

AFFINITY WATER FINANCE (2004) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

(Registered Number 05139236)

Affinity Water Finance (2004) PLC

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Affinity Water Finance (2004) PLC

Strategic report for the year ended 31 March 2025

The directors of Affinity Water Finance (2004) PLC ('the company') present their strategic report for the year ended 31 March 2025.

Principal activities

The company's strategy is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. During 2004 the company issued £200,000,000 of guaranteed bonds, maturing in July 2026 with an annual coupon of 5.875%. The company completed a tap issue of £50,000,000 on the same terms as the existing £200,000,000 bond on 16 July 2014. The proceeds of both the bonds and the tap issue were lent to Affinity Water Limited on the same terms.

On 3 March 2025, the company initiated a successful tender offer to repurchase part of the Bond, settling the offer on 13 March 2025. As a result, £147,324,000 of the repurchased bonds were repaid.

Interest rates earned on 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.

Affinity Water Limited, and the wider group of companies headed by Daiwater Investment Limited, 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.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are described in note 12 to the financial statements.

The company is reliant on Affinity Water Limited's ability to repay the debt due. The directors have considered Affinity Water Limited's longer term forecasts and, in order to assess a severe but plausible downside scenario, management has used a base case that reflects current economic conditions and applied a set of severe downside assumptions to it.

Management concludes that even with the impact of external economic factors such as the impact of inflation, interest rates, supply chain cost pressures, energy prices and the cost of living crisis, Affinity Water Limited will have the ability to repay the debt during the current period and for a period of at least 12 months from the date of approval of these financial statements.

Financial risk management policy

The financial risks faced by the company, being the market, credit and liquidity risks, are detailed separately in the individual paragraphs in note 12, including the management of these.

Results

The statement of financial position detailed on page 15 shows that the company had net assets of £62,000 (2024: £61,000) at the year end. Due to the nature of the company's business, it is not relevant to set any key performance indicators to report against.

Affinity Water Finance (2004) PLC

Strategic report for the year ended 31 March 2025 (continued)

Section 172(1) statement

The directors have considered section 172(1) factors, including the need to foster the company's business relationships with providers of finance and credit rating agencies, as part of their directorship in Affinity Water Limited, the company's parent undertaking and the Affinity Water group's principal trading entity. It is imperative that the company maintains effective relationships and ongoing dialogues with banks and credit rating agencies to ensure access to financial services as well as capital markets. Successful engagement means the company will be a responsible company that delivers reliable returns and is transparent in its reporting. The Chief Financial Officer of Affinity Water Limited, on behalf of the Board, and the Head of Corporate Finance of Affinity Water Limited met with lenders and credit rating agencies during the year. A full section 172(1) statement is disclosed in the financial statements of Affinity Water Limited for the year ended 31 March 2025, copies of which can be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

Approved by the Board and signed on behalf of the Board:

Adam Stephens
Director
10 July 2025

Affinity Water Finance (2004) PLC

Directors' report for the year ended 31 March 2025

Introduction

The directors present their report and the audited statutory financial statements for the year ended 31 March 2025.

Future developments

It is the company's intention to continue with its current activity through to at least 13 July 2026 when the Bond matures. The company repaid part of the Bond during the year to 31 March 2025.

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 as set out in note 12 and consideration of the company's budgeted cash flows, long term forecasts, covenant compliance and related assumptions. The directors have considered the ability of Affinity Water Finance (2004) PLC's immediate parent company, Affinity Water Limited, to meet its obligations in relation to the loans outstanding between these entities. Affinity Water Finance (2004) PLC relies on those settlements to fund its upcoming interest and principal payments, including the £102,676,000 bond due in July 2026. The external bonds issued by Affinity Water Finance (2004) are guaranteed by Affinity Water Limited and Affinity Water Holdings Limited, the company's immediate parent undertaking and intermediate holding company respectively. The directors have also considered the impact of climate change on the going concern assumption and do not believe it has a material impact on the company.

The directors have also considered the ring fence structure in place and note that the existence of external borrowings outside of this structure, namely that within Affinity Water Holdco Finance Limited, does not impact the conclusions reached regarding the ability of the company to continue as a going concern. This is due to the fact that the company has no obligation to distribute funds through the holding company structure in order to meet such liabilities.

The Affinity Water group, as detailed in note 16 with Daiwater Investment Limited as the ultimate parent company of the group, is subject to a number of covenants in relation to its borrowings, which would result in its loans becoming immediately repayable if breached. These covenants specify certain limits in terms of key ratios such as net cash flow to debt interest and net debt to regulatory capital value. At the year end the group was not in breach of any financial covenants and does not forecast any future breaches.

Results and dividends

The company made a £1,000 profit for the financial year (2024: £1,000 profit).

No dividends are proposed for the year (2024: £nil).

Affinity Water Finance (2004) PLC

Directors' report for the year ended 31 March 2025 (continued)

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:

Andrew Cox (resigned 10 June 2024)
Keith Haslett
Michael Osborne
Martin Roughead (resigned 4 October 2024)
Adam Stephens (appointed 1 January 2025)
Roxana Tataru
Adam Waddington

Company Secretary

Patrick Makoni (resigned 31 March 2025)
Simon Pugsley (appointed 1 April 2025)

Directors' qualifying third party indemnity provisions

The company has not granted any qualifying third-party indemnity to its directors during the year or up to the date of this report 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 (2024: £nil), in accordance with the company's policy of not making political contributions.

Financial instruments disclosures

Details of financial instruments risk management are included within note 12 of the financial statements.

Significant events during the year

On 3 March 2025, the company initiated a successful tender offer to repurchase part of the Bond, settling the offer on 13 March 2025. As a result, £147,324,000 of the repurchased bonds were repaid.

Events after the reporting period

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

Affinity Water Finance (2004) PLC

Directors' report for the year ended 31 March 2025 (continued)

Corporate governance

The company is a wholly owned subsidiary of Affinity Water Limited, and the company's directors are also directors of Affinity Water Limited.

The company benefits from the corporate governance arrangements established by Affinity Water Limited, including its systems of risk management and internal control over financial reporting, full details of which can be found in Affinity Water Limited's annual report and financial statements for the year ended 31 March 2025, together with more detailed corporate reporting disclosures on areas of compliance and non-compliance with the UK Corporate Governance Code. Copies of Affinity Water Limited's annual report and financial statements can be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

The Board has overall responsibility for the company's systems of internal control and for reviewing the effectiveness of these systems. It is responsible for ensuring that the company meets its obligations in respect of the Bond and meets from time to time to facilitate this.

Strategic report

In accordance with Section 414C of the Companies Act 2006, the company has chosen to set out, in the company's Strategic report, information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 7, to be contained in the Strategic report.

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 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 FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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 also 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.

Affinity Water Finance (2004) PLC

Directors' report for the year ended 31 March 2025 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in Directors' report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

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.

Independent auditors

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

On behalf of the Board

Adam Stephens
Director
10 July 2025

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements

Report on the audit of the financial statements

Opinion

In our opinion, Affinity Water Finance (2004) PLC's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 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, including 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 2025; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The company has one finance function and operates a single ledger system - the audit has been carried out by one team.

Key audit matters

- Recoverability and valuation of amounts owed by group undertaking

Materiality

- Overall materiality: £1.1 million (2024: £2.6 million) based on approximately 1% of total assets.
- Performance materiality: £0.8 million (2024: £2.0 million).

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<i>Recoverability and valuation of amounts owed by group undertaking</i> Refer to page 19 (accounting policies), page 19 (note 3) and page 23 (notes 8 and 9). The amount owed by Affinity Water Limited, the parent company, as at 31 March 2025 was £107.4 million (31 March 2024: £261.9 million), with no provision for impairment having been recognised during the year. The determination of whether this receivable is impaired requires due consideration to factors including Affinity Water Limited's credit rating and ability to generate cash flows from its operating activities in future periods. Due to the complexity of this estimate and the size of the balance at 31 March 2025, there is a risk that it could be materially misstated.	We reviewed management's methodology for calculating the provision for expected credit loss and confirmed that the use of a 12 month expected credit loss model is appropriate. This is because there has not been a significant increase in credit risk since the loan was first recognised, with the credit rating of Affinity Water Limited remaining at investment grade, and there is no history of default of interest payments. We obtained management's cash flow forecasts for Affinity Water Limited and agreed the key inputs back to Board approved budgets, also giving consideration to the historical accuracy of the budgeting process to assess the reliability of the data. We challenged the assumptions made by management, both within the base case and severe but plausible downside scenarios prepared, based on our understanding of the business and our knowledge of the industry. We used sensitivity analysis to consider the impact of changes in these assumptions on the forecasts for the going concern assessment period.

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
In addition, IFRS 9 requires the lender to measure the expected credit loss at a probability-weighted amount that reflects the possibility that a credit loss occurs even if the possibility of a credit loss occurring is low.	We also reviewed management's analysis of both liquidity and covenant compliance to obtain sufficient comfort that Affinity Water Limited has sufficient liquidity and that there are no covenant breaches anticipated over the period of the going concern assessment. To assess the probability of default applied by management, we used a range of external data in order to independently calculate an independent expected credit loss. Based on the procedures performed, we concluded that the nil expected credit loss recognised is materially appropriate. We have also reviewed the related disclosures within the financial statements and consider them to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The company has one finance function and operates a single ledger system - the audit has been carried out by one team.

In scoping our audit, with reference to our risk assessment, we identified and included all material financial statement line items within the scope of our audit procedures.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£1.1 million (2024: £2.6 million).
<i>How we determined it</i>	Based on approximately 1% of total assets
<i>Rationale for benchmark applied</i>	The entity is consistently near break even and functions to service group financing requirements, with total assets therefore an appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £0.8 million (2024: £2.0 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.05 million (2024: £0.13 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

- Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:
- testing the mathematical accuracy of the base case going concern model of Affinity Water Limited prepared by management and agreeing this to Board approved budgets;
- assessing the inputs and underlying assumptions of managements base case model;
- assessing the accuracy of the cash flow forecast prepared in the prior year so as to obtain assurance of the ability of management to prepare accurate forecasts;
- assessing the downside scenario which has been used to sensitise the base case model, including consideration of the underlying assumptions and challenging management on the severity of the downside scenario;
- reviewing management's analysis of both liquidity and covenant compliance of Affinity Water Limited to ensure there is sufficient liquidity and no forecast covenant breaches during the going concern period;
- reviewing the equity commitment letter and assessing the intent and ability of the shareholders to fulfil this commitment, in doing so supporting the liquidity of the company throughout the going concern period; and
- assessing the extent of mitigating actions that could be taken by management, if necessary, to prevent a trigger or default event arising against the covenants in place.

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 2025 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.

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

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.

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 the Companies Act 2006 and the Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 within accounting estimates, in particular in assessing expected credit losses on the amounts owed by group undertaking. 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, and review of Board minutes;
- challenging assumptions made by management when preparing accounting estimates, in particular those that involve the assessment of future events, which are inherently uncertain – the key estimate determined in this respect is the valuation of the amounts owed by group undertaking; and
- identifying and, where applicable, testing journal entries posted.

Affinity Water Finance (2004) PLC

Independent auditors' report to the members of Affinity Water Finance (2004) PLC

Report on the audit of the financial statements (continued)

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 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.

Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
10 July 2025

Affinity Water Finance (2004) PLC

Income statement for the year ended 31 March 2025 (Registered Number 05139236)

	Note	2025 £000	2024 £000
Operating result	4	-	-
Finance income	6	13,212	14,127
Finance costs	6	(13,211)	(14,126)
Profit before income tax		1	1
Income tax expense	7	-	-
Profit for the financial year		1	1

The notes on pages 17 to 27 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 above, therefore a statement of comprehensive income has not been presented.

Affinity Water Finance (2004) PLC

Statement of financial position

as at 31 March 2025

(Registered Number 05139236)

	Note	2025 £000	2024 £000
Current assets			
Amounts owed by group undertaking falling due after more than one year	8	103,032	251,395
Amounts owed by group undertaking falling due within one year	9	4,326	10,525
Cash and cash equivalents		50	50
		107,408	261,970
Creditors – amounts falling due within one year	10	(4,314)	(10,514)
Net current assets		103,094	251,456
Total assets less current liabilities		103,094	251,456
Creditors – amounts falling due after more than one year	11	(103,032)	(251,395)
Net assets		62	61
Equity			
Called up share capital	13	50	50
Retained earnings		12	11
Total shareholders' funds		62	61

The notes on pages 17 to 27 are an integral part of these financial statements.

The financial statements on pages 14 to 2727 were authorised for issue by the Board of directors on 10 July 2025 and were signed on its behalf by:

Adam Stephens
Director

Affinity Water Finance (2004) PLC

Statement of changes in equity for the year ended 31 March 2025 (Registered Number 05139236)

	Called up share capital £000	Retained earnings £000	Total £000
Balance as at 1 April 2023	50	10	60
Profit for the year	-	1	1
Total comprehensive income for the year	-	1	1
Balance as at 31 March 2024	50	11	61
Balance as at 1 April 2024	50	11	61
Profit for the year	-	1	1
Total comprehensive income for the year	-	1	1
Balance as at 31 March 2025	50	12	62

The notes on pages 17 to 27 are an integral part of these financial statements.

Affinity Water Finance (2004) PLC

Notes to the financial statements

1. General information

The sole activity of the company is to raise finance on behalf of its immediate parent undertaking, Affinity Water 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, United Kingdom.

Refer to note 16 for details of the company's ultimate parent.

2. Material accounting policy information

The material accounting policy information 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 the company have been prepared in accordance with FRS 101: 'Reduced disclosure framework' ('FRS 101').

Under FRS 101, the company applies the recognition and measurement requirements of IFRS as adopted by the UK (UK-adopted international accounting standards), 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 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:

- The following paragraphs of International Accounting Standards ('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),
 - 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 Finance (2004) PLC

Notes to the financial statements (continued)

2. Material accounting policy information (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 made publicly available and may be obtained as set out in note 16.

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 as set out in note 12 and consideration of the company's budgeted cash flows, long term forecasts, covenant compliance and related assumptions. The directors have considered the ability of Affinity Water Finance (2004) PLC's immediate parent company, Affinity Water, Limited to meet its obligations in relation to the loans outstanding between these entities. Affinity Water Finance (2004) PLC relies on those settlements to fund its upcoming interest and principal payments, including the £102,676,000 bond due in July 2026. The external bonds issued by Affinity Water Finance (2004) are guaranteed by Affinity Water Limited and Affinity Water Holdings Limited, the company's immediate parent undertaking and intermediate holding company respectively. The directors have also considered the impact of climate change on the going concern assumption and do not believe it has a material impact on the company.

The directors have also considered the ring fence structure in place and note that the existence of external borrowings outside of this structure, namely that within Affinity Water Holdco Finance Limited, does not impact the conclusions reached regarding the ability of the company to continue as a going concern. This is due to the fact that the company has no obligation to distribute funds through the holding company structure in order to meet such liabilities.

The Affinity Water group, as detailed in note 16 with Daiwater Investment Limited as the ultimate parent company of the group, is subject to a number of covenants in relation to its borrowings, which would result in its loans becoming immediately repayable if breached. These covenants specify certain limits in terms of key ratios such as net cash flow to debt interest and net debt to regulatory capital value. At the year end the group was not in breach of any financial covenants and does not forecast any future breaches.

2.3 Changes in accounting policy and disclosures

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

2.4 Adoption of new and revised standard

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2025 that have a material impact on the company's financial statements.

2.5 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 the company's financial statements in future years.

2.6 Interest income

Interest income is recognised using the effective interest method.

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

2. Material accounting policy information (continued)

2.7 Loan receivable

The loan receivable, shown as amounts owed by group undertaking falling due after more than one year in the statement of financial position, is initially recognised at fair value. The company holds the receivables with the objective of collecting the contractual cash flows and the receivables are therefore subsequently measured at amortised cost using the effective interest method, less any expected credit losses. The company applies IFRS 9: 'Financial Instruments' when measuring expected credit losses, using a forward-looking basis to determine the expected credit losses. Factors considered are detailed in the critical accounting estimates note.

2.8 Amounts owed by group undertaking

Amounts owed by group undertaking falling due within one year are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

Amounts owed by group undertaking falling due after more than one year are recognised initially at fair value plus directly attributable transaction costs. The carrying amount is increased by the finance cost determined by the effective interest rate in respect of the accounting period and reduced by any payments made in the year and amortisation of the debt issuance costs. The finance cost recognised in the income statement is allocated to periods over the term of the debt at an effective interest rate on the carrying amount.

The Affinity Water group, as detailed in note 16 with Daiwater Investment Limited as the ultimate parent company of the group, is subject to a number of covenants in relation to its borrowings, which would result in its loans becoming immediately repayable if breached. These covenants specify certain limits in terms of key ratios such as net cash flow to debt interest and net debt to regulatory capital value. At the year end the group was not in breach of any financial covenants and does not forecast any future breaches.

The company borrowings are included within creditors – amounts owed by group undertaking falling due after more than one year in the statement of financial position, with the details included in note 11.

2.9 Borrowings

All loans are recognised initially at fair value plus directly attributable transaction costs. The carrying amount of the debt is increased by the amortisation of the finance and transaction costs determined using the effective interest rate in respect of the accounting period and reduced by any payments made in the year. The finance cost recognised in the income statement is allocated to accounting periods over the term of the debt using the effective interest method.

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.

Critical accounting estimates

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.

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

3. Critical accounting estimates and judgments (continued)

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 date of the statement of financial position was £107,358,000 (2024: £261,920,000) with no impairment losses recognised in the year ended 31 March 2025 (2024: £nil) (refer to note 8). A 1% chance of default would result in an impairment loss of £1,074,000 (2024: £2,619,000).

The directors have considered Affinity Water Limited's longer term forecasts and a range of stress test scenarios reflecting potential adverse conditions, including increased costs, reduced inflation, higher interest rates, exceptional events, regulatory penalties, and combinations of these. The directors have also considered the expected credit loss at a probability-weighted amount that reflects the possibility that a credit loss could occur and concluded that the possibility of a credit loss occurring is remote.

Management concludes that external economic factors such as the impact of inflation, interest rates, supply chain cost pressures, energy prices and the cost of living crisis have not had a significant impact on Affinity Water Limited's ability to repay the debt during the period and at the reporting date.

The directors have also considered the impact of climate change on Affinity Water Limited's ability to repay the loan receivable and conclude that this has not had an impact. Climate change is considered within the stress testing scenarios performed by Affinity Water Limited and concluded upon within its own financial statements.

4. Operating result

	2025 £000	2024 £000
Operating result is stated after charging:		
Audit fees payable to the company's auditors	-	-

The auditors' remuneration for audit services in the year amounted to £13,700 (2024: £13,100), with such costs being borne by the immediate parent undertaking Affinity Water Limited. The auditors have not performed any other services for the company in the current or the prior year.

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

5. Employees and directors

Employees

The company had no employees in the current year (2024: nil).

Directors

Remuneration for Keith Haslett, Martin Roughead and Adam Stephens for the current year and Keith Haslett and Martin Roughead for the prior year were paid by Affinity Water Limited, which made no recharge to the company. Keith Haslett, Martin Roughead and Adam Stephens for the current year and Keith Haslett and Martin Roughead for the prior year were directors 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 their remuneration in respect of each of the subsidiaries. Accordingly, there is no detail shown in respect of the remuneration of Keith Haslett, Martin Roughead or Adam Stephens. Their total remuneration is disclosed in the Annual Report and Financial Statements of Affinity Water Limited for the year ended 31 March 2025, copies of which can be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

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

6. Finance income and costs

Finance income

	2025 £000	2024 £000
Interest income on loan to parent company	13,211	14,126
Other finance income	1	1
Total finance income	13,212	14,127

Finance costs

	2025 £000	2024 £000
Interest expense on bonds	14,249	14,698
Amortisation of bond issue costs	(1,038)	(572)
Total finance costs	13,211	14,126

Net finance income

	2025 £000	2024 £000
Finance income	13,212	14,127
Finance costs	(13,211)	(14,126)
Net finance income	1	1

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

7. Income tax expense

Tax expense included in the income statement

	2025 £000	2024 £000
Current tax:		
UK corporation tax on profit for the year	-	-
Tax on profit	-	-

The tax charge for the year is equal to (2024: equal to) the standard rate of corporation tax in the UK for the year ended 31 March 2025 of 25% (2024: 25%), hence there were no differences between the effective tax rate and the standard rate of corporation tax.

	2025 £000	2024 £000
Profit before tax	1	1
Profit before tax multiplied by the standard rate of tax in the UK of 25% (2024: 25%)	-	-
Total tax expense	-	-

There is no deferred tax liability (2024: £nil) or deferred tax asset (2024: £nil). There are no carried forward tax losses (2024: £nil).

The tax rate for the current year (25%) is for the same as the prior year (25%).

In July 2023, the UK enacted legislation to implement the Organisation for Economic Co-operation and Development ('OECD') Pillar Two global minimum tax rules. These rules apply to multinational groups with annual consolidated revenue exceeding €750,000,000.

The group does not currently exceed this threshold and is therefore not within the scope of the Pillar Two rules. The group will continue to monitor its position in future periods if its circumstances change.

The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

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

	2025 £000	2024 £000
Amounts owed by group undertaking	103,032	251,395

On 13 July 2004 the company issued £200,000,000 of guaranteed bonds, maturing on 13 July 2026 with an annual coupon of 5.875%. The company completed a tap issue of £50,000,000 on the same terms as the existing £200,000,000 bonds on 16 July 2014. The proceeds of both the bonds and the tap issue were lent to Affinity Water Limited on the same terms (refer to note 11).

The company repaid £147,324,000 of the Bond in March 2025.

No provision for impairment has been recognised at 31 March 2025 (2024: £nil).

9. Amounts owed by group undertaking falling due within one year

	2025 £000	2024 £000
Amounts owed by group undertaking	4,326	10,525

The amounts owed by group undertakings reflect the interest receivable on the loan made to Affinity Water Limited from the proceeds of the Bond, with interest due annually each year.

No provision for impairment has been recognised at 31 March 2025 (2024: £nil)

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

10. Creditors – amounts falling due within one year

	2025 £000	2024 £000
Debenture loan	4,314	10,514

The amounts falling due within one year reflect interest payable on the Bond, paid annually each year.

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

	2025 £000	2024 £000
5.875% Class A guaranteed bonds due 2026	103,032	251,395

On 13 July 2004 the company issued £200,000,000 of guaranteed bonds, maturing on 13 July 2026 with an annual coupon of 5.875%. The bonds were listed on the London Stock Exchange, at an issue price of 98.600%. The company completed a tap issue of £50,000,000 on the same terms as the existing £200,000,000 bonds on 16 July 2014, at an issue price of 117.200%. Affinity Water Limited received the net issue proceeds of both by way of an intercompany loan. The bonds are guaranteed by Affinity Water Limited and Affinity Water Holdings Limited, the company's immediate parent undertaking and intermediate holding company respectively. The company repaid £147,324,000 of the bonds during the year.

12. Financial instruments and risk management

Treasury operation

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 ongoing capital requirement of the group and to raise funding on a timely basis, taking advantage of favourable market opportunities. Surplus funds are invested based upon forecast requirements, in accordance with treasury policies.

Risks arising from the company's financial instruments

Market risk

Interest rates earned on 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.

At 31 March 2025, the company had no currency exposures (2024: £nil).

The interest rate and currency profile of the net borrowings of the company at 31 March 2025 was:

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

12. Financial instruments and risk management (continued)

	Total net borrowings		Net cash		Fixed rate borrowings	
	2025	2024	2025	2024	2025	2024
	£000	£000	£000	£000	£000	£000
Sterling borrowings:						
External loans	103,032	251,395	-	-	103,032	251,395
Total borrowings	103,032	251,395	-	-	103,032	251,395
Cash	(50)	(50)	50	50	-	-
Net borrowings	102,982	251,345	50	50	103,032	251,395

Credit risk

Credit risk arises from cash and cash equivalents and contractual cash flows from the loan receivable from the parent company, Affinity Water Limited. Contractual cash flows from the loan receivable from the parent company are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9: 'Financial Instruments', the identified impairment loss during the year was nil. The credit risk is dependent on the company's parent entity meeting its payment obligations as and when they become due. The directors monitor the cash flow forecasts of the parent company on a regular basis to mitigate this risk.

Determining whether the company's loan receivable from the parent company is impaired requires consideration of factors including the parent company'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 date of the statement of financial position was £103,032,000 (2024: £251,395,000) with no impairment losses recognised in the year ended 31 March 2025 (2024: £nil). The directors have considered Affinity Water Limited's longer term forecasts and results of stress testing, which are performed on a base case scenario which has taken into consideration the impact of inflation, interest rates, supply chain cost pressures, energy prices and the cost of living crisis.

The directors conclude that external economic factors such as the impact of inflation, interest rates, supply chain cost pressures, energy prices and the cost of living crisis have not had a significant impact on Affinity Water Limited's ability to repay the debt during the period and at the reporting date.

The directors have also considered the impact of climate change on Affinity Water Limited's ability to repay the loan receivable and conclude that this has not had an impact. Climate change is considered within the stress testing scenarios performed by Affinity Water Limited and concluded upon within its own financial statements.

At 31 March 2025 and 31 March 2024, the maximum exposure to credit risk was represented by the carrying amount of each financial asset in the statement of financial position:

	2025	2024
	£000	£000
Loan receivable falling due after more than one year	103,032	251,395
Other receivables	4,326	10,525
Cash and cash equivalents	50	50
	107,408	261,970

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

12. Financial instruments and risk management (continued)

Cleared cash and cash equivalents exposed to credit risk of £50,000 at 31 March 2025 (2024: £50,000) were with a counterparty with a credit rating of A-1 per Standard & Poor's at 31 March 2025 (2024: A-1).

Liquidity risk

The external loans' weighted average period until maturity, and for which the rate is fixed, was 1.3 years at 31 March 2025 (2024: 2.3 years). Additional risk may arise if large cash flows are concentrated within particular time periods however the maturity profile of the external loans is matched to the profile of company's loan receivable from the parent, with the financial liability guaranteed by Affinity Water Limited and Affinity Water Holdings Limited.

Fair values of financial liabilities

Set out below is a comparison by category of book value and fair value of the financial liabilities of the company as at 31 March 2025:

	Book value		Fair value	
	2025 £000	2024 £000	2025 £000	2024 £000
Primary financial instruments held or issued to finance the company's operations				
Long term borrowings	103,032	251,395	103,315	252,428
	103,032	251,395	103,315	252,428

The fair value of the Bond, having a book value of £103,032,000 (2024: £251,395,000), has been derived from 'level 1' fair value measurements: quoted prices (unadjusted) in active markets for identical liabilities.

Between 1 April 2024 and 31 March 2025, gilt yields increased, further depressing the bond price and thereby decreasing the fair value of the company's Bond and related loan receivable.

13. Called up share capital

	2025 £000	2024 £000
Allotted, called-up and fully paid share capital		
50,000 (2024: 50,000) ordinary shares of £1 each	50	50

All shares rank pari passu in all respects.

14. Related party transactions

See note 5 for disclosure of the directors' remuneration.

There were no other related party transactions requiring disclosure in the current or prior year.

15. Events after the end of the reporting period

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

Affinity Water Finance (2004) PLC

Notes to the financial statements (continued)

16. 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 year ended 31 March 2025 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
- DIF Management Holding BV
- DIF Management UK Limited
- HICL Infrastructure plc
- Sun Life Financial Inc.

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. On 3 July 2024, CVC Capital Partners acquired an initial 60% interest in DIF Capital Partners, with DIF Capital Partners then being rebranded CVC DIF. CVC Capital Partners is not considered to have become an ultimate controller as a result of this transaction¹.

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 Manager to HICL Infrastructure plc is InfraRed Capital Partners Limited, a leading international investment manager focused on infrastructure and renewable energy investments. On 1 July 2020 Sun Life Financial Inc acquired an 80% interest in the InfraRed business from InfraRed Capital Partners (Management) LLP and became an ultimate controller.

¹ CVC Capital Partners acquired an initial 60% stake of DIF Capital Partners on 3 July 2024, with an additional 20% to be acquired shortly after 31 December 2026 and the final 20% to be acquired shortly after 31 December 2028.