AFFINITY WATER EAST LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

(Registered Number 02663338)

Affinity Water East Limited

Contents

Affinity Water East Limited

Directors' report
for the year ended 31 March 2018

Introduction

The directors present their report and the audited statutory financial statements for the year ended 31 March 2018.

Future developments

It is anticipated the company will continue to manage the business and its financial resources to maximise returns to the company's shareholders for the foreseeable future. The company will earn interest charged against the £65,000,000 loan to Affinity Water Capital Funds Limited.

Dividends

The directors have declared and paid the following dividends during the year ended 31 March 2018:

Ordinary dividends:	£000
Interim paid in June 2017	1,528
Interim paid in December 2017	1,576
	3,104

This compares to interim dividends of £3,033,000 declared and paid in the year ended 31 March 2017.

The directors do not recommend a final dividend (2017: nil).

Directors

The directors of the company, who were in office during the year and up to the date of signing the financial statements were as follows:

Duncan Bates (resigned 2 November 2017)
Michael Calabrese
Stuart Ledger (appointed 2 November 2017)

Company Secretary

Tim Monod

Events after the reporting period

There were no significant events that took place after the reporting period.

Affinity Water East Limited

Directors' report
for the year ended 31 March 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Affinity Water East Limited

Directors' report
for the year ended 31 March 2018 (continued)

Independent auditor

PricewaterhouseCoopers LLP

The auditor, PricewaterhouseCoopers LLP, has indicated its willingness to continue in office and a resolution concerning its re-appointment will be proposed by the Board.

By order of the Board

Tim Monod
Company Secretary
20 June 2018

Independent auditor's report to the members of Affinity Water East Limited

Report on the audit of the financial statements

Opinion

In our opinion, Affinity Water East Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the income statement, the statement of changes in equity for the year ended 31 March 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Independent auditor's report to the members of Affinity Water East Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial 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 financial 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

Independent auditor's report to the members of Affinity Water East Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
21 June 2018

Affinity Water East Limited

Income statement
for the year ended 31 March 2018
(Registered Number 02663338)

	Note	2018 £000	2017 £000
Operating result	4	**-**	-
Finance income	6	**3,945**	3,874
Finance costs	6	**(44)**	(44)
Profit on ordinary activities before income tax		**3,901**	3,830
Income tax expense on ordinary activities	7	**(749)**	(775)
Profit for the year		**3,152**	3,055

The notes on pages 10 to 20 are an integral part of these financial statements.

Finance income, finance costs, and tax charges thereon are the only continuing business of the company.

The company has no other comprehensive income in either the current year or prior year other than the results above, therefore a statement of comprehensive income has not been presented.

Affinity Water East Limited

Statement of financial position as at 31 March 2018

(Registered Number 02663338)

	Note	2018 £000	2017 £000
Current assets			
Trade and other receivables	9	**2,419**	2,368
Amounts owed by group undertaking falling due after more than one year	9	**65,000**	65,000
Cash and cash equivalents		**2**	1
		67,421	67,369
Creditors – amounts falling due within one year	10	**(1,373)**	(1,369)
Net current assets		**66,048**	66,000
Total assets less current liabilities		**66,048**	66,000
Creditors – amounts falling due after more than one year	11	**(446)**	(446)
Net assets		**65,602**	65,554
Equity			
Ordinary shares	12	**728**	728
Capital redemption reserve		**1,500**	1,500
Retained earnings		**63,374**	63,326
Total shareholders' funds		**65,602**	65,554

The notes on pages 10 to 20 are an integral part of these financial statements.

The financial statements on pages 7 to 20 were authorised for issue by the Board of directors on 20 June 2018 and were signed on its behalf by:

Stuart Ledger
Director

Affinity Water East Limited

Statement of changes in equity for the year ended 31 March 2018

(Registered Number 02663338)

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance as at 1 April 2016	728	1,500	63,304	65,532
Profit for the year	-	-	3,055	3,055
Total comprehensive income for the year	-	-	3,055	3,055
Dividends	-	-	(3,033)	(3,033)
Total transactions with owners, recognised directly in equity	-	-	(3,033)	(3,033)
Balance as at 31 March 2017	728	1,500	63,326	65,554
Balance as at 1 April 2017	**728**	**1,500**	**63,326**	**65,554**
Profit for the year	**-**	**-**	**3,152**	**3,152**
Total comprehensive income for the year	**-**	**-**	**3,152**	**3,152**
Dividends	**-**	**-**	**(3,104)**	**(3,104)**
Total transactions with owners, recognised directly in equity	**-**	**-**	**(3,104)**	**(3,104)**
Balance as at 31 March 2018	**728**	**1,500**	**63,374**	**65,602**

The notes on pages 10 to 20 are an integral part of these financial statements.

Affinity Water East Limited

Notes to the financial statements for the year ended 31 March 2018

1. General information

Prior to the sale of all trade, assets and liabilities of Affinity Water East Limited (the 'company') to Affinity Water Limited on 27 July 2012, the company supplied water to an estimated population of 157,000 in an area of 352 square kilometres in north-east Essex.

Since the sale, the company's strategy is to manage its financial resources to maximise returns to the company's shareholders for the long term.

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100: 'Application of financial reporting requirements' ('FRS 100') issued by the Financial Reporting Council ('FRC'). Accordingly, in the year ended 31 March 2018 the company has prepared its statutory financial statements under FRS 101 as issued by the FRC.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7: 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13: 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of International Accounting Standards ('IAS') 1: 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1: 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7: 'Statement of cash flows'
- Paragraph 17 of IAS 24: 'Related party disclosures' (key management compensation)
- The requirements in IAS 24: 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The group financial statements of Daiwater Investment Limited, the company's ultimate holding and controlling company in the United Kingdom, will be publicly available and may be obtained as set out in note 14.

2.2 Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. This is based on assessment of the principal risks of the company and consideration of the company's budgeted cash flows, long term forecasts and related assumptions.

2. Summary of significant accounting policies (continued)

2.3 Changes in accounting policy and disclosures

Standards and interpretations which are not yet effective and have not been early adopted by the company are listed below.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for the annual period beginning on 1 April 2018. Given the nature of the company's operations, the new standard will not have a material impact on the company.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for the annual period beginning on 1 April 2019. There will not be a material impact on the company.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for the annual period beginning on 1 April 2018. Management have concluded that given the nature of the company's financing arrangements, the procedures currently in place to assess the recoverability of receivables using historical data is deemed sufficient under the expected credit loss model; historical recoverability has shown to be a good indicator of future expected losses. Therefore, the new standard will not have a material impact on the financial statements.

2.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.5 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.6 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the year in which the dividends are approved by the company's shareholders.

2. Summary of significant accounting policies (continued)

2.7 Current income tax

The current income tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of amounts owed by group undertaking

Determining whether the amounts owed by Affinity Water Capital Funds Limited, the company's immediate parent, are impaired required consideration of factors including Affinity Water Limited's, Affinity Water Capital Funds Limited's principal trading indirect subsidiary, credit rating and ability to generate positive cash flows from its operating activities going forward.

The carrying amount of the amounts owed by group undertaking at the date of the statement of financial position was £67,419,000 (2017: £67,368,000) with no impairment losses recognised in the year ended 31 March 2018 (2017: nil) (refer to note 9).

4. Operating result

	2018	2017
	£000	£000
Operating result is stated after charging:		
Audit fees payable to the company's auditor	-	-

The auditor's remuneration for audit services in the year amounted to £5,545 (2017: £5,500), with such costs being borne by Affinity Water Limited, a fellow group undertaking. The auditor received no other remuneration for services provided to the company in either the current or prior year.

5. Employees and directors

Employees

The company had no employees in the current year (2017: nil).

Directors

For the period 1 April 2017 to 31 July 2017 Duncan Bates was a director of Affinity Water Limited and a number of fellow subsidiaries of the Daiwater Investment Limited group, and it was not possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries for this period. His total remuneration for this period is included in the aggregate of directors' remuneration disclosed in the annual report and financial statements of Affinity Water Limited for the year ended 31 March 2018, with no recharge made to the company. Following his resignation from Affinity Water Limited on 31 July 2017, he continued to hold directorship positions for a number of fellow subsidiaries of the Daiwater Investment Limited group for the period 1 August 2017 to 2 November 2017. Duncan received remuneration in respect of his directorship of Affinity Water East Limited for this period. This was paid by Affinity Water Limited with no recharge to the company.

From 2 November 2017, Stuart Ledger was appointed as a director of Affinity Water Limited and a number of fellow subsidiaries of the Daiwater Investment Limited group. It has not been possible to make an accurate apportionment of his remuneration in respect of each of the subsidiaries. Accordingly, there is no detail shown in respect of the remuneration of Stuart Ledger. His total remuneration is included in the aggregate of directors' remuneration disclosed in the annual report and financial statements of Affinity Water Limited for the year ended 31 March 2018, with no recharge made to the company.

Michael Calabrese is remunerated as an employee through Affinity Water Limited with no recharge made to the company.

6. Finance income and costs

Finance income

	2018	2017
	£000	£000
Interest income on loan to parent company	**3,945**	3,874

Finance costs

	2018	2017
	£000	£000
Preference dividends	**(44)**	(44)

6. Finance income and costs (continued)

Net finance income

	2018 £000	2017 £000
Finance income	**3,945**	3,874
Finance costs	**(44)**	(44)
Net finance income	**3,901**	3,830

The interest income on loan to parent company relates to the £65,000,000 loan to Affinity Water Capital Funds Limited (see note 9).

7. Income tax expense

Tax expense included in the income statement

	2018 £000	2017 £000
Current tax:		
UK Corporation tax on profit for the year	**749**	775
Tax on profit on ordinary activities	**749**	775

The tax expense for the year ended 31 March 2018 was higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	**3,901**	3,830
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	**741**	766
Effects of:		
Permanent differences	**8**	9
Tax expense	**749**	775

The tax rate for the current year (19%) is lower than the prior year (20%).

In October 2015 and September 2016, changes were enacted to the main rate of corporation tax in the UK from 20% to 19% effective from 1 April 2017 and from 19% to 17% effective from 1 April 2020.

Notes to the financial statements for the year ended 31 March 2018 (continued)

8. Dividends

	2018 £000	2017 £000
Ordinary:		
Paid: First interim of 130.219p per share in June 2017 (June 2016: 128.235p)	**1,528**	1,505
Paid: Second interim of 134.308p per share in December 2017 (December 2016: 130.194p)	**1,576**	1,528
	3,104	3,033

9. Trade and other receivables

Due within one year	2018 £000	2017 £000
Amounts owed by group undertaking	**2,419**	2,368

The amounts owed by group undertaking relates to interest receivable on the £65,000,000 loan to Affinity Water Capital Funds Limited, the company's immediate parent (see below). This loan carried an interest rate of 6.07% (2017: 5.96%) at 31 March 2018. The loan is due for repayment on 31 March 2020.

Due after more than one year	2018 £000	2017 £000
Amount owed by group undertaking	**65,000**	65,000

10. Creditors – amounts falling due within one year

	2018 £000	2017 £000
Corporation tax	**1,373**	1,369

11. Creditors – amounts falling due after more than one year

	2018 £000	2017 £000
Preference shares	**446**	446

Preference shares relate to 4,456,116 (2017: 4,456,116) shares of 10p each. The preference shareholders are entitled to a fixed cumulative 10% of the nominal value, payable half yearly on 1 November and 15 July.

12. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid share capital		
1,088,860 (2017: 1,088,860) ordinary shares of 25p each	**272**	272
84,770 (2017: 84,770) ordinary non voting shares of 25p each	**21**	21
4,346,109 (2017: 4,346,109) deferred shares of 10p each	**435**	435
	728	728

Rights to dividends

Deferred shares have no entitlement to dividends.

Priority and amounts receivable on a sale or winding up

In the event of liquidation or a repayment only of the capital, the surplus assets after the payment of liabilities of the company shall be applied in the following priority:

- Firstly, to the preference shareholders for any arrears, deficiencies or accruals of dividends (refer to note 11).
- Secondly, to the holders of the ordinary and ordinary non-voting shares one million times the paid up capital.
- Thirdly, to the holders of the preference and deferred shares, the capital paid on such shares that shall not otherwise be entitled to share in surplus assets.

The balance shall be distributed amongst the holders of the ordinary shares and the ordinary non-voting shares according to the amount paid up thereon.

Voting rights

Non-voting ordinary shareholders have the right to receive notice of but not to attend or to vote at any general meeting unless the meeting involves a variation in any rights attached to such shares.

Ordinary shareholders have the right to receive notice of, attend and vote at all general meetings.

13. Related party transactions

Income	Nature of Relationship	In respect of	2018 Value	2018 Balance	2017 Value	2017 Balance
			£000	**£000**	£000	£000
Affinity Water Capital Funds Limited	Parent company	Financing	**3,945**	**67,419***	3,874	67,368*

*includes the principal amount outstanding of £65,000,000.

Expenses	Nature of Relationship	In respect of	2018 Value	2018 Balance	2017 Value	2017 Balance
			£000	**£000**	£000	£000
Affinity Water Capital Funds Limited	Parent company	Financing and dividends	**3,100**	**-**	3,030	-

Notes to the financial statements for the year ended 31 March 2018 (continued)

14. Ultimate parent company and controlling party

The immediate parent undertaking of the company is Affinity Water Capital Funds Limited, a company registered in England and Wales. Affinity Water Capital Funds Limited is wholly owned by Daiwater Investment Limited, a company registered in England and Wales. Daiwater Investment Limited is the parent undertaking of the smallest and largest group to consolidate the statutory financial statements of this company for the year ended 31 March 2018.

The directors consider that Daiwater Investment Limited was the ultimate holding and controlling company in the United Kingdom after 19 May 2017 and that Affinity Water Acquisitions (Investments) Limited was the ultimate holding and controlling company in the United Kingdom during the year up until this date. Copies of the group financial statements of Daiwater Investment Limited for the period ended 31 March 2018 may be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

Affinity Water Acquisitions (Investments) Limited was owned by a consortium of investors led by Infracapital Partners II (consisting of Infracapital Partners II LP and Infracapital Partners (NT) II LP) and North Haven Infrastructure Partners LP until 19 May 2017. Veolia Environnement S.A. held a 10% shareholding in Affinity Water Acquisitions (Holdco) Limited, the direct subsidiary of Affinity Water Acquisitions (Investments) Limited, through its subsidiary Veolia Water UK Limited until the same date. The directors considered Infracapital Partners II and North Haven Infrastructure Partners LP to be the company's ultimate controllers prior to the sale, as they were in a position to exercise material influence over the company's policy and affairs.

On 19 May 2017, Affinity Water Acquisitions (Investments) Limited was acquired by a consortium comprising Allianz Capital Partners on behalf of the Allianz Group, DIF and HICL Infrastructure Company Limited (advised by InfraRed Capital Partners Limited). As part of the transaction, the consortium also acquired Veolia Water UK Limited's 10% equity interest stake in the company. Subsequent to the initial sale, HICL Infrastructure Company Limited (advised by InfraRed Capital Partners Limited) sold down 3.4% of their interest to a small group of co-investors, comprising UK local authority pension funds in June 2017.

The consortium made its investment through Daiwater Investment Limited, which is now the company's UK holding company. The directors consider the following entities to be the company's ultimate controllers, as they are in a position to exercise material influence over the company's policy and affairs:

- Allianz Infrastructure Luxembourg I Sarl
- DIF Management Holding BV
- DIF Management UK Limited
- HICL Infrastructure Company Limited
- InfraRed Capital Partners (Management) LLP

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

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

Notes to the financial statements for the year ended 31 March 2018 (continued)

14. Ultimate parent company and controlling party (continued)

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

15. Events after the end of the reporting period

There were no significant events that took place after the reporting period.