

**AFFINITY WATER FINANCE (2004) PLC
(FORMERLY AFFINITY WATER FINANCE (2004) LIMITED)**

UNAUDITED HALF-YEARLY FINANCIAL REPORT FOR THE
SIX MONTH PERIOD ENDED 30 SEPTEMBER 2014

(Registered Number 05139236)

Affinity Water Finance (2004) plc (formerly Affinity Water Finance (2004) Limited)

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Affinity Water Finance (2004) plc (formerly Affinity Water Finance (2004) Limited)

Directors and advisers

Directors

Duncan Bates
Richard Bienfait
Antonio Botija (resigned 25 July 2014)
Kenton Bradbury
Olivier Bret (resigned 25 July 2014)
Georgina Dellacha (appointed 25 July 2014)
Alberto Donzelli
Nigel Paterson (appointed 25 July 2014)
Yacine Saidji

Company Secretary

Tim Monod

Registered Office

Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ

Registered Number

05139236

Affinity Water Finance (2004) plc (formerly Affinity Water Finance (2004) Limited)

Interim management report for the six month period ended 30 September 2014

On 4 July 2014 the company re-registered with Companies House, changing its name from Affinity Water Finance (2004) Limited to Affinity Water Finance (2004) plc. The company's sole activity is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. During 2004 the company issued £200m of Guaranteed Notes (Bond), maturing in July 2026 with an annual coupon rate of 5.875 per cent.

As this 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 ongoing 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 forecasted cash requirements, in accordance with the company's treasury policy.

Interest rates earned on, and 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 Board anticipates that the principal risks and uncertainties affecting the activities of the company will remain unchanged for the remaining six months of the financial year.

The directors of the company are shown on page 1.

On 5 June 2014 notice was given to the London Stock Exchange that the outstanding notes under the Bond were to be transferred from the Main Market to the Professional Securities Market. This transfer took place on 19 June 2014. The company completed a tap issue of £50.0m on the same terms of the existing £200.0m Bond on 16 July 2014. The proceeds of this issue were £58.6m and were lent to Affinity Water Limited on the same terms.

Details of significant related party transactions can be found in Note 2 to the financial statements.

Certain statements in this interim 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
(formerly Affinity Water Finance (2004) Limited)

Profit and loss account
for the six month period ended 30 September 2014
(Registered Number 05139236)

	6 months ended 30 September 2014 £000	6 months ended 30 September 2013 £000	12 months ended 31 March 2014 £000
Operating profit	-	-	-
Interest receivable and similar income	6,479	5,969	11,908
Interest payable and similar expenses	(6,477)	(5,969)	(11,908)
Result on ordinary activities before taxation	2	-	-
Tax on result on ordinary activities	-	-	-
Result for the financial period	2	-	-

The company has no recognised gains or losses other than the results above, therefore, no separate statement of total recognised gains and losses has been presented.

Affinity Water Finance (2004) plc
(formerly Affinity Water Finance (2004) Limited)

Balance sheet
as at 30 September 2014
 (Registered Number 05139236)

	30 September	31 March
	2014	2014
	£000	£000
Fixed assets		
Investment	255,580	197,037
	255,580	197,037
Current assets		
Debtors – amounts falling due within one year	3,205	8,402
Cash at bank and in hand	850	50
	4,055	8,452
Creditors – amounts falling due within one year	(4,003)	(8,402)
Net current assets	52	50
Total assets less current liabilities	255,632	197,087
Creditors – amounts falling due after more than one year	(255,580)	(197,037)
Net assets	52	50
Capital and reserves		
Called up share capital	50	50
Profit and loss account	2	-
Shareholder's funds	52	50

Affinity Water Finance (2004) plc (formerly Affinity Water Finance (2004) Limited)

Notes to the financial statements for the six month period ended 30 September 2014

1. Statement of accounting policies

Basis of preparation

These condensed half-year financial statements for the six months ended 30 September 2014 have been prepared in accordance with the Disclosure and Transparency Rules (“DTR”) of the United Kingdom’s Financial Conduct Authority and pronouncements by the Accounting Standards Board (“ASB”).

These unaudited half-yearly financial statements have been prepared on the going concern basis, and in accordance with applicable UK accounting standards.

The unaudited half-yearly financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2014, and approved by the Board of Directors on 20 June 2014, has been delivered to the Registrar of Companies. The independent auditor’s report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 of the Companies Act 2006. This condensed interim financial information has not been reviewed or audited, as this is not required under the DTR.

The accounting policies adopted in the preparation of the unaudited half-yearly financial report are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2014. There are no new Standards and Interpretations which have an impact on the company’s half-yearly financial report.

2. Related party transactions

On 12 July 2014 a payment of £11,750,000 was received from Affinity Water Limited in respect of the annual interest on a loan from the company of the proceeds of the Bond, which had a principal amount of £200,000,000 at the time of issue.

On 16 July 2014 the company lent the proceeds of the £50,000,000 tap issue to Affinity Water Limited. The terms of this loan are the same as the terms of the Bond, and has been combined with the existing £200,000,000 loan. The combined loan is repayable in 2026.

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

Affinity Water Finance (2004) plc (formerly Affinity Water Finance (2004) Limited)

Notes to the financial statements for the six month period ended 30 September 2014 (continued)

3. Ultimate parent company, controlling party and related parties

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

Affinity Water Limited is majority owned by Affinity Water Acquisitions (Investments) Limited, a company registered in England and Wales. Affinity Water Acquisitions (Investments) Limited is the parent undertaking of the smallest and largest group to consolidate the statutory financial statements of this company. The directors consider that Affinity Water Acquisitions (Investments) Limited is the ultimate holding and controlling company in the United Kingdom.

Copies of the group financial statements of Affinity Water Acquisitions (Investments) Limited for the year ended 31 March 2014 may be obtained from the Company Secretary, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

Affinity Water Acquisitions (Investments) Limited is owned by a consortium of investors led by Infracapital Partners II, an infrastructure investment fund managed by M&G (the European Investment arm of Prudential plc.), and Morgan Stanley Infrastructure Partners. Veolia Environnement S.A. holds a 10 per cent shareholding in Affinity Water Acquisitions (Holdco) Limited, the direct subsidiary of Affinity Water Acquisitions (Investments) Limited, through its subsidiary Veolia Water UK Limited. The directors consider Infracapital Partners II and Morgan Stanley Infrastructure Partners to be the company's ultimate controllers, as they are in a position to exercise material influence over the company's policy and affairs.

Infracapital Partners II is one of a number of European infrastructure funds managed by M&G Investment Management Limited, a subsidiary of Prudential plc. It was established in 2010 to make investments in income-generative infrastructure assets and business, including electricity and gas networks, water companies, transport infrastructure and renewable energy.

Morgan Stanley Infrastructure Partners is a leading global infrastructure investment fund. It is managed by Morgan Stanley Infrastructure Inc., part of the investment management division of Morgan Stanley. Morgan Stanley Infrastructure Partners targets core infrastructure assets that provide essential public goods and services to societies across the globe and seeks to improve asset performance using active management.

**Affinity Water Finance (2004) plc
(formerly Affinity Water Finance (2004) Limited)**

**Responsibilities' statement
for the six month period ended 30 September 2014**

We confirm to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with the pronouncements on interim reporting issued by the Accounting Standards Board; and
- (b) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8 of the United Kingdom's Financial Conduct Authority.

The half-yearly financial report has not been reviewed or audited.

Signed on behalf of the Board who approved the half-yearly financial report on 26 November 2014.



Tim Monod
Company Secretary