

Southern Water (Greensands) Financing plc

Compliance Certificate

For the year ended 31 March 2020

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

Contents	Page
Calculation of consolidated ratios	4
Net indebtedness	5
Financial covenants	6
Declaration	7

Calculation of covenant ratios	Actual Year to 31 March 2019 £m	Actual Year to 31 March 2020 £m
Consolidated EBITDA	529.8	474.8
Consolidated Finance Charge:		
Southern Water Services	145.8	115.2
Greensands Finance	6.8	17.9
SW(Greensands) financing	<u>34.8</u>	<u>35.6</u>
	187.4	168.7
Equity distributions paid	0.0	0.0
Consolidated cash balances:		
Closing Southern Water Services	370.7	184.4
Closing Greensands Financing	<u>33.7</u>	<u>78.4</u>
Opening SW (Greensands) Financing cash	9.2	3.2
Receipts on subordinated debt and distributions	29.2	50.0
Proceeds from new finance	250.0	0.0
Equity distributions paid	0.0	0.0
Payment of interest and fees	-47.7	-35.6
Investment in Southern Water Services	<u>-237.5</u>	<u>0.0</u>
Closing SW (Greensands) Financing cash	<u>3.2</u>	<u>17.6</u>
Closing consolidated cash	<u>407.6</u>	<u>280.4</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

	Actual Year to 31 March 2019 £m	Actual Year to 31 March 2020 £m
<u>Southern Water Services</u>		
Fixed Rate Bonds	2000.0	1700.0
Index Linked Bonds	1032.0	1060.6
Fixed Rate Loans	250.0	250.0
Index Linked Loans	105.2	92.0
RPI accretion on Index-Linked swaps	160.8	202.6
Drawings under the Revolving Credit Facility	170.0	330.0
Senior debt at SWS Financing Group	<u>3,718.0</u>	<u>3,635.2</u>
<u>Greensands Financing</u>		
Loan facilities	451.5	451.5
Drawings under RCF	38.0	100.0
	<u>489.5</u>	<u>551.5</u>
<u>Southern Water (Greensands) Financing</u>		
Fixed rate Bond due April 2019	250.0	0.0
Loan facilities	450.0	700.0
	<u>700.0</u>	<u>700.0</u>
Consolidated cash balances	407.6	280.4
Consolidated net debt	<u>4,499.9</u>	<u>4,606.3</u>

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 Year to 31 March 2019	Actual Year to 31 March 2020
	Lock-up	Default		
A	RCV		5,034.6	5,141.9
B	Consolidated net debt		4,499.9	4,606.3
C	Consolidated EBITDA		529.8	474.8
D	Consolidated finance charge		187.4	168.7
Consolidated RAR B/A	93.0%	95.0%	89.4%	89.6%
RAR on Southern Water Services	84.0%		66.5%	67.1%
Consolidated EBITDA / finance charge C/D		2.0	2.8	2.8
Liquidity for future debt service (years)	1.0		1.2	1.6

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
Southern Water (Greensands) Financing plc
Greensands (UK) Ltd

Contact details:

Steve Collins
Group Treasurer
Telephone: 01903 272056
Mobile 07748 320956
Email: SteveM.Collins@southernwater.co.uk