

**Greensands Financing plc**

**Compliance Certificate**

**For the period ended 30 September 2021**

**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<br>2020<br>£m | 31 Mar<br>2021<br>£m | 31 Mar<br>2022<br>£m | 31 Mar<br>2023<br>£m | 31 Mar<br>2024<br>£m | 31 Mar<br>2025<br>£m |
|------|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1    | Net Cash Flow (historic)  |                      |                      |                      |                      |                      |                      |
|      | Net operating cash flow of SWS                                  | 476.7                | 386.0                | 385.1                | 450.6                | 474.4                | 495.5                |
|      | Net operating cash flow outside of SWS                          | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
|      |   | <u>476.7</u>         | <u>386.0</u>         | <u>385.1</u>         | <u>450.6</u>         | <u>474.4</u>         | <u>495.5</u>         |
| 2    | Net Cash Flow (forward looking)                                 |                      |                      |                      |                      |                      |                      |
|      | Net Appointed operating cash flow of SWS                        | 474.1                | 383.6                | 383.5                | 449.0                | 472.7                | 493.7                |
|      | Net operating cash flow outside of SWS                          | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
|      |   | <u>474.1</u>         | <u>383.6</u>         | <u>383.5</u>         | <u>449.0</u>         | <u>472.7</u>         | <u>493.7</u>         |
| 3    | MidCo Debt Interest   |                      |                      |                      |                      |                      |                      |
|      | Senior debt interest of SWS                                     | 115.2                | 68.3                 | 64.6                 | 69.5                 | 71.2                 | 73.1                 |
|      | Debt interest of MidCo  | 17.9                 | 19.3                 | 19.3                 | 17.9                 | 18.0                 | 18.1                 |
|      |   | <u>133.1</u>         | <u>87.6</u>          | <u>83.9</u>          | <u>87.4</u>          | <u>89.2</u>          | <u>91.2</u>          |
|      | Closing cash:   |                      |                      |                      |                      |                      |                      |
|      | Closing cash at Southern Water                                  | 184.4                | 356.4                | 483.8                | 207.1                | 65.2                 | 511.8                |
|      | Opening Greensands Finance cash                                 | 27.3                 | 78.4                 | 54.7                 | 55.4                 | 29.3                 | 26.5                 |
|      | * Proceeds from new equity                                      | 0.0                  | 0.0                  | 649.9                | 0.0                  | 0.0                  | 0.0                  |
|      | Investment in SWS   | 0.0                  | 0.0                  | -529.9               | 0.0                  | 0.0                  | 0.0                  |
|      | Proceeds from subordinate debt and distributions                | 59.1                 | 0.0                  | 0.0                  | 42.9                 | 28.6                 | 23.6                 |
|      | Net proceeds from financing and drawings from RCF               | 62.0                 | 0.0                  | -100.0               | 0.0                  | 48.0                 | 28.0                 |
|      | Payment of interest and fees                                    | -20.0                | -23.7                | -19.3                | -17.9                | -18.0                | -18.1                |
|      | Payments to Greensands Investments                              | -50.0                | 0.0                  | 0.0                  | -51.1                | -61.4                | -33.4                |
|      | Closing Greensands Finance cash                                 | <u>78.4</u>          | <u>54.7</u>          | <u>55.4</u>          | <u>29.3</u>          | <u>26.5</u>          | <u>26.5</u>          |
| 4    | Closing consolidated cash                                       | <u>262.8</u>         | <u>411.1</u>         | <u>539.2</u>         | <u>236.4</u>         | <u>91.7</u>          | <u>538.3</u>         |
|      | Opening Restricted cash balance in debt service payment account | 27.3                 | 27.5                 | 27.5                 | 26.5                 | 26.5                 | 26.5                 |
|      | Undrawn committed bank facilities at Greensands Finance         | 0.0                  | 0.0                  | 100.0                | 100.0                | 100.0                | 100.0                |

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.

\* A fund managed by Macquarie Asset Management acquired a majority stake in our ultimate parent company, Greensands Holdings Limited, on 8 September 2021. Equity in excess of £1 billion was invested into the group, of which £120 million was invested into Greensands Finance (GF) and £529.9 million was invested in Southern Water Services. The proceeds at GF will be used to clean down the RCF and improve liquidity. Forecast dividends have been included within the SWS forecasts from 2023 given the improved financial profile of SWS from the equity injection at this level.

The projections for new financing and drawings from RCF, and payments to Greensands Investments, are illustrative and included to aid the calculation of forecast financial ratios

### Bonds, Authorised Loan Facilities and Leases

| Ref.  | 31 Mar<br>2020<br>£m | 31 Mar<br>2021<br>£m | 31 Mar<br>2022<br>£m | 31 Mar<br>2023<br>£m | 31 Mar<br>2024<br>£m | 31 Mar<br>2025<br>£m |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b><u>Southern Water</u></b>                        |                      |                      |                      |                      |                      |                      |
| * Senior £350m A1 6.192% Fixed Rate Bonds due 2029  | 350.0                | 350.0                | 350.0                | 350.0                | 350.0                | 350.0                |
| * £150m A2a 3.706% Index-linked Bonds due 2034      | 243.7                | 247.7                | 257.2                | 267.2                | 274.9                | 282.9                |
| * £35m A2b 3.706% Limited Index Bonds due 2034      | 56.8                 | 57.8                 | 60.0                 | 62.3                 | 64.1                 | 66.0                 |
| £350m A4 6.64% Fixed Rate Bonds due 2026            | 350.0                | 350.0                | 350.0                | 350.0                | 350.0                | 350.0                |
| £150m A5 3.816% Index-linked Bonds due 2023         | 243.7                | 247.7                | 257.2                | 0.0                  | 0.0                  | 0.0                  |
| * £350m A7 5.0% Fixed Rate Bonds due 2021           | 350.0                | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
| * £150m A8 5.0% Fixed Rate Bonds due 2041           | 150.0                | 150.0                | 150.0                | 150.0                | 150.0                | 150.0                |
| * £200m A9 4.5% Fixed Rate Bonds due 2052           | 200.0                | 200.0                | 200.0                | 200.0                | 200.0                | 200.0                |
| * £300m A10 5.125% Fixed Rate Bonds due 2056        | 300.0                | 300.0                | 300.0                | 300.0                | 300.0                | 300.0                |
| £375m A12 2.375% Fixed Rate Bonds due 2028          | 0.0                  | 375.0                | 375.0                | 375.0                | 375.0                | 375.0                |
| £450m A13 3.0% Fixed Rate Bonds due 2037            | 0.0                  | 450.0                | 450.0                | 450.0                | 450.0                | 450.0                |
| £300m A14 1.625% Fixed Rate Bonds due 2027          | 0.0                  | 300.0                | 300.0                | 300.0                | 300.0                | 300.0                |
| RPI accretion on Index-Linked swaps                 | 202.6                | 30.7                 | 78.2                 | 141.4                | 192.1                | 251.7                |
| £165m Artesian 4.076% Index-linked Bonds due 2033   | 268.2                | 272.6                | 282.9                | 293.9                | 302.4                | 311.2                |
| * £156m Artesian 3.635% Index-linked Bonds due 2032 | 248.2                | 252.2                | 261.8                | 272.0                | 279.9                | 288.0                |
| £100m EIB Index Linked loan due 2025                | 92.0                 | 79.8                 | 63.0                 | 47.8                 | 31.0                 | 13.1                 |
| £250m USPP Fixed Rate Loan due 2031 / 2036          | 250.0                | 250.0                | 250.0                | 250.0                | 250.0                | 250.0                |
| ** New cash required                                | 0.0                  | 0.0                  | 0.0                  | 250.0                | 250.0                | 750.0                |
| Drawings under the Revolving Credit Facility        | 330.0                | 0.0                  | 0.0                  | 0.0                  | 40.0                 | 0.0                  |
| SWS Indebtedness                                    | 3,635.2              | 3,913.5              | 3,985.3              | 4,059.6              | 4,159.4              | 4,687.9              |
| <b><u>Greensands Finance</u></b>                    |                      |                      |                      |                      |                      |                      |
| loan facilities                                     | 401.5                | 401.5                | 401.5                | 401.5                | 366.2                | 366.2                |
| Bank loans  | 50.0                 | 50.0                 | 50.0                 | 50.0                 | 50.0                 | 50.0                 |
| Drawings under RCF                                  | 100.0                | 100.0                | 0.0                  | 0.0                  | 0.0                  | 0.0                  |
| ** New cash required                                | 0.0                  | 0.0                  | 0.0                  | 0.0                  | 83.0                 | 111.0                |
|   | 551.5                | 551.5                | 451.5                | 451.5                | 499.2                | 527.2                |
| 4 Cash balances                                     | 262.8                | 411.1                | 539.2                | 236.4                | 91.7                 | 538.3                |
| 5 Consolidated net debt                             | 3,923.9              | 4,053.9              | 3,897.6              | 4,274.7              | 4,566.9              | 4,676.8              |

\* 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.

## Interest Cover Ratios

|                              | Trigger                                | Default | 31 Mar<br>2020<br>£m | 31 Mar<br>2021<br>£m | 31 Mar<br>2022<br>£m | 31 Mar<br>2023<br>£m | 31 Mar<br>2024<br>£m | 31 Mar<br>2025<br>£m |
|------------------------------|--|---------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| A                            | Net Cash Flow - historic (Ref. 1)      |         | 476.7                | 386.0                | 385.1                | 450.6                | 474.4                | 495.5                |
| B                            | Net Cash Flow - forward (Ref. 2)       |         | 474.1                | 383.6                | 383.5                | 449.0                | 472.7                | 493.7                |
| C                            | Depreciation of the RCV (RCV run down) |         | 282.7                | 269.2                | 283.1                | 299.8                | 313.4                | 321.6                |
| D                            | Debt interest (Ref. 3)                 |         | 133.1                | 87.6                 | 83.9                 | 87.4                 | 89.2                 | 91.2                 |
| E                            | Period end VAT debtor                  |         | 10.2                 | 11.0                 | 13.9                 | 8.1                  | 7.9                  | 7.9                  |
| Interest Cover Ratio         |  |         |                      |                      |                      |                      |                      |                      |
|                              | Historic: (A-C+E)/D                    | 1.10    | 1.05                 | 1.53                 | 1.46                 |                      |                      |                      |
|                              | Forward looking: (B-C+E)/D             | 1.10    | 1.05                 |                      |                      | 1.36                 | 1.80                 | 1.87                 |
| Average Interest Cover Ratio |  |         |                      |                      |                      |                      |                      |                      |
|                              | Historic: (3 years average)            | 1.20    | N/A                  | 1.47                 | 1.56                 |                      |                      |                      |
|                              | Projected: (3 years average)           | 1.20    | N/A                  |                      |                      | 1.68                 | 1.88                 | 1.92                 |

The result of the one-time only ICR test for the twelve months to 30 September 2021 is 1.47 and is not less than 0.90. This is provided in fulfilment of section 10.1.a of the STID Proposal dated 14 December 2020.

## Regulatory Asset Ratios

|   | Lock up | Trigger | Default | 31 Mar<br>2020<br>£m | 31 Mar<br>2021<br>£m | 31 Mar<br>2022<br>£m | 31 Mar<br>2023<br>£m | 31 Mar<br>2024<br>£m | 31 Mar<br>2025<br>£m |
|---|---------|---------|---------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| F Consolidated net debt (Ref. 5)                      |         |         |         | 3,923.9              | 4,053.9              | 3,897.6              | 4,274.7              | 4,566.9              | 4,676.8              |
| G RCV   |         |         |         | 5,141.9              | 5,110.9              | 5,475.4              | 5,794.9              | 5,993.5              | 6,143.6              |
| Regulated Asset Ratio<br>Historic / Projected: F/G    | 0.850   | 0.900   | 0.950   | 0.763                | 0.793                | 0.712                | 0.738                | 0.762                | 0.761                |
| Southern Water Class A ratio<br>Historic / Projected: | 0.750   | 0.900   | 0.950   | 0.671                | 0.696                | 0.639                | 0.665                | 0.683                | 0.680                |

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 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



Sebastiaan Boelen  
Director  
For and on behalf of  
MidCo as Transaction Agent



Will Price  
Director  
For and on behalf of  
MidCo as Transaction Agent

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