

2<sup>nd</sup> July 2008

To Chief Executive of NIW

**WR:5 Regulatory Accounting Guideline re opening tangible fixed assets brought forward into NIW books**

I am issuing this letter to advise NIW of how to treat for accounting purposes the opening tangible fixed assets that are brought forward from Water Service Books.

To comply with this Regulatory Accounting Guideline, the Northern Ireland Authority for Utility Regulation (NIAUR) requires NIW to use the regulatory current cost value of fixed assets provided by the latest asset management plan (AMP) and adjusted for subsequent additions and disposals with an indexation adjustment applied to reflect inflation between AMP adjustments.

The opening balances of fixed assets in the regulatory current cost accounts at 1 April 2007 should be based on the closing fixed assets current cost values in the Water Service audited accounts at 31 March 2007 prior to the application of the impairment adjustment. The opening balances should then be adjusted for the following:

- the restatement of assets values to open market value for assets revalued at 31 March 2007 in Water Service accounts;
- indexation applied at 31 March 2007 to assets not revalued at open market value to reflect the impact of inflation for 2006-07; and
- the value of any new assets or liabilities which were created on 1 April 2007 as the result of the application of UK GAAP to the new company.

The adjusted values as stated above should be included in the opening gross current replacement cost of fixed assets with the opening cumulative depreciation stated at zero. This treatment is required to mirror the treatment in the historic cost accounts and the treatment of infrastructure assets that are not depreciated.



Jo Aston  
Director of Water Regulation  
NIAUR