Appendix R2

Fuel Use Contract Shadow Tariff Models

North London Waste Authority
Shadow Tariff Waste PFI Model

Fuel Use Contract Reference Case Model

Prepared by

Ernst & Young

Company:	
Project:	EY PFI Generic Model
Model:	09-11-24 NLWA Fuel Use_Base case_FINAL
Version:	FINAL REFERENCE CASE PFI
Contact:	
Print date:	2 Dec 2009

Notes

Critical checks	✓	**Shortcut keys**		
Other checks	✓	(Press Escape key	**Ctrl + Shift + R**	Print Reports
		to cancel any process	**Ctrl + Shift + P**	All sheet protection
		or exit from any dialog box)	**Ctrl + K**	Funding calculation
			Ctrl + Alt + F9	Calculate model

Figure 1: Fuel Use Contract Reference Case Shadow Tariff Model – Output Sheet

EY PFI Generic Model	*Sensitivity Run?*	*FALSE*	**Print date:**	**30-Nov-09**
Filename: 09-11-24 NLWA Fuel Use_Base case_FINAL	*Case in use*	*OBC Model*		

Key Project Dates	
Financial Close	01-Oct-12
Construction Start Date	01-Oct-12
Operational Start Date	01-Apr-17
Concession Length (years)	25
Concession End	31-Mar-42

Cost to Public Sector	
Unitary Payment p.a. - real £'000s	38,028
Add VAT £'000s	6,655
Gross Unitary charge £'000s	44,683
Portion of Unitary Payment indexed to inflation	20.0 %
Bullet payment £'000s	-
Date	31-Mar-42
NPV of Unitary Payments (net of VAT):	
NPV Base date	01-Jul-07
NPV at Real Discount rate 3.5%	561,970
NPV at Real Discount rate 3.5% + inflation	336,948
Equivalent Annual Cost (real) - £'000s	32,947

Key Macroeconomic Assumptions	
UC & TPI inflation	2.5 %
LIBOR	4.6 %
Corporation Tax	28.0 %

Rates of Return	Nominal	Real
Project IRR, pre-tax	10.9 %	8.2 %
Project IRR, post-tax	10.7 %	8.0 %
Equity return - dividends	24.6 %	0.0 %
Blended pre-tax shareholders IRR (Equity and sub-debt)	**14.00 %**	10.0 %
Required	***14.0 %***	
Blended post-tax shareholders IRR (Equity and sub-debt)	10.0 %	7.4 %

Checks and controls			
Critical checks	✓	**Other checks**	✓
Source & Aps Balances	TRUE	Gearing OK?	TRUE
Balance Sheet Balances?	TRUE	Sub debt injection within ceilinç	TRUE
Tax Reconciliation	TRUE	Sub debt repaid in concession?	TRUE
Debt amortisation period valid	TRUE	MRA	TRUE
Funding calculation finished?	TRUE	DSRA fully funded?	TRUE
Balance Sheet unwinds?	TRUE	Deferred Tax unwinds?	TRUE
Consistency of outputs	TRUE	Debt term OK?	TRUE
			-
Other key model info			
Overdraft Check	No Overdraft		
Sculpting of closing dividends'	Acceptable		
Accounting Option Selected?	1. Fixed Asset Accounting		
Tax Option Selected?	1. Capital Allowance/Fixed Asset a/c		

Funding terms	Arr Fee (bps)	Com Fee (bps)	Margin (bps)	Term (yrs)	Tail (yrs)
Bond	n/a	n/a	n/a	n/a	n/a
Senior debt Tranche A	250 bps	138 bps	296 bps	22.5	2.50
Senior debt Tranche B	n/a	n/a	n/a	n/a	n/a
Mezzanine	n/a	n/a	n/a	n/a	n/a
Equity Bridge	250 bps	100 bps	200 bps	n/a	n/a
Sub debt coupon	0 bps	0 bps	1251 bps	24.5	0.5

Debt Coverage Ratios (during full operations)	Lock up	Target	Average	Min
Debt service cover (DSCR)	1.150	1.250	1.332	1.250
Forward looking DSCR	1.150	n/a	1.357	1.250
Loan life cover (LLCR)	1.200	n/a	1.568	1.380
Project life cover (PLCR)	n/a	n/a	2.009	1.456

Gearing ratio and weighted average cost of capital	
Actual Gearing (including rolled up interest)	80.3 %
Pre tax WACC	135.5 %

Sources and uses of funds during construction period

Sources	£'000	% of total
Bond	-	0.0 %
Senior Debt Tranche A	294,662	80.29 %
Senior Debt Tranche B	-	0.0 %
Mezzanine Debt	-	0.0 %
Debt sub-total	294,662	80.3 %
Sub Debt	-	0.0 %
Equity	50	0.01 %
Equity Bridge		
- Funding Equity	-	0.0 %
- Funding Sub Debt	72,262	19.69 %
Equity sub-total	72,312	19.7 %
Total	**366,975**	**100.0 %**

Uses	£'000	%
Capital costs paid	275,127	75.0 %
Development costs	8,657	2.4 %
Hard FM	-	0.0 %
Soft FM	-	0.0 %
Life-cycle Maintenance	-	0.0 %
SPV Costs	2,536	0.7 %
Capital contribution / Negative Operating revenue/Deposit interest	(0)	(0.0%)
VAT	664	0.2 %
Working Capital (unpaid Capex, development costs & VAT)	3,705	1.0 %
Reserve accounts	14,040	3.8 %
Interest payments	38,395	10.5 %
Financing Charges	23,852	6.5 %
Total	**366,975**	**100.0 %**

Figure 2: Fuel Use Contract Reference Case Shadow Tariff Model – Annual Sheet

EY PFI Generic Model
Filename: 09-11-24 NLWA Fuel Use_Base case_FINAL

Sensitivity Run? *FALSE*
Critical checks ✓
Case in use *OBC Model*

	Annual dates		**01-Oct-12**	**31-Mar-13**	**31-Mar-14**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**	**31-Mar-27**	**31-Mar-28**	**31-Mar-29**	**31-Mar-30**	**31-Mar-31**	**31-Mar-32**	**31-Mar-33**	**31-Mar-34**	**31-Mar-35**	**31-Mar-36**	**31-Mar-37**	**31-Mar-38**	**31-Mar-39**	**31-Mar-40**	**31-Mar-41**	**31-Mar-42**	**31-Mar-43**
	Year count		-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
	Phase		Construction	Construction	Construction	Construction	Construction	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations
	Balance Sheet Balances?	**TRUE**	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	1. Annual projected cash flow statement																																		
index (310,222)		**TOTAL**																																	
index (914,318)	Net Unitary charge receipts including RPI Swap	1,207,820	-	-	-	-	-	-	40,252	43,798	43,694	43,609	43,961	44,403	44,859	45,325	45,802	46,290	46,789	47,299	47,821	48,356	48,902	49,461	50,033	50,619	51,219	51,832	52,461	53,104	53,763	54,438	55,129	4,599
total 1,207,820	Third party income	435,423	-	-	-	-	-	-	14,199	15,719	15,979	16,248	16,686	17,168	17,665	18,176	18,702	19,244	19,802	14,843	14,771	15,199	15,639	16,093	16,559	17,040	17,534	18,042	18,566	19,105	19,659	20,230	20,817	1,739
-26%	Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Operating Costs	(653,117)	-	-	-	-	-	-	(15,571)	(17,341)	(17,744)	(18,164)	(18,781)	(19,456)	(20,161)	(20,894)	(21,656)	(22,449)	(23,274)	(24,133)	(25,026)	(25,957)	(26,925)	(27,934)	(28,984)	(30,079)	(31,219)	(32,407)	(33,645)	(34,935)	(36,281)	(37,684)	(39,147)	(3,272)
	Soft FM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Construction costs / change of law costs paid	(278,845)	-	-	-	(57,436)	(162,501)	(55,191)	(3,718)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Development costs	(8,657)	-	(3,000)	-	(5,657)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Life-cycle costs	(58,704)	-	-	-	-	-	-	-	-	-	-	(9,906)	(901)	(1,575)	(143)	-	(11,207)	(1,019)	-	-	(1,872)	(12,850)	(1,153)	-	-	-	(14,346)	(3,530)	(202)	-	-	-	-
	SPV costs	(33,823)	-	-	-	(778)	(868)	(890)	(912)	(935)	(958)	(982)	(1,007)	(1,032)	(1,058)	(1,084)	(1,111)	(1,139)	(1,167)	(1,197)	(1,226)	(1,257)	(1,289)	(1,321)	(1,354)	(1,388)	(1,422)	(1,458)	(1,494)	(1,532)	(1,570)	(1,609)	(1,649)	(138)
	Operating cash flow	610,097	-	(3,000)	-	(63,871)	(163,369)	(56,080)	34,250	41,241	40,971	40,712	30,954	40,182	39,730	41,381	41,738	30,739	41,130	36,814	36,339	34,468	23,477	35,147	36,255	36,193	36,112	21,664	32,358	35,540	35,571	35,374	35,149	2,928
	Deposit interest received / Overdraft interest paid	15,246	-	0	-	-	-	-	578	577	666	765	902	650	637	692	810	953	639	531	652	824	919	558	498	603	717	899	546	419	211	-	-	-
	VAT Paid to creditors/Received from debtors	106,767	-	(525)	-	(11,177)	(28,590)	(9,814)	5,994	7,217	7,170	7,125	5,417	7,032	6,953	7,242	7,304	5,379	7,198	6,442	6,359	6,032	4,109	6,151	6,345	6,334	6,320	3,791	5,663	6,219	6,225	6,191	6,151	512
	VAT (paid)/received (inland revenue)	(106,767)	-	525	-	11,177	28,590	9,814	(5,994)	(7,217)	(7,170)	(7,125)	(5,417)	(7,032)	(6,953)	(7,242)	(7,304)	(5,379)	(7,198)	(6,442)	(6,359)	(6,032)	(4,109)	(6,151)	(6,345)	(6,334)	(6,320)	(3,791)	(5,663)	(6,219)	(6,225)	(6,191)	(6,151)	(512)
	Current tax paid	(54,148)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(213)	(2,961)	(5,753)	(5,921)	(5,967)	(6,381)	(6,998)	(7,870)	(12,085)	-
	Net cash flow	571,195	-	(3,000)	-	(63,871)	(163,369)	(56,080)	34,828	41,818	41,637	41,477	31,857	40,832	40,367	42,073	42,547	31,692	41,769	37,345	36,992	35,292	24,396	35,705	36,540	33,835	31,076	16,642	26,937	29,578	28,785	27,505	23,065	2,928
	Opening cash balance			-	0	0	0	0	4,368	(0)	(0)	(0)	(0)	(0)	0	(0)	(0)	0	0	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	-	0
	Life-Cycle/Maintenance reserve transfers	-	-	-	-	-	-	-	-	(2,910)	(3,174)	(6,547)	10,605	91	(1,526)	(3,423)	(6,884)	12,570	647	(4,325)	(5,213)	(5,688)	14,422	1,354	(4,214)	(5,251)	(9,525)	14,724	4,028	238	-	-	-	-
	Debt service reserve transfers	-	-	-	-	-	-	(14,040)	(1,634)	891	695	1,177	(3,536)	845	652	591	963	(3,661)	3,530	1,414	202	1,210	(4,214)	1,756	1,093	3,211	2,105	(5,745)	836	(36)	11,698	-	-	-
	Cash flow available for senior debt service	575,563	-	(3,000)	0	(63,871)	(163,369)	(70,120)	37,562	39,800	39,157	36,107	38,926	41,767	39,493	39,240	36,627	40,601	45,947	34,434	31,981	30,814	34,604	38,815	33,419	31,794	23,655	25,620	31,802	29,779	40,482	27,505	23,065	2,928
	Arrangement fees	(9,173)	-	(9,173)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Commitment fees	(14,679)	-	(2,311)	(4,600)	(4,242)	(2,743)	(782)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Wrapped bond premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amounts drawn down (see below for analysis)	366,975	-	14,843	5,611	71,284	177,579	97,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	DSR releases to fund cash shortage for debt servicing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Senior debt Tranche A interest	(331,595)	-	-	-	(140)	(7,313)	(18,246)	(22,647)	(22,191)	(21,612)	(20,962)	(20,513)	(19,805)	(19,001)	(18,044)	(17,121)	(16,296)	(15,036)	(13,627)	(12,663)	(11,773)	(11,213)	(10,067)	(8,506)	(7,112)	(5,978)	(5,193)	(3,875)	(2,200)	(460)	-	-	-
	Senior debt Tranche B interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bond interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Senior debt Tranche A capital	(294,662)	-	-	-	-	-	-	(4,990)	(8,536)	(7,858)	(6,282)	(8,857)	(12,833)	(11,672)	(11,875)	(10,810)	(14,514)	(18,896)	(12,789)	(11,260)	(11,010)	(14,441)	(19,580)	(17,255)	(15,355)	(10,262)	(13,000)	(20,497)	(20,852)	(11,238)	-	-	-
	Senior debt Tranche B capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Bond capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cash flow available for mezzanine debt service	292,429	-	359	1,010	3,031	4,154	8,511	9,925	9,073	9,687	8,863	9,556	9,129	8,820	9,320	8,696	9,791	12,014	8,018	8,058	8,031	8,949	9,168	7,659	9,327	7,415	7,428	7,429	6,727	28,784	27,505	23,065	2,928
	Mezzanine debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mezzanine debt capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Cash flow available for sub debt & shareholders	292,429	-	359	1,010	3,031	4,154	8,511	9,925	9,073	9,687	8,863	9,556	9,129	8,820	9,320	8,696	9,791	12,014	8,018	8,058	8,031	8,949	9,168	7,659	9,327	7,415	7,428	7,429	6,727	28,784	27,505	23,065	2,928
	Equity Bridge interest	(12,697)	-	(359)	(1,010)	(3,031)	(4,154)	(4,142)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-debt deferred interest	(563)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(563)	-	-	-
	Sub-debt interest	(189,866)	-	-	-	-	-	-	(9,033)	(8,917)	(8,921)	(8,804)	(8,797)	(8,703)	(8,668)	(8,630)	(8,539)	(8,522)	(8,374)	(7,909)	(7,891)	(7,873)	(7,872)	(7,720)	(7,538)	(7,439)	(7,309)	(7,272)	(7,252)	(6,670)	(6,629)	(3,798)	(786)	-
	Sub-debt capital paid	(72,262)	-	-	-	-	-	-	(893)	(156)	(766)	(59)	(759)	(426)	(152)	(690)	(156)	(1,270)	(3,640)	(109)	(167)	(158)	(1,077)	(1,447)	(121)	(1,888)	(106)	(156)	(178)	(57)	(21,592)	(23,707)	(12,534)	-
	Cash flow available for shareholders	17,041	-	0	0	0	0	4,368	(0)	(0)	(0)	(0)	(0)	0	(0)	(0)	0	0	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	-	9,745	2,928
	Dividends paid	(12,623)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,745)	(2,878)
	Redemption of share capital	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)
	Cash carried forward	0	-	0	0	0	0	4,368	(0)	(0)	(0)	(0)	(0)	0	(0)	(0)	0	0	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	-	0	0
	Memo : Analysis of drawdowns																																	
	Bond		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Senior Debt - Tranche A	294,663	-	1	-	19,475	177,579	97,609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Senior Debt - Tranche B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Mezzanine Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Equity Bridge	72,263	-	14,843	5,611	51,809	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Equity	50	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	366,976	-	14,844	5,611	71,284	177,579	97,659	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

North London Waste Authority
Shadow Tariff Waste PFI Model

Fuel Use Contract Shadow Tariff Model for PFI Credit Calculation

Prepared by

Ernst & Young

Company:

Project: EY PFI Generic Model

Model: 09-11-24 NLWA Fuel Use_Base case_PFISTM FINAL.

Version: FINAL REFERENCE CASE PFI

Contact:

Print date: 2 Dec 2009

Notes

Critical checks ✓	Shortcut keys			
Other checks ✓	(Press Escape key	**Ctrl + Shift + R**	Print Reports
	to cancel any process	**Ctrl + Shift + P**	All sheet protection
	or exit from any dialog box)	**Ctrl + K**	Funding calculation
		Ctrl + Alt + F9	Calculate model

This Financial Model (the "Model") has been built under the terms of Ernst & Young LLP's engagement dated 22 November 2007 with North London Waste Authority. The Model has been constructed for a specific purpose and is not intended for distribution to third parties. Third parties who obtain copies of the model should be aware of the following:

- the Model may not be suitable for purposes other than the specific purposes for which it was designed, and the interests of third parties may not have been anticipated;

- the Model was not intended for use by third parties and may not be designed so that it can be readily operated in a correct manner by such parties;

- the Model may be a development version and may not be complete or, in the event that development of the Model has concluded, material events may have occurred since completion, which are not reflected in the Model;

- the Model may not have been subject to independent testing and where it has been tested, this may not provide an appropriate degree of assurance for all possible uses of the Model.

Accordingly, third party recipients of this Model use it entirely at their own risk and, in the absence of express written consent, no responsibility is taken or accepted for any losses which may result there from, including direct or indirect consequences of computer viruses.

The financial projections do not constitute a profit forecast, but illustrate the possible results of the project company if the assumptions set out in the Data Book were to be made correct. The project company has no previous trading history. The illustrative financial projections may be materially affected by changes in economic or other circumstances, or when the assumptions upon which they are based prove in event to have been incorrect.

In the event any liability attaches to Ernst & Young LLP arising out of or in connection with the Model our liability in respect of breach of contract or breach of duty or fault or negligence or otherwise shall be limited in accordance with the terms of our engagement with North London Waste Authority.

Figure 3: Fuel Use Contract Shadow Tariff Model for PFI Credit Calculation – Output Sheet

EY PFI Generic Model *Sensitivity Run?* *FALSE* **Print date:** **30-Nov-09**

Filename: 09-11-24 NLWA Fuel Use_Base case_PFISTM FINAl *Case in use* *OBC PFI model*

Key Project Dates	
Financial Close	01-Oct-12
Construction Start Date	01-Oct-12
Operational Start Date	01-Apr-17
Concession Length (years)	25
Concession End	31-Mar-42

Cost to Public Sector	
Unitary Payment p.a. - real £'000s	36,025
Add VAT £'000s	6,304
Gross Unitary charge £'000s	42,329
Portion of Unitary Payment indexed to inflation	20.0 %
Bullet payment £'000s	-
Date	31-Mar-42
NPV of Unitary Payments (net of VAT):	
NPV Base date	01-Jul-07
NPV at Real Discount rate 3.5%	532,365
NPV at Real Discount rate 3.5% + inflation	319,198
Equivalent Annual Cost (real) - £'000s	31,211

Key Macroeconomic Assumptions	
UC & TPI inflation	2.5 %
LIBOR	5.5 %
Corporation Tax	28.0 %

Rates of Return	Nominal	Real
Project IRR, pre-tax	10.2 %	7.5 %
Project IRR, post-tax	9.6 %	7.0 %
Equity return - dividends	46.2 %	0.0 %
Blended pre-tax shareholders IRR (Equity and sub-debt)	**15.56 %**	13.3 %
Required	***14.0 %***	
Blended post-tax shareholders IRR (Equity and sub-debt)	13.3 %	10.6 %

Checks and controls

Critical checks	✓	**Other checks**	✓
Source & Aps Balances	TRUE	Gearing OK?	TRUE
Balance Sheet Balances?	TRUE	Sub debt injection within ceiling	TRUE
Tax Reconciliation	TRUE	Sub debt repaid in concession?	TRUE
Debt amortisation period valid	TRUE	MRA	TRUE
Funding calculation finished?	TRUE	DSRA fully funded?	TRUE
Balance Sheet unwinds?	TRUE	Deferred Tax unwinds?	TRUE
Consistency of outputs	TRUE	Debt term OK?	TRUE
			-

Other key model info	
Overdraft Check	No Overdraft
Sculpting of closing dividends'	Acceptable
Accounting Option Selected?	1. Fixed Asset Accounting
Tax Option Selected?	1. Capital Allowance/Fixed Asset a/c

Funding terms	Arr Fee (bps)	Com Fee (bps)	Margin (bps)	Term (yrs)	Tail (yrs)
Bond	n/a	n/a	n/a	n/a	n/a
Senior debt Tranche A	100 bps	50 bps	125 bps	22.5	2.50
Senior debt Tranche B	n/a	n/a	n/a	n/a	n/a
Mezzanine	n/a	n/a	n/a	n/a	n/a
Equity Bridge	n/a	n/a	n/a	n/a	n/a
Sub debt coupon	0 bps	0 bps	1251 bps	13.5	11.5

Debt Coverage Ratios (during full operations)	Lock up	Target	Average	Min
Debt service cover (DSCR)	1.150	1.259	1.280	1.259
Forward looking DSCR	1.150	n/a	1.307	1.259
Loan life cover (LLCR)	1.200	n/a	1.510	1.331
Project life cover (PLCR)	n/a	n/a	1.962	1.399

Gearing ratio and weighted average cost of capital	
Actual Gearing (including rolled up interest)	85.0 %
Pre tax WACC	8.3 %

Sources and uses of funds during construction period

Sources	£'000	% of total
Bond	-	0.0 %
Senior Debt Tranche A	295,301	87.18 %
Senior Debt Tranche B	-	0.0 %
Mezzanine Debt	-	0.0 %
Debt sub-total	295,301	87.2 %
Sub Debt	43,375	12.8 %
Equity	50	0.01 %
Equity Bridge		
- Funding Equity	-	0.0 %
- Funding Sub Debt	-	0.00 %
Equity sub-total	43,425	12.8 %
Total	**338,727**	**100.0 %**

Uses	£'000	%
Capital costs paid	275,127	81.2 %
Development costs	7,337	2.2 %
Hard FM	-	0.0 %
Soft FM	-	0.0 %
Life-cycle Maintenance	-	0.0 %
SPV Costs	2,536	0.7 %
Capital contribution / Negative Operating revenue/Deposit interest	(1)	(0.0%)
VAT	664	0.2 %
Working Capital (unpaid Capex, development costs & VAT)	3,705	1.1 %
Reserve accounts	13,225	3.9 %
Interest payments	28,637	8.5 %
Financing Charges	7,497	2.2 %
Total	**338,727**	**100.0 %**

Figure 4: Fuel Use Contract Shadow Tariff Model for PFI Credit Calculation – Annual Sheet

EY PFI Generic Model
Filename: 09-11-24 NLWA Fuel Use_Base case_PFISTM FINAL.

Sensitivity Run? *FALSE*
Critical checks ✓
Case in use *C PFI model*

1. Annual projected cash flow statement

		Annual dates		**01-Oct-12**	**31-Mar-13**	**31-Mar-14**	**31-Mar-15**	**31-Mar-16**	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**	**31-Mar-20**	**31-Mar-21**	**31-Mar-22**	**31-Mar-23**	**31-Mar-24**	**31-Mar-25**	**31-Mar-26**	**31-Mar-27**
		Year count		-	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		Phase		Construction	Construction	Construction	Construction	Construction	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations
		Balance Sheet Balances?	TRUE	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
index	(310,222)		TOTAL																
index	(802,062)	Net Unitary charge receipts including RPI Swap	1,144,191	-	-	-	-	-	-	38,131	41,491	41,392	41,312	41,645	42,064	42,496	42,938	43,390	43,852
total	1,144,191	Third party income	435,423	-	-	-	-	-	-	14,199	15,719	15,979	16,248	16,686	17,168	17,665	18,176	18,702	19,244
	-27%	Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Operating Costs	(653,117)	-	-	-	-	-	-	(15,571)	(17,341)	(17,744)	(18,164)	(18,781)	(19,456)	(20,161)	(20,894)	(21,656)	(22,449)
		Soft FM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Construction costs / change of law costs paid	(278,845)	-	-	-	(57,436)	(162,501)	(55,191)	(3,718)	-	-	-	-	-	-	-	-	-
		Development costs	(7,337)	-	(1,680)	-	(5,657)	-	-	-	-	-	-	-	-	-	-	-	-
		Life-cycle costs	(58,704)	-	-	-	-	-	-	-	-	-	-	(9,906)	(901)	(1,575)	(143)	-	(11,207)
		SPV costs	(33,823)	-	-	-	(778)	(868)	(890)	(912)	(935)	(958)	(982)	(1,007)	(1,032)	(1,058)	(1,084)	(1,111)	(1,139)
		Operating cash flow	547,788	-	(1,680)	-	(63,871)	(163,369)	(56,080)	32,130	38,934	38,669	38,414	28,639	37,843	37,367	38,993	39,325	28,300
		Deposit interest received / Overdraft interest paid	17,847	-	1	-	-	-	-	712	686	818	930	1,136	769	760	843	981	1,213
		VAT Paid to creditors/Received from debtors	95,863	-	(294)	-	(11,177)	(28,590)	(9,814)	5,623	6,813	6,767	6,723	5,012	6,622	6,539	6,824	6,882	4,953
		VAT (paid)/received (inland revenue)	(95,863)	-	294	-	11,177	28,590	9,814	(5,623)	(6,813)	(6,767)	(6,723)	(5,012)	(6,622)	(6,539)	(6,824)	(6,882)	(4,953)
		Current tax paid	(94,803)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Net cash flow	470,833	-	(1,679)	-	(63,871)	(163,369)	(56,080)	32,842	39,620	39,487	39,344	29,774	38,612	38,127	39,836	40,306	29,514
		Opening cash balance			-	(0)	(0)	0	0	4,368	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
		Life-Cycle/Maintenance reserve transfers	-	-	-	-	-	-	-	-	(2,910)	(3,174)	(6,547)	10,605	91	(1,526)	(3,423)	(6,884)	12,570
		Debt service reserve transfers	-	-	-	-	-	-	(13,225)	(1,459)	268	1,285	(294)	(2,027)	851	149	1,092	(1,419)	(1,227)
		Cash flow available for senior debt service	475,201	-	(1,679)	(0)	(63,871)	(163,369)	(69,306)	35,751	36,978	37,598	32,504	38,353	39,554	36,750	37,504	32,003	40,857
		Arrangement fees	(2,953)	-	(2,953)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Commitment fees	(4,544)	-	(723)	(1,449)	(1,313)	(829)	(230)	-	-	-	-	-	-	-	-	-	-
		Wrapped bond premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amounts drawn down (see below for analysis)	338,727	-	5,495	1,825	67,419	173,084	90,904	-	-	-	-	-	-	-	-	-	-
		DSR releases to fund cash shortage for debt servicing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Senior debt Tranche A interest	(280,171)	-	(139)	(376)	(2,236)	(8,886)	(17,000)	(20,033)	(19,484)	(18,873)	(18,174)	(17,682)	(16,838)	(15,939)	(14,983)	(14,047)	(13,171)
		Senior debt Tranche B interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Bond interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Senior debt Tranche A capital	(295,301)	-	-	-	-	-	-	(7,205)	(9,674)	(9,970)	(7,876)	(12,041)	(13,903)	(13,133)	(13,938)	(12,500)	(18,605)
		Senior debt Tranche B capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Bond capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cash flow available for mezzanine debt service	230,958	-	(0)	(0)	0	0	4,368	8,513	7,820	8,755	6,453	8,630	8,813	7,678	8,582	5,456	9,080
		Mezzanine debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Mezzanine debt capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cash flow available for sub debt & shareholders	230,958	-	(0)	(0)	0	0	4,368	8,513	7,820	8,755	6,453	8,630	8,813	7,678	8,582	5,456	9,080
		Equity Bridge interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Sub-debt deferred interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Sub-debt interest	(56,812)	-	-	-	-	-	-	(6,508)	(6,203)	(6,028)	(5,668)	(5,569)	(5,137)	(4,692)	(4,306)	(3,760)	(3,538)
		Sub-debt capital paid	(52,062)	-	-	-	-	-	-	(2,005)	(1,618)	(2,727)	(786)	(3,061)	(3,676)	(2,986)	(4,276)	(1,696)	(5,542)
		Cash flow available for shareholders	122,084	-	(0)	(0)	0	0	4,368	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
		Dividends paid	(117,666)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Redemption of share capital	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cash carried forward	0	-	(0)	(0)	0	0	4,368	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
		Memo : Analysis of drawdowns																	
		Bond		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Senior Debt - Tranche A	295,302	-	4,791	1,591	58,776	150,894	79,250	-	-	-	-	-	-	-	-	-	-
		Senior Debt - Tranche B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Mezzanine Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Equity Bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Subordinated debt	43,375	-	704	234	8,634	22,165	11,639	-	-	-	-	-	-	-	-	-	-
		Equity	50	-	1	0	10	24	15	-	-	-	-	-	-	-	-	-	-
		Total	338,727	-	5,496	1,825	67,419	173,084	90,904	-	-	-	-	-	-	-	-	-	-

Annual dates	**31-Mar-28**	**31-Mar-29**	**31-Mar-30**	**31-Mar-31**	**31-Mar-32**	**31-Mar-33**	**31-Mar-34**	**31-Mar-35**	**31-Mar-36**	**31-Mar-37**	**31-Mar-38**	**31-Mar-39**	**31-Mar-40**	**31-Mar-41**	**31-Mar-42**	**31-Mar-43**
Year count	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Phase	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations	Operations
Balance Sheet Balances?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Net Unitary charge receipts including RPI Swap	44,324	44,808	45,302	45,808	46,326	46,856	47,398	47,953	48,520	49,102	49,697	50,307	50,931	51,570	52,225	4,357
Third party income	19,802	14,843	14,771	15,199	15,639	16,093	16,559	17,040	17,534	18,042	18,566	19,105	19,659	20,230	20,817	1,739
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Costs	(23,274)	(24,133)	(25,026)	(25,957)	(26,925)	(27,934)	(28,984)	(30,079)	(31,219)	(32,407)	(33,645)	(34,935)	(36,281)	(37,684)	(39,147)	(3,272)
Soft FM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction costs / change of law costs paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Development costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Life-cycle costs	(1,019)	-	-	(1,872)	(12,850)	(1,153)	-	-	-	(14,346)	(3,530)	(202)	-	-	-	-
SPV costs	(1,167)	(1,197)	(1,226)	(1,257)	(1,289)	(1,321)	(1,354)	(1,388)	(1,422)	(1,458)	(1,494)	(1,532)	(1,570)	(1,609)	(1,649)	(138)
Operating cash flow	38,666	34,322	33,820	31,921	20,901	32,541	33,619	33,526	33,413	18,933	29,594	32,742	32,739	32,507	32,245	2,685
Deposit interest received / Overdraft interest paid	751	615	750	895	1,079	532	456	636	838	1,153	609	461	223	-	-	-
VAT Paid to creditors/Received from debtors	6,766	6,006	5,919	5,586	3,658	5,695	5,883	5,867	5,847	3,313	5,179	5,730	5,729	5,689	5,643	470
VAT (paid)/received (inland revenue)	(6,766)	(6,006)	(5,919)	(5,586)	(3,658)	(5,695)	(5,883)	(5,867)	(5,847)	(3,313)	(5,179)	(5,730)	(5,729)	(5,689)	(5,643)	(470)
Current tax paid	-	(64)	(2,910)	(5,983)	(6,229)	(6,359)	(6,749)	(7,171)	(7,558)	(7,630)	(7,627)	(7,949)	(8,351)	(8,600)	(11,622)	-
Net cash flow	39,416	34,873	31,660	26,833	15,751	26,714	27,326	26,991	26,693	12,456	22,577	25,254	24,611	23,906	20,623	2,685
Opening cash balance	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Life-Cycle/Maintenance reserve transfers	647	(4,325)	(5,213)	(5,688)	14,422	1,354	(4,214)	(5,251)	(9,525)	14,724	4,028	238	-	-	-	-
Debt service reserve transfers	3,531	849	3,050	(1,692)	(1,047)	1,908	685	1,713	(1,307)	(2,353)	434	344	9,890	-	-	-
Cash flow available for senior debt service	43,594	31,398	29,497	19,453	29,126	29,976	23,796	23,453	15,861	24,827	27,039	25,836	34,501	23,906	20,623	2,685
Arrangement fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commitment fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wrapped bond premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts drawn down (see below for analysis)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DSR releases to fund cash shortage for debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior debt Tranche A interest	(11,901)	(10,589)	(9,656)	(8,962)	(8,375)	(7,317)	(6,329)	(5,505)	(4,749)	(4,066)	(2,899)	(1,630)	(332)	-	-	-
Senior debt Tranche B interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior debt Tranche A capital	(19,920)	(13,675)	(11,350)	(7,833)	(14,191)	(14,977)	(12,028)	(11,762)	(8,887)	(15,423)	(18,233)	(18,618)	(9,558)	-	-	-
Senior debt Tranche B capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow available for mezzanine debt service	11,772	7,134	8,491	2,658	6,560	7,682	5,439	6,186	2,225	5,339	5,907	5,588	24,612	23,906	20,623	2,685
Mezzanine debt interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezzanine debt capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow available for sub debt & shareholders	11,772	7,134	8,491	2,658	6,560	7,682	5,439	6,186	2,225	5,339	5,907	5,588	24,612	23,906	20,623	2,685
Equity Bridge interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-debt deferred interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-debt interest	(2,790)	(1,652)	(861)	(100)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-debt capital paid	(8,982)	(5,482)	(7,630)	(1,595)	0	0	0	0	0	0	0	0	0	0	0	-
Cash flow available for shareholders	(0)	(0)	(0)	963	6,560	7,682	5,439	6,186	2,225	5,339	5,907	5,588	24,612	23,906	20,623	2,685
Dividends paid	-	-	-	(963)	(6,560)	(7,682)	(5,439)	(6,186)	(2,225)	(5,339)	(5,907)	(5,588)	(24,612)	(23,906)	(20,623)	(2,635)
Redemption of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)
Cash carried forward	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0
Memo : Analysis of drawdowns																
Bond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Debt - Tranche A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Debt - Tranche B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mezzanine Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Bridge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

North London Waste Authority
Shadow Tariff Waste PFI Model

Affordability Analysis – Summary Graph

Prepared by

Ernst & Young

Figure 5: Affordability Analysis – Summary Graph