

**Southern Water (Greensands) Financing plc**

**Compliance Certificate**

**For the year ended 31 March 2013**

**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**

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<b>Calculation of covenant ratios</b>	<b>Actual Year to 31 Mar 2013 £m</b>	<b>Actual Year to 31 Mar 2012 £m</b>
Consolidated EBITDA	539.1	470.3
Finance Charge:		
SWS Financing Group	128.0	122.1
SW(Greensands)	<u>32.6</u>	<u>32.4</u>
	160.6	154.5
Equity distributions	0.0	0.0
Closing cash:		
Closing SWS Financing Group	<u>385.9</u>	<u>95.8</u>
Opening cash outside of the SWSFG	44.1	87.2
Net cash flow from Holdco refinance on 20 April 2011	-	-48.2
Expense payments and receipts on subordinated debt and distributions	35.6	37.5
Interest charge	<u>-32.6</u>	<u>-32.4</u>
Closing cash outside of the SWSFG	<u>47.1</u>	<u>44.1</u>
Closing cash	433.0	139.9

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

<b>Net indebtedness</b>	<b>Actual Year to 31 Mar 2013 £m</b>	<b>Actual Year to 31 Mar 2012 £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	203.8	197.6
* £35m A2b 3.706% Limited Index Bonds due 2034	48.2	46.1
£350m A4 6.64% Fixed rate Bonds due 2026	350.0	350.0
£150m A5 3.816% Index Linked Bonds due 2023	203.8	197.6
* £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	219.2	169.9
£250m B1 step-up Fixed/Floating rate Bonds due 2038	250.0	250.0
£250m B2 step-up Fixed/Floating rate Bonds due 2038	250.0	250.0
Class B loan facility	150.0	100.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	224.1	217.3
* £156m Artesian 3.635% Index Linked Bonds due 2032	207.5	201.2
Senior debt at SWS Financing Group	<u>3756.6</u>	<u>3379.7</u>
<b><u>Greensands</u></b>		
Fixed rate Bond	250.0	250.0
Bank facility	<u>200.0</u>	<u>200.0</u>
	450.0	450.0
Cash balances	433.0	139.9
Consolidated net debt	<u>3773.6</u>	<u>3689.8</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 Year to 31 Mar 2013	Actual Year to 31 Mar 2012
A RCV			4277.0	4044.0
B Consolidated net debt			3773.6	3689.8
C Consolidated EBITDA			539.1	470.3
D Consolidated finance charge			160.6	154.5
Consolidated RAR B/A	93.0%	95.0%	88.2%	91.2%
RAR on Southern Water Services	84.0%		78.8%	81.2%
Consolidated EBITDA / finance charge C/D		2.0	3.36	3.04
Liquidity for future debt service (years)	1.00		2.2	2.1

Liquidity for future debt service is calculated after deducting interest payments due in April 2013 (and April 2012), relating to interest accrued at March 2013 (and March 2012)

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

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 Trigger 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 Trigger event is outstanding



Director  
Southern Water (Greensands) Financing plc



Director  
Southern Water (Greensands) Financing plc

