



The Directors
Affinity Water Limited
Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ

29 August 2019

For the attention of: Affinity Water Limited Board

Dear Sirs,

Draft Determination – Financial Data Tables

As part of your PR19 submission of your representations to Ofwat, you requested us to carry out an independent review over your financial data tables in line with our engagement letter dated 31 July 2019.

The primary purpose of this letter is to communicate our scope and the results of our review as well as any significant findings and recommendations that we believe are relevant to your submission.

Scope and approach

The financial data tables that were in the scope of our review are outlined in **Appendix 1**.

To corroborate each data line in each table, we undertook the following procedures:

1. Obtained the relevant table, which has been through the necessary reviews by Affinity Water, which had been signed off as being of sufficient quality to pass to PwC for review;
2. Discussed the changes to methodology (since the 1 April 2019 submission) used to generate the data, with the Data Owner and assessed the basis for the change(s) made. This discussion was supported by documented processes as appropriate, being the Methodology Statements;
3. Where changes were identified, traced the input data back to an appropriate source (as per the Methodology Statement);
4. Notified the Data Owner of any exceptions identified, and ensured these were addressed by management. If no exceptions were noted we confirmed this to be the case with the Data Owner; and
5. Where no changes were identified, confirmed that this is accurate by comparing Data Tables between the 1 April 2019 submission and the 30 August 2019 submission (current).

For each of the data tables where there had been a change, we considered the associated Commentary to also be in scope of our work. For each Commentary, we reviewed the wording as prepared by the Data Owner, and undertook the following:

1. By reference to the change log, confirmed that all changes to Commentaries have been captured in the scope of our work; and
2. Reviewed each Commentary and challenged as to whether the level of detail is appropriate, and whether the Commentary is aligned to Ofwat guidelines for the data table in question.

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Results

In performing our work over the selected tables we provided management with ongoing feedback and recommendations. Management have actioned all of our recommendations and we consider the data included in the tables to be reasonable, complete and accurate.

I would like to take this opportunity to thank all those who have supported us in our work.

Yours faithfully

A handwritten signature in black ink, appearing to read "D. Gandee", written in a cursive style.

Dave Gandee

Partner

PricewaterhouseCoopers LLP



Appendix 1 – List of Data Tables in Scope

No	Business Plan Data Sheet	Data Table in scope
1	App10 - Financial ratios	Y
2	App11 - Income statement based on the actual company structure	Y
3	App11a - Income statement based on a notional company structure	Y
4	App12 - Balance sheet based on the actual company structure	Y
5	App12a - Balance sheet based on a notional company structure	Y
6	App13 - Trade receivables	Y
7	App14 - Trade and other payables	Y
8	App15 - Cashflow based on the actual company structure	Y
9	App15a - Cashflow based on a notional company structure	Y
10	App16 - Tangible Fixed assets	Y
11	App17 - Appointee revenue summary	Y
12	App18 - Share capital and dividends	Y
13	App19 - Debt and interest costs	Y
14	App21 - Direct procurement for customers	N
15	App24 - Input proportions	Y
16	App24a - Real price effects (RPEs) and productivity assumptions	Y
17	App25 - PR14 reconciliation adjustments summary	Y
18	App26 - RoRE Scenarios	Y
19	App28 - Developer services (wholesale)	Y
20	App29 - Wholesale tax	Y
21	App32 - Weighted average cost of capital for the Appointee	Y
22	App7 - Proposed price limits and average bills	Y
23	App8 - Appointee financing	Y
24	R1 - Residential retail - All sections NOT B	Y
25	R3 - Residential retail ~ further information on bad debt	Y
26	R7 - Revenue and cost recovery for retail	Y
27	R8 - Net retail margins	Y
28	R9 - PR14 reconciliation of household retail revenue	Y
29	Wn3 - Wholesale revenue projections for the water network plus price control	Y
30	Wn4 - Cost recovery for water network plus	Y
31	Wn5 - Weighted average cost of capital for the water network plus control	Y
32	Wr2 - Wholesale water resource opex - Part A	Y
33	Wr3 - Wholesale revenue projections for the water resources price control	Y
34	Wr4 - Cost recovery for water resources	Y
35	Wr5 - Weighted average cost of capital for the water resources control	Y
36	WS1 - Wholesale water operating and capital expenditure by business unit - PART A, C and D	Y
37	WS1 - Wholesale water operating and capital expenditure by business unit - PART B 18 + 20	Y
38	WS13 - PR14 wholesale revenue forecast incentive mechanism for the water service	Y
39	WS1a (DRAFT) - Wholesale water operating and capital expenditure by business unit including operating leases reclassified under IFRS16	Y
40	(N/A) Developer Services	Y