

**AFFINITY WATER ACQUISITIONS
(INVESTMENTS) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

(Registered Number 08101550)



Affinity Water Acquisitions (Investments) Limited

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Affinity Water Acquisitions (Investments) Limited

Strategic report for the year ended 31 March 2021

The directors present their strategic report on Affinity Water Acquisitions (Investments) Limited ('the company') for the year ended 31 March 2021.

Principal activities

The company's primary purpose is to manage an investment in Affinity Water Acquisitions (Holdco) Limited, which during the year to 31 March 2021 held an indirect investment in the trading subsidiary Affinity Water Limited.

The holding companies within the Daiwater Investment Limited group have commenced a project to simplify the group structure. On 1 April 2020, the company waived its right to the £13,002,000 loan receivable from group undertaking Affinity Water Acquisitions (Midco) Limited and treated this as a capital contribution in Affinity Water Acquisitions (Midco) Limited. The company also waived its right to £2,499,000 of interest receivable from the group undertaking, reflecting this as an increase in the carrying amount of investments in subsidiaries.

The company itself incurs small administrative expenses for holding its investment and receives dividend income from its investments. Prior to the waiver of the loan receivable from the group undertaking, the company received interest income on its loans issued to fellow group undertakings. The company incurs tax charges on its profits made. Directors consider the company has adequate reserves to meet its activities and purpose.

Performance of the company is dependent ultimately on the performance of the trading subsidiary Affinity Water Limited. Affinity Water Limited owns and manages the water assets and network in an area of approximately 4,515km² in the southeast of England.

Until its sale outside of the group to Castle Water Limited on 1 April 2020, Castle Water (Southern) Limited (formerly Affinity for Business (Retail) Limited), was also a trading subsidiary of the group, operating as a water and wastewater retailer in the non-household retail market.

The statement of financial position detailed on page 11 shows that the company had net assets of £390,634,000 (2020: £391,152,000) at the year end.

As both the financial and operational results of the company are dependent on the results of the indirect trading subsidiary, the performance indicators and targets set are provided in detail in the strategic report of Affinity Water Limited's own annual report and financial statements for the year ended 31 March 2021 on its website: [affinitywater.co.uk/library](https://www.affinitywater.co.uk/library).

Due to the nature of the company's business, it is not relevant to set any key performance indicators to report against.

Affinity Water Acquisitions (Investments) Limited

Strategic report for the year ended 31 March 2021 (continued)

Principal risks and uncertainties

The main risks of the company are centred on the key principal risks of the indirect trading subsidiary, as ultimately the value of the company's investment, interest income and dividend income are dependent on the indirect trading subsidiary's activities. These principal risks include:

Operational risks

- Some of our work activities could cause harm to our employees, contractors or members of the public
- We may become unable to meet our obligations to provide a sufficient supply of high-quality drinking water
- We may fail to attract, develop and retain employees with the competencies, values and behaviours required to engage with and promote our corporate culture, and deliver our strategic ambition and business outcomes
- Availability, confidentiality or integrity of information or data could become compromised
- We may fail to deliver our business plan, commitments and service to customers
- Our supply chain may fail to deliver the goods and services we need to operate our business
- We could cause damage to the environment in the course of our business activities; or climate change and other environmental factors could negatively impact our business operations
- We may fail to implement the cultural and operational transformation of our business necessary to deliver our business plan obligations
- A global health pandemic or similar event could cause severe disruption to our normal business activities
- The health of our assets may deteriorate such that water supply or quality is compromised

Regulatory risks

- Changes could occur in the legal and regulatory framework, or social or political climate, which have significant effects on our operational or financial performance
- We may inadvertently fail to comply with laws and obligations under our instrument of appointment

Financial risks

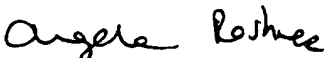
- We could fail to maintain or renew appropriate financing for our business activities
- Macro-economic factors (interest rate, inflation and tax risks) could have a material adverse effect on our financial performance.

These risks are provided in more detail in the strategic report of Affinity Water Limited's own annual report and financial statements for the year ended 31 March 2021 on its website: affinitywater.co.uk/library.

Due to the nature of the company's business, neither Brexit nor COVID-19 has had a significant impact on the company.

Approval of the strategic report

On behalf of the Board


Angela Roshier
Director
28 June 2021

Affinity Water Acquisitions (Investments) Limited

Directors' report for the year ended 31 March 2021

Introduction

The directors present their report and the audited statutory financial statements for the year ended 31 March 2021.

Future developments

The holding companies within the Daiwater Investment Limited group have commenced a project to simplify the group structure by way of the following steps:

- 1) forgiveness of intragroup loan notes, together with interest obligations;
- 2) a capital reduction by way of solvency statements; and
- 3) a horizontal restructure of the holding companies to become direct subsidiaries of Daiwater Investment Limited.

Step 1) in the above points has been completed and is reflected in these financial statements for the year ended 31 March 2021. Steps 2) and 3) will be completed in the year ending 31 March 2022.

Following completion of steps 1), 2) and 3) above, the directors propose to liquidate the company.

Dividends

Dividends totalling £1,213,000 have been paid during the year ended 31 March 2021 (2020: £nil).

The directors do not recommend a final dividend (2020: £nil).

Directors

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

Neeti Anand (appointed 1 April 2021)
Tom Goossens (resigned 1 April 2021)
Jaroslava Korpanec
Anthony Roper
Angela Roshier
Scott Springett

Company Secretary

Sunita Kaushal (appointed 1 April 2021)
Tim Monod (resigned 6 November 2019)

No Company Secretary had been appointed to replace Tim Monod in the period from 6 November 2019 to 1 April 2021.

Events after the reporting period

In April 2021, the company effected a capital reduction and subsequent consolidation of shares, resulting in a holding of one share at a value of £0.01.

Affinity Water Acquisitions (Investments) Limited

Directors' report for the year ended 31 March 2021 (continued)

Directors' qualifying third party indemnity provisions

The company has not granted any indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006.

Political contributions

No political contributions were made during the year (2020: £nil), in accordance with the company's policy of not making political contributions.

Financial risk management

The management of financial risks is disclosed in the Strategic report on page 2.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS 101'), 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 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.

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.

Directors' confirmations

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.

Affinity Water Acquisitions (Investments) Limited

Directors' report for the year ended 31 March 2021 (continued)

Independent auditor

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.

On behalf of the Board



Angela Roshier
Director
28 June 2021

Affinity Water Acquisitions (Investments) Limited

Independent auditors' report to the member of Affinity Water Acquisitions (Investments) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Affinity Water Acquisitions (Investments) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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 2021; the Income statement, the Statement of changes in equity for the year then ended; 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Affinity Water Acquisitions (Investments) Limited

Independent auditors' report to the member of Affinity Water Acquisitions (Investments) 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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 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 Strategic Report and 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 in respect of the financial statements, 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.

Affinity Water Acquisitions (Investments) Limited

Independent auditors' report to the member of Affinity Water Acquisitions (Investments) 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to taxation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- challenging assumptions and judgements made by management in their accounting estimates;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- reviewing correspondence with and reports to relevant authorities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 member 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.

Affinity Water Acquisitions (Investments) Limited

Independent auditors' report to the member of Affinity Water Acquisitions (Investments) Limited (continued)

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 obtained 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.



Richard Bedlow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
28 June 2021

Affinity Water Acquisitions (Investments) Limited

Income statement for the year ended 31 March 2021 (Registered Number 08101550)

	Note	2021 £000	2020 £000
Administrative expenses		-	(66)
Operating result/(loss)	4	-	(66)
Income from shares in group undertakings		684	-
Profit/(loss) before interest and taxation		684	(66)
Finance income	6	14	1,318
Profit before income tax		698	1,252
Income tax expense	7	(3)	(238)
Profit for the financial year		695	1,014

The notes on pages 13 to 21 are an integral part of these financial statements.

All profits of the company in the current year and prior year are from continuing operations.

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

Affinity Water Acquisitions (Investments) Limited

Statement of financial position

as at 31 March 2021

(Registered Number 08101550)

	Note	2021 £000	2020 £000
Fixed assets			
Investments	9	391,274	375,773
Current assets			
Trade and other receivables	10	14	16,029
Cash and cash equivalents		6	7
		20	16,036
Creditors – amounts falling due within one year	11	(660)	(657)
Net current (liabilities)/assets		(640)	15,379
Total assets less current liabilities		390,634	391,152
Net assets		390,634	391,152
Equity			
Called up share capital	12	51,738	51,738
Retained earnings		338,896	339,414
Total shareholders' funds		390,634	391,152

The notes on pages 13 to 21 are an integral part of these financial statements. The statutory financial statements on pages 10 to 21 were approved by the Board of Directors and were signed and authorised for issue on 28 June 2021 on its behalf by:



Angela Roshier
Director

Affinity Water Acquisitions (Investments) Limited

Statement of changes in equity for the year ended 31 March 2021

(Registered Number 08101550)

	Called up share capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2019	51,738	338,400	390,138
Profit for the financial year	-	1,014	1,014
Total comprehensive income for the year	-	1,014	1,014
Dividends	-	-	-
Total transactions with owner, recognised directly in equity	-	-	-
Balance at 31 March 2020	51,738	339,414	391,152
Balance as at 1 April 2020	51,738	339,414	391,152
Profit for the financial year	-	695	695
Total comprehensive income for the year	-	695	695
Dividends	-	(1,213)	(1,213)
Total transactions with owner, recognised directly in equity	-	(1,213)	(1,213)
Balance as at 31 March 2021	51,738	338,896	390,634

The notes on pages 13 to 21 are an integral part of these financial statements.

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021

1. General information

Affinity Water Acquisitions (Investments) Limited ('the company') manages an investment in Affinity Water Acquisitions (Holdco) Limited.

The company is a private company limited by shares and is incorporated and domiciled in England, 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'). The financial statements of Affinity Water Acquisitions (Investments) Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

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.

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.

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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 holding companies within the Daiwater Investment Limited group have commenced a project to simplify the group structure by way of the following steps:

- 1) forgiveness of intragroup loan notes, together with interest obligations;
- 2) a capital reduction by way of solvency statements; and
- 3) a horizontal restructure of the holding companies to become direct subsidiaries of Daiwater Investment Limited.

Step 1) in the above points has been completed and is reflected in these financial statements for the year ended 31 March 2021. Steps 2) and 3) will be completed in the year ending 31 March 2022.

It is the intention of the directors that the company will be wound up following completion of steps 1), 2) and 3) and the directors therefore do not believe that the going concern basis of accounting is appropriate. Consequently, these financial statements have been prepared on a basis other than going concern. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising with the cessation of trade or to reclassify fixed assets and long term liabilities as current assets and liabilities.

2.3 Changes in accounting policy and disclosures

There were no changes in accounting policy for the current reporting period.

2.4 New standards, amendments and interpretations not yet adopted

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

2.5 Consolidation

The company is a wholly owned subsidiary of its ultimate holding and controlling company in the United Kingdom, Daiwater Investments Limited. It is included in the consolidated financial statements of Daiwater Investments Limited, which will be publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

2.6 Investment in subsidiary

The company's investment in subsidiary is held at cost less accumulated impairment losses. The cost of the investment includes the intragroup loan waived during the year to 31 March 2021, treated as a capital contribution in group undertaking Affinity Water Acquisitions (Midco) Limited. Its investment is tested annually for impairment.

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

2. Summary of significant accounting policies (continued)

2.7 Trade and other receivables

Trade and other receivables are recognised initially at transaction price. The company holds the trade receivables with the objective of collecting the contractual cash flows, and therefore the trade and other receivables are subsequently measured at amortised cost using the effective interest method, less expected credit losses. Intragroup loans waived during the year have been transferred to investments as a capital contribution in the group undertaking.

Expected credit losses are based on historical recoverability and calculated by applying a range of different percentages to trade receivables of different ages. These percentages also vary between categories of trade receivables. Higher percentages are applied to those categories of trade receivable which are considered to be of greater risk and also to trade receivables of greater age. The historical recoverability of trade receivables is deemed a good estimate of future expected credit losses. At each reporting date the company takes into consideration any significant economic changes that may impact its credit loss model and future credit losses.

2.8 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.9 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.10 Dividend distributions

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

2.11 Current income tax

The current income tax credit 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 asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

3. Critical accounting estimates and judgements

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 investment in subsidiary

Determining whether the company's investment in its subsidiary has been impaired requires an estimation of the investment's value in use. The value in use calculation uses an estimate of the enterprise value of Affinity Water Limited, the principal trading indirect subsidiary of the company, which is based on its regulatory capital value ('RCV') at the year-end and market premiums paid for UK water supply companies. The carrying amount of investments in subsidiaries at the date of the statement of financial position was £391,274,000 (2020: £375,773,000) with no impairment loss recognised in either 2021 or 2020 (refer to note 9).

The increase in the carrying amount of investments in subsidiaries is due to the £13,002,000 loan receivable from group undertaking Affinity Water Acquisitions (Midco) Limited waived during the year, and treated as a capital contribution in Affinity Water Acquisitions (Midco) Limited, together with £2,499,000 of interest receivable on the loan waived at the same time. The increased value of the investment is supported by an increase in the net assets of Affinity Water Acquisitions (Midco) Limited, a 100% subsidiary of the company's direct subsidiary Affinity Water Acquisitions (Holdco) Limited, following the capital contribution.

Management conclude that the global health pandemic has not had an impact on the valuation of the investment in Affinity Water Limited during the financial year and at the reporting date. Refer to the financial statements of Affinity Water Limited on its website: affinitywater.co.uk/library for details on the impact of COVID-19 and the company's response to the global health pandemic.

Impairment of amounts owed by group undertaking

During the year, the loan receivable from Affinity Water Acquisitions (Midco) Limited was waived and the loan receivable from Affinity Water Capital Funds Limited was settled in cash and therefore no impairment of these balances was required.

The carrying amount of the amounts owed by group undertaking at the date of the statement of financial position was £14,000 (2020: £16,029,000) with no impairment losses recognised in the year ended 31 March 2021 (2020: £nil) (refer to note 10).

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

4. Operating result/(loss)

2021	2020
£000	£000

Operating result/(loss) is stated after charging:

Audit fees payable to the company's auditor

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The auditor's remuneration for audit services in the year amounted to £5,775 (2020: £5,500), with such costs being borne by Affinity Water Limited, an indirect subsidiary of the company. The auditor received no other remuneration for services to the company in either the current or prior year.

5. Employees and directors

Employees

The company had no employees in the current year (2020: nil).

Directors

No remuneration or pension contributions were directly paid to directors for services to the company (2020: £nil).

All directors were appointed by either Allianz Capital Partners on behalf of the Allianz Group, DIF or InfraRed Capital Partners Limited on behalf of HICL Infrastructure plc and they did not receive any emoluments from the company, or any company within the Affinity Water group.

6. Finance income

2021	2020
£000	£000

Interest income

14	1,318
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14	1,318
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Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

7. Income tax expense

Tax expense included in the income statement

	2021 £000	2020 £000
Current tax:		
UK corporation tax on profit for the year	3	238
Tax on profit	3	238

The tax charge for the year is lower than (2020: equal to) the standard rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	698	1,252
Profit before tax multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	133	238
Effects of:		
Income not subject to tax	(130)	-
Tax charge	3	238

Income not subject to tax relates to the dividends received from Affinity Water Acquisitions (Holdco) Limited.

The tax rate for the current year is 19% (2020: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the Corporation Tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the Corporation Tax rate will increase to 25%. As the proposal to increase the rate to 25% has not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

8. Dividends

	2021 £000	2020 £000
Ordinary:		
Paid: First interim dividend of 0.023p per share March 2021 (2020: nil)	1,213	-
	1,213	-

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

9. Investments

	2021 £000	2020 £000
Investment in subsidiary undertaking	391,274	375,773

Investments as at 31 March 2021 and 31 March 2020 comprise the following subsidiary undertaking of the company:

Name of company	Registered address	Nature of business	Type of holding	Proportion of voting rights and shares held
Affinity Water Acquisitions (Holdco) Limited	Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ	Investment company	Ordinary shares	100%

Affinity Water Acquisitions (Holdco) Limited is incorporated in the United Kingdom with registered address Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

The company received dividends of £684,000 (2020: £nil) from Affinity Water Acquisitions (Holdco) Limited in the year.

The company also made a capital contribution of £13,002,000 into group undertaking Affinity Water Acquisitions (Midco) Limited during the year by way of loan waiver, and waived its right to interest receivable on the loan.

10. Trade and other receivables

	2021 £000	2020 £000
Amounts owed by group undertaking falling due after more than one year	-	13,502
Amounts owed by group undertaking falling due within one year	14	2,527
	14	16,029

On 19 May 2017 the company acquired a £13,002,000 loan receivable from Affinity Water Acquisitions (Midco) Limited. The final repayment date of this loan was 28 June 2027 and it bore interest at 9%. From 1 October 2018 to 31 March 2020, interest was also accrued at 9% on overdue interest receivable. On 1 April 2020, the loan receivable was waived and treated as a capital contribution in Affinity Water Acquisitions (Midco) Limited. The interest receivable balance was also waived.

On 11 April 2019 Affinity Water Capital Funds Limited borrowed an amount of £500,000 from the company. The final repayment date of this loan was 31 March 2025 and it bore interest at LIBOR +2.65%, although the full amount was settled on 31 March 2021.

11. Creditors – amounts falling due within one year

	2021 £000	2020 £000
Current tax liabilities	660	657

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

12. Called up share capital

	2021 £000	2020 £000
Allotted, called up and fully paid share capital		
5,173,830,755 (2020: 5,173,830,755) ordinary shares of £0.01 each	51,738	51,738

All shares rank pari passu in all respects.

13. Related party transactions

Income	Nature of relationship	In respect of	2021		2020	
			Value £000	Balance £000	Value £000	Balance £000
Affinity Water Acquisitions (Holdco) Limited	Subsidiary undertaking	Dividends received	684	-	-	-
Affinity Water Acquisitions (Midco) Limited	Group undertaking	Interest received on loans	-	-	1,302	2,498
Affinity Water Capital Funds Limited	Group undertaking	Interest received on loans	14	-	15	15
Expenses	Nature of relationship	In respect of	2021		2020	
			Value £000	Balance £000	Value £000	Balance £000
Daiwater Investment Limited	Parent company	Dividends paid	1,213	-	-	-
Loans	Nature of Relationship	In respect of	2021		2020	
			Value £000	Balance £000	Value £000	Balance £000
Affinity Water Acquisitions (Midco) Limited	Group undertaking	Loan receivable	-	-	-	13,002
Affinity Water Capital Funds Limited	Group undertaking	Loan receivable	-	-	-	500

On 1 April 2020, the company waived its right to the £13,002,000 loan receivable from group undertaking Affinity Water Acquisitions (Midco) Limited and treated this as a capital contribution in Affinity Water Acquisitions (Midco) Limited. The company also waived its right to £2,499,000 of interest receivable from the group undertaking.

Affinity Water Acquisitions (Investments) Limited

Notes to the financial statements for the year ended 31 March 2021 (continued)

14. Events after the end of the reporting period

In April 2021, the company effected a capital reduction and subsequent consolidation of shares, resulting in a holding of one share at a value of £0.01.

15. Ultimate parent company and controlling party

The immediate parent undertaking of the company is Daiwater Investment Limited, a company registered in England and Wales.

Daiwater Investments Limited is the parent undertaking of the smallest and largest group to consolidate the statutory financial statements of the company.

Copies of the group financial statements of Daiwater Investments Limited for the year ended 31 March 2021 may be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

The directors consider Daiwater Investment Limited as the ultimate holding and controlling company in the United Kingdom. The directors consider the following entities to be the company's ultimate controllers, as they are in a position to exercise material influence over the company's policy and affairs:

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

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

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

HICL Infrastructure plc is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. HICL Infrastructure plc 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 Infrastructure plc is InfraRed Capital Partners Limited, a leading international investment manager focused on infrastructure and real estate.