

AFFINITY WATER FINANCE (2004) PLC

UNAUDITED HALF-YEARLY FINANCIAL REPORT
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2020

(Registered Number 05139236)

Affinity Water Finance (2004) PLC

Contents

	Page
Interim management report	1
Condensed interim income statement	3
Condensed interim statement of financial position	4
Condensed interim statement of changes in equity	5
Notes to the condensed interim financial statements	6
Statement of directors' responsibilities	11

Affinity Water Finance (2004) PLC

Interim management report

Introduction

The sole activity of Affinity Water Finance (2004) PLC (the 'company') is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. During 2004 the company issued £200.0m of guaranteed notes, maturing in July 2026 with an annual coupon of 5.875%. The company completed a tap issue of £50.0m on the same terms as the existing £200.0m notes on 16 July 2014 (together, the 'Bond'). The proceeds of this tap issue were lent to Affinity Water Limited on the same terms.

Significant events during the period

There were no significant events during the period.

Principal risks

As the Bond has a fixed coupon rate, the company faces limited risk or uncertainty. Affinity Water Limited, and the wider Affinity Water group, are responsible for the financing strategy and treasury policies of the company. The aim of this strategy is to assess the on-going capital requirement of the group and to raise funding on a timely basis, taking advantage of any favourable market opportunities.

Surplus funds are invested based upon forecast cash requirements in accordance with the company's treasury policy.

Interest rates earned on, and the currency of denomination of, the company's financial assets are matched against those of the company's financial liabilities. Accordingly, these assets and liabilities act as a natural hedge for each other, and the company has no net exposure to movements in interest or foreign exchange rates.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; the former should be read in conjunction with the company's financial statements for the year ended 31 March 2020 (in particular the strategic report, as well as note 12 to the 31 March 2020 financial statements).

The principal risks and uncertainties remain unchanged from those reported at 31 March 2020. The Board anticipates that these will remain unchanged for the remaining six months of the financial year.

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed interim 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, as well as available debt facilities, and support of the company's immediate parent undertaking.

Related parties

Details of significant related party transactions can be found in note 8 to the condensed interim financial statements. There has been no change to the nature of related party transactions in the first six months of the financial year which has materially affected the financial position or performance of the company.

Affinity Water Finance (2004) PLC

Interim management report (continued)

Forward-looking statements

Certain statements in this interim management report are forward-looking. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The company undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Affinity Water Finance (2004) PLC

Condensed interim income statement for the six months ended 30 September 2020

	Note	30 September 2020 £000 Unaudited	30 September 2019 £000 Unaudited
Operating result		-	-
Finance income	5	7,130	7,123
Finance costs	5	(7,130)	(7,123)
Profit before income tax		-	-
Income tax expense		-	-
Profit for the period		-	-

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

The company has no recognised gains or losses other than the results above; therefore a statement of comprehensive income has not been presented.

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Affinity Water Finance (2004) PLC

Condensed interim statement of financial position as at 30 September 2020

	Note	30 September 2020 £000	31 March 2020 £000
		Unaudited	Audited
Current assets			
Amounts owed by group undertaking falling due after more than one year	6	253,239	253,462
Amounts owed by group undertaking falling due within one year		3,186	10,521
Cash and cash equivalents		50	50
		256,475	264,033
Creditors - amounts falling due within one year		(3,179)	(10,514)
Net current assets		253,296	253,519
Total assets less current liabilities		253,296	253,519
Creditors - amounts falling due after more than one year	7	(253,239)	(253,462)
Net assets		57	57
Equity			
Called-up share capital		50	50
Retained earnings		7	7
Total shareholder's funds		57	57

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Affinity Water Finance (2004) PLC

Condensed interim statement of changes in equity for the six months ended 30 September 2020

	Share capital £000	Retained earnings £000	Total equity £000
	Unaudited	Unaudited	Unaudited
Balance as at 1 April 2020	50	7	57
Profit for the period	-	-	-
Balance as at 30 September 2020	50	7	57
Balance as at 1 April 2019	50	6	56
Profit for the period	-	-	-
Balance as at 30 September 2019	50	6	56

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

Affinity Water Finance (2004) PLC

Notes to the condensed interim financial statements

1. General information

The sole activity of Affinity Water Finance (2004) PLC is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited.

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

Refer to note 10 for details of the company's ultimate parent.

These condensed interim financial statements were approved for issue on 25 November 2020.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 were approved by the Board of directors on 24 June 2020 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter and did not contain any statement under section 498 of the Companies Act 2006.

These condensed interim financial statements have not been reviewed or audited by the independent auditor.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below.

2.1 Basis of preparation

These condensed interim financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 104: 'Interim financial reporting' ('FRS 104') as issued by the Financial Reporting Council, adopting the recognition and measurement requirements of EU-adopted International Financial Reporting Standards ('IFRS').

The company prepared its financial statements for the year ended 31 March 2020 in compliance with the requirements of Financial Reporting Standard 101: 'Reduced disclosure framework' ('FRS 101').

Under FRS 101, the company applies the recognition and measurement requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The condensed interim financial statements should be read in accordance with the company's financial statements for the year ended 31 March 2020.

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 March 2020. No new standards became applicable for the current reporting period that have a material impact on the company.

2.2 Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed interim 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, as well as available debt facilities and support of the company's immediate parent undertaking.

Affinity Water Finance (2004) PLC

Notes to the condensed interim financial statements (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 loan receivable

Determining whether the company's loan receivable from Affinity Water Limited is impaired requires consideration of factors including Affinity Water Limited's credit rating and ability to generate positive cash flows from its operating activities going forward. The carrying amount of the loan receivable at the balance sheet date was £253,239,000 (31 March 2020: £253,462,000) with no impairment losses recognised in the six month period ended 30 September 2020 (refer to note 6) (2019: £nil). Management conclude that the ongoing national health pandemic will not have a significant impact on Affinity Water Limited's ability to repay the debt at the reporting date.

4. Financial risk management and financial instruments

The company's activities primarily expose it to liquidity risk. Interest rates earned on, and the currency of denomination of, the company's financial assets are matched against those of the company's financial liabilities. Accordingly these assets and liabilities act as a natural hedge for each other, and the company has no net exposure to movements in interest rates.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; the former should be read in conjunction with the company's financial statements for the year ended 31 March 2020 (refer to note 12 to the financial statements).

There have been no changes in any risk management policies since 31 March 2020.

Fair value of financial assets and liabilities measured at amortised cost

Between 1 April 2020 and 30 September 2020, market interest rates decreased, increasing the fair value of the company's Bond and related loan receivable as follows:

	30 September 2020 £000	31 March 2020 £000
	Unaudited	Audited
Non-current	317,708	309,278

The remaining financial assets and liabilities of the company approximate to their carrying amount.

Affinity Water Finance (2004) PLC

Notes to the condensed interim financial statements (continued)

5. Finance income and costs

	Six months ended 30 September 2020 £000 Unaudited	Six months ended 30 September 2019 £000 Unaudited
Finance income		
Interest income on loan to parent company	7,129	7,122
Other finance income	1	1
Total interest income on financial assets	<u>7,130</u>	<u>7,123</u>
Total finance income	<u>7,130</u>	<u>7,123</u>
Finance costs		
Interest expense on bonds	7,353	7,356
Amortisation of bond issue costs	(223)	(233)
Total interest expense on financial liabilities	<u>7,130</u>	<u>7,123</u>
Total finance costs	<u>7,130</u>	<u>7,123</u>
Net finance income		
Finance income	7,130	7,123
Finance costs	(7,130)	(7,123)
Net finance income	<u>-</u>	<u>-</u>

Affinity Water Finance (2004) PLC

Notes to the condensed interim financial statements (continued)

6. Amounts owed by group undertaking falling due after more than one year

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
Amounts owed by parent company	253,239	253,462

No provision for impairment has been recognised at 30 September 2020 (31 March 2020: £nil).

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

	30 September 2020 £000 Unaudited	31 March 2020 £000 Audited
5.875% Class A guaranteed notes due 2026	253,239	253,462

8. Related party transactions

Interest payments totalling £14,688,000 were received from Affinity Water Limited in July 2020, in relation to a loan from the company of the issue proceeds of the Bond.

There are no other significant related party transactions which require disclosure.

9. Events after the reporting period

There were no significant events after the end of the reporting period.

Affinity Water Finance (2004) PLC

Notes to the condensed interim financial statements (continued)

10. Ultimate parent company and controlling party

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

Affinity Water Limited is wholly owned by Daiwater Investment Limited, a company registered in England and Wales. Daiwater Investment Limited is the parent undertaking of the largest group to consolidate the statutory financial statements of the company. These financial statements are also consolidated in the financial statements of Affinity Water Holdco Finance Limited, the smallest group to consolidate the financial statements of the company.

Copies of the group financial statements of Daiwater Investment Limited and Affinity Water Holdco Finance Limited for the period ended 31 March 2020 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 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 Manager to HICL is InfraRed Capital Partners Limited, a leading international investment manager focused on infrastructure and real estate.

Affinity Water Finance (2004) PLC

Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with FRS 104 as issued by the Financial Reporting Council, adopting the recognition and measurement requirements of IFRS, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Affinity Water Finance (2004) PLC are listed in the company's annual report and financial statements for the year ended 31 March 2020.

The half-yearly financial report has not been reviewed or audited by the independent auditor.

By order of the Board

Stuart Ledger

Director

25 November 2020