

Chapter 20

Regulatory accounts

Current Cost Accounting

Covering:

Profit and loss account for year ending 31 March
2009

Chapter 20

Regulatory accounts

Current Cost Accounting

Guidance

The requirements relate to the appointed business and table 20 is no exception. It should be completed for the profit and loss account of the appointed business only.

Company commentary

Exceptional charges or income should be commented upon and quantified, as should the headings under which they are included in the profit and loss account.

The definition of monetary assets and liabilities for the purposes of calculating the financing adjustment excludes dividends payable. Any exceptions to this should be reported.

Profits attributable to minority interests should be shown as extraordinary items and noted separately.

The PPP element of any line should be disclosed separately in commentary.

For all items in the table significant features, movements, events and transactions over the last period should be noted. However, where movements have been explained in the commentary to tables 18 or 27, then a cross-reference should be provided rather than duplication of the commentary.

Voluntary Early Retirement

NI Water should provide a comprehensive account of the Voluntary Early Retirement scheme to date and details of any future costs/ provisions likely to occur. This should include the following:

- Actual and proposed staff numbers for uptake of VER for each financial year;
- Provisions relating to VER and their basis and rationale for each financial year;
- Costs associated with VER for each financial year in terms of prepayments, creditors and accruals and the actual cash payments made in each respective financial year
- VER postings to all relevant nominal ledger codes for both profit and loss and balance sheet codes.

Business Improvement costs

- NI Water should show the year end postings to all nominal ledger codes for both profit and loss and balance sheet codes.
- NI Water should additionally provide explanation for any reprofiling of expenditure and a commentary explaining any reprofiling.

Pension

- NI Water should describe the outcome or indicative outcome of the 'Options Exercise' which was to be completed in February 2009. This should include details of staff numbers transferring and associated costs and provisions (if applicable).
- NI Water should detail the extent of pension costs allocated to non appointed activities and a breakdown of the relevant amount (if applicable).
- NI Water should provide VER postings to all relevant nominal ledger codes for both profit and loss and balance sheet codes.

Guidance to Auditors

See "Auditor's guidance", part A, "General procedures".

Table 20 line definitions

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|------------------------|------------------------------------------------------------------------------------------------|----|-----|
| 1 | Turnover | £m | 3dp |
| Definition | Total appointed business revenue | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Column 1: copied - table 23 line 16 column 3. Column 2: copied - table 23 line 16 column 6. | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|---------------------------------------------------------------------------------------------------------|----|-----|
| 2 | Current cost operating costs (including CCD & IRC) | £m | 3dp |
| Definition | Total current operating costs including capital maintenance charges, but excluding extraordinary items. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: (table 21 line 34 + table 22 line 33) x (-1) – 2008-09. Input: 2007-08. | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 3 | Operating income | £m | 3dp |
| Definition | Current cost operating income includes current cost profit or loss on disposal of fixed assets and income from exceptional items. Exceptional items are defined in paragraph 5 of FRS3 'Reporting Financial Performance'. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Column 1: copied - table 23 line 17 & 18 column 3. Column 2: copied - table 23 line 17 & 18 column 6. | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|---------------------------------------------------------------------------------------------------------|----|-----|
| 4 | Working capital adjustment | £m | 3dp |
| Definition | The adjustment for the impact of general inflation on the real value of working capital to the business | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Column 1: copied - table 23 line 21 column 3. Column 2: copied - table 23 line 21 column 6. | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|----------------------------------------------------------------------------|----|-----|
| 5 | Current cost operating profit | £m | 3dp |
| Definition | Current cost operating profit before tax, interest and extraordinary items | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: sum of lines 1, 2, 3 and 4 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 6 | Other income | £m | 3dp |
| Definition | Includes rental income and income from investments (e.g. share income); excludes net interest and profit on disposals on fixed assets. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 18 line 6 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 7 | Net interest receivable less payable | £m | 3dp |
| Definition | Interest receivable less interest payable. Interest receivable includes interest on cash and other deposits. Interest payable includes interest on loans, leases, debentures, overdrafts and all other borrowings e.g. commercial paper or bills of exchange. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 18d line 12 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|-------------------------------------------------------------------------------------------------------------------------|----|-----|
| 8 | Financing adjustment | £m | 3dp |
| Definition | The real gain or loss arising for shareholders from the impact of general inflation on monetary assets and liabilities. | | |
| Primary Purpose | Informing relative performance and efficiency assessments | | |
| Processing rule | Calculated: table 27 line 5 multiplied by -1 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------|----|-----|
| 9 | Current cost profit before taxation | £m | 3dp |
| Definition | Current cost profit before taxation | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: sum of lines 5, 6, 7 and 8 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 10 | Current tax | £m | 3dp |
| Definition | The current tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other taxes. It should exclude any deferred tax charge, which is to be reported separately in line 11. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 18 line 9 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------|----|-----|
| 11 | Deferred tax | £m | 3dp |
| Definition | The deferred tax charge. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 18 line 10 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|-------------------------------------------------------------------|----|-----|
| 12 | Current cost profit on ordinary activities | £m | 3dp |
| Definition | Current cost profit after taxation but before extraordinary items | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: sum of lines 9, 10 and 11 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----|
| 13 | Extraordinary items | £m | 3dp |
| Definition | The sum of: <ul style="list-style-type: none"> • Extraordinary items (after tax), as defined by UKGAAP; and • Profits/losses attributable to minority interests. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Input: (negative number if a charge, positive number if a credit). | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------------------------------------------|----|-----|
| 14 | Current cost profit attributable to shareholders | £m | 3dp |
| Definition | Current cost profit for the year after taxation and extraordinary items, but before dividends. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: sum of lines 12 and 13 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------|----|-----|
| 15 | Dividends | £m | 3dp |
| Definition | Total dividends. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 18d line 3 | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|------------------------------------------------------------|----|-----|
| 16 | Current cost profit retained | £m | 3dp |
| Definition | Current cost retained profit for the financial year | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: sum of lines 14 and 15 | | |
| Responsibility | Regulatory Finance Team | | |

CHANGE CONTROL SHEET
CHAPTER 20

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| 2008/1.0 | First issue of chapter for the SBP period |
| 2009/1.0 | <ul style="list-style-type: none">• Second issue of chapter for the SBP period;• Additional reporting requirements for Business Improvement Plan;• Additional reporting requirements for Voluntary Early Retirement;• Additional reporting requirements for pension. |
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