Investor Report and Compliance Certificate

For the SWS Financing Group

For the period ended 30 September 2015

Confidential

Important Notice

This report is being distributed in fulfilment of a finance document, the Common Terms Agreement. It is directed to, and intended for, existing investors in the company. No other persons should act or rely on it. The company makes no representation as to the accuracy of forecast information. This report should not be relied on as a guide to future performance and should not be relied on in deciding whether to undertake future investment in the company. It should be noted that the information in this report has not been reviewed by the company's auditors.

Investor Report

Contents **Page**

General overview and business update

This Investor Report is updated for the period ended 30 September 2015. The Investor Report is a requirement of the Common Terms Agreement (CTA), which governs the company's obligations to its lenders and investors.

Projected financial ratios are published for the current PR14 / AMP6 period from April 2015 to March 2020, and include additional interest cover ratios to maintain the effectiveness of financial ratios following regulatory building block changes for AMP6. Actual financial ratios for March 2015 continue to be based upon the AMP5 regulatory building blocks methodology.

General levels of service

Customer

The Service Incentive Mechanism (SIM) comprises two measures, a quantitative measure reflecting the number and type of "unwanted" contact from customers and a qualitative measure of customer satisfaction. These measures are combined into a score out of 100.

The method of calculating the SIM score changed during the 2014/15 financial year, from a measure comprising 50% quantitative and 50% qualitative, to a measure comprising 25% quantitative and 75% qualitative. The qualitative assessment also changed from a customer satisfaction assessment of resolved queries to a customer satisfaction assessment of both resolved and unresolved queries. For 2014/15, we have reported on the old basis to aid comparison with previous years of this AMP5 period.

The SIM score for the financial year 2014/15 was 79 (out of 100), an improvement of 5% on the score of 75 for 2013/14.

	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015
SIM score	54	65	62	75	79

We launched our dedicated “Customers First” programme in May 2015 which involves changes designed to enhance customer service.We are already seeing signs of improvement and, at the half-way point of this year, our qualitative Service Incentive Mechanism (SIM) score was up on the previous quarter.

Health & Safety

For the 16th consecutive year, we achieved the Royal Society for the Prevention of Accidents (RoSPA) gold level award and were once again presented with an Order of Distinction, the first water company to receive such an accolade twice.

Operational performance

We sustained our excellent performance in areas where we were already industry leaders – health and safety, leakage and the roll-out of metering – and made strong improvements in others. Due to the hard work of our wastewater team we've reduced significantly the number of general pollution incidents, particularly relating to our pumping stations. We spent more than £40 million on our pumping stations, manholes and sewers in 2014/15 and, as a result, there was a reduction of over a quarter (106 properties) in flooding from sewers inside homes and businesses and in customers' gardens. Our hard work on drinking water quality, minimising customer supply interruptions, bathing water quality and treatment works compliance means we are now at or close to industry-leading standards in these areas too.

Our water quality performance for 2014/15, at 99.97%, was the joint best in the industry. So far this year it is even better at 99.99%. We have delivered an exceptionally strong performance in bacteriological compliance at service reservoirs and supply works with 100 per cent compliance to date.

We continue to lead the UK water sector on leakage control, and in the first six months of this year have further improved upon 2014/15 performance with a leakage level of just 80.3 Ml/d.

Our five-year metering programme to reduce consumption and secure water resources for the future has entered its final stages. Even more newly metered customers than predicted are benefiting from lower bills – to date, the figure is 63 per cent.

For wastewater treatment, we achieved 99 per cent compliance with environmental standards for 2014/15, a significant improvement on previous years. So far this year, our performance is ahead of target and we are forecast to achieve at least 99.0% compliance by the year end.

We continue to achieve a strong imrpovement in performance for the total number of pollution incidents, with improvement to date in 2015 being around 30% better than last year. Our performance in relation to serious pollution incidents in the first half of this year has not been as good as we hoped, which unfortunately means we'll most likely exceed our target for this year.

Eighty two, of the 83, bathing waters in our region met or exceeded the new, more stringent, standards intoduced for the 2015 bathing water season. On a percentage basis, our region was the best performing in the country.

Financial performance for the six months to 30 Septenber 2015

Six months to 30 Sep	**2015 £m**	**2014 £m**	***Change %***
Turnover	402.2	416.1	*-3.3*
Operating costs	146.9	139.1	*-5.6*
EBITDA	**255.3**	**277.0**	***-8.5***
Depreciation	123.3	111.5	
Operating Profit	**132.0**	**165.5**	***-20.1***
Gross capex	108.0	167.9	*-35.7*
Net cash inflow from operating activities	230.8	235.7	*-2.1*

Financial results for the six months to September 2015 have been prepared in accordance with FRS101, and the results for the period to 30 September 2014 have been restated to FRS101 (in order to ensure consistency).

Turnover for the period to 30 September 2015 decreased by 3.3 per cent to £402.2 million (six months to 30 September 2014: £416 million) largely as a result of the average tariff decrease on metered and unmetered income.

Operating costs for the period to 30 September 2015 have increased by 5.6% to £146.9m (six months to 30 September 2014: £139.1m) largely as a result of investment in change programmes which will lead to efficiencies over the Business Plan for 2015–20.

Net cash inflow from operating activities for the period reduced by 2.1% to £230.8 million (six months to September 2014: £235.7m) as a result of lower EBITDA.

Gross capital expenditure for the period to 30 September 2015 is £108.0 million. This is a reduction from the same period last year as a result of the profile for the start of our new five years capital programme.

Financing

In August 2014 we extended the term of the £150m Class B loan facility from 2017 to 2021, and reduced the margin from 3.0% to 1.95%.

In November 2014 we renewed our liquidity facilities for the AMP6 period, and refreshed the core relationship bank group:

- The £200m RCF (Revolving Credit Facility) due June 2015, has been increased to £350m and extended to November 2019 (plus 2 years extension options)
- The £140m DSRLF (Debt Service Reserve Liquidity Facility) has been increased to £170m
- An O&MF (Operating & Maintenance Facility) of £45m has been added

In July 2015 we completed a £100 million Index Linked loan facility with the European Investment Bank. We anticipate drawing from the facility during FY16.

Our Account Bank, and Standstill Cash Manager, is the National Westminster Bank which no longer meets the minimum credit rating requirement specified in the CTA. We are actively working with a potential replacement for the Account Bank and Standstill Cash Manager.

There has been no change to credit ratings since the last report.

Dividend and Financing Policy

Southern Water aims to deliver a sustainable long-term financial strategy, taking into account the interests of all stakeholders. Our shareholders are long-term investors and fully support the strategy adopted.

We do not plan any significant deviation from the current level of around 80% senior gearing in AMP6.

Southern Water's dividend policy is to propose dividends having given due consideration to the following financial and performance criteria.

1. Assessment of headroom under debt covenants
2. Assessment of the impact on the company's credit rating
3. Assessment of the liquidity position and ability to fulfil licence conditions
4. Assessment of key areas of business risk
5. Assessment of current year and cumulative distributable reserves
6. Directors' duties under law and Ofwat administered regulatory arrangements

Southern Water's dividend policy and the associated financial and performance criteria are intended to support the credit ratings of the business and ensure continued access to diversified sources of finance.

We do not intend to access future index-linked debt through derivatives but will instead seek such debt from "natural" sources such as public and private bond markets.

From a treasury management perspective, we will include accretion on PAYG swaps in our maturity buckets for CTA testing.

An interim dividend of £29.2m was paid to our shareholders in September 2015.

Board membership (of Southern Water Services Ltd) as at 30 September 2015

Robert Jennings (Chairman)
Matthew Wright (Chief Executive Officer)
Michael Carmedy (Chief Financial Officer)
Bronte Somes (Non-executive Director)
Mark Walters (Non-executive Director)
Bill Tame (Independent Non-executive Director)
Rosemary Boot (Independent Non-executive Director)
Lisa Harrington (Independent Non-executive Director)
Paul Sheffield (Independent Non-executive Director)

Ultimate parent company

The ultimate parent company is Greensands Holdings Ltd.

Financial ratios

As required by the CTA, financial ratios are reported up to the end of the current five year regulatory period. In all cases, financial ratios are within the 'trigger levels' as defined in the CTA. The forecasts used to generate the financial ratios are derived from the SWS Business Financial Model and are in the format specified by the CTA.

New interest cover ratios have been included (page 17) as a result of regulatory and accounting changes for the PR14 / AMP6 period, for financial years 2016 to 2020. The change to the form of the new ratios is to replace CCD/IRC with RCV run-down rate, and to define both measures as 'depreciation'. Analysis has also been included to further explain the changes.

Regulatory changes for the PR14 period include the removal of CCD (Current Cost Depreciation) and IRC (Infrastructure Renewals Charge) as regulatory building blocks used to determine prices for the next regulatory period. These measures of the depreciation of RCV are included within the original covenanted financial ratios. A total expenditure assessment has also been introduced ('Totex'), with a recovery of 'fast money' through revenues, and 'slow money' added to the RCV.

We have introduced additional interest cover ratios to ensure the effectiveness of the original intended purpose of the covenanted financial ratios:

- CCD will be replaced with the RCV run-down rate. This is a directly comparable measure for the depreciation of the RCV.
- We will be adopting IFRS from 2015-16, and infrastructure renewals accounting is not permissible under IFRS. As a consequence, IRC will no longer exist for accounting purposes and has been removed as a regulatory building block for PR14 / AMP6. Infrastructure renewals expenditure will form an integral part of our operating and capital expenditure, and to be no longer 'smoothed' as IRC.
- For the AMP6 regulatory period, 'fast money' is recovered through customer charges, whereas previously, operating costs were recovered through customer charges. We have maintained a strong correlation between fast money and the previous ratio measure of operating costs. The balance of slow money is added to the RCV in line with the previous measure of capital expenditure being added to the RCV. A reconciliation between these measures has been included in page18 of this report, and will continue to form part the investor report and compliance certificate.

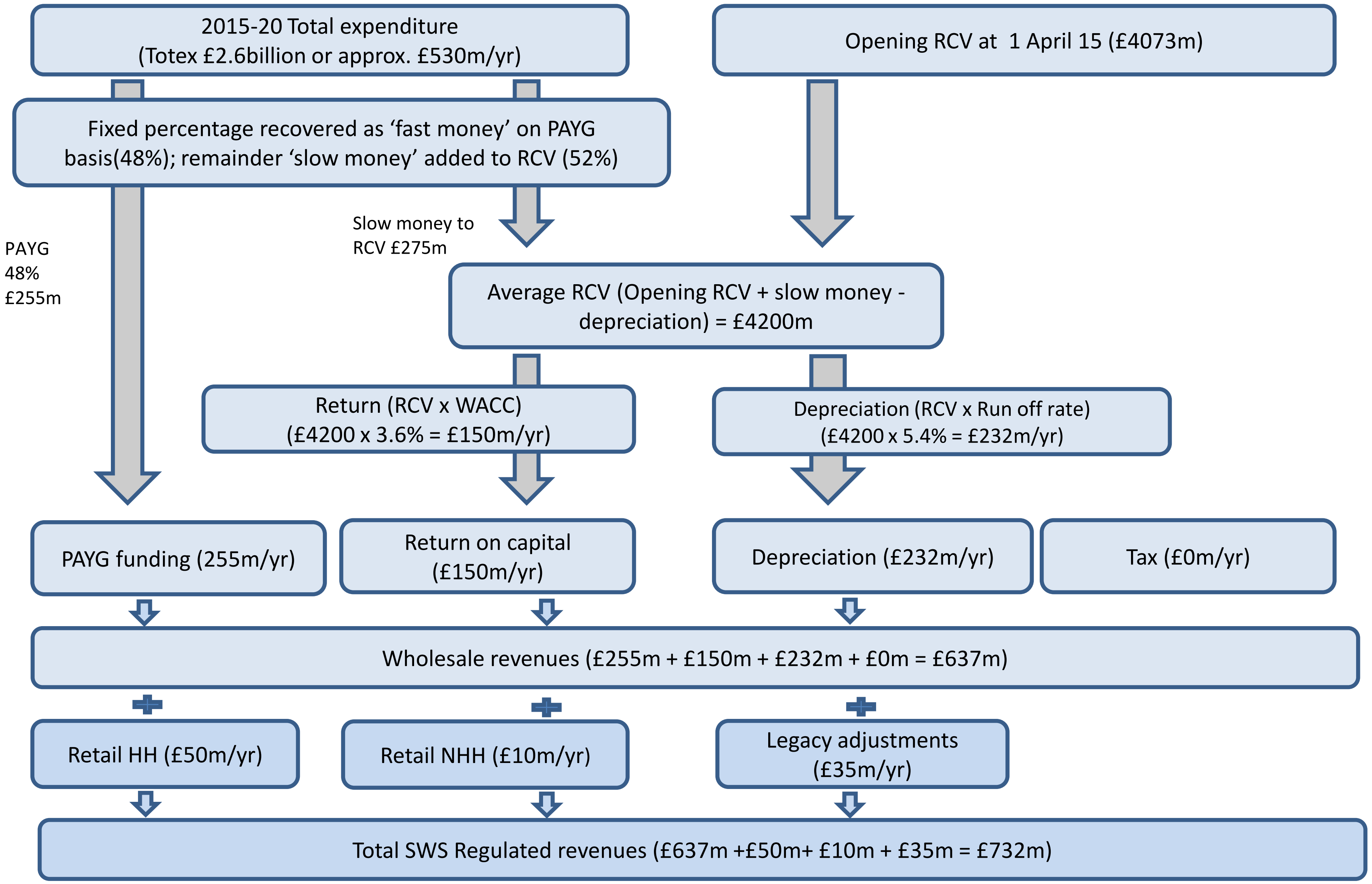
The following pages 10 and 11 of this report provide an overview of the regulatory building blocks for PR14, the foundation for the structure of debt covenant ratios. Pages 18 and 19 provide a comparison of the PR14 totex with the forecast level of operating and capital expenditure, and a reconciliation to the net operating cash flow input to the interest cover ratios.

Short term forecast RPI's used for this Investor Report are calculated as the average of inflation forecasts published by a number of UK banks. RPI at March 2015 was 0.9%, the forecast RPI used at March 2016 is 2.1%, and 2.9% has been used for each subsequent year to March 2020.

For investor reporting, interest paid is reported on an accruals basis in line with the requirements of the CTA.

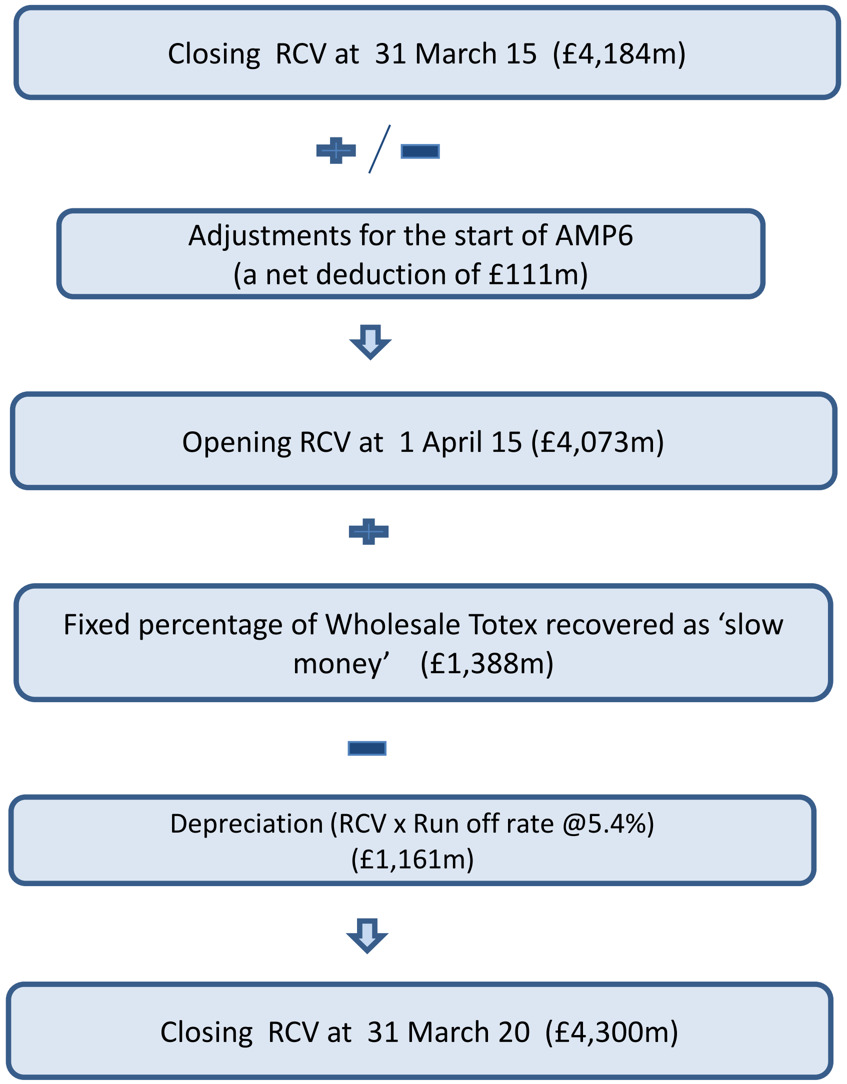
Projected payments on subordinated debt and distributions comprise ordinary dividends, preference share dividends, and group relief tax payments.

An illustration of the Totex approach to cost recovery for AMP6 (the 'revenue building blocks'). 2012/13 prices



Note: Values stated are rounded average annual values used to illustrate the totex approach to cost recovery, rather than determined annual values

An illustration of the construction of the RCV for AMP6 (2012/13 prices)



Consolidated cashflow

Ref.		31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
	Revenue						
1	Appointed	806.1	793.7	795.5	818.5	843.9	874.5
2	Non Appointed	7.1	6.7	6.7	7.0	7.4	7.7
	Operating Costs						
3	Appointed	255.1	340.8	329.2	330.8	333.3	340.8
4	Non Appointed	2.1	1.3	1.4	1.5	1.5	1.6
	Exceptional item *	11.6	0.0	0.0	0.0	0.0	0.0
5	Net Capital Expenditure (inc Disposals of Assets)	336.0	254.4	354.6	366.0	320.7	264.7
	Annual Finance Charge	128.3	132.9	140.4	147.2	152.8	154.0
6	Taxation	0.1	0.1	0.1	0.1	0.1	0.1
	Payments on Subordinated Debt and Distributions	36.1	65.6	98.7	76.7	103.9	123.8
	Net cash reserves movement	43.9	5.3	-122.2	-96.7	-61.0	-2.7

* The exceptional cash flow relates to payments in 2014/15 relating to the wet weather of winter 2013-14

Annual Finance Charge

Ref.		31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
	Class A debt interest	101.2	114.0	120.8	127.3	133.5	133.2
	Class B debt interest	20.2	18.6	19.0	19.3	19.5	19.7
	Interest income	1.3	1.7	1.4	1.5	3.4	2.1
	Class A Facilities commitment fees	8.2	2.0	2.0	2.1	3.2	3.2
7	Class A Debt Interest	108.1	114.3	121.4	127.9	133.3	134.3
8	Senior Debt Interest	128.3	132.9	140.4	147.2	152.8	154.0
	Annual Finance Charge	128.3	132.9	140.4	147.2	152.8	154
	Monthly Payment Amount *	11.0	11.2	11.8	12.4	13.0	13.0

* Monthly payment amount is stated gross of interest income but wil be reduced by interest received in the Debt Service Payment Account

Cash accounts and reserves

Ref.		31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
	SWS O&M Reserve account						
	Opening balance	46.3	46.3	0.0	0.0	0.0	0.0
	Cash transferred	0.0	-46.3	0.0	0.0	0.0	0.0
	Closing balance	46.3	0.0	0.0	0.0	0.0	0.0
	Capex Reserve account						
	Opening balance	52.4	52.7	100.2	84.3	179.3	93.2
	Cash transferred	0.3	47.5	-15.9	95.0	-86.1	80.4
	Closing balance	52.7	100.2	84.3	179.3	93.2	173.6
	Debt Service Payment account						
	Opening balance	3.7	6.0	6.0	6.0	6.0	6.0
	Cash transferred	2.3	0.0	0.0	0.0	0.0	0.0
	Closing balance	6.0	6.0	6.0	6.0	6.0	6.0
	SWS Operating accounts						
	Opening balance	37.3	74.3	23.9	13.9	13.9	13.9
	Cash transferred	37.0	-50.4	-10.0	0.0	0.0	0.0
	Closing balance	74.3	23.9	13.9	13.9	13.9	13.9
	Total Cash Balances						
	Opening balance	139.7	179.3	130.1	104.2	199.2	113.1
	Cash transferred	39.6	-49.2	-25.9	95.0	-86.1	80.4
9	Closing balance	179.3	130.1	104.2	199.2	113.1	193.5

From 2015, a £45.0m O&MF (Operating & Maintenance Facility) replaces cash previously held in the SWS O&M reserve account

Bonds, Authorised Loan Facilities and Leases

Ref.		31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
	* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0	350.0	350.0	350.0	350.0
	* £150m A2a 3.706% Index Linked Bonds due 2034	215.5	217.7	222.7	229.1	235.8	242.6
	* £35m A2b 3.706% Limited Index Bonds due 2034	49.6	50.8	52.0	53.5	55.0	56.6
	£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	350.0	350.0	350.0	350.0	350.0
	£150m A5 3.816% Index Linked Bonds due 2023	215.5	217.7	222.7	229.1	235.8	242.6
	* £350m A7 5.0% Fixed Rate Bonds due 2021	350.0	350.0	350.0	350.0	350.0	350.0
	* £150m A8 5.0% Fixed Rate Bonds due 2041	150.0	150.0	150.0	150.0	150.0	150.0
	* £200m A9 4.5% Fixed Rate Bonds due 2052	200.0	200.0	200.0	200.0	200.0	200.0
	* £300m A10 5.125% Fixed Rate Bonds due 2056	300.0	300.0	300.0	300.0	300.0	300.0
	£300m A11 6.125% Fixed Rate Bonds due 2019	300.0	300.0	300.0	300.0	0.0	0.0
	RPI accretion on Index-Linked swaps	283.4	2.2	44.7	87.5	120.2	171.6
	£250m B2 4.5% Fixed/Floating rate Bonds due 2038	250.0	250.0	250.0	250.0	250.0	250.0
	£150m Class B loan facility due 2021	150.0	150.0	150.0	150.0	150.0	150.0
	* £165m Artesian 4.076% Index Linked Bonds due 2033	237.1	239.5	244.9	252.1	259.4	266.9
	* £156m Artesian 3.635% Index Linked Bonds due 2032	219.4	221.6	226.7	233.3	240.0	247.0
	£100m EIB Index Linked loan due 2025	0.0	101.1	101.9	104.8	103.2	90.4
	** New cash required	0.0	150.0	250.0	450.0	755.0	860.0
	Drawings under the Revolving Credit Facility	0.0	0.0	0.0	0.0	0.0	0.0
	Drawings under the DSR Liquidity Facility	0.0	0.0	0.0	0.0	0.0	0.0
	Finance Leases	0.0	0.0	0.0	0.0	0.0	0.0
	Class A Indebtedness	3,220.5	3,200.6	3,365.6	3,639.4	3,704.4	3,877.7
	Senior Indebtedness	3,620.5	3,600.6	3,765.6	4,039.4	4,104.4	4,277.7
10	Class A Net Indebtedness	3,041.2	3,070.5	3,261.4	3,440.2	3,591.3	3,684.2
11	Senior Net Indebtedness	3,441.2	3,470.5	3,661.4	3,840.2	3,991.3	4,084.2
	Nominal value of fixed rate debt swapped to Index Linked	1,318.0	1,318.0	1,318.0	1,318.0	1,318.0	1,318.0

* Wrapped by MBIA or AG

** 'New cash required' is a notional class of debt included to forecast compliance ratios correctly. This is not an attempt to forecast the actual quantum, mix, cost and timing of future financing.

Interest Cover Ratios - Original format

		Trigger	Default	31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
A	Net Appointed Income (1+3+6)			550.9	452.8	466.3	487.6	510.5	533.7
B	Net Total Income (1+2+3+4+6)			555.9	458.2	471.5	493.2	516.4	539.8
C	Depreciation (CCD & IRC)			346.5	0.0	0.0	0.0	0.0	0.0
D	Class A Debt interest (7)			108.1	114.3	121.4	127.9	133.3	134.3
E	Senior Debt interest (8)			128.3	132.9	140.4	147.2	152.8	154.0
F	Period end VAT debtor			5.4	7.3	8.2	8.4	7.6	6.7
G	Capital Maintenance (MNI & IRE)			218.3	N/A	N/A	N/A	N/A	N/A
Class A Adjusted ICR									
	Historic: (B-C+F)/D Projected: (A-C+F)/D	1.3	N/A	2.0	4.0	3.9	3.9	3.9	4.0
Class A Average ICR		1.4	N/A	3.5	3.9	3.9	3.9	4.0	4.0
Senior Adjusted ICR									
	Historic: (B-C+F)/E Projected: (A-C+F)/E	1.1	N/A	1.7	3.5	3.4	3.4	3.4	3.5
Senior Average Adjusted ICR		1.2	N/A	3.0	3.4	3.4	3.4	3.5	3.5
Class A ICR									
	Historic: B/D Projected: A/D	N/A	1.6	5.2	4.0	3.9	3.9	3.9	4.0
Class A Post Maintenance ICR									
	Historic: (B-G+F)/D	N/A	1.0	3.2	N/A	N/A	N/A	N/A	N/A

CCD (Current Cost Depreciation) and IRC (Infrastructure Renewals Charge) have been removed as regulatory building blocks for the regulatory period 2016 to 2020. As a consequence, the values for this input into interest cover ratios is zero for these years.

Additional interest cover ratios have been introduced (following page) that maintain consistency of ratio performance with previous periods.

Further explanation of this change can be found on page 9 of this report.

Interest Cover Ratios - New (Post PR14) format

		Trigger	Default	31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
A	Net Appointed Income (1+3+6)			550.9	452.8	466.3	487.6	510.5	533.7
B	Net Total Income (1+2+3+4+6)			555.9	458.2	471.5	493.2	516.4	539.8
C	Depreciation of the RCV:								
	Depreciation (CCD & IRC)			346.5	0.0	0.0	0.0	0.0	0.0
	RCV run down			0.0	241.2	246.3	258.4	271.3	281.6
D	Class A Debt interest (7)			108.1	114.3	121.4	127.9	133.3	134.3
E	Senior Debt interest (8)			128.3	132.9	140.4	147.2	152.8	154.0
F	Period end VAT debtor			5.4	7.3	8.2	8.4	7.6	6.7
G	Capital Maintenance (MNI & IRE)			218.3	N/A	N/A	N/A	N/A	N/A
Class A Adjusted ICR									
	Historic: (B-C+F)/D Projected: (A-C+F)/D	1.3	N/A	2.0	1.9	1.9	1.9	1.9	1.9
Class A Average ICR		1.4	N/A	1.9	1.9	1.9	1.9	1.9	1.9
Senior Adjusted ICR									
	Historic: (B-C+F)/E Projected: (A-C+F)/E	1.1	N/A	1.7	1.7	1.6	1.6	1.6	1.7
Senior Average Adjusted ICR		1.2	N/A	1.6	1.6	1.6	1.6	1.6	1.7
Class A ICR									
	Historic: B/D Projected: A/D	N/A	1.6	5.2	4.0	3.9	3.9	3.9	4.0
Class A Post Maintenance ICR									
	Historic: (B-G+F)/D	N/A	1.0	3.2	N/A	N/A	N/A	N/A	N/A

These new interest cover ratios include both, CCD & IRC (2015), and RCV run down rate (2016 to 2020), as depreciation of the RCV.

The effect of the reclassification of Infrastructure Renewals Expenditure is illustrated by, amongst other changes from 2015 to 2016, a reduction in net income from expenditure included in operating costs and a reduction in RCV depreciation from the expenditure no longer added to the RCV.

Comparison of FD PAYG funding ('fast money') to actual operating costs

PR14 Final Determination:		**Period from 2016 to 2020 £m**	
Totex funding	2012/13 prices	2,639.4	Wholesale operating costs and capital expenditure for the regulatory period (excluding pension deficit contributions outside of the Totex assessment)
Totex funding	Outturn	2,958.6	
PAYG fast money	Outturn	1,404.1	The value of Wholesale Totex recovered via revenues
Slow money	Outturn	1,554.5	The value of Wholesale Totex added to the RCV
Retail operating costs	FD	294.9	Operating costs for the Retail price control per Final Determination
Total		3,253.5	
Total Appointed expenditure (treating Retail Opex as Fast money)			
Fast money		52.2%	
Slow Money		47.8%	

Comparison to actual operating costs		**Period from 2016 to 2020 £m**
Operating costs per accounts	Outturn	1,642.6
Capital expenditure per accounts	Outturn	1,537.7
Total Appointed expenditure	Outturn	3,180.3

Comparison of FD with actual costs		**Actual**	**FD**	
Total Appointed expenditure	Outturn	3,180.3	3,253.5	Actual expenditure is forecast to be £73.2m less than the FD
		Actual (%)	**FD (%)**	
Operating costs / Fast money		51.6%	52.2%	There is a 0.6% (£18.2m) variance over the regulatory period between FD and actual forecast apportionment of costs between operating costs / capital expenditure and fast / slow money
Capital expenditure / Slow Money		48.4%	47.8%	

PAYG funding and actual costs

The PR14 Final Determination has determined the proportion of AMP6 Totex Wholesale expenditure recovered via revenues and the proportion of AMP6 Totex Wholesale expenditure added to the RCV.

The PR14 Final Determination has also determined how any variance between actual Totex Wholesale expenditure and PR14 Totex Wholesale expenditure is 'trued' for the next AMP7 regulatory period:

- We anticipate that 26% of Wholesale Totex variance will be deducted/added to Wholesale revenues in AMP7
- We anticipate that 24% of Wholesale Totex variance will be deducted/added to the RCV for the start of AMP7.
- The remaining 50% of Wholesale Totex variance will be retained/borne by the company.

As a guide, based upon the actual forecast efficiency against the PR14 FD of £73.2m, the indicative adjustment to opening RCV for AMP7 would be a reduction of approximately £18m.

Reconciliation to Net Appointed Income

	31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m	Total 2016 to 2020 £m
Operating costs per accounts	241.5	325.8	326.5	323.5	330.8	336.0	1,642.6
Movement in working capital and pension deficit contribution	13.6	15.0	2.7	7.3	2.5	4.8	
Appointed operating cost cash flow (ref 3. page 12)	255.1	340.8	329.2	330.8	333.3	340.8	

Regulatory Asset Ratios

		Trigger	Default	31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m	31 Mar 2019 £m	31 Mar 2020 £m
G	Class A Net Indebtedness (10)			3,041.2	3,070.5	3,261.4	3,440.2	3,591.3	3,684.2
H	Senior Net Indebtedness (11)			3,441.2	3,470.5	3,661.4	3,840.2	3,991.3	4,084.2
I	RCV			4,397.1	4,408.6	4,633.5	4,858.3	5,050.3	5,171.6
Class A RAR									
	Projected: G/I	0.750	N/A	0.692	0.696	0.704	0.708	0.711	0.712
Senior RAR									
	Projected: H/I	0.900	0.950	0.783	0.787	0.790	0.790	0.790	0.790

		2016	2017	2018	2019	2020
Control of Repayments (maturity buckets)						
	Percentage of refinancing - consecutive two years: no more than 20%	7.0%	6.8%	0.2%	6.6%	6.6%
	Percentage of refinancing - within a regulatory period: no more than 40%	<<<<<<<<<<<<<<<<<		13.4%	>>>>>>>>>>>>>>>	

Note: swap accretion payments have been included in this test

Declaration

We confirm that each of the above Ratios has been calculated in respect of each of the relevant periods for which it is required under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 20 (Ratios) of Part 2 (Event of Default (SWS and the Issuer)) of Schedule 7 of the Common Terms Agreement to be breached.

We confirm that the Annual Finance Charge is £132.9 million for 2015/16 equating to a Monthly Payment Amount for this period of £11.2 million.

We also confirm that no Default or Potential Trigger Event is outstanding and that SWS's insurances are being maintained in accordance with the Common Terms Agreement.

Matthew Wright
CEO: Southern Water Services Ltd
Director: Southern Water Services (Finance) Ltd

Michael Carmedy
CFO: Southern Water Services Ltd
Director: Southern Water Services (Finance) Ltd

Contact details:

Steve Collins
Group Treasurer
Telephone: 01903 272056
Email: SteveM.Collins@southernwater.co.uk

Martin Roughead
Head of Corporate Finance
Telephone: 01903 272462
Email: Martin.Roughead@southernwater.co.uk