

To: Deutsche Trustee Company Limited as Security Trustee

cc: Moody's Investors Service Ltd;
Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc.

From: South East Water (Finance) Limited (the "Issuer")
South East Water Limited ("SEW")

15 July 2019

Dear Sirs

Common Terms Agreement dated 27 July 2004 between, among others, the Issuer, SEW and Deutsche Trustee Company Limited (the "Security Trustee") (the "Common Terms Agreement")

Capitalised terms not defined in this certificate have the meaning given to them in the Master Definitions Agreement.

- 1 We refer to the Common Terms Agreement. This is a Compliance Certificate.
- 2 We confirm that:
 - (a) the ratios are as detailed in the table below in respect of the Calculation Date of 31 March 2019:

Date	31-Mar-16	31-Mar-17	31-Mar-18	Calculation Date	31-Mar-20
RAR (at such Calculation Date or, in the case of forward-looking ratios, as at 31 March falling in the relevant Test Period)	80.8%	78.3%	77.7%	78.5%	74.0%
Test Period	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20
ICR	3.56 x	3.76 x	3.62 x	3.50 x	3.12 x
Adjusted ICR	3.56 x	3.76 x	3.62 x	3.50 x	3.12 x
Average Adjusted ICR	3.65 x	3.62 x	3.40 x	3.40 x	3.40 x
Conformed Adjusted ICR	1.90 x	2.09 x	1.90 x	1.61 x	1.44 x
Conformed Average Adjusted ICR	1.96 x	1.86 x	1.64 x	1.64 x	1.64 x

(together the "Ratios").

- 3 We confirm that each of the above Ratios has been calculated in respect of the relevant period(s) for which it is required to be calculated under the Common Terms Agreement and has not breached the

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South East Water Ltd
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Trigger Event Ratio Levels and has not caused paragraph 17 (Ratios) of Part 2 (Events of Default (SEW and the Issuer)) of Schedule 6 to be breached.

- 4 We set out below the computation of the following ratios set out in the table in paragraph 2 above for your information:

(a) ICR

	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20
	£m	£m	£m	£m	£m
Net Cash Flow					
Net cash flow from operating activities	120.2	127.5	123.1	125.0	130.9
Exceptional items	0.0	0.0	0.0	(9.1)	0.0
Recoverable VAT	2.2	2.7	4.1	0.0	1.1
Corporation tax paid	0.0	0.0	0.0	0.0	0.0
Pension funding					
Non-appointed	0.0	0.0	0.00	0.0	(5.3)
Net Cash Flow	122.4	130.2	127.2	127.8	126.7
Senior Debt Interest					
Finance Leases	0.0	0.1	0.0	0.0	0.0
Debentures	0.0	0.0	0.0	0.0	0.0
Nominal Debt	9.3	9.3	9.3	9.3	13.4
Synthetic Index Linked Bonds	8.6	8.7	8.8	9.3	9.4
Index Linked Bonds	3.9	4.0	4.1	4.3	4.4
Index Linked Loans (USS)	2.6	2.6	2.7	2.8	2.9
Index Linked Loans	8.6	8.8	9.1	9.4	9.6
Drawdown Facilities	0.8	0.5	0.5	0.9	0.6
Ambac fee	0.7	0.8	0.8	0.7	0.3
Senior Debt Interest Payable	34.6	34.7	35.2	36.7	40.6
Interest Receivable	(0.2)	(0.1)	(0.1)	(0.1)	(0.0)
Senior Debt Interest	34.4	34.6	35.2	36.6	40.6
ICR	3.56 x	3.76 x	3.62 x	3.50 x	3.12 x

(b) Adjusted ICR

	1-Apr-15 to 31-Mar-16	1-Apr-16 to 31-Mar-17	1-Apr-17 to 31-Mar-18	1-Apr-18 to 31-Mar-19	1-Apr-19 to 31-Mar-20
	£m	£m	£m	£m	£m
Net Cash Flow	122.4	130.2	127.2	127.9	126.7

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CCD & IRC

CCD	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0

Net Cash Flow after regulatory depreciation	122.4	130.2	127.2	127.9	126.7
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Senior Debt Interest	34.4	34.6	35.2	36.6	40.6
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Adjusted ICR	3.56 x	3.76 x	3.62 x	3.50x	3.12 x
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(c) Average Adjusted ICR

	1-Apr-15 to 31-Mar-16 £m	1-Apr-16 to 31-Mar-17 £m	1-Apr-17 to 31-Mar-18 £m	1-Apr-18 to 31-Mar-19 £m	1-Apr-19 to 31-Mar-20 £m
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Net Cash Flow	122.4	130.2	127.2	127.9	126.7
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CCD & IRC

CCD	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0

Net Cash Flow after regulatory depreciation	122.4	130.2	127.2	127.9	126.7
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Senior Debt Interest	34.4	34.6	35.2	36.6	40.6
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Adjusted ICR	3.56 x	3.76 x	3.62 x	3.50 x	3.12 x
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Average Adjusted ICR	3.65 x	3.62 x	3.40 x	3.40 x	3.40 x
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(d) RAR

	31-Mar-16 £m	31-Mar-17 £m	31-Mar-18 £m	Calculation Date £m	31-Mar-20 £m
Senior Debt (Closing Balances)					
Finance Leases	0.0	0.0	0.0	0.0	0.0
Debentures	1.0	1.0	1.0	1.0	1.0

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Nominal Debt	166.0	166.0	166.0	166.0	166.0
Synthetic Index Linked Bonds	282.9	287.5	296.3	306.7	0.0
Index Linked Bonds	156.1	160.4	166.0	170.6	175.5
Fixed Rate Bonds	0.0	0.0	0.0	0.0	175.0
Variable rate bonds	0.0	0.0	0.0	0.0	120.0
Index Linked Bonds	0.0	0.0	0.0	0.0	0.0
Index Linked Loans (USS)	107.2	109.9	113.5	116.6	120.0
Index Linked Loans	246.3	250.9	259.9	268.3	275.5
Capex Drawdown Facility	0.0	0.0	20.0	55.0	25.0
Total Senior Debt Closing Balance	959.5	975.7	1022.8	1084.3	1060.2
Less: Cash Balance	(17.0)	(11.4)	(6.5)	(12.8)	(7.2)
Senior Net Indebtedness	942.5	964.3	1016.2	1071.4	1050.8
Regulatory Capital Value	1166.6	1231.1	1307.5	1365.0	1420.1
RAR	80.8%	78.3%	77.7%	78.5%	74.0%

(e) Conformed Adjusted ICR

	1-Apr-15 to 31-Mar-16 £m	1-Apr-16 to 31-Mar-17 £m	1-Apr-17 to 31-Mar-18 £m	1-Apr-18 to 31-Mar-19 £m	1-Apr-19 to 31-Mar-20 £m
Net Cash Flow	122.4	130.2	127.2	127.9	126.7
RCV Depreciation	38.3	43.1	46.8	49.1	50.2
Capitalised IRE	18.9	14.7	13.4	19.9	17.9
Total regulatory depreciation	57.2	57.8	60.2	69.0	68.1
Net Cash Flow after regulatory depreciation	65.2	72.4	67.0	58.8	58.6
Senior Debt Interest	34.4	34.6	35.2	36.6	40.6
Conformed Adjusted ICR	1.90 x	2.09 x	1.90 x	1.61 x	1.44 x

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(f) Conformed Average Adjusted ICR

	1-Apr-15 to 31-Mar-16 £m	1-Apr-16 to 31-Mar-17 £m	1-Apr-17 to 31-Mar-18 £m	1-Apr-18 to 31-Mar-19 £m	1-Apr-19 to 31-Mar-20 £m
Net Cash Flow	122.4	130.2	127.2	127.9	126.7
CCD & IRC					
CCD	38.3	43.1	46.8	49.1	50.2
IRC	18.9	14.7	13.4	19.9	17.9
Total regulatory depreciation	57.2	57.8	60.2	69.0	68.1
Net Cash Flow after regulatory depreciation	65.2	72.4	67.0	58.8	58.6
Senior Debt Interest	34.4	34.6	35.2	36.6	40.6
Conformed Adjusted ICR	1.90 x	2.09 x	1.90 x	1.61 x	1.44 x
Conformed Average Adjusted ICR	1.96 x	1.86 x	1.64 x	1.64 x	1.64 x

5 We also confirm that:

- (g) no Default or Potential Trigger Event is outstanding; and
- (h) that SEW's insurances are being maintained in accordance with:
- (i) the Common Terms Agreement.

Yours faithfully,


Director


Director


Director


Director

For and on behalf of
SOUTH EAST WATER LIMITED

For and on behalf of
SOUTH EAST WATER (FINANCE) LIMITED

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