October 2016

Trust in water

# RAG 3.09 – Guideline for the format and disclosures for the annual performance report

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# Contents

1. Explanatory note 2
2. Accounting statements 4
3. Accounting disclosures 7
4. Narrative disclosures on performance 15
5. Small company accounting information requirements 18
6. Transactions with associates and the non-appointed business 19
Appendix 1: Pro forma tables 21
Appendix 2: Small company return 49

# 1. Explanatory note

## 1.1 Introduction

1.1.1 This regulatory accounting guideline (RAG) relates to the Condition F requirements for accounting information. This regulatory accounting guideline contains guidance on various issues relating to paragraphs four, six and nine of Condition F, where it has been considered helpful to clarify the provisions of the Licence.

## 1.2 Role of regulatory accounting guidelines

1.2.1 The accounting statements are the primary source of regular audited financial information about the business regulated by the Water Services Regulation Authority (Ofwat). It is intended that the RAGs should take precedence over UK accounting standards. Where the RAGs do not specifically address an accounting issue, then UK Generally Accepted Accounting Practice (UK GAAP) should be followed.

1.2.2 There are 3 areas where we will require companies to deviate from these accounting standards;

- **Revenue recognition.** Companies should not de-recognise turnover for amounts billed which they deem to be uncollectable. This means that IAS18.9 or FRS102 (23.3) should be disapplied in this respect.

- **Grants and contributions.** Companies may recognise grants and contributions in the income statement as revenue under UKGAAP (either as a single transaction or through amortisation). We require that any such income be shown as ‘other income’ rather than revenue.

- **Borrowing costs.** IAS23.8 requires borrowing costs to be capitalised where they directly relate to the construction of an asset. We require this rule to be disapplied. Similarly the option to capitalise under FRS102 (25.2) should not be taken.

## 1.3 Annual information notice on the annual performance report

1.3.1 Ofwat will publish an information notice annually, between January and March. This will include any required amendments to RAG 3. If any new accounting standards mean that a departure from UK GAAP is necessary it will be covered in this notice.

# 2. Accounting statements

## 2.1 Accounting statements

### Condition F requirements

2.1.1 Paragraph 4 of Condition F states that all appointees shall prepare a profit and loss account, a statement of assets and liabilities and a statement of source and application of funds in respect of each of:

- the appointed business;
- the non-appointed business; and
- the total business of the appointee.

### Statutory statement of cashflows

2.1.2 A company may choose to take advantage of the exemptions available and not prepare a cashflow statement in their statutory accounts. In this situation, companies are not required to produce a statutory cashflow simply to satisfy pro forma 1D. A regulatory appointed business cashflow statement will satisfy Ofwat's requirements.

### Pro forma tables

2.1.3 The licence requires that regulatory accounting statements should be prepared in accordance with the formats, accounting policies and principles which apply to the statutory annual accounts of the appointee.

2.1.4 The information in the regulatory accounting statements must be provided in a common format for all companies and with a 31 March year end. The pro forma tables for the submission of data are included in appendix 1.

## 2.2 Publication of accounting statements

### Reports to be delivered

2.2.1 Appointees with a UK holding company (whether this is an ultimate holding company or an intermediate holding company as part of an overseas group of companies) should submit the following documents to Ofwat:

- ultimate UK holding company accounts;
- annual performance report including the regulatory accounting statements; and
- statutory accounts (if not bound with the annual performance report).

2.2.2 Paragraph 9.3 of Condition F requires that the appointee shall deliver to Ofwat a copy of the accounting statements and auditors reports prepared under Condition F as soon as reasonably practicable and in any event not later than 15 July following the end of the financial year to which they relate. Appointees can submit electronic copies by email to Ofwat.

2.2.3 Companies may refer in the annual performance report to any relevant commentary provided as part of the latest available statutory accounts. A clear cross-reference and link needs to be provided.

### Website publications

2.2.4 Companies should publish their annual performance report on their websites at the same time as they are submitted to Ofwat.

2.2.5 Companies should publish the ‘accounting methodology statement’ on their websites. They may include these in the annual performance report but there is no specific obligation to do so. The required contents of the methodology statement are set out in appendix 3.

## 2.3 Audit

### Auditors' reports

2.3.1 Paragraph 9 of Condition F requires auditors to address reports to Ofwat concerning:

- accounting records; and
- accounting statements.

As a minimum the audit opinion should cover the pro forma tables in section one and section two of the annual performance report.

2.3.2 The required wording of the audit opinion will be set out in our annual information notice on the annual performance report.

### Further information required from auditors

2.3.3 The licence requires that the contract of appointment with the auditors contains a term "that the auditors will provide such further explanation or clarification of their reports, and such further information in respect of the matters which are the subject of their reports, as the Water Services Regulation Authority (Ofwat) may reasonably require."

## 2.4 Appointed business

### Definitions

2.4.1 The licence separates the activities of an appointee into appointed and non-appointed activities.

2.4.2 Appointed activities are consequently those activities that are necessary in order for an appointee to fulfil the functions and duties of a water and sewerage undertaker. Please see Appendix 1 in RAG 4 for more information on appointed and non-appointed activities. Companies should discuss areas of difficulty, in advance of preparing the accounts, with Ofwat.

# 3. Accounting disclosures

## 3.1 Disclosures required in the annual performance report

3.1.1 Companies should include:

- a note which describes the link between directors' pay and standards of performance (as required by section 35A of the Water Industry Act 1991 (inserted into that Act by section 50 of the Water Act 2003));
- a statement as to disclosure of information to auditors;
- a statement on dividend policy for the appointed business,
- an accounting policy note for price control units,
- a note on revenue recognition,
- a note on capitalisation policy,
- a note on bad debt policy,
- a statement on Condition K compliance,
- a statement on diversification and protection of the core business,
- the tax strategy for the appointed business,
- a statement on differences between statutory and RAG definitions,
- a long term viability statement; and,
- a statement explaining out/under performance of the return on regulated equity (RORE).

## 3.2 Statement of directors' remuneration and standards of performance

3.2.1 In January 2014 we published 'Board leadership, transparency and governance – principles' which set out the principles we expect appointees to apply. A key theme that overarches the principles is transparency. We consider that the Disclosure and Transparency Rules set out the standard of disclosure that regulated companies should operate – wherever applicable. For example, we expect companies' Boards to make sure that the form and contents of the corporate governance statement meets the requirements of the Disclosure and Transparency Rules for listed companies. We also expect reporting to reflect material issues. Typically, this would involve discussing areas such as:

- group structure;
- company performance; and
- the key risks to the business.

We expect companies to ensure that the information is accessible to the intended audiences. It will be for companies to determine the best means of making this information transparent, which could be through the use of the annual performance report.

3.2.2 In relation to transparency around the remuneration of directors, we expect companies to consider whether and how to take account of the requirements (since 1 October 2013) that apply to the Directors' Remuneration Report for a quoted company.

3.2.3 The Water Act 2003 introduced a requirement for companies to make a statement to Ofwat at the end of each financial year, regarding links between directors' pay and standards of performance. The annual performance report should contain this statement.

3.2.4 The statement should detail any arrangements linking the remuneration of the directors of the company to standards of performance in connection with the carrying out of functions of a relevant undertaker. It should comprehensively explain the arrangements, including all information relevant to the users of the annual performance report.

3.2.5 Any person who has been a director of the company at any time and received remuneration during the financial year should be covered in this statement. Where the directors are also directors of another group or holding company they still need to be covered by this statement.

3.2.6 Remuneration means any form of payment, consideration or other benefit (including pension benefit). Standards of performance include any standards, which are set by condition of the company's appointment, any applicable regulations or any that are set or agreed to by the company.

3.2.7 The statement must include in particular:

- the date the arrangements were made;
- a description of all the standards of performance in question;
- an explanation of the purpose of linking each particular standard of performance to remuneration;
- a description of the targets set for each standard;
- an explanation of how all the standards of performance are assessed and the source of the data;
- an explanation of:
  - whether targets were achieved or not;

- how the remuneration was calculated for each standard; and
- details of the amounts paid to all individual directors.

3.2.8 Even if no remuneration has been paid under any arrangements in the financial year, the annual performance report must still disclose the details of any arrangements in force or any arrangements intended to be in force during the financial year. Commentary on future targets should also be provided as well as detail on any changes to previous arrangements such as targets, source of data and calculation method.

3.2.9 If no such arrangements are in place an explanatory paragraph should be provided detailing the reasons why no such arrangements are in place.

## 3.3 Statement as to disclosure of information to auditors

3.3.1 The Companies (Audit, Investigations and Community Enterprise) Act 2004 includes sections dealing with the auditor's rights to information. Relevant audit information is defined in s234ZA of the Companies Act 1985.

3.3.2 Previous legislation in this area (s389A of the Companies Act 1985) meant that auditors were entitled to require information and explanations for their duties from 'officers' of the company. Whilst it was a criminal offence to provide misleading, false or deceptive information it was not an offence if officers failed to provide any such required information. The revised legislation means it is now a criminal offence to fail to provide this information.

3.3.3 The new legislation requires each director to make a statement in the accounts that:

a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of the information.

3.3.4 Typically this is included in the directors' report for statutory purposes. Ofwat requires this statement to be made in companies' annual performance reports.

## 3.4 Dividend policy

3.4.1 Paragraph 6 and line 1A of the Appendix to Condition F requires companies to report on the value of any dividend paid and provide a comprehensive explanation of the basis of the dividend.

3.4.2 Some companies pay dividends to parent companies which offset amounts of interest receivable under inter-company loan arrangements. Where such an arrangement exists, companies' dividend policy note should describe both a description of the arrangement and the amounts paid and received in the year.

## 3.5 Accounting policy note for price control segments

3.5.1 Companies must include an accounting policy note for price control units which are disclosed in section 2 of the annual performance report. This should summarise the basis of the allocation of operating costs and assets and any major changes in the year. Companies should state that the accounts have been drawn up in accordance with RAG2 – Guideline for classification of costs across the price controls. They should also refer to the accounting methodology statement and provide a reference to this document.

## 3.6 Revenue recognition note

3.6.1 The revenue recognition note should cover the following.

- A description of any adjustments between amounts recorded as turnover in the statutory accounts and amounts recorded as turnover in the regulatory accounting statements. This should be split between adjustments relating to IAS18 deviation and any other adjustments.

- Whether or not the company bill void properties speculatively, that is to 'the occupier'. If so, it should confirm that this bill is then recorded in turnover.

- If the company does not speculatively bill, how it checks that the property is indeed unoccupied. It should also describe how it ascertains the identity of any occupier.

- A description of steps that the company takes to establish whether properties with no occupier information are void or occupied, e.g. visits to properties or searches using third party electronic data such as council tax/electoral roll records.

- Any changes in methodology in calculating the measured income accrual.

- Any significant differences between a retrospective review of the previous years measured income accrual and the amounts actually billed in the year.

## 3.7 Capitalisation policy note

3.7.1 Companies should explain the basis for capitalising costs. Companies should also clearly state any general rules which have been used (e.g., a rule requiring the capitalisation of any expenditure on a physical asset greater than £100). Companies should also detail any changes in judgements, apportionments or adjustments since the prior year, including changes to their capitalisation policies.

## 3.8 Bad debt note

3.8.1 Companies should set out details of their write-off policy and explain any changes from the prior year in their policies, procedures or practices in relation to write-offs along with the reasons for any changes.

3.8.2 Where a change in write-off policy (including 'house-keeping' exercises) results in a material change in the level of reported write-off, companies should explain whether this level is likely to continue in future years or is being reported as an atypical cost in this report year only.

3.8.3 Where a change in the bad debt provisioning policy results in a material change in the bad debt charge, companies should explain the reasons for the movement. The effect of any changes should be quantified.

3.8.4 Where there has been significant movement in the trade debtor balance companies should comment on the reasons for the movement. This should refer to outstanding customer debt and the bad debt provision.

## 3.9 Condition K requirements

3.9.1 The annual performance report should also contain a statement as to whether the appointee was in compliance with paragraph 3.1 of Condition K at the end of the financial year.

## 3.10 Sufficiency of financial resources

3.10.1 The ring fencing provisions in the licence require companies to submit at the same time as the regulatory accounting information, a certificate from the directors stating that the company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least twelve months, its regulated activities and sufficient management resources to enable it to carry out its functions. The requirement for the longer term viability statement is discussed further in section 3.13.

3.10.2 For most companies, the provisions in the licence have been extended. In addition to the requirements outlined above, these companies are required to:

- Confirm that in the opinion of the directors all contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to the company, to ensure that it is able to meet all its obligations as a water and sewerage undertaker;
- submit with each certificate a statement of the main factors which the directors have taken into account in giving that certificate; and
- provide a report prepared by the companies' auditors and addressed to Ofwat, stating whether they are aware of any inconsistencies between the certificate and the financial statements or any information obtained in the course of their work.

## 3.11 Tax Strategy for appointed business

3.11.1 The Finance Bill 2016 will introduce the requirement for large companies to publish their tax strategy annually. We are also requiring all companies to publish details of their tax strategy (relating to the appointed business) within the Annual Performance Report. The tax strategy should cover the following key areas.

- The approach to risk management and governance arrangements;

- The attitude of the company towards tax planning;
- The level of tax risk that the group is prepared to accept; and
- The approach of the company towards its dealings with HMRC.

References and links may be made to tax strategies published in the statutory or group accounts as appropriate.

## 3.12 Differences between statutory and RAG definitions

3.12.1 Proformas 1A, 1B, 1C and 1D all have a column to report any resulting differences between statutory and regulatory definitions on a line by line basis. Where any individual values recorded in these lines are considered material then a narrative explanation should be provided on what these differences relate to.

3.12.2 Companies should provide a reconciliation between the total borrowings figures included in the statutory accounts and the borrowings shown in the regulatory accounts with a brief explanation of the reasons for the differences.

## 3.13 Long term viability statement

3.13.1 We expect companies to include a statement in their annual report which confirms that they are financially viable over the longer term. Companies' approach to doing this should comply fully with section C.2.2 of the UK Corporate Code. This requires that they should:

"explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary."

3.13.2 In meeting these requirements we expect companies to prepare and stress test a forward looking business plan in a robust manner and to consider the financial viability of the company over an appropriate forward looking period. Companies are responsible for determining the period over which they make their assessment, however justification for the choice will be required and it may be appropriate for companies to look beyond the end of the current price control period. We do not expect this to be a constraint. Companies are

responsible for determining the appropriate level of stress testing they undertake. Companies are also be responsible for determining the level of third party assurance that they believe to be appropriate.

3.13.3 Companies need to include a clear and unambiguous statement in their annual performance report which sets out the steps that company Boards have taken to assess the long term financial viability of the company. We do not expect companies to publish information that is commercially sensitive, but we do expect the statement that they make to clearly set out the approach that they have taken and to provide a suitably robust justification for the selection of the sensitivities that they have undertaken, the forward looking period that has been considered and the extent to which (if any) they have used third party assurance.

3.13.4 If companies publish the same statement in the statutory accounts and this is published simultaneously with the annual performance report then it need only be included in the statutory accounts with a suitable cross reference in the annual performance report.

## 3.14 RORE

3.14.1 We expect companies to include a statement which explains the movements in RORE compared to the base RORE set at the last price review. Companies should identify and quantify the key components of the out/under performance.

# 4. Narrative disclosures on performance

## 4.1 Outcomes

4.1.1 Companies should provide narrative commentary explaining how the information reported in pro forma 3A relates to the information on outcome performance it has published and reported to its customer challenge group or similar body and customers more generally.

4.1.2. Companies should provide narrative commentary where it thinks forecasting a reward or penalty in column 3A.6 would be inappropriate for a particular performance commitment. The commentary should explain why a forecast would be inappropriate.

## 4.2 Totex

4.2.1 Narrative commentary should be provided on any difference between the actual and allowed totex values in pro forma 4B. Separate commentary should be provided for both water and wastewater.

4.2.2 Commentaries should make reference to the following areas (this is not an exhaustive list):

- efficiency savings;
- changes resulting from expenditure being delayed or brought forward;
- expenditure on outputs which are not included in the PR14 baseline; and
- other changes.

4.2.3 Where actual totex includes costs which the company believes to be exceptional or atypical, these should be disclosed separately in the commentary. The commentary should highlight clearly relevant links between the narrative on outcome performance and delivery and the totex costs reported in the year.

## 4.3 Retail

4.3.1 Narrative commentary should be provided on any material difference between the values reported in lines 2C.11 (total operating costs) of pro forma 2C and

the retail revenues allowed in price limits for 2015-20. Separate commentary should be provided for household and non-household retail.

4.3.2 Commentaries should make reference to the following areas (this is not an exhaustive list):

- efficiency savings;
- changes in customer numbers;
- changes in metering levels;
- material one-off / atypical items of expenditure; and
- other changes.

## 4.4 Wholesale revenue control reconciliation

4.4.1 Narrative commentary should be provided on the difference reported in line 2I.22 (difference between allowed and actual revenue under the wholesale control) of pro forma 2I. Companies should explain any subsequent consequences of any variations in revenue for future periods.

4.4.2 Commentaries should make reference to the following areas (this is not an exhaustive list):

- Changes in customer demand;
- Numbers of customers;
- Number of new connections; and
- Number of void properties.

4.4.3 Following the commencement of the competitive retail market (expected to be 1 April 2017), companies should disclose both the income and the payments relating to ‘performance charges’. It is not sufficient for companies to disclose the net set-off position.

## 4.5 Current tax reconciliation

4.5.1 A reconciliation is required of the appointed current tax charge or credit reported in line 1A.12 to that resulting from applying the standard corporation tax rate to the profit or loss on ordinary activities for the appointed business before tax and any fair value movements as shown in table 1A. There should be no netting off of material positive or negative amounts.

4.5.2 A reconciliation is also required to explain any significant variations between the appointed current tax charge or credit reported in line 1A.12 for the appointed business to the total current tax charge allowed in price limits. The reconciliation should quantify the £m difference relating to each particular area and narrative should be provided to explain at a high level the circumstances which led to the difference arising. E.g. If the value of capital allowances claimed is significantly different to that assumed at price limits, has this arisen due to changes in the level or type of expenditure, uncertainty/change around what expenditure would qualify for a particular allowance etc.?

4.5.3 The reconciliation should make reference to the following areas (this is not an exhaustive list):

- Prior year adjustments
- Payments for group relief – these transactions should also be disclosed in the transfer pricing table template (see sections 6.2 and 6.3)
- Effect of corporation tax rate changes

4.5.4 Details of factors affecting future tax charges should be given.

# 5. Small company accounting information requirements

## 5.1 Small company requirements

5.1.1 For new and existing small companies it may not be appropriate to request the full regulatory accounting information that we receive from larger companies, but we still require some regulatory accounting information to a 31 March year end.

5.1.2 The information requirements should be proportionate to the size of the company, but sufficient to enable us to effectively regulate these companies. A company with an annual turnover of less than £6.5m is defined as small in terms of regulatory accounting information requirements. This threshold only applies to regulatory accounting information required under Condition F and no other types of information.

5.1.3 In some circumstances, we may ask some small companies for more information than is set out below, to address certain company specific issues. If required, we will discuss this with the company to explain what information we require and when it should be submitted.

5.1.4 Table 2 below sets out the requirements for companies that fall within the 'small' threshold (turnover less than £6.5 million).

**Table 2 Small company requirements**

| | When | Where |
|---|---|---|
| Accounts prepared to a 31 March year end. These should also be available on your website at the same time they are submitted to us | 15 July | Condition F paragraph 4 |
| Group company annual report and accounts, if appropriate | When available | |
| UK holding company accounts (where ultimate owner is an overseas company), if appropriate | When available | |
| Certificate of adequacy of financial resources | 15 July | Licence condition F6A |
| Two pro forma tables<br>1. Split of turnover, operating costs and depreciation<br>2. Volumes and connections | 15 July | Appendix 2<br>See RAG4 for line definitions |
| Statement on links between Directors' pay and standards of performance published in the accounts | 15 July | paragraph 3.2 |
| Statement of dividend policy published in the accounts | 15 July | paragraph 3.4 |

# 6. Transactions with associates and the non-appointed business

## 6.1 RAG5 Principles

6.1.1 Appointees are under a duty to trade at arm's length and to ensure that there is no cross-subsidy with respect to transactions between the appointed business and both associated companies and the non-appointed business.

6.1.2 In addition following the introduction of separate binding price controls at the 2014 price review, companies need to attribute or allocate costs between the controls. The revenue allowance for each price control is determined by the estimated costs specific to that particular price control and comparable information on actual costs will be needed for future price reviews. Therefore companies should also ensure that there is no cross subsidy between price control units.

6.1.3 Appointees are required to demonstrate, through the application of the principles set out in RAG5, the basis of arm's length trading and that cross-subsidy does not exist.

## 6.2 Transactions to be disclosed

6.2.1 The licence requires that all transactions between the appointee and its associated companies must be disclosed and if any single transaction exceeds 0.5% of the turnover of the appointed business (or £100,000 if greater) it should not be aggregated. In particular, the following transactions, with related data, must be disclosed if over the materiality limit:

- loans by or to the appointee;
- dividends paid to any associated company;
- guarantees or other forms of security by the appointee;
- transfer of any asset or liability by or to the appointee;
- transfer of any corporation tax group losses by or to the appointee;
- supply of any service by or to the appointee;
- omission by the appointee or any associated company to exercise a right as a result of which the value of the net assets of the appointee is decreased; and
- waiver of any consideration, remuneration or other payment by the appointee.

6.2.2 The licence also specifies the information to be disclosed for each of these categories of transactions. Where appropriate, formulae may be disclosed in place of figures, for example for interest rates.

6.2.3 Transactions in the last four categories may be aggregated with any other similar transaction in the same category with the same associated company (unless prohibited by the 'single transaction' rule in 6.2.1). This aggregation does not include netting off transactions to the appointee against transactions by the appointee or vice versa.

6.2.4 Additionally where more than one associate company has transactions which are below the threshold then these should not be amalgamated such that there becomes a disclosure between the appointee and 'various' associates, even for common transaction types.

6.2.5 If a company is an associated company of an appointee for only part of a financial year then transactions with that associated company will only need to be disclosed whilst they were an associated company.

6.2.6 Amounts disclosed should not be rounded below the £1,000 level e.g. £0.652m rather than £0.7m.

## 6.3 Transfer pricing table template

6.3.1 The following details should be included in the published annual performance report:

| Service | Company | Turnover of associate | Terms of supply | Value |
|---|---|---|---|---|
| Service received by regulated business or service provided by regulated business. | Associate providing the service or associate to whom the service is provided. | | A statement of the means by which the price to associates has been established, e.g., competitive tendering. | Of service received by regulated business or service supplied by regulated business. |

# Appendix 1: Pro forma tables

| | |
|---|---|
| **Section 1 Regulatory financial reporting** | |
| Pro forma 1A | Income statement |
| Pro forma 1B | Statement of comprehensive income |
| Pro forma 1C | Statement of financial position |
| Pro forma 1D | Statement of cash flows |
| Pro forma 1E | Net debt analysis at 31 March 20xx |
| **Section 2 Price review and other segmental reporting** | |
| Pro forma 2A | Segmental income statement for the 12 months ended 31 March 20xx |
| Pro forma 2B | Totex analysis for the 12 months ended 31 March 20xx - wholesale water & wastewater |
| Pro forma 2C | Operating cost analysis for the 12 months ended 31 March 20xx - retail |
| Pro forma 2D | Historic cost analysis of tangible fixed assets (wholesale water, wholesale wastewater & retail business) |
| Pro forma 2E | Analysis of capital contributions and land sales for the 12 months ended 31 March 20xx - wholesale |
| Pro forma 2F | Household - revenue by customer type |
| Pro forma 2G | Non-household water - revenues by tariff type |
| Pro forma 2H | Non-household wastewater - revenues by tariff type |
| Pro forma 2I | Revenue analysis & wholesale control reconciliation for the 12 months ended 31 March 20xx |
| **Section 3 Performance summary** | |
| Pro forma 3A | Outcome performance table |
| Pro forma 3B | Sub-measure performance table |
| Pro forma 3C | AIM table |
| Pro forma 3D | SIM table |
| **Section 4 Additional regulatory information** | |
| Pro forma 4A | Non-financial information for the 12 months ended 31 March 20xx |
| Pro forma 4B | Wholesale totex analysis |
| Pro forma 4C | Impact of AMP performance to date on RCV |
| Pro forma 4D | Totex analysis for the 12 months ended 31 March 20xx - wholesale water |
| Pro forma 4E | Totex analysis for the 12 months ended 31 March 20xx - wholesale wastewater |
| Pro forma 4F | Operating cost analysis for the 12 months ended 31 March 20xx – household retail |
| Pro forma 4G | Wholesale current cost financial performance for the 12 months ended 31 March 20xx |
| Pro forma 4H | Financial metrics for the 12 months ended 31 March 20xx |
| Pro forma 4I | Financial derivatives |

# Section 1 Regulatory financial reporting

## Pro forma 1A

| Financial performance for the 12 months ended 31 March 20xx | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| | | Adjustments | | | | |
| **Income statement** | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities | |
| **Revenue** | I | I | I | C | C | 1A.1 |
| Operating costs | I | I | I | C | C | 1A.2 |
| Other operating income | I | I | I | C | C | 1A.3 |
| **Operating profit** | C | C | C | C | C | 1A.4 |
| Other income | I | I | I | C | C | 1A.5 |
| Interest income | I | I | I | C | C | 1A.6 |
| Interest expense | I | I | I | C | C | 1A.7 |
| Other interest expense | I | I | I | C | C | 1A.8 |
| **Profit before tax and fair value movements** | C | C | C | C | C | 1A.9 |
| Fair value gains/(losses) on financial instruments | I | I | I | C | C | 1A.10 |
| **Profit before tax** | C | C | C | C | C | 1A.11 |
| UK Corporation tax | I | I | I | C | C | 1A.12 |
| Deferred tax | I | I | I | C | C | 1A.13 |
| **Profit for the year** | C | C | C | C | C | 1A.14 |
| Dividends | I | I | I | C | C | 1A.15 |

# Pro forma 1B

| Financial performance for the 12 months ended 31 March 20xx | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| **Statement of comprehensive income** | Statutory | Adjustments | | | Total appointed activities | |
| | | Differences between statutory and RAG definiitons | Non-appointed | Total adjustments | | |
| **Profit for the year** | I | I | I | C | C | **1B.1** |
| Actuarial gains/(losses) on post employment plans | I | I | I | C | C | **1B.2** |
| Other comprehensive income | I | I | I | C | C | **1B.3** |
| **Total Comprehensive income for the year** | C | C | C | C | C | **1B.4** |

# Pro forma 1C

| Financial performance for the 12 months ended 31 March 20xx | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| | | Adjustments | | | | |
| Statement of Financial Position | Statutory | Differences between statutory and RAG definiitons | Non-appointed | Total adjustments | Total appointed activities | |
| **Non-current assets** | | | | | | |
| Fixed assets | I | I | I | C | C | 1C.1 |
| Intangible assets | I | I | I | C | C | 1C.2 |
| Investments - loans to group companies | I | I | I | C | C | 1C.3 |
| Investments - other | I | I | I | C | C | 1C.4 |
| Financial instruments | I | I | I | C | C | 1C.5 |
| Retirement benefit assets | I | I | I | C | C | 1C.6 |
| Total | C | C | C | C | C | 1C.7 |
| **Current assets** | | | | | | |
| Inventories | I | I | I | C | C | 1C.8 |
| Trade & other receivables | I | I | I | C | C | 1C.9 |
| Financial instruments | I | I | I | C | C | 1C.10 |
| Cash & cash equivalents | I | I | I | C | C | 1C.11 |
| Total | C | C | C | C | C | 1C.12 |
| **Current liabilities** | | | | | | |
| Trade & other payables | I | I | I | C | C | 1C.13 |
| Capex creditor | I | I | I | C | C | 1C.14 |
| Borrowings | I | I | I | C | C | 1C.15 |
| Financial instruments | I | I | I | C | C | 1C.16 |
| Current tax liabilities | I | I | I | C | C | 1C.17 |
| Provisions | I | I | I | C | C | 1C.18 |
| Total | C | C | C | C | C | 1C.19 |
| **Net Current assets/(liabilities)** | C | C | C | C | C | 1C.20 |
| **Non-current liabilities** | | | | | | |
| Trade & other payables | I | I | I | C | C | 1C.21 |
| Borrowings | I | I | I | C | C | 1C.22 |
| Financial instruments | I | I | I | C | C | 1C.23 |
| Retirement benefit obligations | I | I | I | C | C | 1C.24 |
| Provisions | I | I | I | C | C | 1C.25 |
| Deferred income - G&C's | I | I | I | C | C | 1C.26 |
| Preference share capital | I | I | I | C | C | 1C.27 |
| Deferred tax | I | I | I | C | C | 1C.28 |
| Total | C | C | C | C | C | 1C.29 |
| **Net assets** | C | C | C | C | C | 1C.30 |
| **Equity** | | | | | | |
| Called up share capital | I | I | I | C | C | 1C.31 |
| Retained earnings & other reserves | I | I | I | C | C | 1C.32 |
| **Total Equity** | C | C | C | C | C | 1C.33 |

# Pro forma 1D

| Financial performance for the 12 months ended 31 March 20xx | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| **Statement of cashflows** | Statutory | Adjustments | | | Total appointed activities | |
| | | Differences between statutory and RAG definiitons | Non-appointed | Total adjustments | | |
| **Operating profit** | I | I | I | C | C | 1D.1 |
| Other income | I | I | I | C | C | 1D.2 |
| Depreciation | I | I | I | C | C | 1D.3 |
| Amortisation - G&C's | I | I | I | C | C | 1D.4 |
| Changes in working capital | I | I | I | C | C | 1D.5 |
| Pension contributions | I | I | I | C | C | 1D.6 |
| Movement in provisions | I | I | I | C | C | 1D.7 |
| Profit on sale of fixed assets | I | I | I | C | C | 1D.8 |
| **Cash generated from operations** | C | C | C | C | C | 1D.9 |
| Net interest paid | I | I | I | C | C | 1D.10 |
| Tax paid | I | I | I | C | C | 1D.11 |
| **Net cash generated from operating activities** | C | C | C | C | C | 1D.12 |
| **Investing activities** | | | | | | |
| Capital expenditure | I | I | I | C | C | 1D.13 |
| Grants & Contributions | I | I | I | C | C | 1D.14 |
| Disposal of fixed assets | I | I | I | C | C | 1D.15 |
| Other | I | I | I | C | C | 1D.16 |
| **Net cash used in investing activities** | C | C | C | C | C | 1D.17 |
| **Net cash generated before financing activities** | C | C | C | C | C | 1D.18 |
| **Cashflows from financing activities** | | | | | | |
| Equity dividends paid | I | I | I | C | C | 1D.19 |
| Net loans received | I | I | I | C | C | 1D.20 |
| Cash inflow from equity financing | I | I | I | C | C | 1D.21 |
| **Net cash generated from financing activities** | C | C | C | C | C | 1D.22 |
| **Increase (decrease) in net cash** | C | C | C | C | C | 1D.23 |

## Pro forma 1E

| Net debt analysis at 31 March 20xx | Interest rate risk profile | | | | RAG 4 reference |
|---|---|---|---|---|---|
| | Fixed rate | Floating rate | Index linked | Total | |
| Borrowings (excluding preference shares) | I | I | I | C | 1E.1 |
| Preference share capital | | | | I | 1E.2 |
| Total borrowings | | | | C | 1E.3 |
| Cash | | | | I | 1E.4 |
| Short term deposits | | | | I | 1E.5 |
| Net Debt | | | | C | 1E.6 |
| | | | | | |
| Gearing | | | | C | 1E.7 |
| Adjusted Gearing | | | | I | 1E.8 |
| | | | | | |
| Full year equivalent nominal interest cost | I | I | I | C | 1E.9 |
| Full year equivalent cash interest payment | I | I | I | C | 1E.10 |
| | | | | | |
| **Indicative interest rates** | | | | | |
| Indicative weighted average nominal interest rate | I | I | I | C | 1E.11 |
| Indicative weighted average cash interest rate | I | I | I | C | 1E.12 |
| | | | | | |
| Weighted average years to maturity | I | I | I | I | 1E.13 |

# Section 2 Price review and other segmental reporting

## Pro forma 2A

| Segmental income statement for the 12 months ended 31 March 20xx | | | | | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Retail | | Wholesale | | | | | | Total | |
| | Household | Non-household | Water resources | Water Network+ | Water total | Waste water Network+ | Sludge | Wastewater total | | |
| Revenue - price control | I | I | | I | C | I | | C | C | 2A.1 |
| Revenue - non price control | I | I | | I | C | I | | C | C | 2A.2 |
| Operating expenditure | I | I | I | I | C | I | I | C | C | 2A.3 |
| Depreciation - tangible fixed assets | I | I | I | I | C | I | I | C | C | 2A.4 |
| Amortisation - intangible fixed assets | I | I | I | I | C | I | I | C | C | 2A.5 |
| Other operating income | I | I | I | I | C | I | I | C | C | 2A.6 |
| Operating profit before recharges | C | C | | | C | | | C | C | 2A.7 |
| Recharges from other segments | I | I | I | I | C | I | I | C | C | 2A.8 |
| Recharges to other segments | I | I | I | I | C | I | I | C | C | 2A.9 |
| **Operating profit** | C | C | | | C | | | C | C | 2A.10 |
| Surface water drainage rebates | | | | | | | | | I | 2A.11 |

# Pro forma 2B

| Totex analysis for the 12 months ended 31 March 20xx - wholesale water & wastewater | Water resources | Water Network+ | Waste water Network+ | Sludge | Total | RAG 4 reference |
|---|---|---|---|---|---|---|
| **Operating expenditure** | | | | | | |
| Power | I | I | I | I | C | 2B.1 |
| Income treated as negative expenditure | I | I | I | I | C | 2B.2 |
| Service charges/ discharge consents | I | I | I | I | C | 2B.3 |
| Bulk supply/ Bulk discharge | I | I | I | I | C | 2B.4 |
| Other operating expenditure | I | I | I | I | C | 2B.5 |
| Local authority and Cumulo rates | I | I | I | I | C | 2B.6 |
| Total operating expenditure excluding third party services | C | C | C | C | C | 2B.7 |
| Third party services | I | I | I | I | C | 2B.8 |
| Total operating expenditure | C | C | C | C | C | 2B.9 |
| **Capital expenditure** | | | | | | |
| Maintaining the long term capability of the assets - infra | I | I | I | I | C | 2B.10 |
| Maintaining the long term capability of the assets - non-infra | I | I | I | I | C | 2B.11 |
| Other capital expenditure - infra | I | I | I | I | C | 2B.12 |
| Other capital expenditure - non-infra | I | I | I | I | C | 2B.13 |
| Total gross capital expenditure (excluding third party) | C | C | C | C | C | 2B.14 |
| Third party services | I | I | I | I | C | 2B.15 |
| Total gross capital expenditure | C | C | C | C | C | 2B.16 |
| **Grants and contributions** | | | | | | |
| Grants and contributions | I | I | I | I | C | 2B.17 |
| **Totex** | C | C | C | C | C | 2B.18 |
| **Cash expenditure** | | | | | | |
| Pension deficit recovery payments | I | I | I | I | C | 2B.19 |
| Other cash items | I | I | I | I | C | 2B.20 |
| Totex including cash items | C | C | C | C | C | 2B.21 |

## Pro forma 2C

| Operating cost analysis for the 12 months ended 31 March 20xx - retail | Household | Non-household | Total | RAG 4 reference |
|---|---|---|---|---|
| **Operating expenditure** | | | | |
| Customer services | I | I | C | 2C.1 |
| Debt management | I | I | C | 2C.2 |
| Doubtful debts | I | I | C | 2C.3 |
| Meter reading | I | I | C | 2C.4 |
| Services to developers | | I | C | 2C.5 |
| Other operating expenditure | I | I | C | 2C.6 |
| Total operating expenditure excluding third party services | C | C | C | 2C.7 |
| Third party services operating expenditure | I | I | C | 2C.8 |
| Total operating expenditure | C | C | C | 2C.9 |
| Depreciation - tangible fixed assets | I | I | C | 2C.10 |
| Amortisation - intangible fixed assets | I | I | C | 2C.11 |
| Total operating costs | C | C | C | 2C.12 |
| Debt written off | I | I | C | 2C.13 |

# Pro forma 2D

| Historic cost analysis of tangible fixed assets - wholesale & retail | Wholesale | | | | Retail | | Total | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|
| | Water Resources | Water Network+ | Wastewater Network+ | Sludge | Household | Non-household | | |
| **Cost** | | | | | | | | |
| At 1 April 20xx | I | I | I | I | I | I | C | 2D.1 |
| Disposals | I | I | I | I | I | I | C | 2D.2 |
| Additions | I | I | I | I | I | I | C | 2D.3 |
| Assets adopted at nil cost | I | I | I | I | I | I | C | 2D.4 |
| At 31 March 20xx | C | C | C | C | C | C | C | 2D.5 |
| **Depreciation** | | | | | | | | |
| At 1 April 20xx | I | I | I | I | I | I | C | 2D.6 |
| Disposals | I | I | I | I | I | I | C | 2D.7 |
| Charge for year | I | I | I | I | I | I | C | 2D.8 |
| At 31 March 20xx | C | C | C | C | C | C | C | 2D.9 |
| | | | | | | | | |
| Net book amount at 31 March 20xx | C | C | C | C | C | C | C | 2D.10 |
| | | | | | | | | |
| Net book amount at 1 April 20xx | C | C | C | C | C | C | C | 2D.11 |
| **Depreciation charge for year** | | | | | | | | |
| Principal services | I | I | I | I | I | I | C | 2D.12 |
| Third party services | I | I | I | I | I | I | C | 2D.13 |
| Total | C | C | C | C | C | C | C | 2D.14 |

The net book value includes £Xm in respect of assets in the course of construction.

# Pro forma 2E

| Analysis of capital contributions and land sales for the 12 months ended 31 March 20xx - wholesale | Fully recognised in income statement | Capitalised and amortised (in income statement) | Fully netted off capex | Total | RAG 4 reference |
|---|---|---|---|---|---|
| **Grants and contributions - water** | | | | | |
| Connection charges (s45) | I | I | I | C | 2E.1 |
| Infrastructure charge receipts (s146) | I | I | I | C | 2E.2 |
| Requisitioned mains (s43, s55 & s56) | I | I | I | C | 2E.3 |
| Diversions (s185) | I | I | I | C | 2E.4 |
| Other Contributions | I | I | I | C | 2E.5 |
| Total | C | C | C | C | 2E.6 |
| Value of adopted assets | | I | | C | 2E.7 |
| | | | | | |
| **Grants and contributions - wastewater** | | | | | |
| Infrastructure charge receipts (s146) | I | I | I | C | 2E.8 |
| Requisitioned sewers (s100) | I | I | I | C | 2E.9 |
| Diversions (s185) | I | I | I | C | 2E.10 |
| Other Contributions | I | I | I | C | 2E.11 |
| Total | C | C | C | C | 2E.12 |
| Value of adopted assets | | I | | C | 2E.13 |

| **Movements in capitalised grants and contributions** | Water | Waste water | Total | |
|---|---|---|---|---|
| b/f | C | C | C | 2E.14 |
| Capitalised in year | C | C | C | 2E.15 |
| Amortisation (in income statement) | I | I | C | 2E.16 |
| c/f | C | C | C | 2E.17 |

| **Land sales** | Water | Waste water | Total | |
|---|---|---|---|---|
| Proceeds from disposals of protected land | I | I | C | 2E.18 |

# Pro forma 2F

| Household - revenues by customer type | Wholesale charges revenue | Retail revenue | Total revenue | Number of customers | Average household retail revenue per customer | RAG 4 reference |
|---|---|---|---|---|---|---|
| | £m | £m | £m | 000s | £ | |
| Unmeasured water only customer | I | I | C | I | C | 2F.1 |
| Unmeasured wastewater customer only | I | I | C | I | C | 2F.2 |
| Unmeasured water & wastewater customer | I | I | C | I | C | 2F.3 |
| Measured water only customer | I | I | C | I | C | 2F.4 |
| Measured wastewater only customer | I | I | C | I | C | 2F.5 |
| Measured water & wastewater customer | I | I | C | I | C | 2F.6 |
| Total | C | C | C | C | C | 2F.7 |

# Pro forma 2G

| Non-household water - revenues by tariff type | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| | Wholesale charges revenue | Retail revenue | Total revenue | Number of connections | Average non-household retail revenue per connection | |
| | £m | £m | £m | 000s | £ | |
| **Default tariffs** | | | | | | |
| Tariff type 1 | I | I | C | I | C | 2G.1 |
| Tariff type 2 | I | I | C | I | C | 2G.2 |
| ::::::::::::::: | I | I | C | I | C | 2G.X |
| ::::::::::::::: | I | I | C | I | C | 2G.X |
| Tariff type x | I | I | C | I | C | 2G.X |
| Total default tariffs | C | C | C | C | C | 2G.X |
| **Non-Default tariffs** | | | | | | |
| Total non-default tariffs | I | I | C | I | C | 2G.X |
| Total | C | C | C | C | C | 2G.X |

| **Revenue per customer** | Number of customers | Average non-household retail revenue per customer | |
|---|---|---|---|
| | 000s | £ | |
| Total | I | C | 2G.X |

# Pro forma 2H

| Non-household wastewater - revenues by tariff type | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| | Wholesale charges revenue | Retail revenue | Total revenue | Number of connections | Average non-household retail revenue per connection | |
| | £m | £m | £m | 000s | £ | |
| **Default tariffs** | | | | | | |
| Tariff type 1 | I | I | C | I | C | 2H.1 |
| Tariff type 2 | I | I | C | I | C | 2H.2 |
| :::::::::::::::: | I | I | C | I | C | 2H.X |
| :::::::::::::::: | I | I | C | I | C | 2H.X |
| Tariff type x | I | I | C | I | C | 2H.X |
| Total default tariffs | C | C | C | C | C | 2H.X |
| **Non-Default tariffs** | | | | | | |
| Total non-default tariffs | I | I | C | I | C | 2H.X |
| Total | C | C | C | C | C | 2H.X |

| Revenue per customer | Number of customers | Average non-household retail revenue per customer | |
|---|---|---|---|
| | 000s | £ | |
| Total | I | C | 2H.X |

# Pro forma 2I

## Revenue analysis for the 12 months ended 31 March 20xx

| | Household | Non-household | Total | RAG 4 reference |
|---|---|---|---|---|
| **Wholesale charge - water** | | | | |
| Unmeasured | I | I | C | 2I.1 |
| Measured | I | I | C | 2I.2 |
| Third party revenue | I | I | C | 2I.3 |
| | C | C | C | 2I.4 |
| **Wholesale charge - wastewater** | | | | |
| Unmeasured | I | I | C | 2I.5 |
| Measured | I | I | C | 2I.6 |
| Third party revenue | I | I | C | 2I.7 |
| | C | C | C | 2I.8 |
| **Wholesale Total** | C | C | C | 2I.9 |
| **Retail revenue** | | | | |
| Unmeasured | I | I | C | 2I.10 |
| Measured | I | I | C | 2I.11 |
| Other third party revenue | I | I | C | 2I.12 |
| **Retail Total** | C | C | C | 2I.13 |
| **Third party revenue - non-price control** | | | | |
| Bulk supplies - water | | | I | 2I.14 |
| Bulk supplies - wastewater | | | I | 2I.15 |
| Other third party revenue | | | I | 2I.16 |
| **Principal services - non-price control** | | | | |
| Other appointed revenue | | | I | 2I.17 |
| Total appointed revenue | | | C | 2I.18 |

| | Water | Wastewater | Total | |
|---|---|---|---|---|
| Wholesale revenue governed by price control | C | C | C | 2I.19 |
| Grants & contributions[1] | I | I | C | 2I.20 |
| Total revenue governed by wholesale price control | C | C | C | 2I.21 |
| Amount assumed in wholesale determination | I | I | C | 2I.22 |
| Adjustment for in-period ODI revenue | I | I | C | 2I.23 |
| Adjustment for WRFIM | I | I | C | 2I.24 |
| Total assumed revenue | C | C | C | 2I.25 |
| Difference[2] | C | C | C | 2I.26 |

[1]Relevant capital contributions as defined in FD

[2]Cross reference to a narrative explanation

# Section 3 Performance summary

## Pro forma 3A

**Outcome performance table** — RAG 4 reference: 3A.1 to 3A.12

| | Unique ID | Performance commitment | Unit | Decimal places | Performance level - actual | CPL met? | Reward or penalty - in-period ODIs (indicator) | Reward or penalty - in-period ODIs (£m) | Reward or penalty - ODIs payable at the end of AMP6 (indicator) | Reward or penalty - ODIs payable at the end of AMP6 (£m) | 31 March 2020 forecast - total AMP6 reward or penalty (indicator) | 31 March 2020 forecast - total AMP6 reward or penalty (£m) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Line per performance commitment | I | I | I | I | I | I | I | I | I | I | I | I |

# Pro forma 3B

| Sub-measure performance table | | | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|
| | Unique ID | PC / sub-measure ID | PC / sub-measure | Unit | Decimal places | Performance level - actual | Performance level met? | 3B.1 to 3B.7 |
| Line per PC / sub-measure | I | I | I | I | I | I | I | |

# Pro forma 3C

**AIM**

RAG 4 reference

3C.1 to 3C.6

| Abstraction site (these can be anonymised if necessary for national security reasons) | Decimal places | 2016-17 AIM performance | 2016-17 normalised AIM performance | Cumulative AIM performance 2016-xx | Cumulative normalised AIM performance 2016-xx | Contextual information relating to performance on the AIM |
|---|---|---|---|---|---|---|
| | | MI | MI | MI | MI | |
| A | | I | I | I | I | |
| B | | I | I | I | I | |
| .. | | I | I | I | I | |
| .. | | I | I | I | I | |
| .. | | I | I | I | I | |
| **Total** | | C | C | C | C | |

This table is not applicable for;
South West
Welsh
Bristol
Dee Valley

# Pro forma 3D

| SIM score table | Row | Line description | Units | Decimal places | Score | RAG 4 reference |
|---|---|---|---|---|---|---|
| 1st survey score | I | I | I | I | I | 3D.1 |
| 2nd survey score | I | I | I | I | I | 3D.2 |
| 3rd survey score | I | I | I | I | I | 3D.3 |
| 4th survey score | I | I | I | I | I | 3D.4 |
| Qualitative SIM score (out of 75) | I | I | I | I | I | 3D.5 |
| Quantitative composite score | I | I | I | I | I | 3D.6 |
| Quantitative SIM score (out of 25) | I | I | I | I | I | 3D.7 |
| Total annual SIM score (out of 100) | I | I | I | I | I | 3D.8 |

# Section 4 Additional regulatory information

## Pro forma 4A

| Non-financial information for the 12 months ended 31 March 20xx | | | RAG 4 reference |
|---|---|---|---|
| **Retail - household** | **Unmeasured** | **Measured** | |
| Number of void households ('000s) | I | I | 4A.1 |
| Per capita consumption (excluding supply pipe leakage) l/h/d | I | I | 4A.2 |

| | | | |
|---|---|---|---|
| **Wholesale** | **Water** | **Wastewater** | |
| **Volume (Ml/d)** | | | |
| Bulk supply export | I | I | 4A.3 |
| Bulk supply import | I | I | 4A.4 |
| Distribution input | I | | 4A.5 |

# Pro forma 4B

| Totex analysis | | | | | RAG 4 reference |
|---|---|---|---|---|---|
| | Current year | | Cumulative | | |
| | Water | Wastewater | Water | Wastewater | |
| **Actual totex** | C | C | C | C | 4B.1 |
| **Less: Items excluded from the menu** | | | | | |
| Third party costs | I | I | I | I | 4B.2 |
| Pension deficit recovery payments | I | I | I | I | 4B.3 |
| Other 'Rule book' adjustments | I | I | I | I | 4B.4 |
| Total items excluded from the menu | C | C | C | C | 4B.5 |
| **Add: Transition expenditure** | | | | | |
| Transition expenditure | I | I | I | I | 4B.6 |
| **Adjusted Actual totex** | C | C | C | C | 4B.7 |
| **Adjusted Actual totex - base year prices** | I | I | I | I | 4B.8 |
| **Allowed totex based on final menu choice – base year prices** | I | I | I | I | 4B.9 |

## Pro forma 4C

| Impact of AMP performance to date on RCV | Water | Wastewater | RAG 4 reference |
|---|---|---|---|
| RCV determined at FD at 31 March | I | I | 4C.1 |
| RCV element of cumulative totex over/underspend so far in the price control period | I | I | 4C.2 |
| Adjustment for ODI rewards or penalties | I | I | 4C.3 |
| **Projected 'shadow' RCV** | C | C | 4C.4 |

# Pro forma 4D

**Totex analysis for the 12 months ended 31 March 20xx - wholesale water**

| | Water resources | | Network+ | | | | Total | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|
| | Abstraction licences | Raw water abstraction | Raw water transport | Raw water storage | Water treatment | Treated water distribution | | |
| **Operating expenditure** | | | | | | | | |
| Power | I | I | I | I | I | I | C | 4D.1 |
| Income treated as negative expenditure | I | I | I | I | I | I | C | 4D.2 |
| Abstraction charges | I | I | I | I | I | I | C | 4D.3 |
| Bulk supply | I | I | I | I | I | I | C | 4D.4 |
| Other operating expenditure | I | I | I | I | I | I | C | 4D.5 |
| Local authority and Cumulo rates | I | I | I | I | I | I | C | 4D.6 |
| Total operating expenditure excluding third party services | C | C | C | C | C | C | C | 4D.7 |
| Third party services | I | I | I | I | I | I | C | 4D.8 |
| Total operating expenditure | C | C | C | C | C | C | C | 4D.9 |
| **Capital expenditure** | | | | | | | | |
| Maintaining the long term capability of the assets - infra | I | I | I | I | I | I | C | 4D.10 |
| Maintaining the long term capability of the assets - non-infra | I | I | I | I | I | I | C | 4D.11 |
| Other capital expenditure - infra | I | I | I | I | I | I | C | 4D.12 |
| Other capital expenditure - non-infra | I | I | I | I | I | I | C | 4D.13 |
| **Total gross capital expenditure (excluding third party)** | C | C | C | C | C | C | C | 4D.14 |
| Third party services | I | I | I | I | I | I | C | 4D.15 |
| **Total gross capital expenditure** | C | C | C | C | C | C | C | 4D.16 |
| Grants and contributions | I | I | I | I | I | I | C | 4D.17 |
| **Totex** | C | C | C | C | C | C | C | 4D.18 |
| **Cash expenditure** | | | | | | | | |
| Pension deficit recovery payments | I | I | I | I | I | I | C | 4D.19 |
| Other cash items | I | I | I | I | I | I | C | 4D.20 |
| Totex including cash items | C | C | C | C | C | C | C | 4D.21 |

**Unit cost information (operating expenditure)**

| | Licenced volume available | Volume abstracted | Volume transported | Average volume stored | Distribution input volume | Distribution input volume | |
|---|---|---|---|---|---|---|---|
| Volume (Ml) | I | I | I | I | I | I | 4D.22 |
| Unit cost (£/Ml) | C | C | C | C | C | C | 4D.23 |
| | | | | | | | |
| Population | I | I | I | I | I | I | 4D.24 |
| Unit cost (£/pop) | C | C | C | C | C | C | 4D.25 |

# Pro forma 4E

## Totex analysis for the 12 months ended 31 March 20xx - wholesale wastewater

| | Network+ Sewage collection | | | Network+ Sewage treatment | | Sludge | | | Total | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Foul | Surface water drainage | Highway drainage | Sewage treatment and disposal | Sludge liquor treatment | Sludge transport | Sludge treatment | Sludge disposal | | |
| **Operating expenditure** | | | | | | | | | | |
| Power | I | I | I | I | I | I | I | I | C | 4E.1 |
| Income treated as negative expenditure | I | I | I | I | I | I | I | I | C | 4E.2 |
| Discharge consents | I | I | I | I | I | I | I | I | C | 4E.3 |
| Bulk discharge | I | I | I | I | I | I | I | I | C | 4E.4 |
| Other operating expenditure | I | I | I | I | I | I | I | I | C | 4E.5 |
| Local authority and Cumulo rates | I | I | I | I | I | I | I | I | C | 4E.6 |
| Total operating expenditure excluding third party services | C | C | C | C | C | C | C | C | C | 4E.7 |
| Third party services | I | I | I | I | I | I | I | I | C | 4E.8 |
| Total operating expenditure | C | C | C | C | C | C | C | C | C | 4E.9 |
| **Capital expenditure** | | | | | | | | | | |
| Maintaining the long term capability of the assets - infra | I | I | I | I | I | I | I | I | C | 4E.10 |
| Maintaining the long term capability of the assets - non-infra | I | I | I | I | I | I | I | I | C | 4E.11 |
| Other capital expenditure - infra | I | I | I | I | I | I | I | I | C | 4E.12 |
| Other capital expenditure - non-infra | I | I | I | I | I | I | I | I | C | 4E.13 |
| Total gross capital expenditure (excluding third party) | C | C | C | C | C | C | C | C | C | 4E.14 |
| Third party services | I | I | I | I | I | I | I | I | C | 4E.15 |
| Total gross capital expenditure | C | C | C | C | C | C | C | C | C | 4E.16 |
| Grants and contributions | I | I | I | I | I | I | I | I | C | 4E.17 |
| **Totex** | C | C | C | C | C | C | C | C | C | 4E.18 |
| **Cash expenditure** | | | | | | | | | | |
| Pension deficit recovery payments | I | I | I | I | I | I | I | I | C | 4E.19 |
| Other cash items | I | I | I | I | I | I | I | I | C | 4E.20 |
| Totex including cash items | C | C | C | C | C | C | C | C | C | 4E.21 |

**Unit cost information (operating expenditure)**

| | Volume collected | Volume collected | Volume collected | Biochemical Oxygen Demand (BOD) | Biochemical Oxygen Demand (BOD) | Volume transported | Dried solid mass treated | Dried solid mass disposed | |
|---|---|---|---|---|---|---|---|---|---|
| | Ml | Ml | Ml | Tonnes | Tonnes | $m^3$ | ttds | ttds | |
| Units | I | I | I | I | I | I | I | I | 4E.22 |
| Unit cost | C | C | C | C | C | C | C | C | 4E.23 |
| | | | | | | | | | |
| Population | I | I | I | I | I | I | I | I | 4E.24 |
| Unit cost (£/pop) | C | C | C | C | C | C | C | C | 4E.25 |

# Pro forma 4F

| Operating cost analysis for the 12 months ended 31 March 20xx - household retail | Household unmeasured | | | | Household measured | | | | Total | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|---|---|
| | Water only | Wastewater only | Water and sewerage | Total | Water only | Wastewater only | Water and sewerage | Total | | |
| **Operating expenditure** | | | | | | | | | | |
| Customer services | I | I | I | C | I | I | I | C | C | 4F.1 |
| Debt management | I | I | I | C | I | I | I | C | C | 4F.2 |
| Doubtful debts | I | I | I | C | I | I | I | C | C | 4F.3 |
| Meter reading | | | | | I | I | I | C | C | 4F.4 |
| Other operating expenditure | I | I | I | C | I | I | I | C | C | 4F.5 |
| **Total operating expenditure excluding third party services** | C | C | C | C | C | C | C | C | C | 4F.6 |
| Third party services operating expenditure | I | I | I | C | I | I | I | C | C | 4F.7 |
| **Total operating expenditure** | C | C | C | C | C | C | C | C | C | 4F.8 |
| Depreciation - tangible fixed assets | I | I | I | C | I | I | I | C | C | 4F.9 |
| Amortisation - intangible fixed assets | I | I | I | C | I | I | I | C | C | 4F.10 |
| **Total operating costs** | C | C | C | C | C | C | C | C | C | 4F.11 |

**Other operating expenditure includes the net retail expenditure for the following retail activities which are part funded by wholesale**

| **Household** | | |
|---|---|---|
| Demand-side water efficiency - gross expenditure | I | 4F.12 |
| Demand-side water efficiency - expenditure funded by wholesale | I | 4F.13 |
| Demand-side water efficiency - net retail expenditure | C | 4F.14 |
| Customer-side leak repairs - gross expenditure | I | 4F.15 |
| Customer-side leak repairs - expenditure funded by wholesale | I | 4F.16 |
| Customer-side leak repairs - net retail expenditure | C | 4F.17 |

## Pro forma 4G

| Wholesale Current cost financial performance for the 12 months ended 31 March 20xx | | | | RAG 4 reference |
|---|---|---|---|---|
| **Income statement** | Water | Wastewater | Total | |
| **Revenue** | I | I | C | 4G.1 |
| Operating expenditure | I | I | C | 4G.2 |
| Capital maintenance charges | I | I | C | 4G.3 |
| Other operating income | I | I | C | 4G.4 |
| **Current cost operating profit** | C | C | C | 4G.5 |
| Other income | I | I | C | 4G.6 |
| Interest income | I | I | C | 4G.7 |
| Interest expense | I | I | C | 4G.8 |
| Other interest expense | I | I | C | 4G.9 |
| **Current cost profit before tax and fair value movements** | C | C | C | 4G.10 |
| Fair value gains/(losses) on financial instruments | I | I | C | 4G.11 |
| **Current cost profit before tax** | C | C | C | 4G.12 |

# Pro forma 4H

| Financial metrics for the 12 months ended 31 March 20xx | | RAG 4 reference |
|---|---|---|
| **Financial indicators** | | |
| Net debt | I | 4H.1 |
| Regulated equity | I | 4H.2 |
| Regulated gearing | I | 4H.3 |
| Post tax return on regulated equity | I | 4H.4 |
| RORE (return on regulated equity) | I | 4H.5 |
| Dividend yield | I | 4H.6 |
| Retail profit margin - Household | I | 4H.7 |
| Retail profit margin - Non household | I | 4H.8 |
| Credit rating | I | 4H.9 |
| Return on RCV | I | 4H.10 |
| Dividend cover | I | 4H.11 |
| Funds from operations (FFO) | I | 4H.12 |
| Interest cover (cash) | I | 4H.13 |
| Adjusted interest cover (cash) | I | 4H.14 |
| FFO/Debt | I | 4H.15 |
| Effective tax rate | I | 4H.16 |
| RCF | I | 4H.17 |
| RCF/capex | I | 4H.18 |
| **Revenue and earnings** | | |
| Revenue (actual) | I | 4H.19 |
| EBITDA (actual) | I | 4H.20 |
| **Borrowings** | | |
| Proportion of borrowings which are fixed rate | I | 4H.21 |
| Proportion of borrowings which are floating rate | I | 4H.22 |
| Proportion of borrowings which are index linked | I | 4H.23 |
| Proportion of borrowings due within 1 year or less | I | 4H.24 |
| Proportion of borrowings due in more than 1 year but no more than 2 years | I | 4H.25 |
| Proportion of borrowings due in more than 2 years but but no more than 5 years | I | 4H.26 |
| Proportion of borrowings due in more than 5 years but no more than 20 years | I | 4H.27 |
| Proportion of borrowings due in more than 20 years | I | 4H.28 |

# Pro forma 4I

## Financial derivatives

| | Nominal value by maturity (net) at 31 March | | | Total value at 31 March | | Total accretion at 31 March | Interest rate (weighted average for 12 months to 31 March 20xx) | | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|---|
| | 1 to 2 years | 2 to 5 years | Over 5 years | Nominal value (net) | Mark to Market | | Payable | Receivable | |
| | £m | £m | £m | £m | £m | £m | % | % | |
| **Interest rate swap (sterling)** | | | | | | | | | |
| Floating to fixed rate | I | I | I | I | I | I | I | I | 4I.1 |
| Floating from fixed rate | I | I | I | I | I | I | I | I | 4I.2 |
| Floating to index linked | I | I | I | I | I | I | I | I | 4I.3 |
| Floating from index linked | I | I | I | I | I | I | I | I | 4I.4 |
| Fixed to index-linked | I | I | I | I | I | I | I | I | 4I.5 |
| Fixed from index-linked | I | I | I | I | I | I | I | I | 4I.6 |
| Total | C | C | C | C | C | C | | | 4I.7 |
| **Foreign Exchange** | | | | | | | | | |
| Cross currency swap USD | I | I | I | I | I | I | I | I | 4I.8 |
| Cross currency swap EUR | I | I | I | I | I | I | I | I | 4I.9 |
| Cross currency swap YEN | I | I | I | I | I | I | I | I | 4I.10 |
| Cross currency swap Other | I | I | I | I | I | I | I | I | 4I.11 |
| Total | C | C | C | C | C | C | | | 4I.12 |
| **Currency interest rate** | | | | | | | | | |
| Currency interest rate swaps USD | I | I | I | I | I | I | I | I | 4I.13 |
| Currency interest rate swaps EUR | I | I | I | I | I | I | I | I | 4I.14 |
| Currency interest rate swaps YEN | I | I | I | I | I | I | I | I | 4I.15 |
| Currency interest rate swaps Other | I | I | I | I | I | I | I | I | 4I.16 |
| Total | C | C | C | C | C | C | | | 4I.17 |
| **Forward currency contracts** | | | | | | | | | |
| Forward currency contracts USD | I | I | I | I | I | I | I | I | 4I.18 |
| Forward currency contracts EUR | I | I | I | I | I | I | I | I | 4I.19 |
| Forward currency contracts YEN | I | I | I | I | I | I | I | I | 4I.20 |
| Forward currency contracts Other | I | I | I | I | I | I | I | I | 4I.21 |
| Total | C | C | C | C | C | C | | | 4I.22 |
| **Other financial derivatives** | I | I | I | I | I | I | I | I | 4I.23 |
| **Total financial derivatives** | C | C | C | C | C | C | | | 4I.24 |

# Appendix 2: Small company return

## Pro forma S1

| Small Company Return - Analysis of turnover and operating costs | | | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|---|---|
| | | Current year | | | Prior year | | | |
| | | Water | Wastewater | Total | Water | Wastewater | Total | |
| **TURNOVER** | | | | | | | | |
| Unmeasured | - household | I | I | C | I | I | C | S1.1 |
| | - non-household | I | I | C | I | I | C | S1.2 |
| Measured | - household | I | I | C | I | I | C | S1.3 |
| | - non-household | I | I | C | I | I | C | S1.4 |
| Other | | I | I | C | I | I | C | S1.5 |
| Total turnover | | C | C | C | C | C | C | S1.6 |
| **RETAIL OPERATING COSTS** | | | | | | | | |
| Customer services | | I | I | C | I | I | C | S1.7 |
| Doubtful debts | | I | I | C | I | I | C | S1.8 |
| Other operating costs | | I | I | C | I | I | C | S1.9 |
| **WHOLESALE OPERATING COSTS** | | | | | | | | |
| Power | | I | I | C | I | I | C | S1.10 |
| Service charges/ discharge consents | | I | I | C | I | I | C | S1.11 |
| Bulk Supply/Bulk discharge | | I | I | C | I | I | C | S1.12 |
| Other operating costs | | I | I | C | I | I | C | S1.13 |
| Local authority rates | | I | I | C | I | I | C | S1.14 |
| Total operating costs | | C | C | C | C | C | C | S1.15 |
| **DEPRECIATION** | | | | | | | | |
| Depreciation - retail | | I | I | C | I | I | C | S1.16 |
| Depreciation - wholesale | | I | I | C | I | I | C | S1.17 |
| Total Depreciation | | C | C | C | C | C | C | S1.18 |
| | | | | | | | | |
| Total operating profit | | C | C | C | C | C | C | S1.19 |

## Pro forma S2

| Small Company Return - Number of connections and site consumption | | | | | | RAG 4 reference |
|---|---|---|---|---|---|---|
| | Site name | Nr. of household properties connected (000) | Nr. of non-household properties connected (000) | Annual site consumption - households (Ml/yr) | Annual site consumption - non-households (Ml/yr) | S2.1 to S2.5 |
| | | | | | | |
| Total | | | | | | |

# Appendix 3: Accounting methodology statement

This appendix sets out our requirements for the disclosures to be included in companies' accounting methodology statements. Each company must publish their statement either on their website or in the annual performance report.

The 2 areas that should form the focus of the statement will be to describe how costs are reported across;

- Price control units (annual performance report section 2)
- Wholesale upstream services (annual performance report section 4).

## High level overview

Details of the company's systems for producing disaggregated cost and asset data (eg spreadsheets or integrated accounting systems), including any changes year on year.

## Price control units

We expect that companies will apply the principles and guidance set out in RAG 4.

Companies should;

- Confirm they have followed the principles and guidance set out in RAG 4,
- Describe the method or cost driver that the company has used to calculate allocations between the price control units (where specific guidance has not been prescribed),
- Where there has been a change to the methodology compared to the previous year give reasons for the change and quantify the impact.
- Describe significant changes in reported costs at the price control unit level compared to the previous year.
- Where there has been a significant movement in a particular cost type (e.g. power or local authority rates) between the price control units then reasons for this should be included.
- For both 'power' costs and 'other operating expenditure' quantify the percentage split between directly coded and allocated costs,
- Describe how power costs are disaggregated when it is consumed at sites that cover more than one price control unit,
- Quantify the percentage split of M&G costs across the price control units,
- Describe any planned improvements for future years.

For assets companies should adopt the ‘principal use’ rules whereby the asset is recorded in a single price control units which then makes recharges.

Companies should;

- Confirm they have followed the principle use rules set out in RAG 4,
- Describe the method used to calculate the appropriate recharge. This should have reference to the depreciation and the finance costs of maintaining the asset,
- Describe any significant movements in the amounts recharged between the price control units.

Companies should also refer to the equivalent recharges to the non-appointed business for activities set out in appendix 1 of RAG4 such as tankered waste.

## Wholesale upstream services

Companies should provide an explanation of:

- how the company has disaggregated the operating costs across the upstream services for each cost type, specifying cost drivers where necessary,
- Describe how power costs are disaggregated when it is consumed at sites that cover more than one upstream service,
- how treated bulk supply imports have been allocated between water resources and water treatment,
- the derivation of the quantities used to calculate the unit cost information,
- Significant changes in reported costs at the upstream services level compared to the previous year,
- Where there has been a significant movement in a particular cost type (eg power or local authority rates) between the upstream services then reasons for this should be included,
- Where there has been a significant movement in a particular unit cost then reasons for this should be included,

Where companies encounter difficulties in completing tables 4D and 4E, they should describe how they have completed the table and suggest how alternative methods could be used.