



Annual Investor Report

Affinity Water Limited

Twelve Month period ended 31 March 2026

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AffinityWater

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About us

We are the largest 'water only' company in England. That means we supply clean water to our customers, but we do not collect or treat wastewater or sewage. We own and manage the water assets and network in an area of approximately 4,500km² across three supply regions in South East England. We have been supplying water to our local communities for more than 170 years.

Our purpose

We're taking care of your water now and for the future

Our purpose is to provide high-quality drinking water for our customers and take care of the environment for our diverse communities now and in the future.

Our vision is to lead the way



We do the right thing



We are customer focused



We work as one team



Our long-term ambitions

Our strategy sets out our short and long-term ambitions to tackle the challenges we face, to create value for our society and the environment.

Annual Performance At A Glance

Financial Highlights

Revenue (£m)	Operating profit (£m)	Net loss after tax (£m)	Our Regulatory Capital Value (RCV)	Gearing ratio (%)	Cash flow (£m)
£438.3m	£74.7m	£6.2m	£2.10bn	69.1%	£(1.0)m
FY25: £363.6m	FY25: £33.2m	FY25: £16.8m	FY25: £1.92bn	FY25: 77.5%	FY25: £(32.6)m

Operational Highlights

Daily amount of drinking water supplied	Customers served	Household properties connected	Length of mains net work	Number of water treatment works	Number of employees
965Ml/d	4.06m	1.53m	17,070km	91	1,552
FY25: 943Ml/d	FY25: 3.99m	FY25: 1.52m	FY25: 17,042km	FY25: 90	FY25: 1,462

ESG Highlights

Scope 1 & 2 carbon emissions tCO ₂ e	Employee engagement score	Publicly available open data sets ¹
44,339	8.2	5
FY25: 51,096 tCO ₂ e	FY25: 8.1	FY25: 1

¹ Open data sets are data freely available to everyone to access, use and share. Data is essential for developing insight, making informed decisions and improving services, increasing transparency, increasing efficiency, enhancing customer experience, and stimulating innovation.

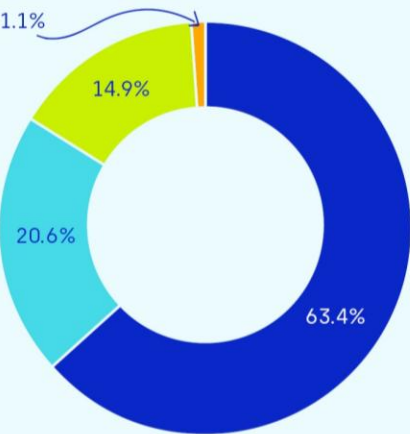
 A Hatfield resident's garden blooms thanks to practical water-saving measures



The communities we serve

Our supply area is unique, containing around 10% of the world's rare chalk streams, which face pressures from climate change, growing water demand, pollution and historic changes to river systems. It is also one of the most densely populated and economically active regions in the UK.

Household Ownership Status



- Owner occupier
- Private rental
- Social rental
- Other



Metered properties



- Metered
- Unmetered

Regional population age profile



- Aged 0-17
- Aged 18-30
- Aged 31-50
- Aged 51-64
- Aged 65+

We serve a diverse customer base with a wide range of needs, supplying both densely populated urban areas and more rural communities.

Population growth, increasing demand and the need to protect the environment mean we work closely with our customers to support more efficient water use.

Average consumption in our area is 157 litres per person per day, compared with a national average of 137 litres, and we are focusing on reducing this through smart metering, behaviour-change programmes and tariff trials.



Our focus areas to 2030

Our purpose is to provide high-quality drinking water for our customers and take care of the environment for our diverse communities, now and in the future. Our aim is to provide efficient and affordable services in both the short and long term.



Environment

Leave the environment in a sustainable and measurably-improved state.

- End unsustainable abstraction from chalk groundwater sources.
- Achieve Net Zero for operational emissions and all carbon by 2050, recognising changes in sector assumptions since 2021 and the need to work with regulators to prioritise decarbonisation this AMP.
- Deliver a net gain in Natural Capital.



Customers

Deliver what our customers need, ensuring affordability for all.

- Exceed customers' expectations for drinking water.
- Personalise our services to support different needs and wants.
- Take care of our vulnerable customers and keep bills affordable.



Resilience

Be prepared for change, and resilient to shocks and stresses.

- Ensure a resilient supply of water for our customers.
- Ensure our physical assets are resilient for the long term.
- Ensure our people, processes, suppliers and finances remain resilient.



Communities

Work with our communities to create value for the local economy and society.

- Build trust and transparency.
- Enhance environmental and social health to provide value to our communities. Reduce our impact in the water environment for all.



Operational performance for year 1 summary

Our Business plan for 2025-30 is ambitious with some stretching targets. Over the next five years, we will deliver a £2.3 billion investment programme, designed to help us continue providing high-quality, sustainable and affordable water services.

Price Control Deliverables ('PCDs')

PCDs are regulatory tools designed to ensure water companies meet specific improvement targets, funded through enhancement expenditure allowances.

PCDs were introduced by Ofwat, as part of the PR24 determination, as a mechanism to ensure specific large programmes of work are delivered as funded. The PCDs have enhanced regulatory oversight to protect against non-delivery and ensure timely completion. Should a company fail to deliver, or delivery is delayed, funding can be returned to customers.

Our Ambition Statement	Key Outcome	Type	Performance Commitment	Reward/Penalty	Measure	2025/26 Actual	2025/6 Target	2029/30 Target	Target met?
Leave the environment in a sustainable and measurably-improved state	 Environment	Common	Leakage	Both	% Reduction from 2019-20 baseline	19.7%	21.3%	31.0%	Not met
			Per capita consumption	Both	% Reduction from 2019-20 baseline	-0.1%	3.6%	12.9%	Not met
			Business demand	Both	% Reduction from 2019-20 baseline	8.0%	9.8%	11%	Not met
			Biodiversity	Both	Biodiversity units per hectare	0.11	0	1.73	Met
			Operational GHG emissions	Both	% Reduction in greenhouse gas emissions	2.18%	3.22%	1.30%	Not met
			Discharge permit compliance	Penalty only	% Compliance	100%	100%	100%	Met
			Serious pollution incidents	Penalty only	Number of Cat 1 & 2 incidents	0	0	0	Met
Be prepared for change and resilient to shocks and stresses	 Resilience	Common	Mains repairs	Both	Number of repairs per 1,000km	140.2	140.3	132	Met
			Unplanned outage	Both	% Of peak week production capacity	1.14%	2.20%	2.14%	Met
Deliver what our customers need ensuring affordability for all	 Customers	Common	C-MeX	Both	Score / 100	60.06 [13th]	68.85	n/a	Not met
			Water supply interruptions	Both	Time per property per year	00:04:35	00:05:00	00:05:00	Met
			Compliance risk index	Penalty only	Numerical score [Deadband of 1.83]	3.17	0	0	Not Met
			D-MeX	Both	Score/100	84.97 [5th]	82.60	n/a	Met
			Customer contacts about water quality	Both	Number of contacts per 1,000 population	0.72	0.67	0.67	Not met
			BR-MeX	Both	Score /100	80.84 [4th]	80.00	n/a	Met
		Bespoke	Average time properties experience low pressure	Penalty only	Average time per property that is below 15m per year	03:09:27	01:51:13	01:43:43	Not met

Operational performance
for year 1 summary continued



Customers

To help customers, we have committed to the following:

Smart meters

- Commitment: Install 400,000 smart meters to help customers control their usage.
- Outcome: We exceeded our year 1 smart meter installation target, fitting over 103,000 smart meters

Water quality improvements

- Commitment: Deliver a programme of water quality treatment upgrades to improve levels of treatment and resilience.
- Outcome: We completed over 200km of mains flushing as part of our Distribution Operation Maintenance Strategy, removing aluminium deposits and improving pipe condition. To treat the Per and Polyfluoroalkyl Substances (PFAS) risk, we replaced Granular Activated Carbon (GAC) media and made a full change of the ion exchange resin in use at two of our sites.

Tariff trials

- Commitment: Develop and deliver more tariff trials, building on the WaterSave rising block tariff trial (2023–2025).
- Outcome: We'll strive to develop fairer, more affordable ways of charging while encouraging water-efficient use through price incentives.

Customer support

- Commitment: Provide support for customers struggling to pay, including flexible payment plans aligned to income.
- Outcome: We'll help around 17,000 customers through payment matching and will expand our LIFT social tariff to around 150,000 customers.

AMP8 Performance Commitments and Deliverables

Performance Commitment		Performance Commitment	
C-MeX (score)	This customer-focused performance commitment measures direct customer feedback on satisfaction with our services.	D-MeX (score)	D-MeX is the measure of levels of service provided to developers. The index score is made up of both a qualitative and a quantitative elements. Our D-MeX performance during 2025/26 has been positive with our score placing us 5th in the industry league table. This represents a strong improvement on 2024/25, where we finished the year in 10th position.
Actual: 60.06		Actual: 84.97	
Target: 68.85	Our score of 60.06 placed us 13th overall in the companies league table. Service placed us 14th (55.59) and experience 12th (69.02). Further improvement is needed. We have redesigned our bills for clarity, we are working to improve resolution times and make 'customer journeys' easier by updating our online self-service portal. In June, we launched our customer vulnerability strategy where we have set out a wide range of ambitions and initiatives, all of which will help us to understand customer needs and support customers who may need extra help.	Target: 82.60	To support consistent performance against levels of service metrics and D-MeX quantitative measures, we have introduced a range of system and management enhancements throughout the year. These improvements have helped ensure that key milestones within our customers' journeys are delivered within agreed timescales. We have also remained responsive to changing market trends in construction delivery routes, including increased Self-Lay Provider (SLP) and NAV activity, ensuring our teams are structured to effectively support all customer types.

Operational performance for year 1 summary continued

AMP8 Performance Commitments and Deliverables continued

Performance Commitment		Performance Commitment		Performance Commitment	
Compliance risk index Actual: 3.17 Target: 0 (Deadband 1.83)	The Compliance Risk Index ('CRI') is a measure to inform the risk arising from treated water compliance failures. In 2025, our drinking water quality remained high overall. While we did not meet our CRI target of 0 and recorded a score above the deadband of 1.83, this was largely driven by a single coliform detection in a final water sample at Iver WTW, our largest works, in December. This isolated incident accounted for over 90% of our total CRI score for the year. Excluding this event, performance was strong, reflecting the underlying quality of our supplies. Looking ahead, we expect our CRI performance to return to below the deadband.	Water supply interruptions (average minutes per property) Actual: 00:04:35 Target: 00:05:00	Water supply interruptions is the average number of minutes lost per property for the whole customer base for interruptions that lasted three hours or more. Performance during the 2025/26 reporting year was strong, with service maintained in line with our target of 5 minutes, despite challenging weather conditions. We continued to respond rapidly to events and remained focused on maintaining strong asset health, while optimising our network and assets. Through this, we have been able to mitigate and reduce the duration of interruptions experienced, delivering a consistently high level of service for our customers.	Average time properties experience low pressure Actual: 03:09:27 Target: 01:51:13	This is a measure of the average time that a property is at risk of experiencing low pressure in their mains water supply. Our performance has not achieved our target as the hot, dry weather increased demand which had a significant impact on this metric. The most significant issue affecting our performance was due to increased usage at a commercial site in the Wembley area, which subsequently impacted water pressure. This commercial site contributed to 23% of total time recorded at the Critical Point logger in the year. We are taking actions to resolve this issue.
BR-MeX (score) Actual: 80.84 Target: 80.00	BR-MeX is a mechanism designed to incentivise water companies (wholesalers) to provide business customers and retailers with excellent levels of service. Our 2025-26 BR-MeX score was 80.84, placing us fourth in the industry table. Our overall performance has been supported by strong results in both retailer satisfaction and market performance metrics, reflected in R-MeX and MPF scores of 88.75 and 89.26 respectively. As B-MeX accounts for 50% of the overall BR-MeX score, performance in this area has the greatest influence on our overall position. We continue to focus on improving the handling and resolution of requests to strengthen our overall BR-MeX performance.	Customer contacts about water quality (number/thousand people) Actual: 0.72 Target: 0.67	The number of customers who contact us regarding the quality of their drinking water because it may taste, smell or look different. After a relatively normal start to the year for contacts from customers regarding aesthetic issues with their water supply, we saw a sharp increase in contacts over the summer. This was a result of two factors both relating to climatic conditions. The first was the long dry period between February and August. This caused a significant increase in soil moisture deficit which resulted in more burst mains, in turn leading to more contacts regarding discolouration and aeration. The second factor was the high temperatures led to warmer water in supply which resulted in more contacts regarding taste and odour issues.		

Operational performance for year 1 summary continued



Communities

Public value and early careers

- Commitment: Implement our public value approach and progress our public value ambitions, such as being a good local employer.
- Outcome: In the year, we developed an early careers strategy to build a sustainable, future-ready workforce, strengthening relationships with schools, colleges and communities and raising awareness of careers in the water industry.

River enhancement and biodiversity

- Commitment: Increase river enhancement opportunities to support biodiversity and flood management within the Colne Valley.
- Outcome: We'll work with the Environment Agency to define over 30 river restoration projects across 19 chalk streams within our supply area.

Community and charity support

- Commitment: Supporting local communities and charities through funding and promoting staff volunteer days.
- Outcome: In the year, we committed over 160 volunteer days and provided £650,000 to local projects focused on biodiversity, conservation and supporting vulnerable customers in vulnerable circumstances. These partnerships have improved our understanding of local needs.

Public access sites and visitor experience

- Commitment: Improve our visitors' experience at our public access sites by enhancing facilities such as catering and water sports through third parties and partners.
- Outcome: We'll improve accessibility at our lakes & leisure sites, enhance natural habitats with biodiversity partners, and work alongside Groundworks South to responsibly manage vegetation to improve appearance and access to sites.

AMP8 Performance Commitments and Deliverables

PCD Category	PCD	
Smart Metering	New installations Actual: 8,107 Target: 17,857	The Smart Metering Programme is part of the Water Resources Management Plan ('WRMP') investment area. Smart meters will assist us in reducing leakage and demand within both household and non-household properties. The new installations relate to the number of AMI meters installed at both household and non-household premises that, prior to such installation, were unmetered. Replacement of meters, which includes meters replaced with new meters on a like-for-like basis. Activity was prioritised towards household meter upgrades, which reduced delivery of new installations.
	Household meter upgrades Actual: 114,277 Target: 73,713	During AMP7, we focused on more complex new installations following the completion of a large scale selective metering programme, where the majority of meters had already been installed. Moving into AMP8, activity started slowly, and we experienced challenges in securing new installations. In addition, delays to our internal metering programme contributed to lower delivery numbers. We are currently developing a recovery plan for new installs and expect performance to improve, with numbers picking up from Year 2 onwards.
	Non-household meter upgrades Actual: 1,584 Target: 2,650	During the year we performed against our target for household meter upgrades. Following a successful 'Pathfinder' trial, we chose to accelerate the household meter upgrades workstream. This means most of the programme will be completed by the end of Year 3. As a result, demand management and leakage activities will become more effective.
	Meter replacements Actual: 115,900 Target: 82,483	Our NHH upgrade programme started later than planned due to challenges with the works management system, resulting in only a small number of completions in Year 1. These issues have now been addressed, and we are fully operational for Year 2, with confidence in achieving the annual targets set. Due to the lower volume of new installations, we prioritised meter replacements to ensure overall delivery was maintained. This focused approach enabled us to exceed our replacement target. In Year 2, we will rebalance activity across programmes while continuing to meet replacement targets.

Operational performance
for year 1 summary continued

 Resilience

- Infrastructure resilience and Connect 2050
- Commitment: In 2026/27, we'll allocate £1.51 million to address infrastructure single-point failure risks.
 - Outcome: We will continue the design and construction of our Connect 2050 schemes, which will enhance supply resilience and support our Water Resources Management Planning ('WRMP') and Water Industry National Environment Programme ('WINEP') sustainability reduction plans.
- Network calming and leakage reduction
- Commitment: Increase network calming to reduce leakage and pipe replacement costs.
 - Outcome: In the year, we identified 30 high-risk locations, establishing the foundations for targeted and effective transient monitoring activity. We have procured permanent transient loggers at these priority sites and are enhancing our monitoring capabilities.
- Grand Union Canal Transfer scheme
- Commitment: Collaborate with our partners, communities and stakeholders to develop the Grand Union Canal Transfer scheme.
 - Outcome: This will deliver a sustainable and reliable water supply for the future and reduce our reliance on other water sources, including unique chalk stream habitats.
- Water demand reduction
- Commitment: Reduce total water demand by 50 million litres a day (4.5% in total demand) in 2030 from a 2025 baseline.
 - Outcome: By undertaking household and non-household water efficiency visits, fixing internal plumbing losses and driving behaviour change with smart meter customers to reduce use.

AMP8 Performance Commitments and Deliverables

Performance Commitment		
Mains repairs – due to bursts (number per 1,000km mains)	This performance commitment is the number of repairs to burst mains per thousand kilometres of the company's entire treated water main network. It includes both proactive and reactive repairs to burst mains from which water is lost. Performance this year has been significantly impacted by environmental conditions; a long, hot, dry summer and a freeze-thaw event in the winter. Despite this however, we have achieved our PC target due to a low level of burst repairs outside of these periods. We continue to invest in the proactive replacement of mains pipes, adopt new ways of working to improve our performance and we are ahead on mains replacements.	
Actual: 140.2 Target: 140.3		
Unplanned outage (%)	Unplanned outage is the temporary loss of maximum sustainable production capacity. It is the difference between the available production capacity and the sustainable maximum. This performance was achieved despite challenging conditions, including prolonged seasonal demand and a significant freeze-thaw event, which reduced system resilience and operating headroom.	
Actual: 1.14% Target: 2.20%		
PCD Category PCD		
Demand management	Water demand savings	We are empowering our customers to reduce their water consumption, by understanding usage, which helps protect our precious resources and creating a sustainable future. Our delivery plan focuses on reducing consumption across both Household (HH) and Non-Household (NHH). Affinity Water is currently below the Year 1 MI/d target, primarily due to the behaviour change campaign not reaching the anticipated number of customers, together with the Flow Regulator rollout alongside smart meters only transitioning into business as usual in October 2025. Looking ahead, if delivery continues in line with the current trajectory, Affinity Water is forecast to recover the shortfall and complete the AMP8 above target.
	Actual: 5.74 Target: 8.29	

PCD Category PCD		
WRMP supply (WAFU)	WAFU Benefit Actual: 10 Target: 10	The Connect 2050 programme is a strategic initiative designed to ensure the long-term resilience of the water supply network in the face of evolving challenges. It assesses existing infrastructure and proposes necessary enhancements over the next 25 years, with costs allocated between the Water Resources Management Plan (WRMP) and resilience measures. The Year 1 target, 10MI/d at Perivale, has been achieved in 2025/26 upon completion of the transfer of responsibility for the new asset from HS2.
Trunk mains and distribution mains	Mains renewals Actual: 41.9 Target: 39.0	This focuses on the renewal of our trunk mains including 15.9km of trunk mains identified as being in poor condition. The objectives are to maintain the current burst rate on trunk mains and to support performance commitments related to interruptions to supply (I2S) and the Compliance Risk Index (CRI). In 2025-26 the programmes have delivered 41.9km of mains renewals, outperforming year 1 target by 2.70km. Our plan is to be ahead of our cumulative renewals PCD target each year and in AMP8 deliver a total of 260.27km.

Operational performance for year 1 summary continued



Environment

Operational carbon reduction

- Commitment: Reduce operational carbon emissions by investing in energy efficiency.
- Outcome: In the year, we trialled lower carbon treatment solutions involving coconut GAC, switched the heating fuel at our largest site, and continued our transition to electric vehicles.

Nature-based solutions and catchment work

- Commitment: Fund and deliver nature-based solutions and catchment improvements.
- Outcome: We funded 13 projects through our 'Water in the Landscape' scheme and supported the delivery of over 3,000 hectares of catchment measures through our Functioning Soils scheme. We completed three river restoration schemes and plan to deliver over 30 projects by 2030.

Abstraction reduction and infrastructure investment

- Commitment: Deliver a programme to reduce abstraction from chalk aquifers by 35 million litres per day in the next five years.
- Outcome: We are investing in large-scale trunk main and booster pumping station schemes for bulk water transfer

Leakage reduction

- Commitment: Invest £95 million for leakage reduction to achieve a 31% overall reduction, progressing towards a 50% reduction by 2050.
- Outcome: We'll invest in new technologies such as satellite leak detection to find and fix leaks faster, as well as expanding our pressure management programme to help prevent new leaks occurring and reduce volumes lost from existing leaks.

AMP8 Performance Commitments and Deliverables

Performance Commitment	
Leakage [% reduction] Actual: 19.7% Target: 21.3%	This measure is reported as a percentage reduction in a three-year average Ml/d of leakage against a baseline average level of 2019/20. We have fallen slightly short of our targeted 21.3% reduction in the three-year rolling average. The summer saw prolonged dry conditions causing ground movement driving an increased level of mains bursts and leakage outbreak. We have increased resources, and our recovery plans are delivering improvements.
Per capita consumption ['PCC'] Actual: -0.1% Target: 3.6%	The performance commitment aims to incentivise us to help customers reduce their water consumption. 2025/26 was the driest and warmest year on record, we therefore saw PCC increase by 0.61/p/d from the prior year. Customers behavioural pattern have also significant changes since 2019/20 base year and water usage continues to remain higher when targets were set. Despite this, we remain committed to reducing PCC through a programme of established and new initiatives, both operational and behavioural. Alongside our existing water efficiency campaigns and services, we continue to look for innovative ways to educate on the need for reducing consumption. Our new customer campaign programme 'Keep Life Flowing' to help customers and understand how small changes in their everyday routines can make a big difference to their water use. Our smart metering programme has enabled our customers to keep track of their water usage.
Business demand Actual: 8.0% Target: 9.8%	The performance commitment aims to incentivise us to help our business customers reduce their water consumption. 2025/26 was the driest and warmest year on record. As a result, we have seen our business demand increase by 5.1 Ml/d from 2024/25. This impacted our performance and we didn't achieve our target. We are continuing to develop and expand our business demand services, seeing an increasing number of businesses requesting our services (since the beginning of the AMP). We are continuing to see this year's weather affect our Non-Household customers' demand.

Performance Commitment	
Operational GHG emissions Actual: 2.18% Target: 3.22%	This commitment aims to reduce greenhouse gas emissions and help us deliver on our Net Zero goal. This year's performance resulted in a reduction in emissions compared to last year. This was a significant achievement, spite this we have not met the target. Prolonged high demand in the summer increased our electricity and chemical consumption, generating more greenhouse gas emissions. This, combined with a slower than planned transition to electric vehicles meant reductions were not enough to achieve the target.
Discharge permit compliance Actual: 100% Target: 100%	This is our percentage compliance against our discharge permits at our production sites. This is one of our environmental obligations and holds us to account for any non-compliance. We achieved 100% compliance in 2026, demonstrating our continued strong environmental performance and commitment to ensuring our operations are compliant with Environmental Permitting Regulations.
Serious pollution incidents Actual: 0 Target: 0	The number of category 1 and 2 incidents. Serious incidents are categorised as having extensive, persistent or significant impact on the environment. We have an obligation to the environment to minimise any negative impacts of our operations. We are proud to be reporting zero category 1 and 2 incidents in the year.
Biodiversity Actual: 0.11 Target: 0	The increase in biodiversity is measured as units per 100km2 of our supply area using an ecology calculator to reduce extinction risk and increase resilience to climatic and water resource changes while enhancing ecosystems in our area. Through the planting of hedgerows as part of our WINEP environmental enhancement commitments, we have created 0.11 units of biodiversity across five sites, as hedgerow units.

Financial performance

for the year ended 31 March 2026

	2026 £000	2025 £000
Revenue	438,279	363,595
Cost of sales	[322,698]	[298,099]
Gross profit	115,581	65,496
Administrative expenses	[55,595]	[42,813]
Impairment losses on financial and contract assets	[6,344]	[9,618]
Other operating income	21,033	20,168
Operating profit	74,675	33,233
Finance income	22,464	16,636
Finance costs	[94,595]	[78,255]
Fair value [loss]/gain on inflation swaps	[11,148]	14,259
Fair value gain/[loss] on floating swaps	846	[3,524]
Net finance costs	[82,433]	[50,884]
Fair value gain on energy swaps	6,069	1,426
Loss before tax	[1,689]	[16,225]
Income tax expense	[4,532]	[580]
Loss for the financial year	[6,221]	[16,805]

Revenue

Revenue increased by £74.7 million (20.5%) to £438.3 million (2025: £363.6 million). Growth was driven by allowed tariff increases to fund our substantially higher investment, an increase in customer numbers, annual inflationary uplifts, and higher water consumption during the hot, dry period experienced in 2025.

Operating costs

Operating costs overall increased by £34.1 million (9.7%) to £384.6 million (2025: £350.5 million).

Energy remains one of our largest operating costs, supporting the treatment and distribution of water to over 4 million customers. To mitigate price volatility, we adopt an advance purchasing strategy aligned with regulatory true-up mechanisms, providing greater cost certainty across the regulatory period.

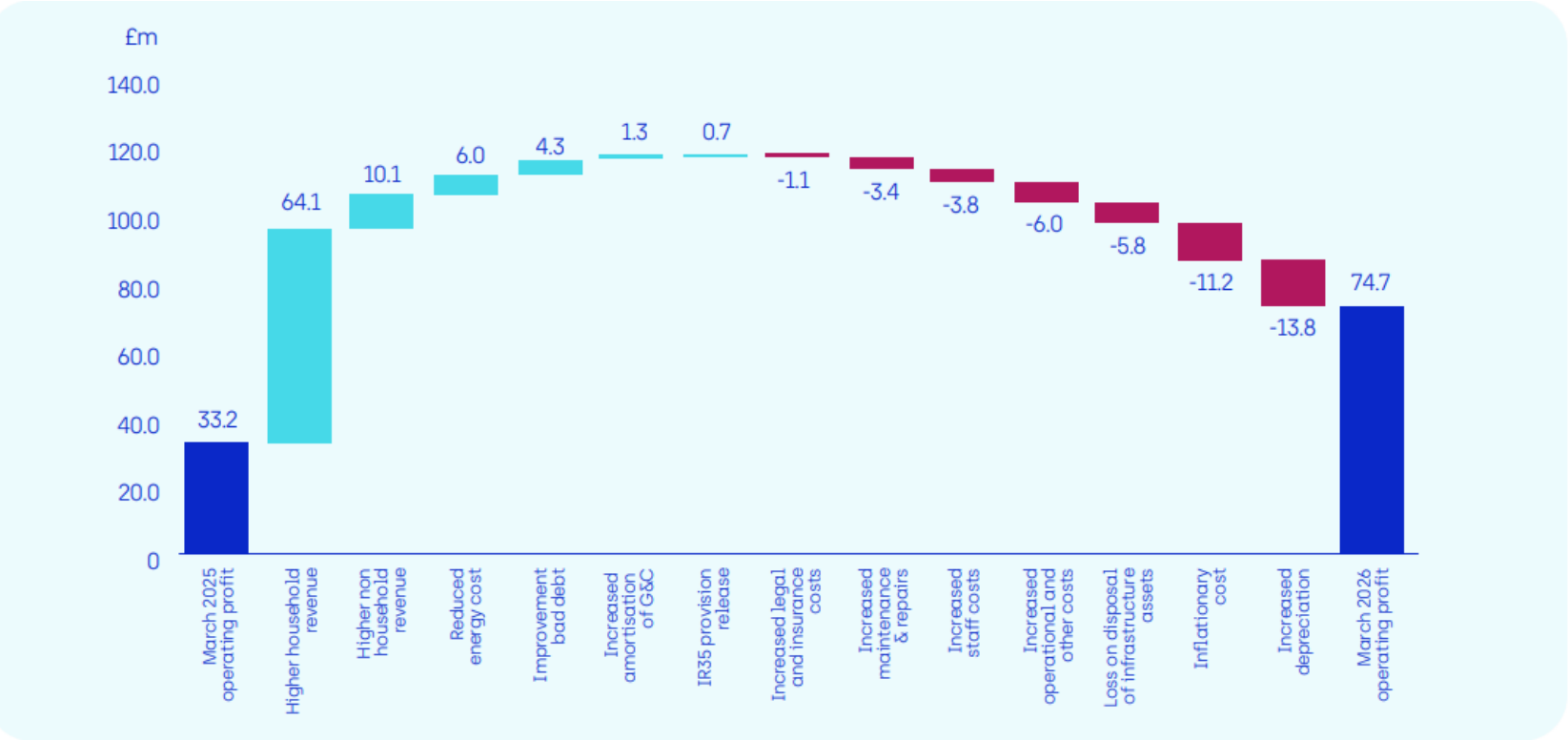
Bad debt costs reduced during the year, reflecting improved collections and a refined estimation methodology, partially offset by a provision for potential macroeconomic pressures arising from instability in the Middle East. The company continues to enhance collections and customer engagement, including targeted support for vulnerable customers to reduce aged debt.

Staff costs increased following a 3.3% inflation-linked pay award and an increased headcount. Depreciation increased during the year, due to our growing capital investment programme expanding the regulated asset base. This is consistent with our sustained investment in network resilience, water quality and environmental improvements to support long-term service delivery.

Financial performance

Operating profit

Overall operating profit increased by £41.5 million (125.0%) to £74.7 million (2025: £33.2 million), as illustrated in the graph below.



Financial performance

Finance costs and profit before tax

Net finance expense for the year was £82.4 million, a £31.5 million increase [62.0%] (2025: £50.9 million), primarily due to higher inflation increasing non-cash accretion on index-linked debt and swaps. A fair value gain of £6.1 million on energy swaps was recorded, driven by market price movements. The loss before tax for 2025/26 was £1.7 million, an improvement of £14.5 million [89.6%] compared to the prior year's loss of £16.2 million.

Taxation

The income tax charge for 2025/26 was £4.5 million (2025: £0.6 million charge).

All our profits are taxed in the UK, and we do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities. We comply with what we understand to be both the letter and the spirit of the law. Details of the tax strategy for the Affinity Water Limited regulated business can be found in our regulatory Annual Performance Report for the year ended 31 March 2026.

Dividends

The Board approved a revised dividend policy, aligned with updated license requirements, with effect from 1 April 2025. The policy reflects the Board's commitment to balancing stakeholder interests while maintaining financial resilience. The company forecast regulatory earnings of £47.5 million in the year taking into account the efficiency of investment and operational performance.

An appointed dividend of £26.0 million was paid, leaving £21.5 million available within retained earnings. Additionally, dividends from the company's non-regulated operations totalling £8.5 million were also paid in the year.

Cashflow

Net cash outflow before tax and financing for the year was £1.0 million, a £31.6 million improvement compared to the prior year (2025: £32.6 million outflow). The outflow primarily reflects increased capital investment in line with delivery plans.

Capital expenditure

Capital expenditure of £209.0 million was incurred in 2025/26 (2024/25: £205.9 million), focused on leakage management, mains renewal, water treatment and integrated water efficiency programmes. Expenditure reflects the phasing of multi-year investment programmes.



Financial performance

Liquidity

Our liquidity is managed through banking arrangements and adequate (though not excessive) cash resources, borrowing arrangements and standby facilities. This enables us to have the level of funds available that are necessary for the achievement of our business and service objectives at all times. At 31 March 2026, we had cash balances of £164.1 million (2025: £128.0 million) and short-term deposits held as investments of £129.1 million (2025: £80.8 million).

To the extent that additional funding is required, as well as our cash balances, we have access to two revolving credit facilities totalling £100.0 million (2025: £100.0 million), which were undrawn at 31 March 2026 (2025: undrawn), to finance capital expenditure and working capital requirements.

In addition, we have access to a further £81.0 million of liquidity facilities (2025: £57.0 million), consisting of a 364- day revolving £49.0 million facility to fund any debt service payments in the event of a liquidity shortfall, which would, otherwise, prevent such payments being made, and a 364-day revolving facility of £32.0 million to fund operating and capital maintenance expenditure in the event of a liquidity shortfall.



Financial performance

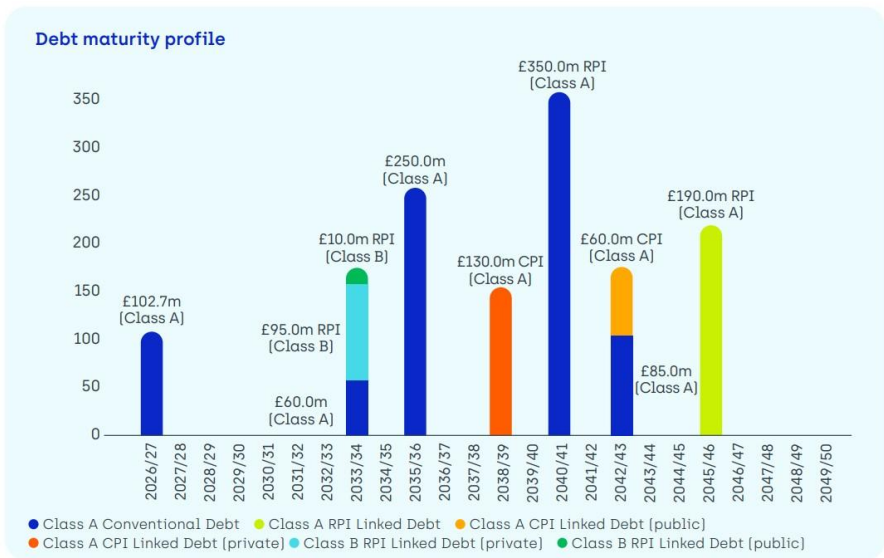
Financing

As a long-term infrastructure business with significant capital commitments, we seek to align our funding with long-term sources of finance. We consider the debt capital markets to be the most cost-effective source of long-term funding. Financing subsidiaries had outstanding external bonds totalling £1,332.7 million at year-end, which have been raised in the capital markets and on-lent to the company on the same terms.

On 28 May 2026, Affinity Water Limited's subsidiary, Affinity Water Finance PLC, issued a new £50.0 million debt instrument in the form of a private placement. The proceeds from the private placement will be received in August 2026 and will incur an interest rate of 6.56%. The private placement was issued under Affinity Water Limited's WBS structure, matures in August 2041 and is Class A in nature.

In July 2026, we repaid £102.7 million relating to the maturity of our fixed rate Class A bond. This was repaid using available surplus cash.

The following chart shows the maturity profile of the bonds issued by the company's subsidiaries as at 31 March 2026:



Credit ratings

The credit ratings for our subsidiaries' bonds assigned by the rating agencies, Moody's, Standard & Poor's, and Fitch have not changed in the year and can be seen in the table below.

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

¹ Negative outlook applied by Standard & Poor's

Net debt and gearing

Net debt at 31 March 2026 was £1,449.4 million [2025: £1,487.3 million], reflecting continued investment in the network. Index-linked debt increased in line with RPI and CPI; this non-cash accretion aligns with growth in nominal RCV and is included within net debt. Gearing is 69.1% and remains well within covenant limits, which are triggered above 90%. The £150.0 million equity injection delivered during the year supports the Board's commitment to maintain gearing at around 70% throughout AMP8, strengthening balance sheet resilience and preserving financial headroom.

Regulatory update

PR24 outcomes

We have just completed the first year of plan delivery in AMP8. We plan to invest £2.3 billion over AMP8 to enhance the sustainability, resilience and affordability of services. Of this total, totex of £422.0 million was invested in 2025/26.

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

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

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

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

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

Regulatory update

Independent Water Commission

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

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

The IWC report was followed by a White Paper setting out the government's broad support for most of the report's recommendations and signalling its intention to introduce primary legislation, where needed, to introduce the changes. The King's speech in April this year included proposed legislation in the form of a Clean Water Bill which will implement the proposals in the White Paper. We expect the Bill to be published in the Autumn of this year alongside a transition plan which will set out how the government intends to manage the migrations to the new structures and processes.

Despite the delays to publication of the transition plan, government has confirmed that the PR29 periodic review and accompanying planning process for water resources, the environment and drainage and waste water will proceed largely according to the existing timescale but will be accompanied by the progressive introduction of supervisory regulation. In parallel, the new combined regulator will be developed, initially in shadow format and given formal status once the necessary legislation has been passed. As an interim measure, a new role of chair of transition has been created to oversee the transition process. Dame Julia Black has been appointed to this role.

Clearly, reform on this scale brings significant implementation risks. The sector is running the existing business planning process while developing a new one alongside it. This poses a major resource challenge to government, regulators and companies over the next four years. It is positive that government has shown a real willingness to collaborate with the industry and other stakeholders in the development of the transition plan and other parts of the reform process. Affinity Water has been an active participant in industry workshops convened by government and will continue to be very much engaged. An internal group, led by the Director of Regulation and Strategy, has conducted detailed analysis of every stage of the reform process, highlighting the risks and opportunities for Affinity Water.

Executive director changes

Keith Haslett stepped down from his role as CEO on 31 March 2026. Mark Garth was appointed as Keith's replacement on 9 January 2026 and had an effective start date of 15 June 2026.

Common Terms Agreement Compliance

Calculation of financial ratios¹

Date	Calculation Date	31 March 2027	31 March 2028	31 March 2029	31 March 2030
Class A RAR	0.608	0.621	0.623	0.621	0.619
Senior RAR	0.691	0.699	0.698	0.693	0.691

Class A ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Net Cash Flow (£000)	178,036	192,419	196,151	231,064	252,379
Class A Debt Interest (£000)	29,819	39,810	43,411	49,612	54,383
Class A Adjusted ICR	6.0	4.8	4.5	4.7	4.6

¹ This Investor Report contains a high-level summary of covenant calculations. The detailed calculations were provided to the Trustee and other relevant parties on 03 July 2026 along with the Compliance Certificates

Class A Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Net Cash Flow (£000)	178,036	192,419	196,151	231,064	252,379
Less the aggregate of CCD and IRC (£000)	-	-	-	-	-
Class A Debt Interest (£000)	29,819	39,810	43,411	49,612	54,383
Class A Adjusted ICR	6.0	4.8	4.5	4.7	4.6

Senior Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Net Cash Flow (£000)	178,036	192,419	196,151	231,064	252,379
Less the aggregate of CCD and IRC (£000)	-	-	-	-	-
Senior Debt Interest (£000)	35,100	45,207	48,975	55,333	60,277
Senior Adjusted ICR	5.1	4.3	4.0	4.2	4.2

Class A Average Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Year 1	6.0	4.8	4.5	4.5	4.5
Year 2	4.8	4.5	4.7	4.7	4.7
Year 3	4.5	4.7	4.6	4.6	4.6
Class A Average Adjusted ICR 3 year average	5.1	4.7	4.6	4.6	4.6

Senior Average Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Year 1	5.1	4.3	4.0	4.0	4.0
Year 2	4.3	4.0	4.2	4.2	4.2
Year 3	4.0	4.2	4.2	4.2	4.2
Senior Average Adjusted ICR 3 year average	4.4	4.1	4.1	4.1	4.1

Class A RAR

Date	Calculation Date	31 March 2027	31 March 2028	31 March 2029	31 March 2030
Class A Net Indebtedness (£000)	1,274,420	1,417,926	1,538,510	1,630,637	1,685,497
RCV (£000)	2,097,657	2,284,860	2,467,774	2,626,508	2,722,807
Class A RAR	0.608	0.621	0.623	0.621	0.619

Senior RAR

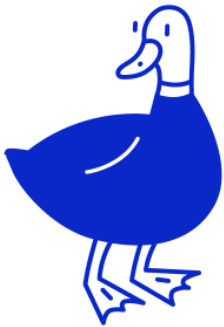
Date	Calculation Date	31 March 2027	31 March 2028	31 March 2029	31 March 2030
Senior Net Indebtedness (£000)	1,449,320	1,596,137	1,721,792	1,819,867	1,880,397
RCV (£000)	2,097,657	2,284,860	2,467,774	2,626,508	2,722,807
Senior RAR	0.691	0.699	0.698	0.693	0.691

Conformed Class A Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Net Cash Flow (£000)	178,036	192,419	196,151	231,064	252,379
Less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure (£000)	[88,380]	[97,055]	[105,112]	[112,522]	[117,699]
Class A Debt Interest (£000)	29,819	39,810	43,411	49,612	54,383
Conformed Class A Adjusted ICR	3.0	2.4	2.1	2.4	2.5

Conformed Senior Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Net Cash Flow (£000)	178,036	192,419	196,151	231,064	252,379
Less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure (£000)	[88,380]	[97,055]	[105,112]	[112,522]	[117,699]
Senior Debt Interest (£000)	35,100	45,207	48,975	55,333	60,277
Conformed Senior Adjusted ICR	2.6	2.1	1.9	2.1	2.2



Conformed Class A Average Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Year 1	3.0	2.4	2.1	2.1	2.1
Year 2	2.4	2.1	2.4	2.4	2.4
Year 3	2.1	2.4	2.5	2.5	2.5
Conformed Class A Average Adjusted ICR 3 year average	2.5	2.3	2.3	2.3	2.3

Conformed Senior Average Adjusted ICR

Test period	Year 1 1 April 2025 - 31 March 2026	Year 2 1 April 2026 - 31 March 2027	Year 3 1 April 2027 - 31 March 2028	Year 4 1 April 2028 - 31 March 2029	Year 5 1 April 2029 - 31 March 2030
Year 1	2.6	2.1	1.9	1.9	1.9
Year 2	2.1	1.9	2.1	2.1	2.1
Year 3	1.9	2.1	2.2	2.2	2.2
Conformed Senior Average Adjusted ICR 3 year average	2.2	2.0	2.1	2.1	2.1

Further Certifications

Surplus

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

Authorised Investments

Terms	Bank Deposits (£m)	Liquidity Funds (£m)	Total (£m)
Overnight	36.7	127.4	164.1
1 Month	51.5		51.5
2 Month	41.5		41.5
3 Month	36.1		36.1
Total	165.8	127.4	293.2



Debt Service Reserve Accounts

There is an £8.4million balance in the Class A debt service reserve account as at 31 March 2026. The remaining required debt service reserve is provided by a liquidity facility from National Westminster Bank PLC totalling £49.0million.

Permitted Subsidiaries acquired

There were no Permitted Subsidiaries acquired pursuant to a Permitted Acquisition in the period to 31 March 2026.

Annual Finance Charge

Affinity Water Limited has calculated the Annual Finance Charge for the period from 1 April 2026 to 31 March 2027 as £45.2m.

	1 April 2026 – 31 March 2027 (£m)
Forecast interest paid on bonds and swap	43.7
Forecast interest paid on loans	0.0
Other recurring finance fees paid	1.5
Total	45.2

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



Reconciliation to Financial Statements

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

	31 March 2026 £'000
Borrowings	1,619,917
Less Permitted Legacy Loan	[3,550]
Less Financial Liability related to Leasehold Property	[18,781]
Add Unamortised Debt Issue Costs and Bond Premium	[19,177]
Add Accrued Interest	9,745
Add Swap Accrued Interest	[7,497]
Add Swap Accretion	162,004
Less Cash and cash equivalents	[293,341]
Senior Net Indebtedness	1,449, 320
Less Class B Indebtedness	[174,899]
Class A Net Indebtedness	1,274,421
RCV	2,097,657



AffinityWater

Affinity Water Limited also confirms:

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

Yours faithfully,

Adam Stephens

Chief Financial Officer

Affinity Water Limited

[in its capacity as Transaction Agent]