

**Southern Water (Greensands) Financing plc**

**Compliance Certificate**

**For the period ended 30 September 2011**

**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 6 months 30 Sep 2011 £m</b>
Consolidated EBITDA	234.7
Finance Charge:	
SWS Financing Group	63.0
SW(Greensands)	<u>15.5</u>
	78.5
Equity distributions	0.0
Closing cash	
Closing SWS Financing Group	<u>123.1</u>
Opening cash outside of the SWSFG	94.6
Net cash flow from Holdco refinance on 20 April 2011	-52.2
Receipt of SWSFG payments on subordinated debt and distributions	15.8
Interest charge	<u>-15.5</u>
Closing cash outside of the SWSFG	<u>42.7</u>
Closing cash	165.8

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.

Net indebtedness	Actual 6 months 30 Sep 2011 £m
<b><u>Southern Water Services Financing Group</u></b>	
* Senior £350m A1 6.192% Fixed Rate Bonds due 2029	350.0
* £150m A2a 3.706% Index Linked Bonds due 2034	192.7
* £35m A2b 3.706% Limited Index Bonds due 2034	45.0
£350m A4 6.64% Fixed rate Bonds due 2026	350.0
£150m A5 3.816% Index Linked Bonds due 2023	192.7
* £350m A7 5.0% Fixed Rate Bonds due 2021	350.0
* £150m A8 5.0% Fixed Rate Bonds due 2041	150.0
* £200m A9 4.5% Fixed Rate Bonds due 2052	200.0
* £300m A10 5.125% Fixed Rate Bonds due 2056	300.0
£300m A11 6.125% Fixed Rate Bonds due 2019	300.0
RPI accretion on Index-Linked swaps	126.4
£250m B1 step-up Fixed/Floating rate Bonds due 2038	250.0
Class B loan facility	100.0
* £165m Artesian 4.076% Index Linked Bonds due 2033	212.0
* £156m Artesian 3.635% Index Linked Bonds due 2032	196.1
Senior debt at SWS Financing Group	<u>3314.9</u>
<b><u>Greensands</u></b>	
Fixed rate Bond	250.0
Bank facility	<u>200.0</u>
	450.0
Cash balances	165.8
Consolidated net debt	<u>3599.1</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	30 Sep 2011 £m
A RCV			3941.3
B Consolidated net debt			3599.1
C Consolidated EBITDA			234.7
D Consolidated finance charge			78.5
Consolidated RAR B/A	93.0%	95.0%	91.3%
RAR os the Southern Water Services	84.0%		81.0%
Consolidated EBITDA / finance charge C/D		2.0	3.0
Liquidity for future debt service (years)	1.00		2.1

Liquidity for future debt service relates to future years interest cover.

A Regulatory value of RCV is not available as at September (RCV's are calculated and published for full financial years only). The September 2011 value used in this report is an arithmetic mean of the opening and closing March values adjusted for any relative difference in RPI.

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 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 ptential Trigger event is outstanding



Director  
Southern Water (Greensands) Financing plc



Director  
Southern Water (Greensands) Financing plc