

Proforma A7

Operating cost analysis for the 12 months ended 31 March 2013 (wholesale business only)

	Operating expenditure	Resources	Raw water distribution	Treatment	Treated distribution	Total
A7.1	Power	0	2,483	13,373	3,248	19,104
A7.2	Income treated as negative expenditure	0	0	0	0	0
A7.3	Service charges	5,805	0	0	0	5,805
A7.4	Bulk supply imports	0	0	4,013	0	4,013
A7.5	Other operating expenditure	2,506	2,872	15,447	41,488	62,313
A7.6	Local authority rates	1,968	320	2,870	9,525	14,683
A7.7	Exceptional items	0	0	0	0	0
A7.8	Total operating expenditure excluding third party services	10,279	5,675	35,703	54,261	105,918
	Capital maintenance					
A7.9	Infrastructure renewals charge		1,336		45,853	47,189
A7.10	Current cost depreciation	15,645	551	17,177	11,359	44,732
A7.11	Recharges to other business units					0
A7.12	Recharges from other business units					0
A7.13	Amortisation of deferred credits	-58	-12	-81	-355	-506
A7.14	Amortisation of intangible assets					0
A7.15	Total capital maintenance excluding third party services	15,587	1,875	17,096	56,857	91,415
	Third party services					
A7.16	Operating expenditure				2,811	2,811
A7.17	Infrastructure renewals charge					0
A7.18	Current cost depreciation			77		77
A7.19	Total operating costs	25,866	7,550	52,876	113,929	200,221

Proforma A8

Operating cost analysis for the 12 months ended 31 March 2013(retail business only)

	Household	Non-household	Total
A8.1			
A8.2			
A8.3			
A8.4			
A8.5			
A8.6			
A8.7			
A8.8			
A8.9			
A8.10			
A8.11			
A8.12			
A8.13			
A8.14			
A8.15			
A8.16			
A8.17			
A8.18			
A8.19			

Note for line A8.19 it is not possible with Affinity Water's current systems, to exclude court and other debt recovery costs

Proforma A9

Wholesale		Resources	Raw water	Treatment	Treated distribution	Total
Non infrastructure assets						
Gross replacement cost						
A9.1	At 1 April 2012	1,204,139	41,990	1,772,152	1,219,119	4,237,400
A9.2	AMP/SIR adjustment					0
A9.3	Reclassification adjustment				61,103	61,103
A9.4	RPI adjustment	39,505	1,378	58,140	42,001	141,024
A9.5	Disposals					0
A9.6	Additions	9,156	1,176	13,907	33,075	57,314
A9.7	At 31 March 2013	1,252,800	44,544	1,844,199	1,355,298	4,496,841
Depreciation						
A9.8	At 1 April 2012	221,977	14,493	400,047	329,858	966,375
A9.9	AMP/SIR adjustment					0
A9.10	Reclassification adjustment				13,557	13,557
A9.11	RPI adjustment	7,282	475	13,124	10,894	31,775
A9.12	Disposals					0
A9.13	Charge for the year	15,645	551	17,254	11,359	44,809
A9.14	At 31 March 2013	244,904	15,519	430,425	365,668	1,056,516
A9.15	Net book value at 31 March	1,007,896	29,025	1,413,774	989,630	3,440,325
A9.16	Net book value at 1 April 2012	982,162	27,497	1,372,105	889,261	3,271,025
Infrastructure assets						
Gross replacement cost						
A9.8	At 1 April 2012	11,635	163,878		4,980,423	5,155,936
A9.9	AMP/SIR adjustment				-	0
A9.11	RPI adjustment	382	5,376		163,394	169,152
A9.12	Disposals					0
A9.13	Additions		270		8,170	8,440
A9.14	At 31 March 2013	12,017	169,524	0	5,151,987	5,333,528

Proforma A10

Retail		Household	Non-household	Total
	Gross replacement cost			
A9.1	At 1 April 2012	246,092	15,352	261,444
A9.2	AMP/SIR adjustment	-	-	0
A9.3	Reclassification adjustment	-57,025	-4,078	-61,103
A9.4	RPI adjustment	6,203	370	6,573
A9.5	Disposals	-5,195	-302	-5,497
A9.6	Additions	694	38	732
A9.7	At 31 March 2013	190,769	11,380	202,149
	Depreciation			
A9.8	At 1 April 2012	129,784	8,363	138,147
A9.9	AMP/SIR adjustment	-	-	0
A9.10	Reclassification adjustment	-12,190	-1,367	-13,557
A9.11	RPI adjustment	4,191	269	4,460
A9.12	Disposals	-120	-7	-127
A9.13	Charge for the year	2,888	168	3,056
A9.14	At 31 March 2013	124,553	7,426	131,979
A9.15	Net book value at 31 March 2013	66,216	3,954	70,170
A9.16	At 31 March 2012	116,308	6,989	123,297

Proforma A13

	Fixed	Index-linked	Total
A13.1 Borrowings (excluding preference shares)	542,319	241,309	783,628
A13.2 Preference share capital			
Add:			
- capitalised bond issue costs			12387
Less:			
- financing of assets used by the company and operated by other parties			-17278
- loan from intermediate parent company			-3550
- non-redeemable debentures			-36
Add:			
- accrued interest on borrowings			11417
A13.3 Total borrowings			786568
A13.4 Cash			-35779
A13.5 Short term deposits			
A13.6 Net Debt			750,789
A13.7 Regulatory capital value			976,570
A13.8 Gearing			76.88%
A13.9 Full year equivalent nominal interest cost	25,900	13,628	39,528
A13.10 Full year equivalent cash interest payment	8,242	5,410	13,652
A13.11 Indicative weighted average nominal interest rate	4.887%	5.561%	5.100%
A13.12 Indicative weighted average cash interest rate	1.555%	2.208%	1.761%
A13.13 Weighted average years to maturity	21.1	31.3	24.3

Notes

Line A13.13 - definition of 'maturity' is 'number of full years to maturity from 31 March 2009', as per RAG4.04

Line A13.3 - the definition of 'borrowings' is consistent with the company's debt covenants, as per the risk and compliance statement. This definition is slightly inconsistent with RAG4.04

Services trial data

		Water resources	Raw water distribution	Water treatment	Treated water distribution
Total operating expenditure	£m	10.280	5.676	35.703	57.050
IRC	£m	0.000	1.336	0.000	45.853
CCD	£m	15.645	0.551	17.254	11.359
Amortization of deferred credits		-0.058	-0.012	-0.081	-0.355
Total operating costs	£m	25.867	7.551	52.877	111.796

		Abstraction licence	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Trunk treated water distribution	Local treated water distribution	
Total operating expenditure	£m	5.680	4.601	5.641	0.035	35.703	0.000	1.020	56.030
IRC	£m	0.000	0.000	1.336	0.000	0.000	0.000	24.427	21.426
CCD	£m	0.000	15.645	0.000	0.551	17.254	0.000	6.051	5.308
Amortization of deferred credits		0.000	-0.058	-0.012	0.000	-0.081	0.000	-0.189	-0.166
Total operating costs	£m	5.680	20.187	6.965	0.586	52.877	0.000	30.184	81.612

Revenue Variance Analysis

Notes

Revenue for 2012/13 is £2.3m lower compared to the Final Determination. The non tariff revenue is £4.1m lower than the Final Determination which is mainly driven by a reduction of large users due to the economic climate.

There is an increase in the tariff basket revenue of £1.8m compared to the Final Determination. Part of this increase can be explained by the addition of New Properties connected to our water supply (Actual 9,278 vs. Final Determination 6,330).

It should be noted that the £1.8m over-recovery of tariff basket revenue includes back billing of AMP5 revenue which will need to be adjusted prior to the Revenue Correction Mechanism calculations.

Bad Debt Write-Off Policy

Our policy is to write-off closed and live accounts that fall under the following categories:

- 1 Bankruptcy
- 2 Liquidation
- 3 Debt relief orders
- 4 Deceased accounts where there is no estate
- 5 Failed legal action
- 6 Debts from customers who have moved out of the property with no forwarding address or are no longer responsible for payment of a water bill.

Accounts are written off following all internal recovery activity and subsequent external debt collection agency activity except as follows:

- 1 Closed accounts under £15 will be written off without any internal recovery activity
- 2 Closed accounts under the name of 'the occupier' will be written off without any internal recovery action
- 3 Closed accounts under £50 will be written off following all internal recover activity where we have a forwarding address for the customer
- 4 Closed accounts under £100 will be written off following all internal recover activity where we have no forwarding address for the customer

Amounts will also be written off on accounts where we are still supplying the customer and where all internal and external debt collection activity has been exhausted. Under these circumstances if the total debt contains amounts over 6 years old, the amount over 6 years old will be written off.