Investor Report and Compliance Certificate

For the SWS Financing Group

For the period ended to 30 September 2025

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 30th September 2025. 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 PR24 / AMP8 period from April 2025 to March 2030, and include additional interest cover ratios to maintain the effectiveness of financial ratios following regulatory building block changes from the previous PR14 (AMP6) price determination. In addition the final year of AMP7 is shown here.

Significant events during the period ended 30 September 2025

Of greatest significance has been the ongoing support of our majority shareholder Macquarie Asset Management, with a further equity commitment as explained later, of which £505m was received in November 2025. This and and a number highly successful financings totalling over £1.5 billion in the period have vastly improved the liquidity runway and financial resilience of SWS.
Ofwat released their Final Determination in December 2024 and which the company is now appealing against on certain aspects, with the draft CMA response received in October 2025, the company has since provided further representations in November 2025 and final decisions are expected by March 2026. The increased revenues as a result of the Final Determination have contributed to the improving financial performance to date and to forecasts.

As reported in our FY25 Annual Report, this period of additional spend and investment has put pressure on our debt covenant ratios and credit ratings. We remain in a credit rating Trigger Event as our credit ratings are below BBB (S&P), Baa2 (Moody's) and BBB (Fitch). We remain in Trigger as at 30 September 2025.

General levels of service

Customer

We're forecasting to maintain our position at 16th out of 17 water companies for our customer measure of excellence, C-MeX, at year end. This is largely due to the introduction of bill increases in the early part of 2025, leading to a sharp rise in customer complaints and billing enquiries.
We've increased the frequency of our customer satisfaction with vulnerability support survey and will now reach out to our customers more frequently, as well as improving the clarity of questioning. For the first half of this financial year, we achieved a score of 50.12, which is lower than we would want to see. We're supporting a total of 174,116 customers via our social
tariff 'Essentials', against our 2030 target of 182,000. We've also offered support to over 260 customers over the past six months with either a debt write-off or essential white goods grants, with good progress made on improving the offering under our Hardship Fund. For priority services, we're currently supporting 340,319 customers – this has increased from 310,591 at the end of March this year. We've been using initiatives such as auto enrolment with local authorities to help support more of our customers. Our meter upgrade has begun, marking the beginning of a programme which will help to reduce leaks, improve billing, and support environmental goals while replacing ageing infrastructure. Recruitment and training for our Smart Operating Centre has been completed and is now up and running.
We've also been improving customer communications to support those moving home or closing their accounts, making final bills easier to pay and helping to set up payment plans.

Finally, we continue to have the second lowest household customer consumption of water in England. We're working with our non-household users under a new Business Demand measure, which incentivises a reduction in water

Operational performance

Revenue for the period increased to £729.9 million (30 September 2024: £496.2 million). This increase principally arises from the change in our regulatory tariff following Ofwat's Final Determination of our Business Plan for the period from 2025 to 2030. Operating costs increased by 10.2% to £543.8 million (30 September 2024: £493.4 million).
This increase was largely driven by an increase in operating expenditure described below and additional depreciation arising from our capital programme of £7.9 million. EBITDA benefitted from the increased revenues as a result of the Final Determination and improved to £380m (30 September 2024: £189m).
Over the period to September 2025 the principal drivers of additional operating costs were as follows:

- Inflation which has increased prices for all our operational costs by £8.6 million,the main increases were in our contractor and employee related costs.
- Costs associated with the appeal to Ofwat's Final Determination on our plans for 2025–30 to the Competition and Markets Authority added £3.2 million to our operating costs.
- Employee costs increased by £6.3 million excluding inflation. Of this £1.2 million was due to the change in employers National Insurance contributions with the remainder due to increased employee numbers, which grew to 3,071 at September 2025 (September 2024: 2,737) to deliver our business plan for the period to 2030.
- We have undertaken additional work in the period to improve our customer service and cash collection performance incurring additional costs of £2.3 million.
- Our Clean Rivers and Seas Task Force is undertaking a series of projects to aid the reduction of storm overflows. These projects include initiatives to slow the flow of rainwater into our network. Some of the initiatives do not result in assets that we own and are expensed, incurring £6.0 million of additional operating costs during the period.
- Additional chemical dosing costs of £1.6 million were incurred following the completion of capital projects to install equipment to reduce phosphorus and nitrogen levels.
- In the period to 30 September 2025, we recognised a bad debt provision charge of £28.0 million (30 September 2024 £12.6 million), an increase of £15.4 million compared to the prior year driven by the increase in our revenues.
- These cost increases were offset by a £8.2 million decrease in tankering costs that related to dealing with high levels of groundwater in the prior year and lower power costs of £1.2 million driven by reduced consumption.

Please see the Interim Financial Statement for the period ended 30 September 2025 for more information. This can be found on the southernwater.co.uk website.

Financial performance for the year ended 30 September 2025

Accounts are prepared under IFRS (FRS101).

Period end 30th September 2025	2024 £m	2025 £m	*Change %*
Revenue	497.2	730.7	*32.0*
Operating costs	-308.2	-350.7	*-12.1*
EBITDA	**189.0**	**380.0**	***50.3***
Depreciation & amortisation	-185.2	-193.1	
Non-operating income	0.5	1.2	
Net finance costs	-102.1	-133.3	
Fair value movement	39.0	-0.2	
Profit/(Loss) before tax	**-58.8**	**54.6**	
Tax	-4.3	-14.9	
Profit/(Loss) after tax	**-63.1**	**39.7**	

CHP income treated as revenue and includes other operating income and incls regulatory settlement and adoption income (the latter 2 items are non cash in nature)

Financing

By way of a reminder, funds managed by Macquarie Asset Management acquired a majority stake in our ultimate parent company at the time, Greensands Holdings Limited, on 08 September 2021. This acquisition resulted in an equity injection into the Greensands Group of over £1 billion. These funds were in part used to settle some external debt obligations in companies in the Greensands Group, resulting in £529.9 million being invested in Southern Water Services through new equity and the settlement of an inter-company debtor and associated accrued interest.

To maintain momentum on our Turnaround Plan we engaged with shareholders on an additional £550 million of new equity funds for the group. This process concluded in October 2023 and the proceeds were received with £375 million of that new equity being injected into Southern Water.
On 1 July 2025, Southern Water announced that it had secured an offer of equity support from a consortium led by funds managed by Macquarie Asset Management to support its AMP8 investment programme, comprising a legally binding equity commitment of £655 million (the "Initial AMP8 Equity Commitment") provided on the terms of an equity commitment letter.The Initial AMP8 Equity Commitment was subject to the satisfaction of a number of conditions including the sanction by the High Court of England and Wales of a scheme of arrangement under Part 26 of the Companies Act 2006 to remove the rating agency downgrade event of default in the CTA (the "Scheme"). The Scheme was sanctioned in October 2025 and the remaining conditions to Initial AMP8 Equity Commitment have now been satisfied resulting in the first tranche of £505m of equity proceeds received on 13 November 2025. Southern Water has made a number of announcements in relation to the Initial AMP8 Equity Commitment as mentioned above and on its liquidity position and the Scheme and which can be found here :-

SW (FINANCE) I PLC XA48 Analysis - Stock | London Stock Exchange

On 1 April 2025 Southern Water also made changes to some of its financial derivatives. The break clause in a swap with a notional value of £92.1 million was extended from November 2025 to June 2026 and accretion payments due in March 26 associated with various swaps were extended to June 2026. On 8 July 2025 Southern Water confirmed that it had arranged further committed liquidity on similar terms for a further underwrite of £675.0 million of new Class A Unwrapped Bonds.

In July 2025 the company issued a bond for £750m, followed by a tap on an existing bond for £100m in September 2025 and more recently 2 further bonds totalling £675m, on each subsequent issuance we have seen a tightening on spreads, thus assuring us of access to future capital markets and an increased in credit confidence. A tender to buyback the £350m A4 bond due in March 2026 in November 2025 was also successful and we have secured a 65% buyback. Finally, also in November 2025 the company paid down accretion on a number of swaps that also had their mandatory breaks removed, novated to new counterparties and the interim paydowns removed and extended until maturity.

Liquidity as at 30 September 2025 comprises £895.4 million of cash in the, DSPA, capex reserve and operating accounts (including £27.5m of drawings from the Debt Service Reserve and O&M Reserve accounts and cash on account) and inclusive of the £350 million drawn RCF. In addition there is £162.5 million of unused standstill facilities and standstill cash reserves.

Credit rating	
Standard & Poor's	Class A debt: BBB-
Fitch	Class A debt: BBB-
Moody's	Class A debt: Ba1

The credit rating for Moody's moved to Ba1 in October 2024 and has been affirmed by them as Stable in July 2025. Fitch published their updated rating in November 2024 with a downgrade to BBB- and this has since been affirmed as stable in April 2025. S&P also published a rating in November 2024 which was a downgrade to BBB- on credit watch negative and then extended the credit watch negative period in July 2025, In November 2025 S&P have subsequently removed the Credit Watch Negative following the completion of the aforementioned equity process and the rating remains on negative outlook.

As a result of the Fitch downgrade to BBB in July 2023 this credit rating downgrade has resulted in a Trigger Event under our Common Terms Agreement (A Trigger Event would occur if any two of the credit ratings fall to BBB or Baa2) which in turn would restrict the payment of dividend (a STID approval was secured in February 2021 to provide the ability to raise certain permitted financial indebtedness during a credit rating downgrade Trigger Event and has been extending this through a further STID Proposal approved in August 2023). SWS is also subject to the cash lock-up provisions under its Licence which were amended with effect from 1 April 2025 to apply if SWS's credit rating with any of the rating agencies is at of Baa2/BBB and on review for possible downgrade or is on credit watch or rating watch (with negative outlook) for a period of 3 months.

Dividend and Financing Policy

Our dividend policy is formulated to ensure a fair balance of reward between customers and investors. To deliver on our vision for the successful delivery of our Business Plan for 2025–30, all stakeholders must share in success: customers benefitting through enhanced service and lower bills, and shareholders earning a fair return.

When proposing payment of a dividend the Directors of Southern Water Services Limited, acting independently in accordance with their directors' duties and in accordance with the Company's Licence, will apply the following principles:

1. Determination of a base level of dividend, based on an equity return consistent with our most recent Final Determination and our actual level of gearing. This recognises our management of economic risks and capital employed.
2. In assessing any adjustment to the base level of dividend, we will take into account our financial and non-financial performance. This would reflect our overall financial performance as compared to the final Business Plan for 2025–30 as agreed by Ofwat and would explicitly consider a qualitative assessment of customer service levels and how customers share in our successes.
3. We will consider our financial resilience ahead of any dividend decision, and whether any financial outperformance should be re-invested to benefit our customers. This consideration will also include taking into account the interests of our employees, other stakeholders, and our pension schemes.

Our dividend policy is intended to support the financial resilience and investment grade credit ratings of the business and ensure continued access to diversified sources of finance. As part of step three we carry out an assessment of:

a) headroom under debt covenants
b) the impact on the company's credit rating
c) the liquidity position and ability to fulfil licence conditions
d) key areas of business risk.

4. We will be transparent in the payment of dividends and will clearly justify the payment in relation to the factors outlined above.
5. We will publish our Dividend Policy annually (as part of the Annual Report), and highlight any changes.

Board membership (of Southern Water Services Ltd) as at 30 September 2025

Keith Lough (Chairman)
Lawrence Gosden (Chief Executive Officer, appointed 01 July 2022)
Stuart Ledger (Chief Financial Officer, appointed 3 Jan 2023)
Malcolm Cooper (Independent Non-executive Director)
Christele Delbe (Independent Non-executive Director)
Kerensa Jennings (Independent Non-executive Director)
William Price (Non-executive Director)
Stephen Fraser (Non-executive Director)
Neil Corrigall (Non-executive Director)
Neil Mcarthur (Independent Non-executive Director -appointed Oct 2024)
Richard Manning (Company Secretary)

Please see southernwater website for current Board membership

Ultimate parent company

The ultimate parent company at 30th September 2025 was Sandstone Bidco Limited who acquired the issued share capital of Greensands Junior Finance Limited and Southern Water (Greensands) Financing plc from Greensands (UK) Limited on 08 July 2025, becoming the new ultimate indirect UK holding company of Southern Water, replacing Greensands Holdings Limited, the previous ultimate UK holding company.

Financial ratios

As required by the CTA, financial ratios are reported up to the end of the current five year regulatory period. 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. Also to note forecasts for AMP8 do not include any revenue impact from our CMA appeal.

The business continues to pursue operational and other efficiencies in the normal course of business to mitigate operational and inflationary pressures on current expenditure while also preparing plans for additional investment to meet capital intensive activity

New interest cover ratios have been included (page 17) as a result of regulatory and accounting changes from the PR14 / AMP6 period. A total expenditure assessment was also introduced ('Totex'), with a recovery of 'fast money' through revenues, and 'slow money' added to the RCV.

Pages 10 and 11 of this report provide an overview of the regulatory building blocks for PR19, the foundation for the structure of debt covenant ratios. Pages 18 and 19 provide a comparison of the PR19 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.

Inflation forecasts are based upon the HMT published forecasts. RPI and CPIH year-on-year change at March 2025 was 3.21% and 3.41% respectively. Inflation forecasts used are; 2025-26, RPI 3.5% CPIH 2.50% + 40bps spread when comparing to historical data (2.90% total); 2026-27, RPI 3.20% and CPIH 2.20% + 40bps spread when comparing to forecasted data (2.60% total). HMT do not forecast CPIH.

Consolidated cashflow

Ref.		31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
	Revenue**						
1	Appointed	924.5	1311.8	1495.8	1536.7	1638.0	1756.3
2	Non Appointed	10.8	10.3	10.6	10.9	11.1	11.4
	Operating Costs						
3	Appointed	615.8	699.6	679.1	656.9	647.7	631.5
4	Non Appointed	8.2	8.8	8.9	9.0	9.3	9.5
	Exceptional item *	45.5	15.0	0.0	0.0	0.0	0.0
5	Net Capital Expenditure (inc Disposals of Assets)	792.7	1249.7	1631.3	1528.9	1432.1	1223.8
	Annual Finance Charge	97.5	198.6	217.6	274.0	336.6	392.5
6	Taxation	0.0	0.0	0.0	0.0	0.0	0.0
	Payments on Subordinated Debt and Distributions	0.0	0.0	0.0	0.0	0.0	0.0
	Net cash flow before financing	-624.5	-849.5	-1030.6	-921.2	-776.6	-489.6
	Proceeds from new equity for SWS	0.0	900.0	300.0	0.0	0.0	0.0
	Net proceeds from new financing	413.3	1525.0	650.0	750.0	1350.0	550.0
	Drawings from RCF	350.0	-350.0	0.0	0.0	0.0	0.0
	Debt repayments	-21.6	-357.1	-300.0	0.0	-725.0	0.0
	Swap accretion payments	-14.5	-194.5	-434.8	-15.5	0.0	-9.6
	Debt Fees	-17.2	-76.2	-11.5	-14.1	-11.4	-5.7
	Movement on DSPA	0.0	0.0	0.0	0.0	0.0	0.0
	Net cash reserves movement after financing	85.5	597.6	-826.8	-200.8	-163.0	45.1

* 24-25 exceptionals are the cashflow impact of the items mentioned in the operational performance section plus £8.5m items in working capital that are capex in nature.

** Revenue for AMP8 excludes any impact from our CMA appeal

Annual Finance Charge

Ref.		31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
	Class A debt interest paid	128.5	225.7	275.0	301.7	357.4	407.2
	Class B debt interest	0.0	0.0	0.0	0.0	0.0	0.0
	Interest income	29.1	26.1	48.7	18.9	11.7	5.4
	Class A Facilities commitment fees	1.8	1.0	8.7	8.9**	9.1**	9.3**
7	Class A Debt Interest	97.5	198.6	217.6	274.0	336.6	392.5
8	Senior Debt Interest	97.5	198.6	217.6	274.0	336.6	392.5
	Annual Finance Charge	97.5	198.6	217.6	274.0	336.6	392.5
	Monthly Payment Amount *	8.0	16.5	18.1	22.8	28.1	32.7

* Monthly payment amount is stated gross and reduced by interest received in the Debt Service Payment Account

Class A Debt Interest is the sum of interest paid, interest income and commitment and monoline fees.

** 2028 onwards includes fees relating to increases in facility requirements

Cash accounts and reserves

Ref.		31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
	SWS O&M Reserve account						
	Opening balance	13.0	28.0	28.0	28.0	28.0	28.0
	Cash transferred	15.0	0.0	0.0	0.0	0.0	0.0
	Closing balance	28.0	28.0	28.0	28.0	28.0	28.0
	Capex Reserve account						
	Opening balance	0.1	139.9	0.0	0.0	0.0	0.0
	Cash transferred	139.8	-139.9	0.0	0.0	0.0	0.0
	Closing balance	139.9	0.0	0.0	0.0	0.0	0.0
	Debt Service Payment account						
	Opening balance	117.1	161.0	161.0	111.0	100.0	100.0
	Cash transferred	44.0	0.0	-50.0	-11.0	0.0	77.4
	Closing balance	161.0	161.0	111.0	100.0	100.0	177.4
	SWS Operating accounts						
	Opening balance	499.3	386.0	1123.5	346.7	156.9	-6.1
	Cash transferred	-113.3	737.5	-776.8	-189.8	-163.0	-32.3
	Closing balance	386.0	1123.5	346.7	156.9	-6.1	-38.4
	Total Cash Balances						
	Opening balance	629.5	714.9	1312.6	485.7	284.9	122.0
	Cash transferred	85.5	597.6	-826.8	-200.8	-163.0	45.1
9	Closing balance	714.9	1312.6	485.7	284.9	122.0	167.0

For forecasting purposes all cash is assumed to flow through to central accounts, although in reality this may differ.

Bonds, Authorised Loan Facilities and Leases

Ref.			31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
	*	Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0	350.0	350.0	0.0	0.0
	*	£150m A2a 3.706% Index-linked Bonds due 2034	326.2	342.0	351.4	362.8	374.4	386.0
	*	£35m A2b 3.706% Limited Index Bonds due 2034	67.3	71.8	73.8	76.2	78.6	81.1
		£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	0.0	0.0	0.0	0.0	0.0
		£150m A5 3.816% Index-linked Bonds due 2023	0.0	0.0	0.0	0.0	0.0	0.0
	*	£350m A7 5.0% Fixed Rate Bonds due 2021	0.0	0.0	0.0	0.0	0.0	0.0
	*	£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
		£375m A12 2.375% Fixed Rate Bonds due 2028	375.0	375.0	375.0	375.0	0.0	0.0
		£450m A13 3.000% Fixed Rate Bonds due 2037	450.0	450.0	450.0	450.0	450.0	450.0
		£300m A14 1.625% Fixed Rate Bonds due 2027	300.0	300.0	0.0	0.0	0.0	0.0
		£450m A15 7.375% Fixed Rate Bonds due 2041	450.0	450.0	450.0	450.0	450.0	450.0
		£72m A16 3.315% Index Linked Bonds due 2043	74.6	77.5	79.6	81.7	83.7	85.8
		£20m A17 4.123% Index Linked Bonds due 2043	20.7	21.5	22.1	22.7	23.2	23.8
		£550m A18 7.000% Fixed Rate Bonds due 2040	550.0	550.0	550.0	550.0	550.0	550.0
		Bond Taps in May 24- to be funged into A15 A18	150.0	150.0	150.0	150.0	150.0	150.0
		£300m A19 7.750% Fixed Rate Bonds due 2031	300.0	400.0	400.0	400.0	400.0	400.0
		£750m A20 6.875% Fixed Rate Bonds due 2032	0.0	750.0	750.0	750.0	750.0	750.0
		£675m A21 & A22 5.750% & 6.125% due 2030 & 2033	0.0	675.0	675.0	675.0	675.0	675.0
		RPI accretion on Index-Linked swaps	447.3	389.0	65.0	148.5	237.6	319.5
	*	£165m Artesian 4.076% Index-linked Bonds due 2033	358.9	376.2	386.5	399.1	411.8	424.6
	*	£156m Artesian 3.635% Index-linked Bonds due 2032	332.1	348.1	357.7	369.3	381.1	392.9
		£100m EIB Index Linked loan due 2025	6.8	0.0	0.0	0.0	0.0	0.0
		£250m USPP Fixed Rate Loan due 2031 / 2036	250.0	250.0	250.0	250.0	250.0	250.0
	**	New cash required	0.0	0.0	665.9	1438.7	2818.9	3412.0
		Drawings under the Revolving Credit Facility	350.0	0.0	0.0	0.0	0.0	0.0
		Drawings under the DSR Liquidity Facility	14.5	14.5	14.5	14.5	14.5	14.5
		Drawings under the O&M Liquidity Facility	13.0	13.0	13.0	13.0	13.0	13.0
		Finance Leases (FRS16)	43.0	44.1	43.5	38.7	36.3	43.9
		Class A Indebtedness	6,229.5	7,047.8	7,123.0	8,015.2	8,798.2	9,522.0
		Senior Indebtedness	6,229.5	7,047.8	7,123.0	8,015.2	8,798.2	9,522.0
10		Class A Net Indebtedness	5,514.6	5,735.3	6,637.2	7,730.3	8,676.2	9,354.9
11		Senior Net Indebtedness	5,514.6	5,735.3	6,637.2	7,730.3	8,676.2	9,354.9
		Nominal value of fixed rate debt swapped to Index-linked	1,716.6	1,716.6	1,716.6	1,716.6	1,316.6	1,316.6

* Wrapped by 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 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
A	Net Appointed Income (1+3+6)			308.6	585.9	789.6	852.1	961.8	1095.6
B	Net Total Income (1+2+3+4+6)			311.3	587.4	791.3	853.9	963.7	1097.5
C	Depreciation (CCD & IRC)			0.0	0.0	0.0	0.0	0.0	0.0
D	Class A Debt interest (7)			97.5	198.6	217.6	274.0	336.6	392.5
E	Senior Debt interest (8)			97.5	198.6	217.6	274.0	336.6	392.5
F	Period end VAT debtor			22.5	28.7	33.4	31.6	27.5	25.0
G	Capital Maintenance (MNI & IRE)			219.4					
Class A Adjusted ICR									
	Historic: (B-C+F)/D Projected: (A-C+F)/D	1.3	N/A	3.4	3.1	3.8	3.2	2.9	2.9
Class A Average ICR		1.4	N/A	3.4	3.4	3.3	3.0	2.9	2.9
Senior Adjusted ICR									
	Historic: (B-C+F)/E Projected: (A-C+F)/E	1.1	N/A	3.4	3.1	3.8	3.2	2.9	2.9
Senior Average Adjusted ICR		1.2	N/A	3.4	3.4	3.3	3.0	2.9	2.9
Class A ICR									
	Historic: (B+F)/D Projected: (A+F)/D	N/A	1.6	3.4	3.1	3.8	3.2	2.9	2.9
Class A Post Maintenance ICR									
	Historic: (B-G+F)/D	N/A	1.0	1.2					

CCD (Current Cost Depreciation) and IRC (Infrastructure Renewals Charge) have been removed as regulatory building blocks from the PR14 regulatory period. 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.

* AMP8 excludes G&Cs from appointed income

Interest Cover Ratios - New (Post PR14) format

		Trigger	Default	31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030 £m
A	Net Appointed Income (1+3+6)			308.6	585.9	789.6	852.1	961.8	1095.6
B	Net Total Income (1+2+3+4+6)			311.3	587.4	791.3	853.9	963.7	1097.5
C	Depreciation of the RCV:								
	Depreciation (CCD & IRC)			0.0	0.0	0.0	0.0	0.0	0.0
	RCV run down			365.1	354.2	401.5	457.4	513.8	563.5
D	Class A Debt interest (7)			97.5	198.6	217.6	274.0	336.6	392.5
E	Senior Debt interest (8)			97.5	198.6	217.6	274.0	336.6	392.5
F	Period end VAT debtor			22.5	28.7	33.4	31.6	27.5	25.0
G	Capital Maintenance (MNI & IRE)			219.4					
Class A Adjusted ICR									
	Historic: (B-C+F)/D Projected: (A-C+F)/D	1.3	N/A	-0.3	1.3	1.9	1.6	1.4	1.4
Class A Average ICR		1.4	N/A	-0.3	1.6	1.6	1.5	1.4	1.4
Senior Adjusted ICR									
	Historic: (B-C+F)/E Projected: (A-C+F)/E	1.1	N/A	-0.3	1.3	1.9	1.6	1.4	1.4
Senior Average Adjusted ICR		1.2	N/A	-0.3	1.6	1.6	1.5	1.4	1.4
Class A ICR									
	Historic: (B+F)/D Projected: (A+F)/D	N/A	1.6	3.4	3.1	3.8	3.2	2.9	2.9
Class A Post Maintenance ICR									
	Historic: (B-G+F)/D	N/A	1.0	1.2					

These new interest cover ratios include the regulatory value of RCV run down in place of CCD & IRC .

* AMP8 excludes G&Cs from appointed income

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

		17/18 prices	22/23 prices	
PR19 & PR24 Final Determinations:		**AMP 7 Period to 2025**	**AMP 8 Period to 2030**	
Totex funding	Real £m	3,371.9	7,234.5	Wholesale operating costs and capital expenditure for the regulatory period (excluding pension deficit contributions outside of the Totex assessment)
Totex funding	Outturn £m	3,929.1	8,902.6	
Fast money	Outturn £m	1,648.4	2,866.0	Wholesale Totex recovered via revenues plus Retail opex
Slow money	Outturn £m	2,280.7	6,036.6	Wholesale Totex added to the RCV
Retail costs	FD £m	261.6	422.6	Costs for the Retail price control per Final Determination
Total		4,190.7	9,325.2	
Total Appointed expenditure (treating Retail as Fast money)				
Fast money		45.6%	35.3%	
Slow money		54.4%	64.7%	
		Outturn	**Forecast Outturn**	
Actual costs		**AMP 7 Period to 2025**	**AMP 8 Period to 2030**	
Operating costs per accounts	Outturn £m	2,478.7	3,314.9	Wholesale and retail operating costs
Capital expenditure per accounts	Outturn £m	3,352.7	7,065.8	
Total Appointed expenditure	Outturn £m	5,831.4	10,380.7	
Operating costs / Fast money		42.5%	31.9%	
Capital expenditure / Slow money		57.5%	68.1%	
Variance between determined fast/slow money to actual costs				
Operating costs / Fast money		3.1%	3.3%	
Capital expenditure / Slow money		-3.1%	-3.3%	

Change to the presentation of interest received in the Annual Report

Net interest received on financial derivatives is no longer presented as net interest received in the income statement and is now included within the annual movement in derivative fair value. This change has taken effect from the 2022 Annual Report and the 2021 comparative values have been restated to be consistent with 2022.

The value of net interest received on financial derivatives, and included with Class A debt interest, is illustrated in the table below

	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m
Class A net interest received on financial derivatives	104.0	76.0	66.8	63.3	36.4	23.4

Regulatory Asset Ratios

		Lock-up	Trigger	Default	31 Mar 2025 £m	31 Mar 2026 £m	31 Mar 2027 £m	31 Mar 2028 £m	31 Mar 2029 £m	31 Mar 2030* £m
G	Class A Net Indebtedness (10)				5,514.6	5,735.3	6,637.2	7,730.3	8,676.2	9,354.9
H	Senior Net Indebtedness (11)				5,514.6	5,735.3	6,637.2	7,730.3	8,676.2	9,354.9
I	RCV				7,449.7	8,378.6	9,634.6	10,871.9	12,182.7	13,103.0
Class A RAR										
	Historic / Projected: G/I		0.750	0.950	0.740	0.685	0.689	0.711	0.712	0.714
Senior RAR										
	Historic / Projected: H/I	0.850	0.900	0.950	0.740	0.685	0.689	0.711	0.712	0.714

Control of Repayments (maturity buckets)

	Default	2026	2027	2028	2029	2030*
Percentage of refinancing - consecutive two years: no more than:	20%	7.4%	14.3%	7.3%	6.4%	5.8%
Percentage of refinancing - within a regulatory period: no more than:	40%	<<<<<<<<<<<<<<<<<<		18.8%	>>>>>>>>>>>>>>>	

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 have now breached the Trigger Event Ratio Levels but 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 £ 198.6 million for 2025-26 equating to a Monthly Payment Amount after interest received for this £ 16.50 million

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

Stuart Ledger
Chief Financial Officer
For and on behalf of
Southern Water Services Ltd

Stuart Ledger
For and on behalf of
SW (Finance) I plc
SW (Finance) II Ltd

Richard Manning
For and on behalf of
Southern Water Services Ltd

James Gillard
For and on behalf of
SW (Finance) I plc
SW (Finance) II Ltd

Contact:

James Gillard
Group Treasurer
Mobile 07840 718062
Email: James.Gillard@southernwater.co.uk