

AFFINITY WATER PROGRAMME FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

(Cayman Islands Registered Number 274647)

Affinity Water Programme Finance Limited

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Affinity Water Programme Finance Limited

Directors and advisers

Directors

Duncan Bates
Richard Bienfait (resigned 31 December 2014)
Antonio Botija (resigned 25 July 2014)
Kenton Bradbury (resigned 31 March 2015)
Olivier Bret (resigned 25 July 2014)
Georgina Dellacha (appointed 25 July 2014)
Alberto Donzelli
Stephen Nelson (appointed 31 March 2015)
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

Independent Auditor

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Registered Number

MC-274647

Company registered in Cayman Islands

Affinity Water Programme Finance Limited

Strategic report for the year ended 31 March 2015

The directors present their strategic report for the year ended 31 March 2015.

The company's strategy is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. The company issued Guaranteed Notes (together "Bonds") amounting to £575m on 4 February 2013.

As the Bonds have fixed coupons, the company faces limited risk or uncertainty. Interest rates earned on, and the movement in the Retail Price Index ("RPI") 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 and RPI.

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

The principal risks and uncertainties facing the company are described in note 13 to the financial statements.

The balance sheet detailed on page 9 shows that the company had net assets of £17,000 (2014: £13,000) 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.

Approved by the Board and signed on its behalf by:



Tim Monod
Company Secretary
23 June 2015

Affinity Water Programme Finance Limited

Directors' report for the year ended 31 March 2015

Introduction

The directors present their annual report and the audited non-statutory financial statements for the year ended 31 March 2015.

The company was incorporated on 11 January 2013 and its sole activity is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. The company is registered in the Cayman Islands and its operations are conducted entirely in the United Kingdom. The purpose of these non-statutory financial statements is to enable the company to comply with its obligations in respect of the whole business securitisation of certain companies in the wider Affinity Water group. Accordingly, the non-statutory financial statements have been prepared on the going concern basis, under the historical cost convention, as if United Kingdom Generally Accepted Accounting Standards ("UK GAAP") and companies legislation in the United Kingdom were applicable.

Directors

The directors of the company who were holding office during the year and up to the date of signing the financial statements are disclosed on page 1.

Results and dividends

The company made a £4,000 profit for the financial year (2014: £3,000). No dividends are proposed for the year (2014: nil).

Future developments

It is the company's intention to continue with its current activity through to 2045 when the last of the Bonds matures.

Greenhouse gas emissions statement

The company does not emit any greenhouse gases through its activities.

Political donations

No political contributions were made during the year.

Corporate governance

The company is a wholly owned subsidiary of Affinity Water Limited and the company's directors, with the exception of Georgina Dellacha, Alberto Donzelli and Yacine Saidji, are also directors of Affinity Water Limited.

The company benefits from the corporate governance arrangements established by Affinity Water Limited, full details of which can be found in Affinity Water Limited's annual report and financial statements for the year ended 31 March 2015, together with more detailed corporate reporting disclosures.

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 Bonds and meets from time to time to facilitate this.

Financial risk management

The principal risks and uncertainties facing the company are described in note 13 to the financial statements.

Affinity Water Programme Finance Limited

Directors' report for the year ended 31 March 2015 (continued)

Financial and business reporting

Having taken into account all matters considered by the Board and brought to its attention during the year, the directors are satisfied that the annual report and financial statements taken as a whole are fair, balanced and understandable.

The Board believes that the disclosures set out on page 2 of the annual report and financial statements provide the information necessary for shareholders to assess the company's performance, business model and strategy.

Going concern

The company has adequate resources to meet its current operational and financial obligations, and the directors have a reasonable expectation that this will continue for the foreseeable future. This assessment is based on the consideration of the company's budgeted cash flows, long term forecasts, and related assumptions and available debt facilities, and support of the company's immediate parent undertaking. For this reason, the directors continue to adopt the going concern basis in the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements.

The directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They are also 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 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.

Affinity Water Programme Finance Limited

Directors' report for the year ended 31 March 2015 (continued)

Disclosure of information to the auditors

Each director in office at the date of the directors' report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (b) he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the Board and signed on its behalf by:



Tim Monod
Company Secretary
23 June 2015

Independent auditor's report to the directors of Affinity Water Programme Finance Limited

Report on the financial statements

Our opinion

In our opinion, Affinity Water Programme Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

What we have audited

Affinity Water Programme Finance Limited's financial statements comprise:

- balance sheet as at 31 March 2015;
- profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's directors as a body to enable the company to comply with its obligations in respect of the whole business securitisation of certain companies in the wider Affinity Water group in accordance with our engagement letter dated 1 October 2014 and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Independent auditor's report to the directors of Affinity Water Programme Finance Limited (continued)

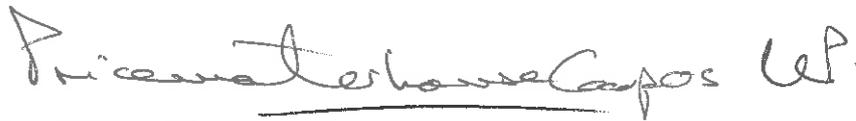
Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements for the year ended 31 March 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
23 June 2015

Affinity Water Programme Finance Limited

Profit and loss account for the year ended 31 March 2015

(Registered Number: 274647)

	Note	2015 £000	2014 £000
Operating result		-	-
Interest receivable and similar income	5	22,956	26,819
Interest payable and similar charges	6	(22,952)	(26,815)
Profit on ordinary activities before taxation		4	4
Tax on profit on ordinary activities	7	-	(1)
Profit for the financial year	15	4	3

All results of the company in the current year and prior year are from continuing operations.

The company has no recognised gains or losses in either the current year or the prior year other than the profits above, therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for both the current year and prior year stated above and their historical cost equivalents.

The notes on pages 10 to 16 form part of the financial statements.

Affinity Water Programme Finance Limited

Balance Sheet as at 31 March 2015 (Registered Number: 274647)

	Note	2015 £000	2014 £000
Investments	9	576,081	572,939
Current assets			
Debtors	10	1,876	1,857
Cash at bank and in hand	11	11	11
		<u>1,887</u>	<u>1,868</u>
Creditors – amounts falling due within one year	11	(1,870)	(1,855)
Net current assets		<u>17</u>	<u>13</u>
Total assets less current liabilities		<u>576,098</u>	<u>572,952</u>
Creditors – amounts falling due after more than one year	12	(576,081)	(572,939)
Net assets		<u>17</u>	<u>13</u>
Capital and reserves			
Called up share capital	14	10	10
Profit and loss account	15	7	3
Total shareholder's funds	16	<u>17</u>	<u>13</u>

The notes on pages 10 to 16 form part of the financial statements.

The financial statements on pages 8 to 16 have been approved by the Board and were signed and authorised for issue on 23 June 2015 on its behalf by:


Duncan Bates
Director

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015

1. Statement of accounting policies

The principal accounting policies are set out below.

Basis of preparation

The company is registered in the Cayman Islands and its operations are conducted entirely within the United Kingdom. The purpose of these non-statutory financial statements is to enable the company to comply with its obligations in respect of the whole business securitisation of certain members of the wider Affinity Water group. Accordingly, the non-statutory financial statements have been prepared on the going concern basis, under the historical cost convention, as if United Kingdom Generally Accepted Accounting Standards ("UK GAAP") and companies legislation in the United Kingdom were applicable.

The principal accounting policies have been applied consistently throughout the current and prior year.

Cash flow statement

More than 90 per cent of the voting rights of the company are indirectly owned by Affinity Water Acquisitions (Investments) Limited, a company which produces publicly available consolidated financial statements in which this company is included.

Consequently the company is exempt under the terms of Financial Reporting Standard 1 (revised 1996): 'Cash flow statements', from publishing a cash flow statement.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Debt

All financial liabilities 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 period. The finance cost recognised in the profit and loss account is allocated to periods over the term of the debt using the effective interest method.

The carrying amount of indexed-linked debt further changes with RPI movements. The principal amount of the debt is indexed based on RPI with a three month lag. Interest is calculated on this indexed principal amount.

The Affinity Water 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.

Investments

Investments are stated at amortised cost less any provisions in respect of permanent diminution in value.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

2. Auditor's remuneration

Auditor's remuneration for the year to 31 March 2015 was £5,000 (2014: £5,000) and has been borne by the immediate parent undertaking Affinity Water Limited.

3. Directors' emoluments

The remuneration for Richard Bienfait (up to 31 December 2014) and Duncan Bates during the current and prior year was paid by Affinity Water Limited, which made no recharge to the company. Richard Bienfait and Duncan Bates were directors of Affinity Water Limited and a number of fellow subsidiaries of the Affinity Water Acquisitions (Investments) Limited group during the current and prior year, and 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 Richard Bienfait and Duncan Bates. Their total remuneration is included in the aggregate of directors' remuneration disclosed in the annual report and financial statements of Affinity Water Limited for the year ended 31 March 2015.

The remaining directors who sit on the Board and have been appointed by Infracapital Partners II, North Haven Infrastructure Partners (formerly Morgan Stanley Infrastructure Partners) and Veolia Water UK Limited do not receive any emoluments from the company, or any company within the Affinity Water Acquisitions (Investments) Limited group.

4. Staff costs

There were no employees during the year ended 31 March 2015 (2014: nil).

5. Interest receivable and similar income

	2015	2014
	£000	£000
Group interest receivable	22,952	26,815
Other similar group income	4	4
Total	22,956	26,819

Interest receivable and similar income reflect accrued interest on the loan to Affinity Water Limited. Income arising on financial instruments is recognised on an accruals basis and credited to the profit and loss in the financial year in which it arises.

6. Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable	19,810	19,697
Indexation on interest	2,792	6,780
Amortisation of issue costs	350	338
Total	22,952	26,815

Interest payable and similar charges reflect interest payable on the Bonds and the amortisation of issue costs under the effective interest method. Expenditure arising on financial instruments is recognised on an accruals basis and charged to the profit and loss account in the financial year in which it arises.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

7. Tax on profit on ordinary activities

There is no tax charge for the year ended 31 March 2015 (2014: £1,000), a tax liability of £1,000 (2014: £1,000), no deferred tax liability (2014: £nil) and no unprovided deferred tax liability (2014: £nil). There are no carried forward tax losses (2014: £nil).

8. Dividends

No dividend was paid or proposed for the year ended 31 March 2015 (2014: £nil).

9. Investments

	2015	2014
	£000	£000
Amounts owed by parent company	576,081	572,939

The company's sole activity is to raise finance on behalf of its immediate parent undertaking, Affinity Water Limited. The amounts owed by the parent company shown above are net of the transaction fees of £9,299,000 incurred as part of the issue of the Bonds. The net proceeds were lent to Affinity Water Limited on the same terms.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

10. Debtors

	2015	2014
	£000	£000
Amounts owed by parent company	1,876	1,857

The amounts owed by parent company reflect the interest receivable on the loan issued to Affinity Water Limited from the proceeds of the Bonds.

11. Creditors – amounts falling due within one year

	2015	2014
	£000	£000
Corporation tax	1	1
Accruals and deferred income	1,869	1,854
	1,870	1,855

The accruals and deferred income reflect interest payable on the Bonds.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

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

	2015	2014
	£000	£000
3.625% Class A Guaranteed Notes due 2022*	78,792	78,656
3.249% Class B RPI linked Guaranteed Notes due 2033	97,392	96,256
4.500% Class A Guaranteed Notes due 2036*	246,216	246,112
1.548% Class A RPI linked Guaranteed Notes due 2045*	153,681	151,915
Aggregate amount repayable in whole or in part after more than five years	576,081	572,939

* Listed on London Stock Exchange

On 4 February 2013, the company issued £80,000,000 Class A Guaranteed Notes maturing in September 2022 with a coupon of 3.625 per cent, £250,000,000 Class A Guaranteed Notes maturing in March 2036 with a coupon of 4.500 per cent, £150,000,000 Class A Guaranteed RPI index-linked Notes maturing in June 2045 with a coupon of 1.548 per cent and £95,000,000 Class B Guaranteed RPI index-linked Notes maturing in June 2033 with a coupon of 3.249 per cent (together 'Bonds').

The amounts shown above are net of fees of £9,299,000 incurred as part of the issue of the Bonds. The proceeds were lent to Affinity Water Limited 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.

13. 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

Interest rates earned on and the movement in RPI 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, foreign exchange rates and RPI.

Other risks such as credit risk and liquidity risk are 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 these risks.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

13. Financial instruments and risk management (continued)

Interest rates and the currency profile of the net borrowings of the company at 31 March 2015 were:

	Total of net borrowings		Net Cash		Fixed rate borrowings		RPI Linked borrowings		Weighted average period until maturity		Weighted average period for which rate is fixed	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Sterling borrowings:												
External loans	576,081	572,939	-	-	325,008	324,768	251,073	248,171	21.0	22.1	21.0	22.1
Total borrowings	576,081	572,939	-	-	325,008	324,768	251,073	248,171	21.0	22.1	21.0	22.1
Cash	(11)	(11)	11	11	-	-	-	-				
Net borrowings	576,070	572,928	11	11	325,008	324,768	251,073	248,171				

Currency exposures

At 31 March 2015, the company had no currency exposures (2014: £nil).

Security

The loans are 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 2015:

	Book value		Fair value	
	£000 2015	£000 2014	£000 2015	£000 2014
Primary financial instruments held or issued to finance the company's operations				
£575m Guaranteed Notes	576,081	572,939	677,566	579,946
Long term borrowings	576,081	572,939	677,566	579,946

The fair value of the Bonds, having a combined book value of £576,081,000 (2014: £572,939,000), has been determined by reference to published and other information, as well as prices from the active markets on which the instruments involved are traded.

The company has taken advantage of the exemption in Financial Reporting Standard 29: 'Financial Instruments: Disclosures' and has not disclosed information required by that standard, as the Affinity Water Acquisitions (Investments) Limited group's consolidated financial statements, in which the company is included, provide equivalent disclosures. All disclosures made in this note are on a voluntary basis.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

14. Called up share capital

	2015	2014
	£000	£000
Allotted, called up and unpaid share capital		
Ordinary shares of £1 each	10	10

On 15 January 2013 the company issued 10,000 £1 ordinary shares for a consideration of £10,000.

15. Reserves

	Profit and loss account £000
At 1 April 2014	3
Profit for the financial year	4
At 31 March 2015	7

16. Reconciliation of movements in shareholder's funds

	2015	2014
	£000	£000
Opening shareholder's funds	13	10
Profit for the financial year	4	3
Closing shareholder's funds	17	13

17. Related party disclosures

During the year the company charged £22,956,000 (2014: £26,819,000) of interest and other similar income to its immediate parent undertaking, Affinity Water Limited. At 31 March 2015 the company had an outstanding receivables balance of £1,876,000 (2014: £1,857,000).

These transactions are in relation to the long term loan to Affinity Water Limited, detailed in note 9.

There were no other related party transactions requiring disclosure.

Affinity Water Programme Finance Limited

Notes to the financial statements for the year ended 31 March 2015 (continued)

18. Ultimate parent undertaking 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 majority owned by Affinity Water Acquisitions (Investments) Limited. Affinity Water Acquisitions (Investments) Limited, a company registered in England and Wales, 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 2015 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 North Haven Infrastructure Partners (formerly 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 North Haven Infrastructure Partners (formerly 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 businesses, including electricity and gas networks, water companies, transport infrastructure and renewable energy.

North Haven Infrastructure Partners (formerly 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. North Haven Infrastructure Partners (formerly 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

Appendix to the financial statements for the year ended 31 March 2015 (unaudited)

Transition to Financial Reporting Standard 101

The company has elected to prepare its financial statements under Financial Reporting Standard 101: 'Reduced disclosure framework' for the year ending 31 March 2016. Therefore the date of transition is in effect 1 April 2014.

Under Financial Reporting Standard 101: 'Reduced disclosure framework', the company applies the recognition and measurement requirements of EU-adopted International Financial Reporting Standards ('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), given that its financial statements are prepared as if companies legislation in the United Kingdom were applicable.

The company is included in the consolidated financial statements of its ultimate holding and controlling company in the United Kingdom, Affinity Water Acquisitions (Investments) Limited. Affinity Water Acquisitions (Investments) Limited has elected to adopt IFRS for the year ending 31 March 2016. In accordance with IFRS 1: 'First-time adoption of IFRS', the company has measured its assets and liabilities as at 1 April 2014, the date of transition, at the carrying amounts that would be included in the Affinity Water Acquisitions (Investments) Limited consolidated financial statements. There are no differences between the amounts previously reported and those under Financial Reporting Standard 101: 'Reduced disclosure framework'.