

**Southern Water (Greensands) Financing plc**

**Compliance Certificate**

**For the year period ended 30 September 2019**

**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 2018 £m</b>	<b>Actual 6 months 30 Sep 2019 £m</b>
Consolidated EBITDA	268.1	251.3
Consolidated Finance Charge:		
Southern Water Services	73.1	60.3
Greensands Finance	n/a	9.9
SW(Greensands) financing	<u>15.4</u>	<u>21.2</u>
	88.5	91.4
Equity distributions paid	0.0	0.0
Consolidated cash balances:		
Closing Southern Water Services	130.9	15.4
Closing Greensands Financing	<u>n/a</u>	<u>36.1</u>
Opening SW (Greensands) Financing cash	2.8	7.8
Receipts on subordinated debt and distributions	20.4	17.0
Net proceeds from new finance	0.0	0.0
Equity distributions paid	0.0	0.0
Payment of interest and fees	<u>-15.4</u>	<u>-21.2</u>
Closing SW (Greensands) Financing cash	<u>7.8</u>	<u>3.6</u>
Closing consolidated cash	<u>138.7</u>	<u>55.1</u>
Undrawn committed bank facilities at Southern Water (Greensands) Financing	40.0	40.0

All values for interest are presented on an accruals basis to ensure ratios are calculated on a consistent basis.

**Net indebtedness**

	<b>Actual 6 months 30 Sep 2018 £m</b>	<b>Actual 6 months 30 Sep 2019 £m</b>
<b><u>Southern Water Services</u></b>		
Fixed Rate Bonds	2250.0	1700.0
Index Linked Bonds	1010.9	1036.8
Fixed Rate Loans	400.0	250.0
Index Linked Loans	108.2	102.0
RPI accretion on Index-Linked swaps	134.9	183.2
Drawings under the Revolving Credit Facility	0.0	260.0
Senior debt at SWS Financing Group	3,904.0	3,532.0
<b><u>Greensands Financing</u></b>		
Loan facilities	n/a	451.5
Drawings under RCF	n/a	38.0
	0.0	489.5
<b><u>Southern Water (Greensands) Financing</u></b>		
Fixed rate Bond due April 2019	250.0	0.0
Loan facilities	200.0	700.0
	450.0	700.0
Consolidated cash balances	138.7	55.1
Consolidated net debt	4,215.3	4,666.4

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

The Southern Water (Greensands) Financing fixed rate bond due April 2019 was repaid in April 2019 out of the proceeds of new loan facilities

During 2018–19 we completed our financing plan to improve financial resilience of Southern Water Services ahead of the PR19 price review period starting April 2020. This plan included the formation of new 'Midco' financing companies and raising additional finance for the benefit of Southern Water Services:

- £451.5 million new borrowings raised by newly incorporated Greensands Financing companies
- £250 million new borrowing raised by Southern Water (Greensands) Financing
- £701.5 million of new finance raised was invested into Southern Water Services, net of £14.2 million costs, by a repayment of inter-company liabilities totalling £687.3 million
- These proceeds were used by Southern Water Services to repay £400 million of outstanding Class B debt, provide £150 million towards repayment of a £300 million Class A bond due 01 April 2019, £113.6 million was used toward reducing the interest cost of inflation linked derivatives for the period 2021 to 2031, and the remaining £37.0 million was used to pay costs associated with repaying the Class B debt and terminating a derivative associated with the Class B debt.

## Financial covenants

			Actual 6 months 30 Sep 2018	Actual 6 months 30 Sep 2019
	Lock-up	Default		
A	RCV		4,977.8	5,092.7
B	Consolidated net debt		4,215.3	4,666.4
C	Consolidated EBITDA		268.1	251.3
D	Consolidated finance charge		88.5	91.4
Consolidated RAR B/A	93.0%	95.0%	84.7%	91.6%
RAR on Southern Water Services	84.0%		75.8%	69.1%
Consolidated EBITDA / finance charge C/D		2.0	3.0	2.7
Liquidity for future debt service (years)	1.0		1.6	1.1

To: Deutsche Trustee Company Limited, 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.

We confirm that no Default or potential Trigger event is outstanding



Bronte Somes  
Director  
Southern Water (Greensands) Financing plc  
Greensands (UK) Ltd



Robert Wall  
Director  
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