

**Greensands Financing plc**

**Compliance Certificate**

**For the period ended 30 September 2019**

**Confidential**

## **Important Notice**

This report is being distributed in fulfilment of a finance document, the Common Terms Agreement. It is directed to, and intended for, existing 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.

## **Investor Report & Compliance Certificate**

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### Calculation of covenant ratios

Ref.		31 Mar 2019 £m	31 Mar 2020 £m
1	Net Cash Flow (historic)		
	Net operating cash flow of SWS	497.6	505.8
	Net operating cash flow outside of SWS	0.0	0.0
		<u>497.6</u>	<u>505.8</u>
2	Net Cash Flow (forward looking)		
	Net Appointed operating cash flow of SWS	494.7	504.0
	Net Appointed cash flow outside of SWS	n/a	n/a
		<u>494.7</u>	<u>504.0</u>
3	MidCo Debt Interest		
	Senior debt interest of SWS	145.8	120.6
	Debt interest of MidCo	6.8	19.6
		<u>152.6</u>	<u>140.2</u>
	Closing cash:		
	Closing cash at Southern Water	370.7	227.9
	Opening Greensands Finance cash	0.0	27.3
	Proceeds from subordinate debt and distributions	0.0	63.0
	Proceeds from financing and drawings from RCF	489.5	0.0
	Payment of interest and fees	-2.2	-19.6
	Payments to Greensands Investments	-10.0	-37.0
	Investment in SWS	-450.0	0.0
	Closing Greensands Finance cash	<u>27.3</u>	<u>33.7</u>
4	Closing consolidated cash	<u>398.0</u>	<u>261.6</u>
	Note: Restricted cash balance in debt service payment account included above	27.3	27.3
	Note: Undrawn committed bank facilities at Greensands Finance	62.0	62.0

Net Cash Flow represents net operating cash flow excluding capital expenditure and the movement in capital creditors. This is the same definition as the SWS covenants although defined terms are different. For MidCo, 'Net Cash Flow (historic)' is consistent with 'Net Total Income' used for SWS, and Net Cash Flow (forward looking)' is consistent with 'Net Appointed Income' used for SWS.

## Bonds, Authorised Loan Facilities and Leases

Ref.		31 Mar 2019 £m	31 Mar 2020 £m
	<b><u>Southern Water</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	237.1	243.7
	* £35m A2b 3.706% Limited Index Bonds due 2034	55.3	56.9
	£350m A4 6.64% Fixed Rate Bonds due 2026	350.0	350.0
	£150m A5 3.816% Index-linked Bonds due 2023	237.1	243.7
	* £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	0.0
	RPI accretion on Index-linked swaps	160.8	208.2
	£250m B2 4.5% Fixed/Floating rate Bonds due 2038	0.0	0.0
	£150m Class B loan facility due 2021	0.0	0.0
	* £165m Artesian 4.076% Index-linked Bonds due 2033	261.0	268.1
	* £156m Artesian 3.635% Index-linked Bonds due 2032	241.5	248.1
	£100m EIB Index Linked loan due 2025	105.2	92.0
	£250m USPP Fixed Rate Loan due 2031 / 2036	250.0	250.0
	** New cash required	0.0	500.0
	Drawings under the Revolving Credit Facility	170.0	0.0
	SWS Net Indebtedness	3,718.0	3,810.7
	<b><u>Greensands Finance</u></b>		
	loan facilities	401.5	401.5
	Bank loans	50.0	50.0
	Drawings under RCF	38.0	38.0
		489.5	489.5
4	Cash balances	398.0	261.6
5	Consolidated net debt	3,809.5	4,038.6

\* Wrapped by AG

\*\* 'New cash required' is a notional class of debt included to forecast compliance ratios correctly. This is not an attempt to forecast the actual quantum, mix, cost and timing of future financing.

\*\*\* This bond was repaid on 01 April 2019 out of closing cash balance as at 31 March 2019

## Interest Cover Ratios

	Trigger	Default	31 Mar 2019 £m	31 Mar 2020 £m
A	Net Cash Flow - historic (Ref. 1)		497.6	505.8
B	Net Cash Flow - forward (Ref. 2)		494.7	504.0
C	Depreciation of the RCV (RCV run down)		273.3	285.1
D	Debt interest (Ref. 3)		152.6	140.2
E	Period end VAT debtor		10.7	8.5
Interest Cover Ratio				
	Historic: (A-C+E)/D	1.10	1.05	1.54
	Forward looking: (B-C+E)/D	1.10	1.05	1.62
Average Interest Cover Ratio				
	Historic: (3 years average)	1.20	N/A	1.59
	Projected: (3 years average)	1.20	N/A	1.62

## Regulatory Asset Ratios

		Lock up	Trigger	Default	31 Mar 2019 £m	31 Mar 2020 £m
F	Consolidated net debt (Ref. 5)				3,809.5	4,038.6
G	RCV				5,034.6	5,150.7
Regulated Asset Ratio						
	Historic / Projected: F/G	0.850	0.900	0.950	0.757	0.784
Southern Water Class A ratio						
	Historic / Projected: F/G	0.750	0.900	0.950	0.665	0.696

To: BNY Melon Corporate Trustee Services Ltd as Security Trustee

From: MidCo as Transaction Agent

**Declaration**

We confirm that the above Ratios have been calculated as at the Test Date immediately prior to delivery of this Compliance Certificate using the most recently available financial information required to be provided by the Obligors under Schedule 2 (Covenants) to the Agreement and delivered together with this Compliance Certificate

We also confirm that no Trigger Event, Potential Trigger Event, Event of Default or Potential Event of Default has occurred and is continuing

We confirm that all information contained in this Compliance Certificate is accurate in all material respects



Bronte Somes  
Director  
For and on behalf of  
MidCo as Transaction Agent



Robert Wall  
Director  
For and on behalf of  
MidCo as Transaction Agent

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