.517

### Section B – WaterSure tariffs

<b>WaterSure tariffs</b>				
Number of unique customers on WaterSure	2N.24	–	2.802	–
Total reduction in bills for WaterSure customers	2N.25	0.567	–	–
Average reduction in bills for WaterSure customers	2N.26	–	–	202.355

### Section C – other direct bill reduction schemes for household customers struggling to pay

	RAG4 reference	Target households	Number of unique households helped by scheme 000s	Total amount bills reduced by through scheme £	Funding source
<b>Other bill reduction schemes</b>					
Water Assistance Scheme	2N.27a	30,000,000	29,042	1.452	Cross subsidy from other customers

## Section 2 – Price review and other segmental reporting continued

### Section D – debt metrics

	RAG4 reference	Water only 000s	Dual services 000s
<b>Total number of household customers served - active and final accounts</b>			
Number of household customers served – active accounts	2N.28	102,013	1,319,219
Number of household customers served – final accounts	2N.29	1,921	34,987

	RAG4 reference	Number of households 000s	Total amount of debt £
<b>Household customers in arrears</b>			
Households in arrears – active accounts with debt repayment arrangements	2N.30	8,122	3,293
Households in arrears – final accounts with debt repayment arrangements	2N.31	0,664	0,188
Households in arrears – active accounts without debt repayment arrangements	2N.32	90,583	58,715
Households in arrears – final accounts without debt repayment arrangements	2N.33	28,441	8,406
Households not having made any payment for the year – active accounts	2N.34	46,066	38,635
Households not having made any payment for the year – final accounts	2N.35	18,264	6,439

	RAG4 reference	Number of households 000s	Total amount deferred £
<b>Temporary payment suspension</b>			
Households with temporarily suspended payments – payment break arrangements	2N.36	0,888	not available
Households with temporarily suspended payments – breathing space arrangements	2N.37	0,538	not available

Affinity Water is unable to provide the total amount of arrears deferred with a payment break or breathing space arrangement. Our reporting only captured the volume of such customers using these types of arrangements. For reporting in 2025, we have plans to add the value of deferred arrears to our reporting and will be able to provide this data going forward.

	RAG4 reference	Number of households 000s	Total value of debt £
<b>Household debt collection through third-party agents where water company remains creditor</b>			
Debt collected by external agents – active accounts	2N.38	93,762	71,629
Debt collected by external agents – final accounts	2N.39	27,416	19,165
Number of Priority Services Register customers with debt passed on to external debt collection agents – active and final accounts	2N.40	not available	not available

	RAG4 reference	Number of accounts 000s	Total value of debt £	Total sale value of debt £
<b>Household debt sold to external agencies</b>				
Debt sold to an external agency / third-party debt purchaser – active accounts	2N.41	–	–	–
Debt sold to an external agency / third-party debt purchaser – final accounts	2N.42	11,600	4,955	0,318
Number of Priority Services Register customers with debt sold to an external agency / third-party debt purchaser – active and final accounts	2N.43	0,634	0,253	0,016

	RAG4 reference	Number of accounts 000s	Total amount involved £
<b>Unpaid household bills referred to courts</b>			
Number of county court claims	2N.44	0,311	0,235
Number of county court judgements	2N.45	0,346	0,418
Number of county court judgement enforcements	2N.46	0,293	0,413
Number of high court claims	2N.47	–	–
Number of high court judgements	2N.48	–	–
Number of high court judgement enforcements	2N.49	–	–

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

	RAG4 reference	Number of payments 000s	Total amount £	Number of unique households 000s
<b>GSS payments to household customers</b>				
Total value of payments made to household customers under GSS	2N.50	–	0,019	–
Total number of payments made to household customers under GSS	2N.51	0,890	–	–
Total number of unique household customers receiving GSS payments	2N.52	–	–	0,806

	RAG4 reference	Total number of unique payments made to household customers under GSS 000s	Total value of payments made in relation to column 1 £m	Total number of unique payments to household customers classed as compensation or goodwill 000s	Total value of payments made in relation to column 3 £m
<b>Number and value of GSS and other payments to household customers by type in the reporting period</b>					
Keeping of appointments	2N.53	0,672	0,013	0,672	0,013
Incidences of low water pressure	2N.54	0,023	0,001	0,023	0,001
Incorrect notice of planned interruptions to supply	2N.55	0,001	–	0,001	–
Supply not restored	2N.56	0,095	0,003	0,095	0,003
Written account queries and requests to change payment arrangements not actioned on time	2N.57	0,028	0,001	0,028	0,001
Written complaints not responded to within 10 working days	2N.58	0,029	0,001	0,029	0,001
Properties sewer flooded internally	2N.59	–	–	–	–
Properties sewer flooded externally	2N.60	–	–	–	–
Payment type_1 (extension of columns 3 & 4)	2N.61a	–	–	2,863	0,121
Late payment penalties (paid in relation to lines 2N.53 to 2N.60)	2N.62	0,042	0,001	–	–

During 2023/24, we have been proactive in providing more support for vulnerable customers. We consistently communicate the availability of this support through our own channels and partnerships with esteemed organisations such as Citizen Advice Bureau, Step Change, and Turn 2 Us, ensuring that individuals are well-informed about the assistance we provide.

As at 31 March 2024, we were supporting more than 101,000 households in our region with social tariffs.

## Section 2 – Price review and other segmental reporting continued

### 2O – Historic cost analysis of intangible fixed assets

	RAG4 reference	Retail residential £m	Water resources £m	Water Network+ £m	Total £m
<b>Cost</b>					
At 1 April 2023	2O.1	14.598	4.632	96.590	115.820
Disposals	2O.2	–	–	–	–
Additions	2O.3	–	–	4.056	4.056
Adjustments	2O.4	[4.668]	–	–	[4.668]
Assets adopted at nil cost	2O.5	–	–	–	–
At 31 March 2024	2O.6	9.930	4.632	100.646	115.208
<b>Amortisation</b>					
At 1 April 2023	2O.7	[6.521]	–	[66.688]	[73.209]
Disposals	2O.8	–	–	–	–
Adjustments	2O.9	–	–	–	–
Charge for the year	2O.10	[1.179]	–	[6.413]	[7.592]
<b>At 31 March 2024</b>	<b>2O.11</b>	<b>[7.700]</b>	<b>–</b>	<b>[73.101]</b>	<b>[80.801]</b>
<b>Net book amount at 31 March 2024</b>	<b>2O.12</b>	<b>2.230</b>	<b>4.632</b>	<b>27.545</b>	<b>34.407</b>
Net book amount at 1 April 2023	2O.13	8.077	4.632	29.902	42.611
<b>Amortisation for year</b>					
Principal services	2O.14	[1.179]	–	[6.413]	[7.592]
Third-party services	2O.15	–	–	–	–
<b>Total</b>	<b>2O.16</b>	<b>[1.179]</b>	<b>–</b>	<b>[6.413]</b>	<b>[7.592]</b>

Included in the additions above is £7,580,000 of capitalised intangible assets under construction, which is not amortised.

Expenditure in 2023/24 related primarily to computer software development costs.

## Section 3 – Performance summary

### 3A – Outcome performance – Water common performance commitments

	Unique reference	RAG4 reference	Unit	Decimal places	Performance level – actual	PCL met?	Outperformance or under-performance payment £m	Forecast of total 2020–25 outperformance or under-performance payment £m
<b>Financial</b>								
Water quality compliance (CRI)	PR19AFW_W-A1	3A.1	Nr	2	8.05	No	(5.14)	(5.14)
Water supply interruptions	PR19AFW_W-D1	3A.2	hh:mm:ss	N/A	00:02:46	Yes	1.23	(0.84)
Leakage	PR19AFW_W-B1	3A.3	%	1	18.3	Yes	–	0.40
Per capita consumption	PR19AFW_R-B1	3A.4	%	1	–1.5	No	–	–21.5
Mains repairs	PR19AFW_W-D4	3A.5	Nr	1	98.3	Yes	–	–3.5
Unplanned outage	PR19AFW_W-D3	3A.6	%	2	1.42	Yes	–	–
<b>Bespoke PCs – Water and Retail (Financial)</b>								
Environmental innovation – delivery of community projects	PR19AFW_W-B2	3A.7	Nr	N/A	1	Yes	–	2.000
Reducing the total number of void properties by identifying false voids	PR19AFW_R-C4	3A.8	%	2	2.03	Yes	0.16	0.480
River restoration	PR19AFW_W-B3	3A.9	Nr	N/A	30	Yes	–	–
Abstraction reduction	PR19AFW_W-B4	3A.10	Nr	2	0	Yes	–	–
Number of sources operating under the Abstraction Incentive Mechanism	PR19AFW_W-B5	3A.11	Nr	N/A	[267]	Yes	–	–
Properties at risk of receiving low pressure	PR19AFW_W-D5b	3A.12	Nr	3	138.594	No	(0.973)	(4.691)
Number of occupied properties not billed (Gap sites)	PR19AFW_W-C2	3A.13	Nr	N/A	71	Yes	–	–
Unplanned interruptions to supply over 12 hours	PR19AFW_W-N1	3A.14	Nr	N/A	84	Yes	–	(2.000)
Customer contacts per 1,000 population for Water Quality [taste, odour and appearance]	PR19AFW_W-N2	3A.15	Nr	2	0.58	Yes	–	(0.490)
Financial water performance commitments achieved		3A.27	%				71	
Overall performance commitments achieved (excluding C-MeX and D-MeX)		3A.28	%				80	

## Section 3 – Performance summary continued

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

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

We have met 24 of our 28 performance commitments of which 12 are financial and 12 are reputational (this excludes C-MeX and D-MeX).

Table 3A shows we have received in-period rewards totalling £1.993m during 2023/24. We have received in-period penalties totalling £6.109m for our performance on CRI, Properties at risk of receiving low pressure This resulted in a net in-period penalty of £4.116m which will be reflected in customer charges in 2025/26. We have deferred our leakage reward for 2023-24 due to the amber rating of our closure error of >2% but <3%.

More details of our performance of each of these metrics can be found in our non-financial line commentary published on our website at [affinitywater.co.uk/reports-publications](https://affinitywater.co.uk/reports-publications), with a high-level summary below.

### Water quality compliance (CRI)

Our performance commitment (PC) for compliance risk index (CRI) was not met in 2023 with our score being 8.05 against a target of 0. The number of results that did not meet the relevant standard in 2023 was 50 which was broadly similar to 2022 when there were 46. However, in 2023 there were two exceedances from Iver WTW, which is our highest output treatment works. One exceedance was for coliforms which DWI issued a number of recommendations for the other was for turbidity for which DWI considered enforcement action. Consequently, the CRI score for these two exceedances was 7.06, making up around 88% of our total CRI score.

Our investigations identified that both exceedances were associated with aluminium coagulant carry over post the filtration stage. In the short term we carried out cleaning and maintenance throughout the treatment works. In the medium term we are investigating the performance of the different treatment streams and in the long term we are adding new rapid gravity filters to the treatment process. We are confident that this work will prevent further similar exceedances. DWI

### Water supply interruptions

In the 2023/24 reporting year, our performance regarding interruptions to supply showed significant improvement, with an actual interruption time of just 2 minutes and 49 seconds, well below our target of 5 minutes and 23 seconds for the year. This is a remarkable improvement when compared to the previous year's performance of 12 minutes and 53 seconds against a target of 5 minutes and 45 seconds. In 2023/24 while we did see benign weather with no significant hot summer or cold winter, the trend over the last four years highlights the significant improvements we have made in enhancing our operational efficiency and reducing supply interruptions.

We are committed to ensuring that our assets run efficiently to prevent interruptions from occurring and to optimising our mains network. These ongoing improvements in our operational practices and asset management contribute significantly to our ability to maintain high service standards and minimise the disruption to our customers.

### Leakage

We have achieved an 18.3% reduction in the 3 year rolling average leakage value from the 2019-20 baseline value. Our performance commitment required us to achieve a 17% reduction from baseline in the 3-year rolling average in year 4.

We maintain our focus on driving leakage down and have kept in place our elevated levels of Active Leakage Control and completed the expansion of pressure management for this AMP, however, our actual year-on-year performance has deteriorated. Our in year average value was 153.5 Ml/d against 150.7 Ml/d in year 3. The 3-year average reduction from 15.7% to 18.3% is therefore due to the replacement of the higher year 1 AMP7 value (167.9 Ml/d) with the lower year 4 value.

### Per capita consumption

PCC is a measure of customer consumption in the home. Since covid, working and behavioural patterns have significantly changed, with commuter belt companies particularly affected as customers remain in area more often. Customers are now using more water in their homes than seen previously before the pandemic.

We ended Year 3 with a 12-month 'spot' PCC of 154.0 /p/d and a 3-year average of 156.3 l/p/d. This is an increase of 1.5%.

Despite not meeting the first four years' performance commitment, we have made reductions each year from a Covid-19 equivalent baseline. We understand that reducing customer consumption is important for both the environment and our future supplies. We are committed to delivering programmes to help improve the reductions in household consumption. During 2023-24 we continued to deliver a variety of campaigns and looked for innovative ways to engage with our customers.

### Mains repairs

We have achieved the performance commitment level for 2023-24, with 98.3 mains repairs per 1,000km of potable mains, well below the target for the year of 144.4.

The significant outperformance against the target is attributable to the relatively benign weather conditions experienced through 2023-24, notwithstanding a brief cold snap in mid-Jan that did cause a small outbreak of mains bursts. This is in marked contrast to 2022-23, which saw both a hot dry summer and winter major freeze-thaw event. Outside of weather variations our underlying performance remains strong.

### Unplanned outage

We have achieved our unplanned outage target for all four years of the AMP. Our target for Unplanned Outage is set at 2.34% throughout AMP7. As of 31 March 2024, we have achieved a performance rate of 1.42%, making a reduction from 2.09% in the previous year (2022-23).

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

# Section 3 – Performance summary continued

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

Item	Rag 4 reference	Unit	Value
Annual customer satisfaction score for the customer service survey	3C.1	Number	69.72
Annual customer satisfaction score for the customer experience survey	3C.2	Number	76.60
Annual C-MeX score	3C.3	Number	73.16
Annual net promoter score	3C.4	Number	6.00
Total household complaints	3C.5	Number	10,285
Total connected household properties	3C.6	Number	1,508,900
Total household complaints per 10,000 connections	3C.7	Number	68.162
Confirmation of communication channels offered	3C.8	TRUE or FALSE	TRUE

Our 2023-24 annual C-MeX score (table line 3C.3) improved our position relative to other companies by two places to 12th position. Although our score declined by -1.9% compared to 2022-23, the decline was significantly less than the industry average decline of -3.1%.

We aspire to be one of the leading water companies for service and our focus is on resolving all customers issues, quickly, efficiently and to a high standard. We believe following significant investment in training, improving processes and knowledge, we are beginning to see these improvements manifest themselves into customer satisfaction reported via our C-MeX Service survey results.

More details can be found in our non-financial line commentary published on our website at [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications).

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

Item	RAG 4 reference	Unit	Value
Qualitative component annual results	3D.1	Number	74.2
Quantitative component annual results	3D.2	Number	99.87
D-MeX score	3D.3	Number	87.04
Developer services revenue (water)	3D.4	£m	13.98

Water UK performance metric	RAG 4 reference	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)
W1.1 Pre-Development Enquiry	3D.W1	%	100.00%	
W3.1 S45 Quotations	3D.W2	%	99.90%	
W4.1 S45 Service Pipe Connections	3D.W3	%	99.35%	
W6.1 Mains Design <500 Plots	3D.W4	%	99.35%	
W7.1 Mains Design >500 Plots	3D.W5	%	100.00%	
W8.1 Mains Construction	3D.W6	%	100.00%	
W17.1 Mains Diversions Quotations	3D.W7	%	100.00%	
W18.1 Mains Diversions Construction	3D.W8	%	100.00%	
W27.1 Self Lay Permanent Water Supply	3D.W9	%	100.00%	
W30.1 Self Lay Plot Reference and Costing Details	3D.W10	%	100.00%	
WN1.1 Confirmations Issued to the Applicant	3D.W11	%	100.00%	
WN2.2 Bulk Supply Offer Letters Issued	3D.W12	%	100.00%	
WN4.1 Mains Laying Schemes Constructed & Commissioned	3D.W13	%	100.00%	
SLPM-S1/2 Review PoC Proposal	3D.W14	%	100.00%	
SLPM-S2/2a Provide Design	3D.W15	%	100.00%	
SLPM-S2/2b Water Company to Provide Design Acceptance	3D.W16	%	100.00%	
SLPM-S3 Review/Revise Water Adoption Agreement	3D.W17	%	100.00%	
SLPM-S4/1 Source of Water Delivery Date	3D.W18	%	100.00%	
SLPM-S5/1a Review Request and Carry Out Final Connection	3D.W19	%	100.00%	
SLPM-S7/1 Validate Notification & Provide Consent	3D.W20	%	100.00%	
SLPM 5/1a Self-Lay mains carry out final connection	3D.W21	%	98.55%	
SLPM 5/1b Self-Lay agree final connection date	3D.W22	%	100.00%	
D-MeX quantitative score (for the relevant reporting period)	3D.6, 3D.7	%	99.87%	
D-MeX quantitative score (annual)	3D.8	Number		1.00

Our D-MeX performance for 2023/24 has shown an improvement from 2022/23.

During the first half of the year we faced challenges which impacted both quantitative and qualitative performance. Our S45 Service Pipe Connections was most heavily affected and contributed significantly to the qualitative and qualitative surveys.

We introduced improvements to our customer journey and jeopardy management controls. We also moved away from the relationship we had with our construction partner at that time. Performance steadily improved, indicating we are moving in the right direction for our customers.

More details can be found in our non-financial line commentary published on our website at [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications).



# Section 3 – Performance summary continued

## 3E – Outcome performance – Non-financial performance commitments

	Rag 4 reference	Unique reference	Unit	Decimal places	Performance level – actual	PCL met?
<b>Common</b>						
Risk of severe restrictions in a drought	3E.1	PR19AFW_W-D2	%	1	68.1	No
Priority services for customers in vulnerable circumstances – PSR reach	3E.2	PR19AFW_R-N3	%	1	10.7	Yes
Priority services for customers in vulnerable circumstances – Attempted contacts	3E.3	PR19AFW_R-N3	%	1	94.3	Yes
Priority services for customers in vulnerable circumstances – Actual contacts	3E.4	PR19AFW_R-N3	%	1	55.6	Yes
<b>Bespoke PCs</b>						
Average time properties experience low pressure	3E.6	PR19AFW_W-D5a	Nr	0	01:47:09	Yes
Customers in vulnerable circumstances satisfied with our service (receiving financial help)	3E.7	PR19AFW_R-C2	%	0	92	Yes
Customers in vulnerable circumstances who found us easy to deal with (receiving financial help)	3E.8	PR19AFW_R-C3	%	0	92	Yes
BSI accreditation	3E.9	PR19AFW_R-N4	Text	0	Maintained	Yes
IT resilience	3E.10	PR19AFW_R-N6	Nr	0	814	Yes
Customers in vulnerable circumstances satisfied with our service (not receiving financial help)	3E.11	PR19AFW_R-N7	%	0	90	Yes
Customers in vulnerable circumstances who found us easy to deal with (not receiving financial help)	3E.12	PR19AFW_R-N8	%	0	90	Yes
Value for Money Survey	3E.13	PR19AFW_R-N9	Nr	2	7.79	Yes
WINEP Delivery	3E.14	PR19AFW_NEP01	Text	0	Met	Yes
Non-financial performance commitments achieved	3E.29		%		92	

We have not met our target for risk of severe restrictions in a drought.

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

## 3F – Underlying calculations for common performance commitments – water and retail

Performance commitments set in standardised units – Water	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual [current reporting year]	Performance level – calculated (i.e. standardised)
Mains repairs – Reactive	repairs per 1000km	Mains length in km	16,989.00	1,221	71.87
Mains repairs – Proactive	repairs per 1000km	Mains length in km	16,989.00	449.00	26.43
Mains repairs	repairs per 1000km	Mains length in km	16,989.00	1,670.00	98.30
Per capita consumption (PCC)	lpd	Population	3907.32	602	154.0

Performance commitments measured against a calculated baseline	Unit	Performance level - actual [2017-18]	Performance level - actual [2018-19]	Performance level - actual [2019-20]	Baseline [average from 2017-18 to 2019-20]	Performance level - actual [2020-21]	Performance level - actual [2021-22]	Performance level - actual [2022-23]	Performance level - actual [2023-24]	Performance average [current and previous 2 years]	Calculated level to compare against PCI's
Leakage	MI/d	178.7	203.9	178.7	187.1	167.9	154.3	150.6	153.5	152.8	18.3
Per capita consumption (PCC)	lpd	151.0	158.3	152.8	154.0	167.0	157.9	157.0	154.0	156.3	(1.5)

Water supply interruptions	Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual number of minutes lost	Number of properties supply interrupted	Calculated performance level
Water supply interruptions	Average number of minutes lost per property per year	Number of properties	1,580.38	3,045.06	14,782	00:02:46

Unplanned or planned outage	Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %
Unplanned outage	1,234.53	17.57	1.42%

Priority services for customers in vulnerable circumstances	Total residential properties [000s]	Total number of households on the PSR [as at 31 March]	PSR reach	Total number of households on the PSR over a 2-year period	Number of attempted contacts over a 2 year period	Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %
Priority services for customers in vulnerable circumstances	1,451.33	155,690	10.7%	82,742	78,061	94.30%	46,028	55.6%

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

## Section 3 – Performance summary continued

### 3H – Summary information on outcome delivery incentive payments

	RAG 4 reference	Initial calculation of performance payments (excluding C-MeX and D-MeX) £m [2017/18 prices]
<b>Initial calculation of in-period revenue adjustment by price control</b>		
Water resources	3H.1	0.20
Water network plus	3H.2	[4.48]
Residential retail	3H.5	0.16
<b>Initial calculation of end of period revenue adjustment by price control</b>		
Water resources	3H.8	[1.53]
Water network plus	3H.9	[3.58]
Residential retail	3H.12	–
<b>Initial calculation of end of period RCV adjustment by price control</b>		
Water resources	3H.15	–
Water network plus	3H.16	–
Residential retail	3H.9	–

We have adjusted the leakage reward to reflect 0 for 2023-24 to defer the leakage outperformance reward this year as a result of not achieving full compliance with the reporting check list this year. We anticipate we will achieve full compliance in 2024-25 (year5) and will be reflected in the reconciliation tables submitted as part of the draft Determination representation. This is reflected under the water network plus price control.

### 3I – Supplementary outcomes information

Unplanned or planned outage	RAG 4 reference	Current company level peak week production capacity [PWPC] Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %
Planned outage	3I.1	1,234.53	56.477	4.57%

Risk of severe restrictions in drought	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	
Risk of severe restrictions in drought	3I.2	978.70	48.04	949.59	63.10	3,951,431	2,875,095

## Section 4 – Additional regulatory information – service level

### Accounting separation policy

Tables 4B, 4C, 4D, 4F, 4J, 4L, 4N, 5B, 6D and 9A within sections 4, 5, 6 and 9 have been prepared in accordance with the company's Accounting Separation Methodology Statement, which can be found on the company's website: [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications). The methodology statement explains the basis for the allocations of costs and assets and has been updated for changes to the requirements in 2023/24. Changes to the methodology are also explained within the company's Accounting Separation Methodology Statement on the company's website. Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied and assets have been allocated to business units based on an assessment of the principal user, as described in the methodology.

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

Table 4B has not been included within the Annual Performance Report 2023/24 due to its size as permitted by RAG 3.14 but has still been submitted to Ofwat.

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

# Section 4 – Additional regulatory information – service level continued

## 4A – Water bulk supply information for the 12 months ended 31 March 2024

	RAG4 reference	Volume MI	Operating costs £m	Revenue £m
<b>Bulk supply exports</b>				
Chalton (Anglian Water)	4A.1	35.204	0.008	0.000
Egham (South East Water)	4A.2	4,778.763	3.334	3.334
Odsey Village (Cambridge Water)	4A.3	13.554	0.003	0.000
Napchester Road (Southern Water)	4A.4	2.847	0.001	0.000
NAV-1-Independent Water Networks Ltd (Connections: 1)	4A.5	6.421	0.002	0.007
NAV-1-ICOSA Water Services Ltd (Connections: 1)	4A.6	36.621	0.009	0.037
NAV-1-Leep Utilities (Connections: 1)	4A.7	0.261	0.000	0.000
NAV-3-Independent Water Networks Ltd (Connections: 6)	4A.8	196.625	0.047	0.203
NAV-4-Independent Water Networks Ltd (Connections: 4)	4A.9	25.603	0.006	0.029
NAV-4-Leep Utilities (Connections: 1)	4A.10	0.000	0.000	0.000
NAV-5-Independent Water Networks Ltd (Connections: 5)	4A.11	148.872	0.036	0.158
NAV-5-ICOSA Water Services Ltd (Connections: 1)	4A.12	0.000	0.000	0.000
NAV-6-Independent Water Networks Ltd (Connections: 2)	4A.13	12.777	0.003	0.008
NAV-7-Independent Water Networks Ltd (Connections: 5)	4A.14	46.365	0.011	0.086
NAV-7-Leep Utilities (Connections: 1)	4A.15	1.815	0.000	0.000
NAV-8-Independent Water Networks Ltd (Connections: 9)	4A.16	42.286	0.010	0.066
<b>Total bulk supply exports</b>	<b>4A.26</b>	<b>5,348.014</b>	<b>3.470</b>	<b>3.926</b>
<b>Bulk supply imports</b>				
Kingsdown (Southern Water)	4A.27	2.684	-	
Kempton Park (aka Snakey Lane)	4A.28	20.711	0.016	
Grafham (Anglian Water)	4A.29	17,340.418	8.982	
Stonebridge Park (Thames)	4A.30	810.553	0.558	
Fortis Green (Thames)	4A.31	973.026	0.721	
Hampstead Garden Suburb (Thames)	4A.32	43.258	0.048	
Ladymead (Thames Water)	4A.33	817.112	0.057	
Hadstock Road (Cambridge Water)	4A.34	32.940	0.044	
Pilgrims Hatch (Essex and Suffolk Water)	4A.35	5.858	0.011	
Perivale (Thames)	4A.36	386.439	0.496	
Cockfosters (Thames Water)	4A.37	595.229	0.721	
Moor Lane to Iver WTW (Thames)	4A.38	2,228.597	0.842	
<b>Total bulk supply imports</b>	<b>4A.52</b>	<b>23,256.825</b>	<b>12.496</b>	

Bulk supply exports and imports detailed in the tables above are as per the bulk supplies register published by Ofwat for 2023/24. Bulk supply import costs of £12.496m do not include £0.416m costs of importing from Ardleigh as we are 50% owners of the site, however, these costs are included in the bulk supply/bulk discharge lines in tables 2B.4, 4J.3 and 5B.4. Where the company has not exported to, or imported from an appointee, this appointee has been excluded from the tables above.

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

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

RAG4 reference	12 months ended 31 March 2024		Price control period to date		
	Water resources	Water network+	Water resources	Water network+	
<b>Totex (net of business rates, abstraction licence fees and grants and contributions)</b>					
Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	4C.1	54.960	226.105	197.596	984.632
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	4C.2	29.126	299.999	99.070	1,135.986
Transition expenditure	4C.3	-	-	-	-
Disallowable costs	4C.4	-	1.324	(0.098)	8.074
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	4C.5	29.126	298.675	99.168	1,127.912
Variance	4C.6	(25.834)	72.570	(98.428)	143.280
Variance due to timing of expenditure	4C.7	(28.884)	23.800	(107.002)	18.523
Variance due to efficiency	4C.8	3.050	48.770	8.574	124.757
Customer cost sharing rate – outperformance	4C.9	53.00%	53.00%	53.00%	53.00%
Customer cost sharing rate – underperformance	4C.10	47.00%	47.00%	47.00%	47.00%
Customer share of totex overspend	4C.11	1.434	22.922	4.030	58.636
Customer share of totex underspend	4C.12	-	-	-	-
Company share of totex overspend	4C.13	1.617	25.848	4.544	66.121
Company share of totex underspend	4C.14	-	-	-	-
<b>Totex – business rates and abstraction licence fees</b>					
Final determination allowed totex – business rates and abstraction licence fees	4C.15	7.535	15.201	30.134	60.792
Actual totex – business rates and abstraction licence fees	4C.16	7.783	10.973	30.140	55.827
Variance – business rates and abstraction licence fees	4C.17	0.248	(4.228)	0.006	(4.965)
Customer cost sharing rate – business rates	4C.18	75.00%	75.00%	75.00%	75.00%
Customer cost sharing rate – abstraction licence fees	4C.19	75.00%	75.00%	75.00%	75.00%
Customer share of totex over/underspend – business rates and abstraction licence fees	4C.20	0.186	(3.171)	0.005	(3.724)
Company share of totex over/underspend – business rates and abstraction licence fees	4C.21	0.062	(1.057)	0.002	(1.241)
<b>Totex not subject to cost sharing</b>					
Final determination allowed totex – not subject to cost sharing	4C.22	32.034	18.971	66.276	54.710
Actual totex – not subject to cost sharing	4C.23	13.580	12.413	16.350	44.370
Variance – 100% company allocation	4C.24	(18.454)	(6.558)	(49.926)	(10.340)
<b>Total customer share of totex over/underspend</b>	<b>4C.25</b>	<b>1.620</b>	<b>19.751</b>	<b>4.034</b>	<b>54.912</b>
<b>RCV</b>					
Total customer share of totex over/underspend	4C.26	1.620	19.751	4.034	54.912
Pay As You Go rate	4C.27	33.00%	68.00%	33.00%	68.00%
RCV element of cumulative totex over/underspend	4C.28	1.085	6.320	2.703	17.572
Adjustment for ODI outperformance payment or underperformance payment	4C.29	-	-	-	-
Green recovery	4C.30	-	-	-	-
RCV determined at FD at 31 March	4C.31	-	-	286.356	1,564.755
Projected 'shadow' RCV	4C.32	-	-	289.059	1,582.327

## Section 4 – Additional regulatory information – service level continued

### Water resources

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

Actual totex of £29,126,000 against allowed totex of £54,960,000 resulted in an underspend in the year of £25,834,000 in water resources. This was primarily as a result of the mix of work done between water resources and water network plus assets in our capex programmes, with work on water resources assets to be completed in the last year across the AMP. There was an overspend in operating expenditure of £3,050,000 driven by increased energy prices which in part was controlled by an energy hedging strategy.

#### Totex – business rates and abstraction licence fees

Actual totex of £7,783,000 against allowed totex of £7,535,000 resulted in an overspend in the year of £248,000 in water resources for business rates and abstraction licences, driven by higher abstraction charges following increased charges.

#### Totex not subject to cost sharing

Actual totex of £13,580,000 against allowed totex of £32,034,000 resulted in an underspend in the year of £18,454,000 in water resources. This was as a result of an underspend on our strategic regional water resources expenditure, as per table 4L.

#### RCV as at 31 March 2024

Our cumulative AMP7 customer share of totex overspend for water resources is £4,035,000, of which the RCV element is £2,703,000. Our projected shadow RCV as at 31 March 2024 is therefore £289,059,000 against the RCV determined as part of the final determination of £286,356,000 for water resources.

### Water network plus

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

Actual totex of £303,128,000 against allowed totex of £226,105,000 resulted in an overspend in the year of £75,699,000 in water network plus. There was an overspend in operating expenditure of £48,770,000 driven by increased energy prices and higher renewals expensed in year (infrastructure) due to the mix of renewals work completed in the year. There was also an overspend in capex due to the mix of work done between water resources and water network plus assets in our capital programmes. Disallowable costs relate to bond issuance fees as well as fines and investigation costs, including streetworks fines, offset by other cash items as per table 4D.

#### Totex – business rates and abstraction licence fees

Actual totex of £10,973,000 against allowed totex of £15,201,000 resulted in an underspend in the year of £4,228,000 in water network plus for business rates.

#### Totex not subject to cost sharing

Actual totex of £12,413,000 against allowed totex of £18,971,000 resulted in an underspend in the year of £6,548,000 in water network.

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

#### RCV as at 31 March 2024

Our cumulative AMP7 customer share of totex overspend for water network plus is £54,912,000, of which the RCV element is £17,572,000. Our projected shadow RCV as at 31 March 2024 is therefore £1,582,327,000 against the RCV determined as part of the final determination of £1,564,755,000 for water network plus.

### 4D – Totex analysis for the 12 months ended 31 March 2024 – water resources and water network+

		Water resources	Water network+				Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m
<b>Operating expenditure</b>							
Base operating expenditure	4D.1	22.770	9.356	1.095	27.876	146.975	208.072
Enhancement operating expenditure	4D.2	0.201	0.008	0.018	0.149	9.642	10.018
Developer services operating expenditure	4D.3	-	-	-	-	4.109	4.109
<b>Total operating expenditure excluding third-party services</b>	<b>4D.4</b>	<b>22.971</b>	<b>9.364</b>	<b>1.113</b>	<b>28.025</b>	<b>160.726</b>	<b>222.199</b>
Third-party services	4D.5	-	-	-	-	2.659	2.659
Total operating expenditure	4D.6	22.971	9.364	1.113	28.025	163.385	224.858
<b>Grants and contributions</b>							
Grants and contributions – operating expenditure	4D.7	-	-	-	-	-	-
<b>Capital expenditure</b>							
Base capital expenditure	4D.8	0.735	-	-	18.876	29.614	49.225
Enhancement capital expenditure	4D.9	23.209	2.161	-	30.956	34.322	90.648
Developer services capital expenditure	4D.10	5.562	-	-	-	24.457	30.019
<b>Total gross capital expenditure excluding third-party services</b>	<b>4D.11</b>	<b>29.506</b>	<b>2.161</b>	<b>-</b>	<b>49.832</b>	<b>88.393</b>	<b>169.892</b>
Third-party services	4D.12	-	-	-	-	-	-
Total gross capital expenditure	4D.13	29.506	2.161	-	49.832	88.393	169.892
<b>Grants and contributions</b>							
Grants and contributions – capital expenditure	4D.14	2.109	-	-	-	21.651	23.760
Net totex	4D.15	50.368	11.525	1.113	77.857	230.127	370.990
<b>Cash expenditure</b>							
Pension deficit recovery payments	4D.16	0.112	0.019	0.012	0.183	1.116	1.442
Other cash items	4D.17	0.009	0.002	0.001	0.015	0.092	0.119
<b>Totex including cash items</b>	<b>4D.18</b>	<b>50.489</b>	<b>11.546</b>	<b>1.126</b>	<b>78.055</b>	<b>231.335</b>	<b>372.551</b>

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

## Section 4 – Additional regulatory information – service level continued

### 4F – Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2024

	RAG4 reference	Expenditure in report year					Total £m
		Water resources	Water network+				
		£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
<b>Major project capital expenditure by purpose</b>							
Brett AMP7 investigations	4F.1	–	–	–	–	–	–
South Lincolnshire reservoir	4F.2	0.369	–	–	0.123	0.123	0.615
Anglian to Affinity transfer	4F.3	0.041	–	–	–	–	0.041
Southeast strategic reservoir	4F.4	7.065	–	–	–	–	7.065
Thames to Affinity transfer	4F.5	–	0.411	–	0.834	–	1.245
Grand Union canal transfer	4F.6	–	1.363	–	1.028	–	2.391
Minworth reuse Strategic Resource Option ('SRO')	4F.7	0.736	–	–	–	–	0.736
Capital overheads allocated to these major projects	4F.8	1.795	0.388	–	0.434	0.027	2.644
<b>Total major project capital expenditure</b>	<b>4F.11</b>	<b>10.006</b>	<b>2.162</b>	<b>–</b>	<b>2.419</b>	<b>0.150</b>	<b>14.737</b>

	RAG4 reference	Cumulative expenditure on schemes in the report year					Total £m
		Water resources	Water network+				
		£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
<b>Major project capital expenditure by purpose</b>							
Brett AMP7 investigations	4F.1	0.170	–	–	–	–	0.170
South Lincolnshire reservoir	4F.2	2.017	–	–	0.672	0.672	3.361
Anglian to Affinity transfer	4F.3	–	–	–	–	1.152	1.152
Southeast strategic reservoir	4F.4	8.013	–	–	–	–	8.013
Thames to Affinity transfer	4F.5	–	1.028	–	2.087	–	3.115
Grand Union canal transfer	4F.6	–	2.773	–	2.092	–	4.865
Minworth reuse SRO	4F.7	1.500	–	–	–	–	1.500
Capital overheads allocated to these major projects	4F.8	2.401	0.736	–	0.874	0.328	4.339
<b>Total major project capital expenditure</b>	<b>4F.11</b>	<b>14.101</b>	<b>4.537</b>	<b>–</b>	<b>5.725</b>	<b>2.152</b>	<b>26.515</b>

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

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

### 4H – Financial metrics for the 12 months ended 31 March 2024

Financial indicators	RAG4 reference	Units	Current year	AMP to date
Net debt	4H.1	£m	1,386.315	
Regulatory equity	4H.2	£m	464.796	
Regulatory gearing	4H.3	%	74.89%	
Post tax return on regulatory equity	4H.4	%	[13.00%]	
RORE (return on regulatory equity)	4H.5	%	5.49%	2.91%
Dividend yield	4H.6	%	0.00%	
Retail profit margin – Household	4H.7	%	[1.73%]	
Retail profit margin – Non-household	4H.8	%	0.00%	
Credit rating – Fitch	4H.9	N/A	BBB+ (stable)	
Credit rating – Moody's	4H.10	N/A	Baa1 (Stable)	
Credit rating – Standard and Poor's	4H.11	N/A	BBB+ (negative)	
Return on RCV	4H.12	%	0.93%	
Dividend cover	4H.13	Dec	0	
Funds from operations ('FFO')	4H.14	£m	63.456	
Interest cover (cash)	4H.15	Dec	2.89	
Adjusted interest cover ratio (cash)	4H.16	Dec	0.25	
FFO/Debt	4H.17	Dec	0.05	
Effective tax rate	4H.18	%	3.02%	
Retained cash flow ('RCF')	4H.19	£m	63.456	
RCF/Net debt	4H.20	Dec	0.05	
<b>Borrowings</b>				
Proportion of borrowings which are fixed rate	4H.21	%	13.41%	
Proportion of borrowings which are floating rate	4H.22	%	0.00%	
Proportion of borrowings which are index linked	4H.23	%	86.59%	
Proportion of borrowings due within 1 year or less	4H.24	%	0.00%	
Proportion of borrowings due in more than 1 year but no more than 2 years	4H.25	%	0.00%	
Proportion of borrowings due in more than 2 years but no more than 5 years	4H.26	%	22.00%	
Proportion of borrowings due in more than 5 years but no more than 20 years	4H.27	%	58.00%	
Proportion of borrowings due in more than 20 years	4H.28	%	20.00%	
<b>Movement in RORE</b>			<b>Current year</b>	<b>AMP to date</b>
Base return			4.21%	4.12%
Variance in corporation tax			0.02%	0.35%
Totex out/(under) performance			0.55%	[0.12%]
Retail cost out/(under) performance			[0.64%]	[0.47%]
ODI out/(under) performance			[1.10%]	[1.36%]
Financing out/(under) performance			3.03%	[0.88%]
Other factors <sup>1</sup>			–	0.04%
<b>Regulatory return for the year</b>			<b>5.49%</b>	<b>2.91%</b>

<sup>1</sup> Other factors include exceptional items such as land sales.

See commentary under table 1F for an explanation of the movement in RORE in 2023/24. The regulatory return for the year is shown in the column 'Actual returns and notional regulatory equity'.

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

# Section 4 – Additional regulatory information – service level continued

## Calculation of the interest cover ratio (4H.15) and adjusted interest cover ratio (4H.16)

Interest cover ratio (4H.15) – Funds from operations (4H.14) + Interest paid (1D.10)) / Interest paid (1D.10)

Interest cover ratio – (63.456 + 33.510) / 33.510 – 2.89

Adjusted interest cover ratio (4H.16) – (Funds from operations (4H.14) + Interest paid (1D.10) – RCV run off (per Ofwat RCV file)) / Interest paid (1D.10)

Interest cover ratio – (63.456 + 33.510 – 88.682) / 33.510 – 0.25

## Reconciliation of net interest paid

	£m
Interest paid on borrowings	48.654
Interest paid on leases	0.249
Other interest paid	0.371
<b>Gross interest paid</b>	<b>49.274</b>
Less: interest received under swap arrangements	(15.764)
<b>Net interest paid per 1D.10</b>	<b>33.510</b>

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

## 4I – Financial derivatives

	RAG4 reference	Nominal value by maturity (net) at 31 March			Total value at 31 March		Total accretion at 31 March	Interest rate	
		1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m		Payable %	Receivable %
Interest rate swap (sterling)									
Fixed to index-linked	4I.5	–	210.000	250.000	460.000	2.531	122.630	1.872%	5.128%
<b>Other financial derivatives</b>									
Other financial derivatives	4I.27	–	–	–	–	0.702	–	–	–
<b>Total financial derivatives</b>	<b>4I.28</b>	<b>–</b>	<b>210.000</b>	<b>250.000</b>	<b>460.000</b>	<b>3.233</b>	<b>122.630</b>	<b>–</b>	<b>–</b>

### Financial derivatives – (A) Super-senior swaps with breaks or accretion paydowns

	RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m		Payable %	Receivable %
<b>Interest rate swap (sterling)</b>										
Floating to fixed rate	4I.29	–	–	–	–	–	–	–	–	–
Floating from fixed rate	4I.30	–	–	–	–	–	–	–	–	–
Floating to index-linked	4I.31	–	–	–	–	–	–	–	–	–
Floating from index-linked	4I.32	–	–	–	–	–	–	–	–	–
Fixed to index-linked	4I.33	–	–	–	–	–	–	–	–	–
Fixed from index-linked	4I.34	–	–	–	–	–	–	–	–	–
Index-linked to index-linked	4I.35	–	–	–	–	–	–	–	–	–
<b>Total financial derivatives</b>	<b>4I.36</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Financial derivatives – (B) Pari-passu swaps with breaks or accretion paydowns

	RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate	
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to market £m		Payable %	Receivable %
<b>Interest rate swap (sterling)</b>										
Floating to fixed rate	4I.57	–	–	–	–	–	–	–	–	–
Floating from fixed rate	4I.58	–	–	–	–	–	–	–	–	–
Floating to index-linked	4I.59	–	–	–	–	–	–	–	–	–
Floating from index-linked	4I.60	–	–	–	–	–	–	–	–	–
Fixed to index-linked	4I.61	–	–	210.000	250.000	460.000	2.531	122.630	1.900%	5.100%
Fixed from index-linked	4I.62	–	–	–	–	–	–	–	–	–
Index-linked to index-linked	4I.63	–	–	–	–	–	–	–	–	–
<b>Total financial derivatives</b>	<b>4I.64</b>	<b>–</b>	<b>–</b>	<b>210.000</b>	<b>250.000</b>	<b>460.000</b>	<b>2.531</b>	<b>122.630</b>	<b>–</b>	<b>–</b>

## Section 4 – Additional regulatory information – service level continued

### Financial derivatives – (C) Super-senior swaps without breaks or accretion paydowns

	RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate		
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value [net] £m	Mark to market £m		£m	Payable %	Receivable %
<b>Interest rate swap (sterling)</b>											
Floating to fixed rate	4I.85	-	-	-	-	-	-	-	-	-	
Floating from fixed rate	4I.86	-	-	-	-	-	-	-	-	-	
Floating to index-linked	4I.87	-	-	-	-	-	-	-	-	-	
Floating from index-linked	4I.88	-	-	-	-	-	-	-	-	-	
Fixed to index-linked	4I.89	-	-	-	-	-	-	-	-	-	
Fixed from index-linked	4I.90	-	-	-	-	-	-	-	-	-	
Index-linked to index-linked	4I.91	-	-	-	-	-	-	-	-	-	
<b>Total financial derivatives</b>	<b>4I.92</b>	-	-	-	-	-	-	-	-	-	

### Financial derivatives – (D) Other swaps

	RAG4 reference	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate		
		0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value [net] £m	Mark to market £m		£m	Payable %	Receivable %
<b>Interest rate swap (sterling)</b>											
Floating to fixed rate	4I.113	-	-	-	-	-	-	-	-	-	
Floating from fixed rate	4I.114	-	-	-	-	-	-	-	-	-	
Floating to index-linked	4I.115	-	-	-	-	-	-	-	-	-	
Floating from index-linked	4I.116	-	-	-	-	-	-	-	-	-	
Fixed to index-linked	4I.117	-	-	-	-	-	-	-	-	-	
Fixed from index-linked	4I.118	-	-	-	-	-	-	-	-	-	
Index-linked to index-linked	4I.119	-	-	-	-	-	-	-	-	-	
<b>Total financial derivatives</b>	<b>4I.120</b>	-	-	-	-	-	-	-	-	-	
Other financial derivatives											
Other financial derivatives	4I.139	-	-	-	-	0.702	-	-	-	-	
<b>Total financial derivatives</b>	<b>4I.140</b>	-	-	-	-	<b>0.702</b>	-	-	-	-	

Out-of-the-money (liability) positions are presented in the table above as positive values. In-the-money positions are presented as negative. Overall the total financial derivatives are out of the money with value £3.233m.

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

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

The £3.233m mark to market valuation of the total derivatives is the total of rows 1C.5, 1C.10, 1C.16 and 1C.23 in table 1C of this APR, split based on the maturity of the derivative. In line with RAG guidance, we have reclassified accretion on the inflation-linked swap from financial instruments to borrowings. We do not have any foreign exchange, currency interest or forward currency contracts.

## 4J – Base expenditure analysis for the 12 months ended 31 March 2024 – water resources and water network+

	RAG4 reference	Water resources	Water network+			Total	
		Raw water distribution £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m	£m
<b>Operating expenditure</b>							
Power	4J.1	7,064	7,137	-	4,248	30,377	48,826
Income treated as negative expenditure	4J.2	-	-	-	-	-	-
Bulk supply/bulk discharge	4J.3	1,958	0,293	0,015	2,679	7,944	12,889
Renewals expensed in year (infrastructure)	4J.4	-	-	-	-	20,607	20,607
Renewals expensed in year (non-infrastructure)	4J.5	-	-	-	-	-	-
Other operating expenditure	4J.6	5,965	1,677	1,080	18,655	79,102	106,479
Local authority and Cumulo rates	4J.7	1,598	0,248	0,000	2,294	8,431	12,571
<b>Service charges</b>							
Canal & River Trust abstraction charges/discharge consents	4J.8	-	-	-	-	-	-
Environment Agency/NRW abstraction charges/discharge consents	4J.9	6,185	-	-	-	-	6,185
Other abstraction charges/discharge consents	4J.10	-	-	-	-	-	-
<b>Location specific costs &amp; obligations</b>							
Costs associated with Traffic Management Act	4J.11	-	0,001	-	-	0,507	0,508
Costs associated with lane rental schemes	4J.12	-	-	-	-	0,007	0,007
Statutory water softening	4J.13	-	-	-	-	-	-
<b>Total base operating expenditure</b>	<b>4J.14</b>	<b>22,770</b>	<b>9,356</b>	<b>1,095</b>	<b>27,876</b>	<b>146,975</b>	<b>208,072</b>
<b>Capital expenditure</b>							
Maintaining the long-term capability of the assets – infra	4J.15	-	-	-	-	6,007	6,007
Maintaining the long-term capability of the assets – non-infra	4J.16	0,735	-	-	18,876	23,607	43,218
<b>Total base capital expenditure</b>	<b>4J.17</b>	<b>0,735</b>	<b>-</b>	<b>-</b>	<b>18,876</b>	<b>29,614</b>	<b>49,225</b>
<b>Traffic Management Act</b>							
Projects incurring costs associated with Traffic Management Act	4J.18	-	-	-	-	23,745	23,745

# Section 4 – Additional regulatory information – service level continued

## 4L – Enhancement expenditure for the 12 months ended 31 March 2024 – water resources and water network+

				Expenditure in report year					
				Water resources	Water network+				Total
				Raw water transport	Raw water storage	Water treatment	Treated water distribution		
RAG4 reference		£m	£m	£m	£m	£m	£m	£m	
<b>EA/NRW environmental programme (WINEP/NEP)</b>									
Ecological improvements at abstractions	Capex	4L.1	3,428	-	-	-	-	3,428	
Ecological improvements at abstractions	Opex	4L.2	-	-	-	-	-	-	
Ecological improvements at abstractions	Totex	4L.3	3,428	-	-	-	-	3,428	
Eels Regulations (measures at intakes)	Capex	4L.4	-	-	-	-	-	-	
Eels Regulations (measures at intakes)	Opex	4L.5	-	-	-	-	-	-	
Eels Regulations (measures at intakes)	Totex	4L.6	-	-	-	-	-	-	
Invasive Non Native Species	Capex	4L.7	-	-	-	-	-	-	
Invasive Non Native Species	Opex	4L.8	-	-	-	-	-	-	
Invasive Non Native Species	Totex	4L.9	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Capex	4L.10	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Opex	4L.11	-	-	-	-	-	-	
Drinking Water Protected Areas (schemes)	Totex	4L.12	-	-	-	-	-	-	
Water Framework Directive measure	Capex	4L.13	6,841	-	-	0,550	7,644	15,035	
Water Framework Directive measure	Opex	4L.14	-	-	-	-	-	-	
Water Framework Directive measure	Totex	4L.15	6,841	-	-	0,550	7,644	15,035	
Investigations	Capex	4L.16	0,917	-	-	-	-	0,917	
Investigations	Opex	4L.17	-	-	-	-	-	-	
Investigations	Totex	4L.18	0,917	-	-	-	-	0,917	
<b>Total environmental programme expenditure</b>	<b>Totex</b>	<b>4L.19</b>	<b>11,186</b>	<b>-</b>	<b>-</b>	<b>0,550</b>	<b>7,644</b>	<b>19,380</b>	
<b>Supply-demand balance</b>									
Supply-side improvements delivering benefits in 2020–2025	Capex	4L.20	-	-	-	2,816	-	2,816	
Supply-side improvements delivering benefits in 2020–2025	Opex	4L.21	-	-	-	-	-	-	
Supply-side improvements delivering benefits in 2020–2025	Totex	4L.22	-	-	-	2,816	-	2,816	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Capex	4L.23	-	-	-	-	-	-	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Opex	4L.24	-	0,008	-	-	7,444	7,452	
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Totex	4L.25	-	0,008	-	-	7,444	7,452	
Leakage improvements delivering benefits in 2020–2025	Capex	4L.26	-	-	-	-	-	-	
Leakage improvements delivering benefits in 2020–2025	Opex	4L.27	-	-	-	-	-	-	
Leakage improvements delivering benefits in 2020–2025	Totex	4L.28	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Capex	4L.29	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Opex	4L.30	-	-	-	-	-	-	
Internal interconnectors delivering benefits in 2020–2025	Totex	4L.31	-	-	-	-	-	-	
Supply-demand balance improvements delivering benefits starting from 2026	Capex	4L.32	-	-	-	8,480	0,622	9,102	
Supply-demand balance improvements delivering benefits starting from 2026	Opex	4L.33	-	-	-	-	-	-	
Supply-demand balance improvements delivering benefits starting from 2026	Totex	4L.34	-	-	-	8,480	0,622	9,102	
Strategic regional water resources	Capex	4L.35	10,006	2,161	-	2,419	0,150	14,736	
Strategic regional water resources	Opex	4L.36	-	-	-	-	-	-	
Strategic regional water resources	Totex	4L.37	10,006	2,161	-	2,419	0,150	14,736	
<b>Total supply-demand expenditure</b>	<b>Totex</b>	<b>4L.38</b>	<b>10,006</b>	<b>2,169</b>	<b>-</b>	<b>13,715</b>	<b>8,216</b>	<b>34,106</b>	

				Expenditure in report year					
				Water resources	Water network+				Total
				Raw water transport	Raw water storage	Water treatment	Treated water distribution		
RAG4 reference		£m	£m	£m	£m	£m	£m	£m	
<b>Metering</b>									
New meters requested by existing customers (optants)	Capex	4L.39	-	-	-	-	1,681	1,681	
New meters requested by existing customers (optants)	Opex	4L.40	-	-	-	-	-	-	
New meters requested by existing customers (optants)	Totex	4L.41	-	-	-	-	1,681	1,681	
New meters introduced by companies for existing customers	Capex	4L.42	-	-	-	-	22,204	22,204	
New meters introduced by companies for existing customers	Opex	4L.43	-	-	-	-	-	-	
New meters introduced by companies for existing customers	Totex	4L.44	-	-	-	-	22,204	22,204	
New meters for existing customers – business	Capex	4L.45	-	-	-	-	-	-	
New meters for existing customers – business	Opex	4L.46	-	-	-	-	-	-	
New meters for existing customers – business	Totex	4L.47	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Capex	4L.48	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Opex	4L.49	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for household customers	Totex	4L.50	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Capex	4L.51	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Opex	4L.52	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for household customers	Totex	4L.53	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Capex	4L.54	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Opex	4L.55	-	-	-	-	-	-	
Replacement of existing basic meters with AMR or AMI meters for business customers	Totex	4L.56	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Capex	4L.57	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Opex	4L.58	-	-	-	-	-	-	
Replacement of existing AMR meters with AMI meters for business customers	Totex	4L.59	-	-	-	-	-	-	
Smart meter infrastructure	Capex	4L.60	-	-	-	-	-	-	
Smart meter infrastructure	Opex	4L.61	-	-	-	-	-	-	
Smart meter infrastructure	Totex	4L.62	-	-	-	-	-	-	
<b>Total metering expenditure</b>	<b>Totex</b>	<b>4L.63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,885</b>	<b>23,885</b>	



# Section 4 – Additional regulatory information – service level continued

		Expenditure in report year						Total
		Water resources	Water network+					
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	£m	
<b>Other enhancement</b>								
Improvements to taste, odour and colour	Capex 4L.64	-	-	-	-	-	-	
Improvements to taste, odour and colour	Opex 4L.65	-	-	-	-	-	-	
Improvements to taste, odour and colour	Totex 4L.66	-	-	-	-	-	-	
Addressing raw water deterioration (grey solutions)	Capex 4L.67	-	-	-	6.582	-	6.582	
Addressing raw water deterioration (grey solutions)	Opex 4L.68	0.201	-	0.018	0.149	0.895	1.263	
Addressing raw water deterioration (grey solutions)	Totex 4L.69	0.201	-	0.018	6.731	0.895	7.845	
Addressing raw water deterioration (green solutions)	Capex 4L.70	-	-	-	-	-	-	
Addressing raw water deterioration (green solutions)	Opex 4L.71	-	-	-	-	-	-	
Addressing raw water deterioration (green solutions)	Totex 4L.72	-	-	-	-	-	-	
Addressing raw water deterioration (total)	Capex 4L.73	-	-	-	6.582	-	6.582	
Addressing raw water deterioration (total)	Opex 4L.74	0.201	-	0.018	0.149	0.895	1.263	
Addressing raw water deterioration (total)	Totex 4L.75	0.201	-	0.018	6.731	0.895	7.845	
Improvements to river flow	Capex 4L.76	-	-	-	-	-	-	
Improvements to river flow	Opex 4L.77	-	-	-	-	-	-	
Improvements to river flow	Totex 4L.78	-	-	-	-	-	-	
Enhancing resilience to low-probability high-consequence events	Capex 4L.79	-	-	-	8.005	-	8.005	
Enhancing resilience to low-probability high-consequence events	Opex 4L.80	-	-	-	-	-	-	
Enhancing resilience to low-probability high-consequence events	Totex 4L.81	-	-	-	8.005	-	8.005	
Conditioning water to reduce plumbosolvency	Capex 4L.82	-	-	-	-	-	-	
Conditioning water to reduce plumbosolvency	Opex 4L.83	-	-	-	-	-	-	
Conditioning water to reduce plumbosolvency	Totex 4L.84	-	-	-	-	-	-	
Lead communication pipes replaced or relined for water quality	Capex 4L.85	-	-	-	-	0.118	0.118	
Lead communication pipes replaced or relined for water quality	Opex 4L.86	-	-	-	-	-	-	
Lead communication pipes replaced or relined for water quality	Totex 4L.87	-	-	-	-	0.118	0.118	
Other lead reduction-related activity	Capex 4L.88	-	-	-	-	-	-	
Other lead reduction-related activity	Opex 4L.89	-	-	-	-	-	-	
Other lead reduction-related activity	Totex 4L.90	-	-	-	-	-	-	
Meeting lead standards (total)	Capex 4L.91	-	-	-	-	0.118	0.118	
Meeting lead standards (total)	Opex 4L.92	-	-	-	-	-	-	
Meeting lead standards (total)	Totex 4L.93	-	-	-	-	0.118	0.118	
Security – Security and Emergency Measures Direction ('SEMD')	Capex 4L.94	-	-	-	-	-	-	
Security – SEMD	Opex 4L.95	-	-	-	-	-	-	
Security – SEMD	Totex 4L.96	-	-	-	-	-	-	
Security – Non-SEMD	Capex 4L.97	-	-	-	-	-	-	
Security – Non-SEMD	Opex 4L.98	-	-	-	-	-	-	
Security – Non-SEMD	Totex 4L.99	-	-	-	-	-	-	
<b>Total other enhancement expenditure</b>	<b>Totex 4L.120</b>	<b>0.201</b>	<b>-</b>	<b>0.018</b>	<b>14.736</b>	<b>1.013</b>	<b>15.968</b>	
<b>Total enhancement</b>								
Total enhancement expenditure	Capex 4L.121	21.192	2.161	-	28.852	32.419	84.624	
Total enhancement expenditure	Opex 4L.122	0.201	0.008	0.018	0.149	8.339	8.715	
<b>Total enhancement expenditure</b>	<b>Totex 4L.123</b>	<b>21.393</b>	<b>2.169</b>	<b>0.018</b>	<b>29.001</b>	<b>40.758</b>	<b>93.339</b>	

		Cumulative expenditure on schemes completed in the report year					
		Water Resources	Network+			Treated water	Total
	RAG4 reference	£m	Raw water transport £m	Raw water storage £m	Water treatment £m	distribution £m	£m
<b>Supply-demand balance</b>							
Leakage improvements delivering benefits in 2020–2025	Capex 4L.26	-	-	-	-	-	-
Leakage improvements delivering benefits in 2020–2025	Opex 4L.27	-	-	-	-	-	-
Leakage improvements delivering benefits in 2020–2025	Totex 4L.28	-	-	-	-	-	-
<b>Total supply-demand expenditure</b>	<b>Totex 4L.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	RAG4 reference	£m	Cumulative expenditure on all schemes to reporting year-end £m	Cumulative allowed expenditure on all schemes to reporting year-end £m	Cumulative allowed expenditure on all schemes 2020–25 £m
<b>EA/NRW environmental programme (WINEP/NEP)</b>					
Ecological improvements at abstractions	Totex 4L.3	-	8.843	20.637	24.775
Eels Regulations (measures at intakes)	Totex 4L.6	-	-	-	-
Invasive Species	Totex 4L.9	-	0.275	0.383	0.460
Drinking Water Protected Areas (schemes)	Totex 4L.12	-	0.070	-	-
Water Framework Directive measure	Totex 4L.15	-	43.543	98.389	118.145
Investigations	Totex 4L.18	-	5.270	6.197	7.440
<b>Total environmental programme expenditure</b>	<b>Totex 4L.19</b>	<b>-</b>	<b>58.000</b>	<b>125.606</b>	<b>150.820</b>
<b>Supply-demand balance</b>					
Supply-side improvements delivering benefits in 2020–2025	Totex 4L.22	-	6.502	6.597	7.926
Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	Totex 4L.25	-	26.105	36.003	43.295
Leakage improvements delivering benefits in 2020–2025	Totex 4L.28	-	-	-	-
Internal interconnectors delivering benefits in 2020–2025	Totex 4L.31	-	-	-	-
Supply-demand balance improvements delivering benefits starting from 2026	Totex 4L.34	-	24.575	22.422	26.935
Strategic regional water resources	Totex 4L.37	-	28.808	88.705	103.804
Total supply-demand expenditure	Totex 4L.38	-	85.990	153.727	181.960
<b>Total metering expenditure</b>	<b>Totex 4L.63</b>	<b>-</b>	<b>72.357</b>	<b>59.390</b>	<b>71.419</b>
<b>Other enhancement</b>					
Improvements to taste, odour and colour	Totex 4L.66	-	0.293	-	-
Addressing raw water deterioration (grey solutions)	Totex 4L.69	-	-	-	-
Addressing raw water deterioration (green solutions)	Totex 4L.72	-	-	-	-
Addressing raw water deterioration (total)	Totex 4L.75	-	23.939	3.120	3.750
Improvements to river flow	Totex 4L.78	-	0.046	0.519	0.623
Enhancing resilience to low-probability high-consequence events	Totex 4L.81	-	10.913	14.058	16.905
Conditioning water to reduce plumbosolvency	Totex 4L.84	-	-	-	-
Lead communication pipes replaced or relined for water quality	Totex 4L.87	-	-	-	-
Other lead reduction-related activity	Totex 4L.90	-	-	-	-
Meeting lead standards (total)	Totex 4L.93	-	7.743	8.720	10.486
Security – SEMD	Totex 4L.96	-	-	-	-
Security – Non-SEMD	Totex 4L.99	-	-	-	-
Total other enhancement expenditure	Totex 4L.120	-	42.935	26.417	31.764
<b>Total enhancement expenditure</b>	<b>Totex 4L.123</b>	<b>-</b>	<b>259.282</b>	<b>365.140</b>	<b>435.963</b>

## Section 4 – Additional regulatory information – service level continued

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

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

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

	Cumulative expenditure on all schemes to reporting year-end	Cumulative allowed expenditure on all schemes to reporting year-end	Under/overspend to date	Explanation for over/underspend
<b>Ecological improvements at abstractions</b>	8.84	20.63	[11.79]	Underspend due to the profiling of jobs planned over the AMP. More complex and costly jobs are scheduled for the last year of the AMP, however, expenditure was not profiled in this way in the allowance.
<b>Water Framework Directive measure</b>	43.54	98.39	[54.85]	We are generally outperforming our allowance for sustainability reductions schemes, notably on trunk mains and value engineering has resulted in efficiencies. Our trunk main programmes and key treatment investments are due for completion in 2024/25
<b>Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)</b>	26.11	36.00	[9.89]	This underspend has been caused by the expenditure split and allocation of metering costs and PCC programmes, both of which are designed to reduce consumption.
<b>Strategic regional water resources</b>	28.81	88.71	[59.90]	We continue to deliver all obligations and meet all quality requirements in our submissions to RAPID. This is a 'ring-fenced' allowance and underspend is returned to customers through midnight adjustments at PR24.
<b>Addressing raw water deterioration (total)</b>	23.94	3.12	20.82	This overspend is due to a DWI notice to address Crypto at Iver and Egham treatment plants to address this raw water quality risk, not included in our final determination.
<b>Enhancing resilience to low-probability high-consequence events</b>	10.91	14.06	3.14	We continue to recover the underspend driven by delays in planning and land purchase for the construction of two new reservoirs, with one in construction and the other commencing construction early in 2024/25

Capital overheads totalling £26.587m have been apportioned across base and enhancement capital expenditure categories, with the split based on the proportion of direct capital costs allocated to each category. £16.260m of overheads were allocated to enhancement expenditure in 2023/24. Details of the overhead allocation can be found in our methodology statement on our website at [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications).

### 4N – Developer services expenditure for the 12 months ended 31 March 2024 – water resources and water network+ (price control)

	RAG4 reference	Capex £m	Opex £m	Totex £m
New connections	4N.1	9,429	4,109	13,538
Requisition mains	4N.2	8,299	–	8,299
Infrastructure network reinforcement	4N.3	4,469	–	4,469
s185 diversions	4N.4	0,894	–	0,894
Other price controlled activities	4N.5	–	–	–
<b>Total developer services expenditure</b>	<b>4N.6</b>	<b>23,091</b>	<b>4,109</b>	<b>27,200</b>

### 4P – Expenditure on non-price control diversions for the 12 months ended 31 March 2024

	RAG4 reference	Water resources £m	Water network+ £m	Total £m
<b>Capex</b>				
Costs associated with New Road and Street Works Act ('NSWRA') diversions	4P.1	–	0.566	0.566
Costs associated with other non-price control diversions	4P.2	5.562	0.800	6.362
Other developer services non-price control capex	4P.3	–	–	–
<b>Developer services non-price control capex</b>	<b>4P.4</b>	<b>5.562</b>	<b>1.366</b>	<b>6.928</b>
<b>Opex</b>				
Costs associated with New Road and Street Works Act ('NSWRA') diversions	4P.5	–	–	–
Costs associated with other non-price control diversions	4P.6	–	–	–
Other developer services non-price control opex	4P.7	–	–	–
<b>Developer services non-price control opex</b>	<b>4P.8</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Totex</b>				
Costs associated with New Road and Street Works Act ('NSWRA') diversions	4P.9	–	0.566	0.566
Costs associated with other non-price control diversions	4P.10	5.562	0.800	6.362
Other developer services non-price control totex	4P.11	–	–	–
<b>Developer services non-price control totex</b>	<b>4P.12</b>	<b>5.562</b>	<b>1.366</b>	<b>6.928</b>

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

	RAG4 reference	Total number
<b>Connections volume data</b>		
New connections (residential – excluding NAVs)	4Q.1	3,895
New connections (business – excluding NAVs)	4Q.2	371
Total new connections served by incumbent	4Q.3	4,266
New connections – SLPs	4Q.4	1,409
<b>Properties volume data</b>		
New properties (residential – excluding NAVs)	4Q.5	7,974
New properties (business – excluding NAVs)	4Q.6	406
Total new properties served by incumbent	4Q.7	8,380
New residential properties served by NAVs	4Q.8	784
New business properties served by NAVs	4Q.9	–
Total new properties served by NAVs	4Q.10	784
Total new properties	4Q.11	9,164
New properties – SLP connections	4Q.12	1,965
<b>New water mains data</b>		
Length of new mains (km) – requisitions	4Q.13	14
Length of new mains (km) – SLPs	4Q.14	16

#### New water mains data

More details can be found in our non-financial line commentary published on our website at [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications).

# Section 4 – Additional regulatory information – service level continued

## 4R – Connected properties, customers and population

	RAG4 reference	Units	Unmeasured	Measured	Total	Voids
<b>Customer numbers – average 2023/24</b>						
Residential water only customers	4R.1	000s	441.548	1,005.074	1,446.622	30.498
Residential wastewater only customers	4R.2	000s	–	–	–	–
Residential water and wastewater customers	4R.3	000s	–	–	–	–
Total residential customers	4R.4	000s	441.548	1,005.074	1,446.622	30.498
Business water only customers	4R.5	000s	8.169	52.088	60.257	11.183
Business wastewater only customers	4R.6	000s	–	–	–	–
Business water and wastewater customers	4R.7	000s	–	–	–	–
Total business customers	4R.8	000s	8.169	52.088	60.257	11.183
<b>Total customers</b>	<b>4R.9</b>	<b>000s</b>	<b>449.717</b>	<b>1,057.162</b>	<b>1,506.879</b>	<b>41.681</b>

	RAG4 reference	Units	Unmeasured	Measured	Total
<b>Property numbers – average 2023/24</b>					
Residential properties billed	4R.10	000s	441.548	1,005.074	1,446.622
Residential void properties	4R.11	000s	–	–	30.498
Total connected residential properties	4R.12	000s	–	–	1,477.120
Business properties billed	4R.13	000s	8.169	52.088	60.257
Business void properties	4R.14	000s	–	–	11.183
Total connected business properties	4R.15	000s	–	–	71.439
<b>Total connected properties</b>	<b>4R.16</b>	<b>000s</b>	<b>–</b>	<b>–</b>	<b>1,548.559</b>

Property and meter numbers – at end of year (31 March)	RAG4 reference	No meter	Unmeasured			AMI meter (active)	Total
			Basic meter	AMR meter	AMI meter (capable)		
Total new residential properties connected in year	4R.17	0.391	–	–	–	–	0.391
Total number of new business properties connections	4R.18	–	–	–	–	–	–
Residential properties billed at year-end	4R.19	342.479	0.592	77.111	–	–	420.182
Residential properties unbilled at year-end	4R.20	–	–	–	–	–	–
Residential void properties at year-end	4R.21	–	–	–	–	–	15.908
Total connected residential properties at year-end	4R.22	–	–	–	–	–	436.090
Business properties billed at year-end	4R.23	8.104	–	–	–	–	8.104
Business properties unbilled at year-end	4R.24	–	–	–	–	–	–
Business void properties at year-end	4R.25	–	–	–	–	–	1.590
Total connected business properties at year-end	4R.26	–	–	–	–	–	9.694
<b>Total connected properties at year-end</b>	<b>4R.27</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>445.784</b>

Property and meter numbers – at end of year (31 March)	RAG4 reference	No meter	Measured			AMI meter (active)	Total
			Basic meter	AMR meter	AMI meter (capable)		
Total new residential properties connected in year	4R.17	0.000	0.390	11.879	0.000	0.000	12.269
Total number of new business properties connections	4R.18	0.000	0.002	0.184	0.000	0.000	0.186
Residential properties billed at year-end	4R.19	–	577.366	453.784	–	–	1,031.150
Residential properties unbilled at year-end	4R.20	–	–	–	–	–	–
Residential void properties at year-end	4R.21	–	–	–	–	–	13.772
Total connected residential properties at year-end	4R.22	–	–	–	–	–	1,044.922
Business properties billed at year-end	4R.23	–	39.842	11.872	–	–	51.714
Business properties unbilled at year-end	4R.24	–	–	–	–	–	–
Business void properties at year-end	4R.25	–	–	–	–	–	9.656
Total connected business properties at year-end	4R.26	–	–	–	–	–	61.370
<b>Total connected properties at year-end</b>	<b>4R.27</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,106.292</b>

Property and meter numbers – at end of year (31 March)	RAG4 reference	Unbilled		Total
		Uneconomic to bill	Other	
Total new residential properties connected in year	4R.17	–	–	–
Total number of new business properties connections	4R.18	–	–	–
Residential properties billed at year-end	4R.19	–	–	–
Residential properties unbilled at year-end	4R.20	27.888	–	<b>27.888</b>
Residential void properties at year-end	4R.21	–	–	–
Total connected residential properties at year-end	4R.22	–	–	–
Business properties billed at year-end	4R.23	–	–	–
Business properties unbilled at year-end	4R.24	–	0.411	<b>0.411</b>
Business void properties at year-end	4R.25	–	–	–
Total connected business properties at year-end	4R.26	–	–	–
<b>Total connected properties at year-end</b>	<b>4R.27</b>	<b>27.888</b>	<b>0.411</b>	<b>28.299</b>

Property and meter numbers – at end of year (31 March)	RAG4 reference	Totals			Grand Total
		Unmeasured	Measured	Unbilled	
Total new residential properties connected in year	4R.17	0.391	12.269	–	<b>12.660</b>
Total number of new business properties connections	4R.18	–	0.186	–	<b>0.186</b>
Residential properties billed at year-end	4R.19	420.182	1,031.150	–	<b>1,451.332</b>
Residential properties unbilled at year-end	4R.20	–	–	27.888	<b>27.888</b>
Residential void properties at year-end	4R.21	15.908	13.772	–	<b>29.680</b>
Total connected residential properties at year-end	4R.22	436.090	1,044.922	27.888	<b>1,508.900</b>
Business properties billed at year-end	4R.23	8.104	51.714	–	<b>59.818</b>
Business properties unbilled at year-end	4R.24	–	–	0.411	<b>0.411</b>
Business void properties at year-end	4R.25	1.590	9.656	–	<b>11.246</b>
Total connected business properties at year-end	4R.26	9.694	61.370	0.411	<b>71.475</b>
<b>Total connected properties at year-end</b>	<b>4R.27</b>	<b>445.784</b>	<b>1,106.292</b>	<b>28.299</b>	<b>1,580.375</b>

Population data	RAG4 reference	Units	Water
Resident population	4R.28	000s	3,960.288
Non-resident population (wastewater)	4R.29	000s	–

Household population data	RAG4 reference	Units	Resident population	Non-resident population	Total
Measured household population (water only)	4R.31	000s	2,499.096	–	2,499.096
Unmeasured household population (water only)	4R.32	000s	1,408.224	–	1,408.224

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

## Section 4 – Additional regulatory information – service level continued

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

	Derivatives – Analysed by earliest payment date				Total £m
	RAG4 reference	Net settled £m	Gross settled outflows £m	Gross settled inflows £m	
Due within one year	4V.1	0.626	–	–	0.626
Between one and two years	4V.2	0.076	–	–	0.076
Between two and three years	4V.3	3.640	–	–	3.640
Between three and four years	4V.4	–	–	–	–
Between four and five years	4V.5	–	–	–	–
After five years	4V.6	(1.109)	–	–	(1.109)
<b>Total</b>	<b>4V.7</b>	<b>3.233</b>	<b>–</b>	<b>–</b>	<b>3.233</b>

	Derivatives – Analysed by expected maturity date				Total £m
	RAG4 reference	Net settled £m	Gross settled outflows £m	Gross settled inflows £m	
Due within one year	4V.1	(3,940)	–	–	(3,940)
Between one and two years	4V.2	2,590	–	–	2,590
Between two and three years	4V.3	–	–	–	–
Between three and four years	4V.4	–	–	–	–
Between four and five years	4V.5	–	–	–	–
After five years	4V.6	(1,109)	–	–	(1,109)
<b>Total</b>	<b>4V.7</b>	<b>(2,459)</b>	<b>–</b>	<b>–</b>	<b>(2,459)</b>

### 4W – Defined Benefit Pension Scheme – Additional Information

Defined benefit pension schemes			
	RAG4 reference	Unit	Pension scheme 1
<b>Scheme details</b>			
Scheme name	4W.1	Text	Affinity Water Pension Plan
Scheme status	4W.2	Text	The scheme is closed to new members, but open to future accrual
<b>Scheme valuation under IAS/IFRS/FRS</b>			
Scheme assets	4W.3	£m	387,699
Scheme liabilities	4W.4	£m	334,084
Scheme surplus/(deficit) total	4W.5	£m	53,615
Scheme surplus/(deficit) appointed business	4W.6	£m	53,615
Pension deficit recovery payments	4W.7	£m	1,600
<b>Scheme valuation under part 3 of Pensions Act 2004</b>			
Scheme funding valuation date	4W.8	Date	31 December 2020
Assets	4W.9	£m	574,000
Technical provisions	4W.10	£m	595,000
Scheme surplus/(deficit)	4W.11	£m	(21,000)
Discount rate assumptions	4W.12	Text	Gilts +0.25%
<b>Recovery plan (where applicable)</b>			
Recovery plan structure	4W.13	Text	The 31 December 2020 actuarial valuation showed that the Pension Plan had a funding deficit relative to the Plan's statutory funding objective. Following discussions, it was therefore agreed the company would pay the following contributions:
Recovery plan end date	4W.14	Date	<ul style="list-style-type: none"> <li>£1,250 million prior to 31 July 2021;</li> <li>£1,600 million prior to 31 December 2021; and</li> <li>£1,600 million per annum, commencing from 1 January 2022 onwards.</li> </ul> These contributions are also expected to be sufficient to cover the future cost of benefits being accrued within the Plan.
Recovery plan end date	4W.14	Date	31 December 2026
Asset-backed funding (ABF) arrangements	4W.15	Text	N/A
Responsibility for ABF arrangements	4W.16	Text	N/A

### 4X – Accelerated infrastructure delivery project expenditure for the 12 months ended 31 March 2024 - water resources and water network+

	RAG4 reference	Capex/Opex/Totex	Expenditure in report year				Total £m
			Water resources £m	Water network+			
				Raw water transport £m	Raw water storage £m	Water treatment £m	
<b>Accelerated infrastructure delivery project</b>							
Stortford Resilience P022695	Capex	4X.1	–	–	1,813	–	1,813
Accelerated scheme 1	Opex	4X.2	–	–	–	–	–
Accelerated scheme 1	Totex	4X.3	–	–	1,813	–	1,813
Smart Metering P023024	Capex	4X.4	–	–	–	1,808	1,808
Accelerated scheme 2	Opex	4X.5	–	–	–	–	–
Accelerated scheme 2	Totex	4X.6	–	–	–	1,808	1,808
Broome nitrate removal P023047	Capex	4X.7	–	–	0,105	–	0,105
Accelerated scheme 3	Opex	4X.8	–	–	–	–	–
Accelerated scheme 3	Totex	4X.9	–	–	0,105	–	0,105
Kingsdown nitrate removal P023048	Capex	4X.10	–	–	0,105	–	0,105
Accelerated scheme 4	Opex	4X.11	–	–	–	–	–
Accelerated scheme 4	Totex	4X.12	–	–	0,105	–	0,105
Holywell GAC PFAS P023052 and Nitrates Enabling P023067	Capex	4X.13	–	–	0,080	0,095	0,175
Accelerated scheme 5	Opex	4X.14	–	–	–	–	–
Accelerated scheme 5	Totex	4X.15	–	–	0,080	0,095	0,175
Total accelerated programme capex	Capex	4X.16	–	–	2,103	1,903	4,006
Total accelerated programme	Opex	4X.17	–	–	–	–	–
Total accelerated programme	Totex	4X.18	–	–	2,103	1,903	4,006

## Section 5 – Additional regulatory information – water resources

### 5A – Water resources asset and volumes data for the 12 months ended 31 March 2024

Water resources	RAG4 reference	Units	Input
Water from impounding reservoirs	5A.1	Ml/d	7.56
Water from pumped storage reservoirs	5A.2	Ml/d	20.17
Water from river abstractions	5A.3	Ml/d	293.73
Water from groundwater works excluding managed aquifer recharge ('MAR') water supply schemes	5A.4	Ml/d	594.90
Water from artificial recharge ('AR') water supply schemes	5A.5	Ml/d	–
Water from aquifer storage and recovery ('ASR') water supply schemes	5A.6	Ml/d	–
Water from saline abstractions	5A.7	Ml/d	–
Water from water reuse schemes	5A.8	Ml/d	–
Number of impounding reservoirs	5A.9	Nr	2
Number of pumped storage reservoirs	5A.10	Nr	2
Number of river abstractions	5A.11	Nr	3
Number of groundwater works excluding managed aquifer recharge ('MAR') water supply schemes	5A.12	Nr	111
Number of artificial recharge ('AR') water supply schemes	5A.13	Nr	–
Number of aquifer storage and recovery ('ASR') water supply schemes	5A.14	Nr	–
Number of saline abstraction schemes	5A.15	Nr	–
Number of reuse schemes	5A.16	Nr	–
Total number of sources	5A.17	Nr	118
Total number of water reservoirs	5A.18	Nr	4
Total volumetric capacity of water reservoirs	5A.19	Ml	3,691
Total number of intake and source pumping stations	5A.20	Nr	117
Total installed power capacity of intake and source pumping stations	5A.21	kW	14,677
Total length of raw water abstraction mains and other conveyors	5A.22	Km	0.96
Average pumping head – raw water abstraction	5A.23	m.hd	17.63
Energy consumption – water resources (MWh)	5A.24	MWh	31,950.716
Total number of raw water abstraction imports	5A.25	Nr	–
Water imported from 3rd parties to raw water abstraction systems	5A.26	Ml/d	–
Total number of raw water abstraction exports	5A.27	Nr	–
Water exported to 3rd parties from raw water abstraction systems	5A.28	Ml/d	–
Water resources capacity (measured using water resources yield)	5A.29	Ml/d	972.01
Total number of completed investigations (WINEP/NEP), cumulative for AMP	5A.30	Nr	26

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

### 5B – Water resources operating cost analysis for the 12 months ended 31 March 2024

	RAG4 reference	Impounding Reservoir £m	Pumped Storage £m	River Abstractions £m	Ground-water, excluding MAR water supply schemes £m	Artificial Recharge ('AR') water supply schemes £m	Aquifer Storage and Recovery ('ASR') water supply schemes £m	Other £m	Total £m
Power	5B.1	0.058	0.207	2.247	4.552	–	–	–	7.064
Income treated as negative expenditure	5B.2	–	–	–	–	–	–	–	–
Abstraction charges/discharge consents	5B.3	0.051	0.182	1.968	3.984	–	–	–	6.185
Bulk supply	5B.4	0.016	0.057	0.623	1.262	–	–	–	1.958
<b>Other operating expenditure</b>									
Renewals expensed in year [Infrastructure]	5B.5	–	–	–	–	–	–	–	–
Renewals expensed in year [Non-infrastructure]	5B.6	–	–	–	–	–	–	–	–
Other operating expenditure excluding renewals	5B.7	0.049	0.175	1.898	3.843	–	–	–	5.965
Local authority and Cumulo rates	5B.8	0.013	0.047	0.508	1.030	–	–	–	1.598
<b>Total operating expenditure (excluding 3rd party)</b>	<b>5B.9</b>	<b>0.187</b>	<b>0.668</b>	<b>7.244</b>	<b>14.671</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22.770</b>

# Section 6 – Additional regulatory information – water network plus

## 6A – Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2024

Raw water transport and storage	RAG4 reference	Units	Input
Total number of balancing reservoirs	6A.1	Nr	4
Total volumetric capacity of balancing reservoirs	6A.2	Ml	133
Total number of raw water transport stations	6A.3	Nr	37
Total installed power capacity of raw water transport pumping stations	6A.4	kW	8,817
Total length of raw water transport mains and other conveyors	6A.5	Km	203.45
Average pumping head – raw water transport	6A.6	m.hd	20.42
Energy consumption – raw water transport (MWh)	6A.7	MWh	37,002.208
Total number of raw water transport imports	6A.8	Nr	1
Water imported from 3rd parties to raw water transport systems	6A.9	Ml/d	6.09
Total number of raw water transport exports	6A.10	Nr	–
Water exported to 3rd parties from raw water transport systems	6A.11	Ml/d	–
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	6A.12	Km	34.96

Water treatment – treatment type analysis	RAG4 reference	Surface water		Ground water	
		Water treated Ml/d	Number of works	Water treated Ml/d	Number of works
All simple disinfection works	6A.13	–	–	14.84	4
W1 works	6A.14	–	–	–	–
W2 works	6A.15	–	–	17.41	6
W3 works	6A.16	–	–	10.73	3
W4 works	6A.17	–	–	296.60	56
W5 works	6A.18	382.41	5	215.38	16
W6 works	6A.19	–	–	–	–

Water treatment – works size	RAG4 reference	% of total DI	Number of works
WTWs in size band 1	6A.20	2.5%	23
WTWs in size band 2	6A.21	5.5%	20
WTWs in size band 3	6A.22	10.3%	24
WTWs in size band 4	6A.23	11.0%	11
WTWs in size band 5	6A.24	17.5%	10
WTWs in size band 6	6A.25	10.1%	3
WTWs in size band 7	6A.26	0.0%	–
WTWs in size band 8	6A.27	43.2%	3

Water treatment – other information	RAG4 reference	Units	Input
Peak week production capacity (PWPC)	6A.28	Ml/d	1,234.53
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	6A.29	Ml/d	437.65
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	6A.30	Ml/d	–
Total water treated at more than one type of works	6A.31	Ml/d	–
Number of treatment works requiring remedial action because of raw water deterioration	6A.32	Nr	11.00
Zonal population receiving water treated with orthophosphate	6A.33	000s	3,012.846
Average pumping head – water treatment	6A.34	m.hd	10.32
Energy consumption – water treatment (MWh)	6A.35	mWh	18,713.456
Total number of water treatment imports	6A.36	Nr	–
Water imported from 3rd parties to water treatment works	6A.37	Ml/d	–
Total number of water treatment exports	6A.38	Nr	–
Water exported to 3rd parties from water treatment works	6A.39	Ml/d	–

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

## 6B – Treated water distribution – assets and operations for the 12 months ended 31 March 2024

Assets and operations	RAG4 reference	Units	Input
Total installed power capacity of potable water pumping stations	6B.1	KW	51,474
Total volumetric capacity of service reservoirs	6B.2	Ml	1,561.8
Total volumetric capacity of water towers	6B.3	Ml	37.7
Water delivered (non-potable)	6B.4	Ml/d	1.10
Water delivered (potable)	6B.5	Ml/d	838.39
Water delivered (billed measured residential properties)	6B.6	Ml/d	358.78
Water delivered (billed measured business)	6B.7	Ml/d	154.18
Proportion of distribution input derived from impounding reservoirs	6B.8	Propn 0 to 1	0.005
Proportion of distribution input derived from pumped storage reservoirs	6B.9	Propn 0 to 1	0.078
Proportion of distribution input derived from river abstractions	6B.10	Propn 0 to 1	0.300
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	6B.11	Propn 0 to 1	0.617
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	6B.12	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	6B.13	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	6B.14	Propn 0 to 1	–
Proportion of distribution input derived from water reuse schemes	6B.15	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	6B.16	Nr	277
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	6B.17	Nr	86
Number of potable water pumping stations delivering surface water into the treated water distribution system	6B.18	Nr	1
Number of potable water pumping stations that re-pump water already within the treated water distribution system	6B.19	Nr	184
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	6B.20	Nr	6
Total number of service reservoirs	6B.21	Nr	108
Number of water towers	6B.22	Nr	44
Energy consumption – treated water distribution (MWh)	6B.23	MWh	144,519.853
Average pumping head – treated water distribution	6B.24	M.hd	79.74
Total number of treated water distribution imports	6B.25	Nr	13
Water imported from 3rd parties to treated water distribution systems	6B.26	Ml/d	57.45
Total number of treated water distribution exports	6B.27	Nr	41
Water exported to 3rd parties from treated water distribution systems	6B.28	Ml/d	14.61
Peak 7-day rolling average distribution input	6B.29	Ml/d	1,106.87
Peak 7-day rolling average distribution input/annual average distribution input	6B.30	%	117.09%

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

## Section 6 – Additional regulatory information – water network plus continued

### 6B – Treated water distribution – assets and operations for the 12 months ended 31 March 2024

	RAG4 reference	Units	Input
<b>Water balance – company level</b>			
Measured household consumption (excluding supply pipe leakage)	6B.31	Ml/d	334.11
Unmeasured household consumption (excluding supply pipe leakage)	6B.32	Ml/d	267.61
Measured non-household consumption (excluding supply pipe leakage)	6B.33	Ml/d	152.85
Unmeasured non-household consumption (excluding supply pipe leakage)	6B.34	Ml/d	8.97
Total annual leakage	6B.35	Ml/d	153.50
Distribution system operational use	6B.36	Ml/d	0.78
Water taken unbilled	6B.37	Ml/d	19.55
Distribution input	6B.38	Ml/d	937.37
Distribution input (pre-MLE)	6B.39	Ml/d	945.34
<b>Components of total leakage (post MLE) – company level</b>			
Leakage upstream of DMA	6B.58	Ml/d	24.26
Distribution main losses	6B.59	Ml/d	73.94
Customer supply pipe losses – measured households excluding void properties	6B.60	Ml/d	24.68
Customer supply pipe losses – unmeasured households excluding void properties	6B.61	Ml/d	24.99
Customer supply pipe losses – measured non-households excluding void properties	6B.62	Ml/d	1.33
Customer supply pipe losses – unmeasured non-households excluding void properties	6B.63	Ml/d	0.46
Customer supply pipe losses – void measured households	6B.64	Ml/d	2.32
Customer supply pipe losses – void unmeasured households	6B.65	Ml/d	0.90
Customer supply pipe losses – void measured non-households	6B.66	Ml/d	0.55
Customer supply pipe losses – void unmeasured non-households	6B.67	Ml/d	0.09

### 6C – Water network+ – Mains, communication pipes and other data for the 12 months ended 31 March 2024

	RAG4 reference	Units	Input
<b>Treated water distribution – mains analysis</b>			
Total length of potable mains as at 31 March	6C.1	Km	16,989.0
Total length of potable mains relined	6C.2	Km	–
Total length of potable mains renewed	6C.3	Km	10.8
Total length of new potable mains	6C.4	Km	37.6
Total length of potable water mains (≤320mm)	6C.5	Km	15,683.7
Total length of potable water mains (>320mm and ≤450mm)	6C.6	Km	626.3
Total length of potable water mains (>450mm and ≤610mm)	6C.7	Km	496.8
Total length of potable water mains (> 610mm)	6C.8	Km	182.3
<b>Treated water distribution – mains age profile</b>			
Total length of potable mains laid or structurally refurbished pre-1880	6C.9	Km	76.5
Total length of potable mains laid or structurally refurbished between 1881 and 1900	6C.10	Km	202.7
Total length of potable mains laid or structurally refurbished between 1901 and 1920	6C.11	Km	608.4
Total length of potable mains laid or structurally refurbished between 1921 and 1940	6C.12	Km	2,517.9
Total length of potable mains laid or structurally refurbished between 1941 and 1960	6C.13	Km	3,852.1
Total length of potable mains laid or structurally refurbished between 1961 and 1980	6C.14	Km	3,713.6
Total length of potable mains laid or structurally refurbished between 1981 and 2000	6C.15	Km	2,748.4
Total length of potable mains laid or structurally refurbished between 2001 and 2020	6C.16	Km	3,094.7
Total length of potable mains laid or structurally refurbished post 2021	6C.17	Km	174.7
<b>Communication pipes</b>			
Number of lead communication pipes	6C.18	Nr	311,140
Number of galvanised iron communication pipes	6C.19	Nr	245,974
Number of other communication pipes	6C.20	Nr	531,560
Number of lead communication pipes replaced or relined for water quality	6C.21	Nr	353
<b>Other</b>			
Company area	6C.22	Km²	4,515
Compliance Risk Index	6C.23	Nr	8.05
Event Risk Index	6C.24	Nr	–
Properties below reference level at end of year	6C.25	Nr	21,903

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

# Section 6 – Additional regulatory information – water network plus continued

## 6D – Demand management – Metering and leakage activities for the 12 months ended 31 March 2024

	RAG4 reference	Units	Basic meter	AMR meter	AMI meter
<b>Metering activities – Totex expenditure</b>					
New optant meter installation for existing customers	6D.1	£m	–	1.681	–
New selective meter installation for existing customers	6D.2	£m	–	22.204	–
New business meter installation for existing customers	6D.3	£m	–	–	–
Residential meters renewed	6D.4	£m	–	2.560	–
Business meters renewed	6D.5	£m	–	0.375	–
<b>Metering activities – Explanatory variables</b>					
New optant meters installed for existing customers	6D.6	000s	–	3.607	–
New selective meters installed for existing customers	6D.7	000s	–	41.253	–
New business meters installed for existing customers	6D.8	000s	0.001	0.071	–
Residential meters renewed	6D.9	000s	–	13.711	–
Business meters renewed	6D.10	000s	0.039	1.754	–
Replacement of basic meters with smart meters for household customers	6D.11	000s	–	10.822	–
Replacement of AMR meter with AMI meters for household customers	6D.12	000s	–	–	–
Replacement of basic meters with smart meters for business customers	6D.13	000s	–	1.481	–
Replacement of AMR meter with AMI meters for business customers	6D.14	000s	–	–	–
New residential meters installed for existing customers – supply-demand balance benefit	6D.15	MI/d	–	0.92	–
New business meters installed for existing customers – supply-demand balance benefit	6D.16	MI/d	–	–	–
Replacement of basic meter with smart meters for household customers – supply-demand balance benefit	6D.17	MI/d	–	(0.35)	–
Replacement of AMR meter with AMI meter for household customers – supply-demand balance benefit	6D.18	MI/d	–	–	–
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	6D.19	MI/d	–	(1.36)	–
Replacement of AMR meter with AMI meter for business customers – supply-demand balance benefit	6D.20	MI/d	–	–	–
Residential properties – meter penetration	6D.21	%	39.8	31.3	–

	RAG4 reference	Units	Maintaining leakage	Reducing leakage	Total
<b>Leakage activities – Totex expenditure</b>					
Total leakage activity	6D.22	£m	51.096	–	51.096
Leakage improvements delivering benefits in 2020–25	6D.23	MI/d	–	–	(2.80)

	RAG4 reference	Units	Total
<b>Per capita consumption (excluding supply pipe leakage)</b>			
Per capita consumption (measured)	6D.24	l/h/d	133.69
Per capita consumption (unmeasured)	6D.25	l/h/d	190.03

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

## Total Leakage activity

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

In Line CW19.1 we were requested to report all capex and opex expenditure related to the 'PALM' categories including indirect costs, mains renewal costs and the mend costs, which were not included in 2022-23 figures. This results in a figure of £51.096m for 2023-24, compared to £15.838m reported for 2022-23 in our APR-23. The reported value of £51.096m is in line with our PR24 forecast where we forecasted a total expenditure of £52.011.

As our in-year reported leakage volume has increased since 2022-23, we have assigned all costs to maintaining leakage.

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

Activity – Classification	Delivery year (in use)	2020/21	2021/22	2022/23	2023/24	2024/25	After 2024/25
<b>Capital expenditure</b>							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	0.121	0.095	0.092	0.480	0.480
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	–	–	–	–	–	–
Sundon conditioning plant – Supply-side improvements delivering benefits from 2026	2024/25	0.426	4.514	3.650	8.480	1.325	–
Customer side demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	1.641	5.191	5.471	6.045	3.981	–
<b>Total</b>		<b>2.067</b>	<b>9.826</b>	<b>9.216</b>	<b>14.617</b>	<b>5.786</b>	<b>0.480</b>
<b>Opex costs</b>							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	–	–	–	–	0.272
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	–	–	–	–	–	–
Sundon – Supply-side improvements delivering benefits from 2026	2024/25	–	–	–	–	1.252	1.744
Customer side demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	0.024	1.045	1.420	1.407	1.407	–
<b>Total</b>		<b>0.024</b>	<b>1.045</b>	<b>1.420</b>	<b>1.407</b>	<b>2.659</b>	<b>2.016</b>
<b>Benefits</b>							
AFF-CTR-WRZ4-4001: Egham to Iver – Internal interconnectors delivering benefits in 2020–2025	2025/26	–	–	–	–	–	17.00
AFF-RTR-WRZ7-0639: Deal Continuation After 2020 – Supply-side improvements delivering benefits in 2020–2025	2020/21	0.07	0.07	0.07	0.07	0.07	0.07
Sundon – Supply-side improvements delivering benefits in 2020–2025	2024/25	–	–	–	–	41.00	41.00
Customer side demand – Demand-side improvements delivering benefits in 2020–2025 (excl. leakage and metering)	2020/25	0.56	21.72	47.35	87.63	112.74	112.74
<b>Total</b>		<b>0.63</b>	<b>21.79</b>	<b>47.42</b>	<b>87.70</b>	<b>153.81</b>	<b>170.81</b>

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



## Section 6 – Additional regulatory information – water network plus continued

More details can be found in our non-financial line commentary published on our website at [affinitywater.co.uk/reports-publications](http://affinitywater.co.uk/reports-publications), with a high level summary included below.

### Internal interconnectors delivering benefits in 2020–2025

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

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

### Supply-side improvements delivering benefits in 2020–2025

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

### Supply-side improvements delivering benefits starting from 2026

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

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

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

We have worked continuously to reduce overall demand throughout the year via water efficiency device installation and innovative behavioural change campaigns. We have developed water sector, national and community partnerships to support the delivery of our challenging demand reduction target. These partnerships have allowed us to target our demand reduction campaigns, intervention and support to specific communities and geographies.

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

### Schemes not included in Table 6F

During 2023/24, there were no new schemes not included in 6F.

## Section 9 – Additional regulatory information – innovation competition

### 9A – Innovation competition

	RAG4 reference	Current year £m
<b>Allowed</b>		
Allocated innovation competition fund price control revenue	9A.1	1.207
<b>Revenue collected for the purposes of the innovation competition</b>		
Innovation fund income from customers	9A.2	1.207
Income from customers to fund innovation projects the company is leading on	9A.3	–
Income from customers as part of the inflation top-up mechanism	9A.4	–
Income from other water companies to fund innovation projects the company is leading on	9A.5	–
Income from customers that is transferred to other companies as part of the innovation fund	9A.6	–
Non-price control revenue (e.g. royalties)	9A.7	–
<b>Administration</b>		
Administration charge for innovation partner	9A.8	0.067

	RAG4 reference	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year [excl. 10% partnership contribution]	Actual expenditure on innovation fund projects in year [excl. 10% partnership contribution]	Difference between actual and forecast expenditure
Water neutrality at NAV sites	9A.9	3.490	–	–	0.464	0.464
Smarter tanks	9A.10	0.095	–	–	–	–
Project Seagrass	9A.11	0.250	–	–	–	–
<b>Total</b>	<b>9A.24</b>	<b>3.835</b>	<b>–</b>	<b>–</b>	<b>0.464</b>	<b>0.464</b>

	RAG4 reference	Forecast project lifecycle expenditure on innovation fund projects [excl. 10% partnership contribution]	Cumulative actual expenditure on innovation fund projects [excl. 10% partnership contribution]	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects	In year expenditure on innovation projects funded by shareholders of the lead water company	In-year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by project partner contributions
Water neutrality at NAV sites	9A.9	3.490	0.851	(2.639)	–	0.056	–	0.095	–
Smarter tanks	9A.10	0.086	0.086	–	–	–	–	0.009	–
Project Seagrass	9A.11	0.250	0.250	–	–	–	–	0.028	–
<b>Total</b>	<b>9A.24</b>	<b>3.826</b>	<b>1.187</b>	<b>(2.639)</b>	<b>–</b>	<b>0.056</b>	<b>–</b>	<b>0.132</b>	<b>–</b>

As at 31 March 2024, three awards had been granted under the innovation competition scheme with £3,826,000 awarded to fund the projects. Actual expenditure of £1,187,000 had been incurred on projects funded through the scheme to date. Funds received under the scheme are allocated to separate general ledger codes and held as payments received in advance until funds are spent. Funds are only spent on innovation projects as allocated and are not used to fund business-as-usual activities.

The cash received related to the innovation fund and not spent to date (£2,639,000) is included within the appointed cash and cash equivalents total of £75,061,000 in table 1C row 1C.11.£0.464m costs relating to bids awarded prior to 1 April 2023. There were no new bids awarded during the year to 31 March 2024. Any bids awarded after 31 March 2024 will be included in subsequent APRs.

# Section 10 – Additional regulatory information – infrastructure delivery projects

## 10F – Additional reporting to account for impacts of the accelerated infrastructure delivery projects for the 12 months ended 31 March 2024

From Table 6C	RAG4 reference	Main table reference	Unit	Input
Total length of new potable mains	10F.1	6C.4	Km	2.1
Number of lead communication pipes replaced for water quality	10F.2	6C.21	Nr	–

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

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

## 10G – Additional reporting to account for impacts of transition expenditure for the 12 months ended 31 March 2024

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

From Table 6D	RAG4 reference	Main table reference	Units	Basic meter	AMR meter	AMI meter
<b>Metering activities – Totex expenditure</b>						
New selective meter installation for existing customers	10G.3	6D.2	£m			–
New business meter installation for existing customers	10G.4	6D.3	£m			–
Residential meters renewed	10G.5	6D.4	£m			–
Business meters renewed	10G.6	6D.5	£m			–
<b>Metering activities - Explanatory variables</b>						
New selective meters installed for existing customers	10G.7	6D.7	000s			–
New business meters installed for existing customers	10G.8	6D.8	000s			–
Residential meters renewed	10G.9	6D.9	000s			–
Business meters renewed	10G.10	6D.10	000s			–
Replacement of basic meters with smart meters for residential customers	10G.11	6D.11	000s		–	–
Replacement of AMR meter with AMI meters for residential customers	10G.12	6D.12	000s			–
Replacement of basic meters with smart meters for business customers	10G.13	6D.13	000s		–	–
Replacement of AMR meter with AMI meters for business customers	10G.14	6D.14	000s			–
New residential meters installed for existing customers – supply-demand balance benefit	10G.15	6D.15	Ml/d			–
New business meters installed for existing customers – supply-demand balance benefit	10G.16	6D.16	Ml/d			–
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	10G.17	6D.17	Ml/d		–	–
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	10G.18	6D.18	Ml/d			–
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	10G.19	6D.19	Ml/d		–	–
Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit	10G.20	6D.20	Ml/d			–
<b>Metering activities - Impact on PCC and leakage performance</b>						
Per capita consumption reduction	10G.21		l/h/d	–		
Leakage reduction	10G.22		Ml/d	–		
<b>Leakage activities</b>						
Leakage improvements delivering benefits in 2020-25	10G.23	6D.23	Ml/d	–		
<b>Other additional items not included in the lines above</b>						
AMP8 Programme Readiness	10G.38		£m	1.370		
Connect 2050 Design	10G.39		£m	0.284		

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

# Section 10 – Additional regulatory information – infrastructure delivery projects

continued

## 10H – Accelerated schemes data capture reconciliation model input for the 12 months ended 31 March 2024

Scheme 7	Total allowance £m
Smart metering	9.00

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

Scheme 8	Total allowance £m
Broome (NO3)	0.40

2023-24							
Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	
Component 1	Completion of planning permission, detailed design and delivery contracts	10G.97	%	0	100%	0%	0.0%

Scheme 9	Total allowance £m
Kingsdown (NO3)	0.40

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

Scheme 17	Total allowance £m
Holywell (PFOS)	0.25

2023-24							
Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	
Component 1	Adsorbers (each of 18m3 minimum volume) receiving regenerated or virgin GAC media	10G.99	Nr (cum.)	0	12	3	25.0%
Component 2	PFOS removal maximum output capability	10G.100	Ml/d	2	20.46	0.00	0.0%

Scheme 18	Total allowance £m
Stortford WQ (NO3)	1.94

2023-24							
Name	RAG4 reference	Unit	Decimal places	Component level at completion	Component level to date	Percentage complete	
Component 1	Annual average deployable output with nitrate and resilience solutions	10G.101	Ml/d	2	2.69	0.00	0.0%
Component 2	Operational availability of blending controls at 3 pumping stations	10G.102	Nr	0	3	0	0.0%
Component 3	Operational availability of 250mm HPPE main	10G.103	Km	0	2	2	105.0%
Component 4	Operational availability of emergency booster operation from Forest Hall Booster	10G.104	Nr	0	1	0	0.0%
Component 5	Domestic properties receiving an improved security of supply	10G.105	Nr	0	4,846	0	0.0%

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

# Section 11 – Additional regulatory information – greenhouse gas emissions

## 11A – Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2024

	RAG4 reference	Water (tCO <sub>2</sub> e)
<b>Scope one emissions</b>		
Burning of fossil fuels (location-based)	11A.1	982.271
Burning of fossil fuels (market-based)	11A.2	982.271
Process and fugitive emissions	11A.3	1,943.365
Vehicle transport	11A.4	2,069.864
Emissions from land	11A.5	–
<b>Total scope one emissions (location-based)</b>	<b>11A.6</b>	<b>4,995.500</b>
<b>Total scope one emissions (market-based)</b>	<b>11A.7</b>	<b>4,995.500</b>
Scope one emissions; Greenhouse Gas ['GHG'] type CO <sub>2</sub>	11A.8	3,019.799
Scope one emissions; GHG type CH <sub>4</sub>	11A.9	1.432
Scope one emissions; GHG type N <sub>2</sub> O	11A.10	1,974.269
Scope one emissions: GHG other types	11A.11	–
<b>Scope two emissions</b>		
Purchased electricity (location-based)	11A.12	45,053.290
Purchased electricity (market-based)	11A.13	38,441.322
Purchased heat	11A.14	–
Electric vehicles	11A.15	–
Removal of electricity to charge electric vehicles at site	11A.16	–
<b>Total scope two emissions (location-based)</b>	<b>11A.17</b>	<b>45,053.290</b>
<b>Total scope two emissions (market-based)</b>	<b>11A.18</b>	<b>38,441.322</b>
Scope two emissions; GHG type CO <sub>2</sub>	11A.19	44,593.283
Scope two emissions; GHG type CH <sub>4</sub>	11A.20	194.943
Scope two emissions; GHG type N <sub>2</sub> O	11A.21	265.064
Scope two emissions: GHG other types	11A.22	–
<b>Scope three emissions</b>		
Business travel	11A.23	181.759
Outsourced activities	11A.24	82.370
Purchased electricity; transmission and distribution – location-based	11A.25	14,748.052
Purchased electricity; transmission and distribution – market-based	11A.26	14,748.052
Purchased heat; extraction, production, transmission and distribution	11A.27	–
Purchased fuels; extraction, production, transmission and distribution	11A.28	687.600
Use of chemicals	11A.29	6,832.132
Disposal and treatment of waste	11A.30	–
<b>Total scope three emissions (location-based)</b>	<b>11A.31</b>	<b>22,531.913</b>
<b>Total scope three emissions (market-based)</b>	<b>11A.32</b>	<b>22,531.913</b>
Scope three emissions; GHG type CO <sub>2</sub>	11A.33	4,037.807
Scope three emissions; GHG type CH <sub>4</sub>	11A.34	17.270
Scope three emissions; GHG type N <sub>2</sub> O	11A.35	24.483
Scope three emissions: GHG other types	11A.36	296.070
<b>Gross operational emissions (Scope 1,2 and 3)</b>		
Gross operational emissions (location-based)	11A.37	72,580.703
Gross operational emissions (market-based)	11A.38	66,968.735
<b>Emissions reductions</b>		
Exported renewables	11A.39	–
Exported biomethane	11A.40	–
Insets	11A.41	–
Other emissions reductions	11A.42	–
<b>Total emissions reductions</b>	<b>11A.43</b>	<b>–</b>
<b>Emissions reductions</b>		
Green tariff electricity	11A.44	–
<b>Net annual emissions</b>		
<b>Net annual emissions (location-based)</b>	<b>11A.45</b>	<b>72,580.703</b>
<b>Net annual emissions (market-based)</b>	<b>11A.46</b>	<b>65,968.735</b>

		Water (kgCO <sub>2</sub> e/ML)
<b>GHG intensity ratios (location based)</b>		
Emissions per ML of treated water	11A.47	209,774
Emissions per ML of sewage treated	11A.48	–

### Embedded emissions

Capital projects (cradle-to-gate)	11A.49	–
<b>Total capital projects (cradle-to-gate)</b>	<b>11A.50</b>	<b>13,301.000</b>
<b>Purchased goods and services</b>	<b>11A.51</b>	<b>50,628.460</b>

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

# Non-audited additional regulatory information

## Transactions with Associated Companies

Service received	Company	Turnover of associate		Value £m
		£m	Terms of supply	
Interest paid on loan	Affinity Water Capital Funds Limited*	–	Market rate at time of loan inception	0.160
Interest paid on loan	Affinity Water Finance (2004) PLC*	–	At market rate, on-lent by associate on the same terms	14.126
Interest paid on loan	Affinity Water Finance PLC*	–	At market rate, on-lent by associate on the same terms	54.205

Service provided	Company	Turnover of associate		Value £m
		£m	Terms of supply	
Support services	Affinity Water Capital Funds Limited*	–	No market – services charged at a fixed annual fee based on actual cost or recharged by time allocation	0.120

\* these companies do not have turnover

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

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

The net proceeds of both the bond and the tap issue have been lent to the company on the same terms. The amount outstanding at year-end, net of amortised debt issuance costs, was £251,395,000 (2023: £251,967,000).

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

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

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

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

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

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

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

The £14,204,000 Class A Guaranteed Notes with a coupon of 3.625% matured in September 2022. The company repaid this amount in full to Affinity Water Finance PLC in September 2022.

The net proceeds of the bond issues and the tap issue have been lent to the company on the same terms.

The amount outstanding at year-end, net of amortised debt issuance costs, was £1,104,506,000 (2023: £1,076,165,000).

On 4 February 2013, the company borrowed an amount of £3,550,000 from Affinity Water Capital Funds Limited, the company's intermediate parent company. The final repayment date of this loan is 31 March 2036, with interest terms having been set at 4.500%.

There are no loans to group companies.

## Dividend policy

Our dividend policy was approved in September 2023, with changes from our previously published dividend policy relating to inclusion of the new licence wording regarding dividends.

The dividend policy of Affinity Water Limited is to consider and, if appropriate, pay a dividend commensurate with appropriate long-term returns and aligned with business performance, providing shareholders with an appropriate return from their investment in the company, whilst not impairing the company's financial resilience, taking into account current and future investment needs and commitments to its stakeholders and customers. In determining the level of dividend, the financial performance of the appointed and non-appointed businesses are considered separately.

The base dividend for the appointed business will be set in reference to the company's internal Business Plan and will not exceed a nominal 4% yield on equity as an annual average over the AMP, based on the company's actual financial structure. Dividends can be increased or lowered from the base depending on the actual performance of the company. The Board will complete an assessment to determine if the payment or part payment of the dividend reflects and/or would compromise the long-term social, financial and operational commitments made to stakeholders; such assessment includes the following areas: customer service; operational commitments; employees and the health of the pension plans. This assessment will also demonstrate that the dividend policy for AMP7 takes account of obligations and commitments to customers and other stakeholders, including performance of delivery against the final determination for AMP7. This will include an assessment of performance commitments with associated ODIs as set in the final determination and any ODI penalties or rewards earned. It will also require an assessment of the short and long term financial resilience of the company in relation to liquidity, distributable profits of the company, cash facilities available and financial ratios.

Finally, the Board tests any proposed dividend payments against legal and regulatory requirements and restrictions, including the management of economic risk and compliance with financial covenants.

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 in 2022/23 or 2023/24 reflecting our shareholders' commitment to re-invest all planned returns from both the company's appointed business and non-appointed business (the part of our business not regulated by Ofwat) for the benefit of our customers.

## Viability statement

The Board's consideration of the company's longer-term viability and prospects is an extension of our business planning process. This includes financial budgeting and forecasting, and a robust risk management process. Our strategy aims to enhance our long-term prospects by making sure that our operations and finances are sustainable. The directors have assessed the company's long-term prospects in the context of our WRMP, which sets out our plan to secure the long-term provision of resilient and sustainable water supplies for customers from 2025 to 2075. The results of financial modelling presented to the Board over this period to enable the assessment of the company's long-term prospects reflect the expected level of investment implied by this plan and recovery of this investment from customers.

The directors have assessed the company's financial viability over a shorter ten-year period to 31 March 2034 (the 'lookout period'). The company's viability statement, including information on the company's approach to producing this statement, can be found within the Strategic Report on pages 90 to 97 of our Annual Report and Financial Statements 2023/24. The sensitivities used in stress-testing the base case cash flow forecast were in some instances more severe than the sensitivities specified by Ofwat to be used in stress-testing AMP7 Business Plans.

Stress-testing was performed on a Board-approved base case cash flow forecast prepared by management. The base case reflects the difficult and uncertain economic environment we continue to operate in and has taken into account the impact of inflation, interest rates, supply chain cost pressures, the energy price crisis and the cost-of-living crisis, and has also reprofiled capital expenditure from projects.

The Audit, Risk and Assurance Committee considered and provided input into the determination of which of the company's principal risks and combinations thereof might have an impact on the company's financial viability, and reviewed the results of management's stress testing of the company's base cash flow forecasts. The results of management's stress-testing and the viability statement were reviewed by the Board in approving the Strategic Report.

To address previous feedback from Ofwat, we continue to include cross references in the viability statement linking key risks to further details provided in our Strategic Report on operational activities. The viability statement also includes mitigating actions the company might put in place for the scenarios in the stress-testing. We also conclude that our higher levels of gearing do not impact our viability. Our stress test scenarios show sufficient headroom in all years when the appropriate mitigating

# Non-audited additional regulatory information

continued

actions are taken. In the absence of mitigating actions, a trigger or default event could occur in a number of scenarios. The compounding impacts of a challenging PR19 final determination, Covid-19, energy prices and inflation have significantly reduced our ability to absorb further cost shocks under the stress test scenarios, however, there are a number of actions management would implement in the event of a downside scenario, primarily working capital management, restriction of dividends, operating cost reduction plans and additional inflation-linked swaps. Under an ICR Trigger Event, the company would be subject to certain constraints such as restrictions on dividends and restriction on debt buybacks. However, the directors are satisfied that an ICR Trigger

Event would not fundamentally constrain the company's ability to carry out its business, particularly after considering the company's strong cash position meaning that the company has no further funding requirement in AMP7.

PricewaterhouseCoopers ('PwC') did not include any matters in its independent Auditors' report on pages 170 to 177 of our Annual Report and Financial Statements 2023/24 in relation to viability or going concern. The Board has signed the Board statement on the completeness and accuracy of information confirming it is satisfied the data and assumptions made are accurate and complete.

## Current tax reconciliations

The appointed current tax charge assessed for the period is lower than the standard rate of corporation tax in the UK of 25% for the year ended 31 March 2024. The differences are explained below:

	£m
Loss on appointed activities before tax and fair value movements	(58.720)
Tax calculated at the standard rate of tax in the UK of 25%	(14.680)
Tax effects of:	
– Adjustments in respect of prior years	–
– Expenses not deductible for tax purposes	0.900
– Accelerated capital allowances	14.221
– Other timing differences – pension	(0.632)
– Other timing differences – grants and contributions	(2.254)
– Fair value movements	0.672
– Unrelieved losses carried forwards	–
Appointed current tax charge	(1.774)

There were no amounts paid or transferred for the use of group relief assets.

Significant variations between the appointed current tax charge and the total current tax charge for the year ended 31 March 2024 allowed in the company's price limits are explained below:

	£m
Appointed current tax charge	(1.774)
Variance in profit before tax excluding fair value movements	11.057
Variance in fair value movements	(0.672)
Adjustments in respect of prior years	–
Variance in assumptions – capital allowances	(12.899)
Other timing differences – pensions	0.478
Other timing differences – grants and contributions	2.907
Variance due to increase in tax rate	–
Variance due to losses carried forwards	1.753
Other	(0.850)
<b>Total current tax charge allowed in price limits</b>	<b>–</b>

The loss before tax for 2023/24 has materially changed compared to the PR19 model resulting in a substantial variance in the capital allowances claimed. The capital allowances are disclaimed to restrict the carried forward tax losses for the year to a nil amount.

## Factors affecting future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in the Annual Report and Financial Statements and Annual Performance Report.

## Tax strategy related to the appointed business

Our approach to tax is based on the values incorporated in the updated Affinity Water Limited Code of Ethics:

At Affinity Water, we pay our way. We are committed to being a responsible and transparent taxpayer. We do not engage in tax evasion. We follow all relevant laws and regulations.

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures. We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities. Any available tax reliefs and incentives are only used in accordance with permissible rules and law.

Trust is hard won but easily lost. That's why we must always act with fairness and integrity. That simply means behaving in a way you're proud of – whether you think people will find out or not.

We must never accept or offer anything that could be considered a bribe or turn a blind eye to the actions of others. We are committed to implementing and enforcing effective systems – and to ensuring that we all take clear steps – to prevent bribery and any other form of corruption in our business.

We ensure any gifts and hospitality offered or received are reasonable and appropriate. They must never improperly influence our decisions or impartiality. Any gifts and hospitality we offer or receive must be appropriate and reasonable in terms of value, frequency, nature, and timing.

We are open, honest, and collaborative with our regulators and share transparently all information which should be in the public domain.

Any concerns at work can be reported confidentially on our whistleblowing service, Luminare. It's a secure, independent service. Everyone is empowered to report misconduct or behaviour which breaches company standards.

## Approach to risk management and governance

Tax strategy is part of our overall risk management and governance framework, which is overseen by the Audit, Risk and Assurance Committee and the Board.

Martin Roughead, the Chief Financial Officer ('CFO'), is ultimately responsible for tax strategy. Responsibility for day-to-day tax matters, and for reporting to the Audit, Risk and Assurance Committee and the Board on the Group's tax position, is delegated to the Group Tax Manager.

The CFO meets with the Group Tax Manager, Head of Corporate Finance and Group Financial Controller regularly, to discuss current business issues and forthcoming significant transactions. These meetings ensure that the Group Tax Manager is involved in one-off transactions at an early stage and has time to identify tax risks and assess their potential impact on the business.

The CFO, Group Tax Manager and Head of Corporate Finance review the Group's tax risks every other month. We maintain a risk register, which documents potential impact on the business and controls in place to minimise risk. Key risks are reported to the executive team and Board at least half yearly and this includes tax risks where necessary.

We consider our main tax risk to be the introduction of new legislation or changes in tax practice, which could result in increased tax payments that have not been included in the current regulatory settlement for Affinity Water Limited's appointed business.

## Attitude to tax planning

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures. We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities, and we always comply with what we understand to be both the letter and the spirit of the law. All profits are reported and taxed in the country in which there is economic substance. We operate solely in the UK, and all of our customers are based here. No funds are held off-shore, and all finance is raised and held within the UK. All our profits are reported and taxed in the UK.

Whilst we do not interpret tax legislation aggressively, we have an obligation to minimise our tax liability so that our customers are not funding excessive and unnecessary charges through increased bills. We are able to reduce our Corporation Tax charge by making beneficial claims and elections, such as those available for investment in research and development activities, reflecting the scale of our investment in assets vital to securing the ongoing delivery of an essential service to our customers and communities.

# Non-audited additional regulatory information

continued

The tax implications of significant transactions are initially assessed by the Group Tax Manager, with assistance from external advisors when necessary. We seek external advice in order to reduce uncertainty and to ensure that our interpretation of current tax law and practice is correct.

## Level of acceptable risk in relation to UK tax

Our approach to tax risk is part of our wider risk management framework, in the context of our regulatory settlement.

The level of acceptable UK tax risk is not rigidly defined, however, the Group generally seeks to reduce tax risk. Uncertainties over the interpretation of tax law are resolved as far as possible by seeking advice from external experts, our industry group or HMRC.

## Dealing with HMRC

We have an open relationship with HMRC, and we advise them of any complex issues so that we can work with them to determine the correct amount of tax due. Whenever possible, we agree the tax treatment with HMRC before the tax returns are submitted. If this is not possible, we draw HMRC's attention to complex issues at the time of submitting the tax returns.

We actively engage with HMRC and other relevant authorities on proposed changes to tax legislation by responding to public consultations and attending engagement meetings for businesses. This is done either directly or as part of our industry group.

It is rare for us to disagree with HMRC over the interpretation of tax law, however, when disagreements occur, they are resolved through discussion rather than litigation.

## Assurance

The data presented in this regulatory Annual Performance Report has been subject to the company's governance, risk management and internal control framework as set out in the governance section of the Annual Report and Financial Statements on page 118 onwards of our Annual Report and Financial Statements 2023/24.

For further information on our assurance procedures and results, please refer to our Assurance Plan for AMP7, which is published on our website: [affinitywater.co.uk](http://affinitywater.co.uk).

## Affinity Water

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