

Southern Water (Greensands) Financing plc

Compliance Certificate

For the period ended 30 September 2014

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.

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Calculation of covenant ratios	Actual 6 months 30 Sep 2014 £m	Actual 6 months 30 Sep 2013 £m
Consolidated EBITDA	292.2	276.9
Finance Charge:		
SWS Financing Group	63.5	68.0
SW(Greensands)	17.2	17.1
	<u>80.7</u>	<u>85.1</u>
Equity distributions	0.0	0.0
Closing cash:		
Closing SWS Financing Group	<u>135.6</u>	<u>392.8</u>
Opening cash outside of the SWSFG	33.8	47.1
Expense payments and receipts on subordinated debt and distributions	11.2	9.5
Interest charge	<u>-17.2</u>	<u>-17.1</u>
Closing cash outside of the SWSFG	<u>27.8</u>	<u>39.5</u>
Closing cash	163.4	432.3

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.

Note: Closing cash at September 2013 (£432.3m) included £250m proceeds of the Class B2 bond issued March 2013, which was used to repay the Class B1 Bond on 31 March 2014.

Net indebtedness	Actual 6 months 30 Sep 2014 £m	Actual 6 months 30 Sep 2013 £m
<u>Southern Water Services Financing Group</u>		
* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0	350.0
* £150m A2a 3.706% Index Linked Bonds due 2034	212.6	206.8
* £35m A2b 3.706% Limited Index Bonds due 2034	50.3	48.9
£350m A4 6.64% Fixed rate Bonds due 2026	350.0	350.0
£150m A5 3.816% Index Linked Bonds due 2023	212.6	206.8
* £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	283.7	229.3
£250m B1 7.869% Fixed/Floating rate Bonds due 2038	0.0	250.0
£250m B2 4.50% Fixed/Floating rate Bonds due 2038	250.0	250.0
Class B loan facility	150.0	150.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	233.9	227.3
* £156m Artesian 3.635% Index Linked Bonds due 2032	216.5	210.5
Senior debt at SWS Financing Group	3609.6	3779.6
<u>Greensands</u>		
Fixed rate Bond	250.0	250.0
Bank facility	200.0	200.0
	450.0	450.0
Cash balances	163.4	432.3
Consolidated net debt	3896.2	3797.3

* 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 2014	Actual 6 months 30 Sep 2013
A RCV			4424.1	4328.7
B Consolidated net debt			3896.2	3797.3
C Consolidated EBITDA			292.2	276.9
D Consolidated finance charge			80.7	85.1
 Consolidated RAR B/A	93.0%	95.0%	88.1%	87.7%
 RAR on Southern Water Services	84.0%		78.5%	78.2%
 Consolidated EBITDA / finance charge C/D		2.0	3.62	3.25
 Liquidity for future debt service (years)	1.00		1.9	1.9

Liquidity for future debt service is calculated after deducting interest payments due in October 2014 (and October 2013 for comparative period to 30 September 2013), relating to interest accrued as at 30 September 2014 (and September 2013).

The September 2014 value for RCV has been calculated as the mid-point of the RCV at March 2014 and the forecast RCV at March 2015.

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

Note: Liquidity facilities have been renewed across the group 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 Agent

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

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