

Board's Overview Chapter 2 Table C

Covering: Financial performance measures



Chapter 2 Financial performance measures

Guidance

Table C summarises the financial position of the regulated business for the year. The table includes summarised profit and loss information and the key financial parameter of the return on the regulatory capital value together with data on financial indicators.

Company commentary

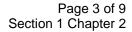
NI Water should comment on:

- profitability, dividend policy, provisions, the financing of investment, level of investment and the impact on financial ratios;
- costs (capital and operating) against expectations both of NI Water and NIAUR including:
 - any additional material changes from the PC10 Final Determination that have caused any variation against expenditure allowed for; and
 - any exceptional costs or savings incurred.
- details of its PPP contracts including the magnitude of the contracts both on and off balance sheet, the terms of the contract, handover period, effective rate of interest and the expected residual value at the end of the contract. NI Water should in tabular format show by scheme the breakdown of each cash payment into its separable elements including opex, interest, capital repayment and assumed capital maintenance expenditure. NI Water should also provide a copy of its PPP accounting policies and the rationale for their accounting treatment of particular PPP contracts.

NI Water should summarise any significant changes in current cost depreciation and the infrastructure renewals charge. This should include a complete explanation of any changes in policy.

Regulatory capital value

NI Water should present its outturn Regulatory Capital Value in line 8 of table C of the Board overview. NI Water should provide a calculation for the RCV roll forward from the prior year closing balance to the outturn at the end of the 10/11 financial year. In addition, in the event of any difference, NIW should include a reconciliation between the 10/11 Annual Report and financial accounts RCV and that presented in line 8 of table C.





Cost of capital

NI Water should include a commentary on its weighted average cost of capital plus the underlying assumptions and basis on which the pre and post tax cost of capital have been determined.



Table C line definitions

1	Total operating expenditure – water service	£m	3dp
Definition	Total operating expenditure includes all NI Water opex on both its own facilities and on PPP assets e.g. PPP rates, power, scientific services etc. The only opex excluded should be the PPP unitary charge payment		
Primary Purpose	Informing relative performance and efficiency assessing	ments.	
Processing rule	Copied field: table 35, line 24.		
Responsibility	Comparative Efficiency and Performance Team		

1a	Total operating expenditure (PPP) – water service	£m	3dp
Definition	Total operating expenditure resulting from PPP unitary charge		
	payments.		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Input		
Responsibility	Network Regulation Team		

2	Total capital expenditure (excl. adopted and nil cost assets) – water service	£m	3dp
Definition	The total of all expenditure for both base service and enhancement purposes excluding items recorded as Table 32 (and the Regulatory Accounts) for adopted assets at nil cost (in accordance with RAG 1.04) but expenditure has been incurred.	assets a	and
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Copied field: table 35, line 28.		
Responsibility	Network Regulation Team		

3	Total operating expenditure – sewerage	£m	3dp
Definition	Total operating expenditure includes all NI Water operation own facilities and on PPP assets e.g. PPP rates, power services etc. The only opex excluded should be the I charge payment	er, scie	ntific
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Copied field: table 36, line 21.		
Responsibility	Comparative Efficiency and Performance Team		

3a	Total operating expenditure (PPP) – sewerage	£m	3dp
Definition	Total operating expenditure resulting from PPP unitar	y charg	е
	payments.		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Input		
Responsibility	Network Regulation Team		



4	Total capital expenditure (excl. adopted and nil cost assets) - sewerage	£m	3dp
Definition	The total of all expenditure for both base service and enhancement purposes excluding asset items record additions in Table 32 (and the Regulatory Accounts) assets and assets at nil cost (in accordance with RAC where no expenditure has been incurred.	for adop	
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Copied field: table 36, line 25.		
Responsibility	Network Regulation Team		

5	Total turnover	£m	3dp
Definition	Total appointed business revenue.		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Copied field: table 23, line 16, column 9.		
Responsibility	Regulatory Finance Team		

6	Current cost operating costs (including CCD & IRC) £	£m	3dp
Definition	Total cost current operating costs including capital maint excluding extraordinary items.	tenar	ice,
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 20, line 2.		
Responsibility	Regulatory Finance Team		

7	Current cost operating profit	£m	3dp
Definition	Current cost operating profit before tax, interest and e	extraord	inary
	items.		
Primary Purpose	Informing relative performance and efficiency assessi	ments	
Processing rule	Copied field: table 20, line 5.		
Responsibility	Regulatory Finance Team		

8	Capital Value Year End (outturn)	£m	3dp
Definition	Regulatory capital value at the financial year end.		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Input		
Responsibility	Regulatory Finance Team		



9	Total net debt	£m	3dp
Definition	Net debt at financial year-end. Cash and investments less total borrowings. Cash and investments include cash in hand, short term investments, loans to group companies and other loans. Total borrowings include bank overdrafts, bank loans, finance leases, debentures, EIB loans, loans from group companies and other loans (including commercial bills and paper).		
Primary Purpose	Informing relative performance and efficiency assessi	ments	
Processing rule	Calculated field: the sum of table 19 lines 7, 8, 11, 14 all multiplied by –1.	, 20 an	d 27
Responsibility	Regulatory Finance Team		

10a	Post tax return on capital	%	2dp
Definition	Current Cost operating profit less tax as a return on Regulatory		
	Capital Value.		-
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated field: the sum of table 20, line 5 and line 1 by the average regulatory capital value multiplied by		rided
Responsibility	Regulatory Finance Team		

10b	Pre tax return on capital	%	2dp
Definition	Current Cost operating profit before tax as a return on Regulatory		atory
	Capital Value		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated field: the sum of table 20, line 5 divided by the average regulatory capital value multiplied by 100.		
Responsibility	Regulatory Finance Team		

11	Cash interest cover (funds from operations; gross interest)	ratio	2dp
Definition	The number of times the gross interest payments are funds from operations (where funds from operations cashflows plus interest received but before working comovements and net of tax payments).	are ope	
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 divided by (table 28 line 3 plus table 28 line 4) times -1		
Responsibility	Regulatory Finance Team		·

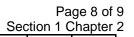


12	Adjusted cash interest cover (funds from operations	ratio	2dp
	less capital charges; gross interest)		
Definition	The number of times the gross interest payments are funds from operations net of CCD and IRC (where fu operations are operating cashflows plus interest rece before working capital movements and net of tax pay	nds fror ived but	n t
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 minus table 25 line 13 column 9 minus table 33 line 6 column 12 divided by –1 times (table 28 line 3 plus table 28 line 4).		
Responsibility	Regulatory Finance Team		

13	Adjusted cash interest cover (funds from operations	ratio	2dp
	less capital maintenance; gross interest)		
Definition	The number of times the gross interest payments are covered by funds from operations net of MNI and IRE (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 minus table 35 line 2 minus table 35 line 3 minus table 36 line 2 minus table 36 line 3 divided by minus 1 times (table 28 line 3 plus table 28 line 4).		
Responsibility	Regulatory Finance Team		

14	Funds from operations: debt	ratio	2dp
Definition	Funds from operations expressed as a percentage of (where funds from operations are; operating cashflow working capital movements and net of tax payments interest' payments).	s befor	е
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: (Table 29 line 9 add table 28 line 2 add table 28 line 7 minus table 29 line 3 add table 28 line 3 add table 28 line 4) divided by table C line 9.		
Responsibility	Regulatory Finance Team		

15	Retained cash flow: debt	ratio	2dp
Definition	Retained cash flow expressed as a percentage of net debt (where		
	'Retained cash flow' is; operating cashflows less tax p	paymen	ts,
	'net interest' payments and equity dividends).	-	
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated: (Table 29 line 9 add table 28 line 2 add ta	able 28	ine 7
	add table 28 line 3 add table 28 line 4 add table 28 lir	ne 15),	
	divided by table C line 9.		
Responsibility	Regulatory Finance Team		





16	Gearing: D/RCV	%	2dp
Definition	Net debt as a percentage of the total regulatory capital value at		at
	the financial year end.		
Primary Purpose	Informing relative performance and efficiency assess	ments.	
Processing rule	Calculated: line 9 divided by line 8 multiplied by 100.		
Responsibility	Regulatory Finance Team		



CHANGE CONTROL SHEET BOARD OVERVIEW CHAPTER 2

2008/1.0	First issue of chapter for the SBP period
2009/1.0	Second issue of chapter for the SBP period
	 Included additional reporting requirements for PPP, RCV and Cost of capital;
	- Amended processing rules for lines 10b and 12
2010/1.0	Third issue of chapter for the SBP period
	- Minor revisions
2011/1.0	First issue of chapter for the PC10 period
	- Minor changes
2011/2.0	- Clarification of opex guidance for lines 1, 1a, 3 and 3a.