

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 2020

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 2020:

Date	Calculation date	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25
RAR (at such Calculation Date or, in the case of forward-looking ratios, as at 31 March falling in the relevant Test Period)	74.5%	77.8%	78.4%	78.0%	78.7%	79.1%
Test Period	1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	1-Apr-24 to 31-Mar-25
ICR	3.38 x	3.28 x	3.45 x	3.40 x	3.29 x	3.42 x
Adjusted ICR	3.38 x	3.28 x	3.45 x	3.40 x	3.29 x	3.42 x
Average Adjusted ICR	3.37 x	3.38 x	3.38 x	3.37 x	3.37 x	3.37 x
Conformed Adjusted ICR	1.57 x	1.43 x	1.69 x	1.64 x	1.45 x	1.62 x
Conformed Average Adjusted ICR	1.56 x	1.59 x	1.59 x	1.57 x	1.57 x	1.57 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 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.

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South East Water Ltd  
Registered in England No. 2679874

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- 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-19 to 31-Mar- 20 £m	1-Apr-20 to 31-Mar- 21 £m	1-Apr-21 to 31-Mar- 22 £m	1-Apr-22 to 31-Mar- 23 £m	1-Apr-23 to 31-Mar- 24 £m	1-Apr-24 to 31-Mar- 25 £m
<b>Net Cash Flow</b>						
Net cash flow from operating activities	134.4	119.3	132.0	132.6	130.4	138.7
Exceptional items	0.0	0.0	0.0	0.0	0.0	0.0
Recoverable VAT	1.4	0.0	0.0	0.0	0.0	0.0
Corporation tax paid	0.0	0.0	0.0	0.0	0.0	0.0
Pension funding	0.0	0.0	0.0	0.0	0.0	0.0
Non-appointed	0.0	(3.1)	(4.2)	(4.6)	(4.9)	(5.3)
Net Cash Flow	135.8	116.3	127.8	128.1	125.5	133.3
<b>Senior Debt Interest</b>						
Finance Leases	0.1	0.1	0.1	0.1	0.1	0.1
Debentures	0.0	0.0	0.0	0.0	0.0	0.0
Nominal Debt	9.3	9.3	11.3	11.3	11.3	11.3
Fixed rate loan notes	2.7	5.4	5.4	5.4	5.4	5.4
Variable rate loan facility	1.2	2.4	2.4	2.6	2.6	2.7
Synthetic Index Linked Bonds	9.4	0.0	0.0	0.0	0.0	0.0
Index Linked Bonds	4.4	4.5	4.5	4.6	4.7	4.9
Index Linked Loans	12.5	12.7	12.9	13.1	13.5	13.9
Drawdown Facilities	0.5	0.7	0.0	0.0	0.0	0.2
Financial Guarantor fees	0.3	0.3	0.3	0.3	0.3	0.3
Senior Debt Interest Payable	40.4	35.5	37.1	37.6	38.2	39.0
Interest Receivable	(0.2)	0.0	0.0	0.0	0.0	0.0
Senior Debt Interest	40.2	35.5	37.1	37.6	38.2	39.0
ICR	3.38 x	3.28 x	3.45 x	3.40 x	3.29 x	3.42 x

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(b) Adjusted ICR

	1-Apr-19 to 31-Mar- 20 £m	1-Apr-20 to 31-Mar- 21 £m	1-Apr-21 to 31-Mar- 22 £m	1-Apr-22 to 31-Mar- 23 £m	1-Apr-23 to 31-Mar- 24 £m	1-Apr-24 to 31-Mar- 25 £m
Net Cash Flow	135.8	116.3	127.8	128.1	125.5	133.3
<b>CCD &amp; IRC</b>						
CCD	0.0	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow after regulatory depreciation	135.8	116.3	127.8	128.1	125.5	133.3
Senior Debt Interest	40.2	35.5	37.1	37.6	38.2	39.0
Adjusted ICR	3.38 x	3.28 x	3.45 x	3.40 x	3.29 x	3.42 x

(c) Average Adjusted ICR

	1-Apr-19 to 31-Mar- 20 £m	1-Apr-20 to 31-Mar- 21 £m	1-Apr-21 to 31-Mar- 22 £m	1-Apr-22 to 31-Mar- 23 £m	1-Apr-23 to 31-Mar- 24 £m	1-Apr-24 to 31-Mar- 25 £m
Net Cash Flow	135.8	116.3	127.8	128.1	125.5	133.3
<b>CCD &amp; IRC</b>						
CCD	0.0	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow after regulatory depreciation	135.8	116.3	127.8	128.1	125.5	133.3
Senior Debt Interest	40.2	35.5	37.1	37.6	38.2	39.0
Adjusted ICR	3.38 x	3.28 x	3.45 x	3.40 x	3.29 x	3.42 x
Average Adjusted ICR	3.37 x	3.38 x	3.38 x	3.37 x	3.37 x	3.37 x

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## (d) RAR

	Calculation date	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25
	£m	£m	£m	£m	£m	£m
<b>Senior Debt</b> (Closing Balances)						
Finance Leases	4.2	4.0	3.7	3.5	3.2	2.9
Debentures	1.0	1.0	1.0	1.0	1.0	1.0
Nominal Debt	166.0	166.0	244.4	244.4	244.4	244.4
Index Linked Bonds	175.0	178.9	182.3	187.7	193.4	199.2
Fixed Rate Loan Notes	175.0	175.0	175.0	175.0	175.0	175.0
Variable rate loans	120.0	120.0	120.0	120.0	120.0	120.0
Index Linked Loans	119.7	122.1	123.9	127.0	130.9	134.8
Index Linked Loans	275.7	279.1	283.3	292.0	300.9	310.0
Capex Drawdown Facility	30.0	78.4	0.0	0.0	2.4	18.2
Total Senior Debt Closing Balance	1066.6	1124.5	1133.7	1150.6	1171.2	1205.5
Less: Cash Balance	(13.1)	(46.2)	(28.7)	(16.1)	(0.0)	(0.6)
Senior Net Indebtedness	1053.5	1078.3	1105.0	1134.6	1171.1	1204.9
Regulatory Capital Value	1413.2	1386.6	1408.6	1455.3	1487.4	1523.7
<b>RAR</b>	74.5%	77.8%	78.4%	78.0%	78.7%	79.1%

## (e) Conformed Adjusted ICR

	1-Apr-19 to 31-Mar-20	1-Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	1-Apr-24 to 31-Mar-25
	£m	£m	£m	£m	£m	£m
Net Cash Flow	135.8	116.3	127.8	128.1	125.5	133.3
RCV Depreciation	51.5	51.6	52.2	53.9	55.4	56.7
Capitalised IRE	21.3	13.9	12.8	12.5	14.8	13.4
Total regulatory depreciation	72.8	65.5	65.0	66.4	70.2	70.1
Net Cash Flow after regulatory depreciation	63.0	50.7	62.8	61.7	55.3	63.2
Senior Debt Interest	40.2	35.5	37.1	37.6	38.2	39.0
Conformed Adjusted ICR	1.57 x	1.43 x	1.69 x	1.64 x	1.45 x	1.62 x

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(f) Conformed Average Adjusted ICR

	1-Apr-19 to 31-Mar- 20 £m	1-Apr-20 to 31-Mar- 21 £m	1-Apr-21 to 31-Mar- 22 £m	1-Apr-22 to 31-Mar- 23 £m	1-Apr-23 to 31-Mar- 24 £m	1-Apr-24 to 31-Mar- 25 £m
Net Cash Flow	135.8	116.3	127.8	128.1	125.5	133.3
RCV Depreciation	51.5	51.6	52.2	53.9	55.4	56.7
Capitalised IRE	21.3	13.9	12.8	12.5	14.8	13.4
Total regulatory depreciation	72.8	65.5	65.0	66.4	70.2	70.1
Net Cash Flow after regulatory depreciation	63.0	50.7	62.8	61.7	55.3	63.2
Senior Debt Interest	40.2	35.5	37.1	37.6	38.2	39.0
Conformed Adjusted ICR	1.57 x	1.43 x	1.69 x	1.64 x	1.45 x	1.62 x
Conformed Average Adjusted ICR	1.56 x	1.59 x	1.59 x	1.57 x	1.57 x	1.57 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

For and on behalf of

**SOUTH EAST WATER LIMITED**



Director

For and on behalf of

**SOUTH EAST WATER (FINANCE) LIMITED**

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