

Chapter 19a

Regulatory Accounts (Historical Cost Accounting)

Analysis of borrowing due after more than one year

Section 2

Chapter 19a

Regulatory Accounts (Historical Cost Accounting); Analysis of borrowing due after more than one year

Guidance

The reporting requirements relate to the appointed business and table 19a is no exception. It should be completed for the balance sheet of the appointed business only.

This guidance provides background to the information requirements, commentary and definitions. Column definitions for the reporting entries are provided.

Background

Table 19a is used to gather information on NI Water's cost of debt which we use to cross check the cost of debt assessment made in setting price limits. The table calculates the effective nominal interest and effective cash interest payments for the instruments reported in the table.

Table 19a expands upon the borrowings due after more than one year reported in table 19. It requires an analysis of borrowings between its component parts. The information is required as at 31 March 2011.

Each instrument included within borrowings should be reported on a separate line within the table. The reporting categories are:

- Category A – Borrowings in hedging relationships;
- Category B – Borrowings designated at fair value through profit and loss; and,
- Category C – Other borrowings.

Table 19a uses definitions of borrowings in hedging relationships and those designated at fair value through profit and loss that are consistent with the FRS 26 definitions. Other borrowings includes all borrowings measured at amortised cost and all borrowings that are not designated as either fair value through profit and loss or borrowings designated within hedging relationships.

Within each category borrowings should be split between those taken out on fixed rate terms, floating rate terms and those which are classified as index linked.

Table 19a includes an RPI assumption. This will be the 2010-11 year end RPI.

Commentary

Where NI Water has significant borrowings that mature in less than one year then NI Water should disclose the details and nature of these in the commentary.

The commentary should disclose the objective of the hedging policy of NI Water where hedging instruments are in place.

Definitions

Borrowings falling due after one year comprise obligations under finance leases due after one year, loans due to other group companies repayable after one year, redeemable debentures repayable after one year, bonds redeemable after one year, commercial paper due after one year, bills of exchange maturing after

one year and any other form of borrowing repayable after one year. Accrued interest on borrowings should not be included.

FRS 26 should be consulted for the definitions of blocks A, B and C:

- Borrowings in hedging relationships.
- Borrowings designated at fair value through profit and loss;
- Other borrowings.

Guidance to Auditors

See separate guidance for auditors.

Column definitions

SECTION A to C – INDIVIDUAL INSTRUMENTS

Column 1	Description		
Definition	Each instrument should be disclosed individually on a separate line and described in column 1. The description should be sufficient to uniquely identify the instrument and include its date of maturity and the currency where the instrument is not in sterling. For floating instruments the definition should detail of the market index to which the instrument is tied.		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Input: text		
Responsibility	Regulatory Finance Team		

Column 2	Years to maturity	year	
Definition	Years to maturity of the instrument where relevant.		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Input: number		
Responsibility	Regulatory Finance Team		

Column 3	Principal sum	£m	3dp
Definition	Principal sum at initial recognition of the instrument.		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Input: number		
Responsibility	Regulatory Finance Team		

Column 4	Years to maturity x principal sum	£m	3dp
Definition	Multiple of principal sum and years to maturity for weighting purposes only		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Calculated: column 2 times column 3		
Responsibility	Regulatory Finance Team		

Column 5	Real coupon	%	2dp
Definition	<p>The real coupon associated with index linked debt or equivalent real coupon implied by the coupon of nominal debt.</p> <p>Coupon rates entered for borrowings in hedging relationships should be stated at initial recognition of the hedging instrument.</p>		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	<p>Fixed rate instruments: this is calculated as the nominal coupon rate (entered in column 6) less the RPI assumption in Section E.</p> <p>Floating rate instruments: this is calculated as the nominal coupon effective as at 31 March 2011 (entered in column 6) less the RPI assumption in section E.</p> <p>Index linked instruments: the coupon rate as an input.</p>		
Responsibility	Regulatory Finance Team		

Column 6	Nominal interest rate	%	2dp
Definition	<p>The coupon associated with nominal debt or equivalent nominal coupon implied by the coupon of index linked debt.</p> <p>Rates entered for borrowings in hedging relationships should be stated at initial recognition of the hedging instrument.</p>		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	<p>Fixed rate instruments: the coupon rate as an input.</p> <p>Floating rate instruments: the nominal coupon rate at the last pricing of the instrument.</p> <p>Index linked instruments: calculated as the sum of real coupon rate entered in column 5 plus the RPI assumption in section E.</p>		
Responsibility	Regulatory Finance Team		

Column 7	Full year nominal interest cost	£m	3dp
Definition	Full year equivalent nominal interest cost based on the initial sum and interest rates as at 31 March 2011.		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Calculated: column 6 multiplied by column 3		
Responsibility	Regulatory Finance Team		

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Column 8	Full year equivalent cash interest payment.	£m	3dp
Definition	Full year equivalent cash interest payment at 31 March 2011.		
Primary Purpose	Informing the cost of debt assessment		
Processing rule	Fixed rate instruments and floating rate instruments: copied from full year equivalent nominal interest in column 6. Index linked instruments: calculated as the real coupon in column 5 multiplied by the carrying value in column 9.		
Responsibility	Regulatory Finance Team		

Column 9	Carrying value	£m	3dp
Definition	The carrying value of each instrument as at 31 March 2011. The total should equal table 19 line 20 of the Annual Information return for 2010-11.		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Input		
Responsibility	Regulatory Finance Team		

SECTION D – Totals

Definition	Totals
Primary Purpose	Informing the cost of debt.
Processing rule	Sum of cells above in sections A-C for each of columns 3, 4, 7, 8, and 9
Responsibility	Regulatory Finance Team

SECTION E – RPI

E1	RPI	%	1dp
Definition	Retail Price Index at March 2011		
Primary Purpose	Informing the cost of debt.		
Processing rule	Input		
Responsibility	Regulatory Finance Team		

SECTION F ANALYSIS – INDICATIVE INTEREST RATES

F1	Interest rate	%	1dp
Definition	Indicative weight average nominal interest		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Total of column 7 (as described in section D) divided by total of column 3 (as described in section D)		
Responsibility	Regulatory Finance Team		

F2	Interest rate	%	1dp
Definition	Indicative weighted average cash interest rate		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Total of column 8 (as described in section D) divided by total of column 9 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

SECTION G ANALYSIS – INDICATIVE DEBT PORTFOLIO BREAKDOWN

G1	Debt rate	%	1dp
Definition	Floating rate debt as percentage of total debt		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Sum of floating rate debt in column 9 of sections A - C divided by sum of column 9 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

G2	Debt rate	%	1dp
Definition	Fixed rate debt as percentage of total debt		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Sum of fixed rate debt in column 9 of sections A - C divided by sum of column 9 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

G3	Debt rate	%	1dp
Definition	Index linked debt as percentage of total debt		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Sum of indexed linked debt in column 9 of sections A - C divided by sum of column 9 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

G4	Debt rate	%	1dp
Definition	Fixed rate debt and index linked debt as percentage of total debt		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Sum of fixed rate debt and indexed linked debt in column 9 of sections A - C divided by sum of column 9 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

G5	Years to maturity	Nr	0dp
Definition	Weighted average years to maturity		
Primary Purpose	Informing the cost of debt assessment.		
Processing rule	Sum of column 4 of sections A - C divided by sum of column 3 (as described in section D) multiplied by 100		
Responsibility	Regulatory Finance Team		

CHANGE CONTROL SHEET

CHAPTER 19a

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;• Removed references to the 2009 Price review and amended to PC10.
2010/1.0	Third issue of chapter for the SBP period. <ul style="list-style-type: none">• Minor changes.
2011/1.0	First issue of chapter for the PC10 period; <ul style="list-style-type: none">• No changes.