

**Southern Water (Greensands) Financing plc**

**Compliance Certificate**

**For the period ended 30 September 2017**

**Confidential**

**Important Notice**

This report is being distributed in fulfilment of finance documents. It is directed to, and intended for, existing debt 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.

## **Compliance Certificate**

<b>Contents</b>	<b>Page</b>
Calculation of consolidated ratios	4
Net indebtedness	5
Financial covenants	6
Declaration	7

<b>Calculation of covenant ratios</b>	<b>Actual 6 months 30 Sep 2017 £m</b>	<b>Actual 6 months 30 Sep 2016 £m</b>
Consolidated EBITDA	252.5	255.4
Finance Charge:		
SWS Financing Group	71.2	67.1
SW(Greensands)	<u>15.4</u>	<u>15.9</u>
	86.6	83.0
Equity distributions	54.2	54.0
Closing cash:		
Closing SWS Financing Group	<u>185.3</u>	<u>239.0</u>
Opening cash outside of the SWSFG	- 2.3	1.4
Receipts on subordinated debt and distributions, less expenses	78.8	76.2
Equity distributions	- 54.2	- 54.0
Interest charge	<u>- 15.4</u>	<u>- 15.9</u>
Closing cash outside of the SWSFG	<u>6.9</u>	<u>7.7</u>
Closing cash	192.2	246.7

All values for interest are presented on an accruals basis to ensure ratios are presented on a consistent basis. Closing cash values also assume payment of the accrued level of interest.

The dividend paid in the six months period to 30 September 2017 relates to a dividend approved March 2017, but paid April 2017.

<b>Net indebtedness</b>	<b>Actual 6 months 30 Sep 2017 £m</b>	<b>Actual 6 months 30 Sep 2016 £m</b>
<b><u>Southern Water Services Financing Group</u></b>		
* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0
* £150m A2a 3.706% Index Linked Bonds due 2034	223.5	217.8
* £35m A2b 3.706% Limited Index Bonds due 2034	52.1	51.5
£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	350.0
£150m A5 3.816% Index Linked Bonds due 2023	223.5	217.8
* £350m A7 5.0% Fixed Rate Bonds due 2021	350.0	350.0
* £150m A8 5.0% Fixed Rate Bonds due 2041	150.0	150.0
* £200m A9 4.5% Fixed Rate Bonds due 2052	200.0	200.0
* £300m A10 5.125% Fixed Rate Bonds due 2056	300.0	300.0
£300m A11 6.125% Fixed Rate Bonds due 2019	300.0	300.0
RPI accretion on Index-Linked swaps	54.2	20.4
£100m EIB Index Linked loan facility	104.4	101.0
£250m Fixed Rate USPP (£175m 2031, £75m due 2036)	250.0	250.0
£250m B2 4.50% Fixed/Floating Rate Bonds due 2039	250.0	250.0
Class B loan facility	150.0	150.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	245.9	239.7
* £156m Artesian 3.635% Index Linked Bonds due 2032	227.6	221.9
Senior debt at SWS Financing Group	<u>3,781.2</u>	<u>3,720.1</u>
<b><u>Greensands</u></b>		
Fixed Rate Bond	250.0	250.0
Loan facility	200.0	200.0
	<u>450.0</u>	<u>450.0</u>
Cash balances	192.2	246.7
Consolidated net debt	<u>4,039.0</u>	<u>3,923.4</u>

\* Wrapped

Consolidated net debt is in accordance with the finance documents and excludes accounting balances of unamortised debt issue costs and debt issue premiums

### Southern Water (Greensands) financial covenants

	Lock-up	Default	Actual 6 months 30 Sep 2017	Actual 6 months 30 Sep 2016
A RCV			4,746.5	4,502.5
B Consolidated net debt			4,039.0	3,923.4
C Consolidated EBITDA			252.5	255.4
D Consolidated finance charge			86.6	83.0
Consolidated RAR B/A	93.0%	95.0%	85.1%	87.1%
RAR on Southern Water Services	84.0%		75.8%	77.3%
Consolidated EBITDA / finance charge C/D		2.0	2.92	3.08
Liquidity for future debt service (years)	1.00		1.5	1.5

Liquidity for future debt service is calculated after deducting interest payments due in October and November 2017 (and October 2016 for comparative period to 30 September 2016), relating to interest accrued as at 30 September 2017 (and September 2016).

The September 2017 value for RCV has been calculated as the mid-point of the RCV at 31 March 2017 and the forecast RCV at March 2018.

There has been no change to the Group structure since the refinancing in April 2011.

Liquidity facilities were renewed across the group in November 2014 in order to provide strong liquidity for the PR14 period, including a £40m liquidity facility for Southern Water (Greensands) Financing plc, maturing November 2019.

To: Deutsche Bank AG, London Branch as Note Trustee

From: Southern Water (Greensands) Financing plc

### **Declaration**

We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement shall have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

We confirm that each of the ratios on page 6 of this report have been calculated in accordance with the Agreement, there is no breach of Lock-up or Default ratio levels, and the covenants contained in paragraph (b) of clause 21.1 (Financial condition) of the Facility Agreement dated 8 April 2011 has been complied with.

We confirm that no Default or potential Lock-up event is outstanding

Bronte Somes  
Director: Southern Water (Greensands) Financing plc

Michael Nagle  
Director: Southern Water (Greensands) Financing plc

### **Contact details:**

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

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