

AFFINITY WATER PROGRAMME FINANCE LIMITED

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

(Cayman Islands Registered Number 274647)

Affinity Water Programme Finance Limited

Contents

	Page
Directors and advisers	1
Interim management report	2
Profit and loss account	3
Balance sheet	4
Notes to the financial statements	5
Responsibilities' statement	7

Affinity Water Programme Finance 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

PO Box 309
Ugland House
Grand Cayman
KY1-1104

Principal Place of Business

Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ

Registered Number

274647

Company registered in the Cayman Islands

Affinity Water Programme Finance Limited

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

The company's sole activity is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. On 4 February 2013, as a part of the implementation of the group's whole business securitisation, the company issued £80m Class A Guaranteed Notes maturing in September 2022 with a coupon rate of 3.625 per cent, £250m Class A Guaranteed Notes maturing in March 2036 with a coupon rate of 4.50 per cent, £150m Class A Guaranteed Retail Price Index (RPI) index-linked Notes maturing in June 2045 with a coupon rate of 1.548 per cent and £95m Class B Guaranteed RPI index-linked Notes maturing in June 2033 with a coupon rate of 3.249 per cent (the Bonds).

The company faces limited risk or uncertainty in relation to the Bonds with a fixed coupon rate. 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.

In relation to the RPI index-linked bond issues, the exposure to movement in RPI is ultimately borne by Affinity Water Limited. The £3.6m increase in amounts falling due after more than one year predominantly relates to indexation of the RPI linked Bonds.

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.

There have been no key events occurring during the period.

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 Programme Finance Limited

Profit and loss account

for the six month period ended 30 September 2014

(Registered Number 274647)

	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	13,478	13,889	26,819
Interest payable and similar expenses	(13,474)	(13,884)	(26,815)
Result on ordinary activities before taxation	4	5	4
Tax on result on ordinary activities	(1)	(1)	(1)
Result for the financial period	3	4	3

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 Programme Finance Limited

Balance sheet as at 30 September 2014 (Registered Number 274647)

	30 September 2014 £000	31 March 2014 £000
Investment	576,502	572,939
<hr/>		
Current assets		
Debtors – amounts falling due within one year	1,886	1,857
Cash at bank and in hand	11	11
	<hr/> 1,997	<hr/> 1,868
Creditors – amounts falling due within one year	(1,880)	(1,855)
	<hr/> 17	<hr/> 13
Net current assets		
	<hr/> 17	<hr/> 13
<hr/>		
Total assets less current liabilities	576,519	572,952
Creditors – amounts falling due after more than one year	(576,502)	(572,939)
	<hr/> 17	<hr/> 13
Net assets		
	<hr/> 17	<hr/> 13
<hr/>		
Capital and reserves		
Called up share capital	10	10
Profit and loss account	7	3
	<hr/> 17	<hr/> 13
Shareholder's funds		
	<hr/> 17	<hr/> 13

Affinity Water Programme Finance Limited

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

1. Statement of accounting policies

Basis of preparation

The company is registered in the Cayman Islands and its operations are conducted entirely within the United Kingdom. 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 Annual Report and Financial Statements 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 stated that they gave a true and fair view and were properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice. This condensed interim information has not been reviewed or audited.

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

Interest payments totalling £9,880,147 were received from Affinity Water Limited (£2,804,747 in June and £7,075,400 in September), in relation to a loan from the company of the proceeds of four bond issues with principal amounts totalling £575,000,000.

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

Affinity Water Programme Finance 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 Programme Finance 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 to be disclosed.

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