

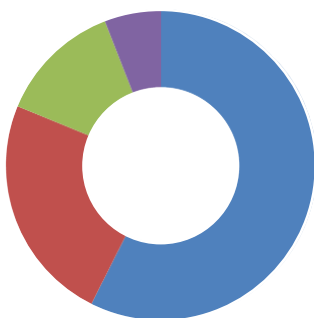
How we're doing

Additional performance information for the year to 31 March 2016

Return on regulated equity

Based on our approach to reporting outperformance, the Company achieved a Return on Regulated Equity (RoRE) at 31 March 2016 of 10.1%.

5.8% was the base return, 2.4% was for Totex efficiencies delivered (adjusted for timing differences), 1.3%⁽¹⁾ reflected the difference between actual and assumed effective interest rates, and 0.6% reflects expected annualised Outcome Delivery Incentives (ODIs).



- Base return - 5.8%
- Totex efficiencies - 2.4%
- Difference between actual and assumed effective interest rates - 1.3%
- Expected annualised ODIs - 0.6%

⁽¹⁾Interest outperformance is based on the outturn effective interest rate adjusted using the expected RPI of 2.8% and notional tax impact of 20%.

The RORE reported in the Annual Performance Report of 12.3% did not take account of any timing differences for actual Totex (i.e advancement or deferrals of capital schemes) and are based on the interest within Ofwat's Final Determination modelling. Financing outperformance was calculated based on the actual net interest costs deflated to 2012/13 prices (using actual average RPI) and compared to the appointee nominal interest, assumed within the Ofwat financial modelling for the 2014 Final Determination, deflated to 2012/13 prices (using RPI assumed within the financial modelling).

All calculations are based on 2012/13 prices (with actual values deflated using average RPI) and on assumed notional structures and average RCV assumed within the Final Determination. Tax impacts have been reflected at the actual effective tax rate of 26% for the year.