



POST FINANCIAL CLOSE MODELLING: UPDATING FOR “ACTUAL” INFORMATION

How to transform an existing “Financial Close” model into a user friendly “Updatable for Actuals” model? This Tutorial and the accompanied workbook set out an approach for conversion of a typical project finance model and how to code-in the mechanics in a transparent way to facilitate reporting and analysis tool.

As the project moves ahead, the actual results will vary from the initial forecasts as of financial close of the project. For example there will certainly be some interest rate movements post financial close and certain variations in the construction schedule or operating expenditures.

Such variations might or might not be materially affecting the key results/outputs of the financial model. However, the project contract or financial arrangement might require that historic performance is updated within the model on a regular basis as the project moves from financial close. Such updates might also be required to facilitate internal budgeting and management reporting.

Basic approach to capturing actual data

The basic approaches are set out in bullet points below.

- The actual data will override the historical figures in the model during the actual period (or historical period).
- Refer to Screenshot 1. End of actual period can be selected from the drop down cell in the Inputs sheet (cell E14).
- Refer to Screenshot 2. IFS_Actuals tab is a dedicated input sheet for the actual data.
- A flag to indicate the actual period is built as shown in Screenshot 1 (row 7), which means the forecast period will be picked up from the end of the actual period.
- The inputs for actual data capture most of the items in the Cashflow Statement. The Income Statement and Balance sheet items are calculated automatically when the actual data for the Cashflow are entered.

	AB	C	D	E
1		Inputs		
5		General		
6		Timing		
7		Month	31-Mar-09	
8		Construct	30-Jun-09	
9		Start date	01-31-Dec-09	
10		Duration	12	
11		End date	31-Mar-10	
12			30-Jun-10	
13			30-Sep-10	
14		End of Actuals Period		31-Mar-09
15				

Screenshot 1: Input cell for end of actual period

	AE	C	I	J	K	L
1		Actuals Inputs for Integrated Financial Sta				
2				1-Jan-08	1-Feb-08	1-Mar-08
3				31-Jan-08	29-Feb-08	31-Mar-08
4		Integrity	31-Dec-07			
5		User Signals				
6		Construction				
7		Operations				
8		Actuals	31-Mar-09			
11		Cashflows				
12		Operations				
13		Revenue	11,000	-	-	-
14		Variable OpEx	(3,500)	-	-	-
15		Fixed OpEx	(700)	-	-	-
16		Cashflow from Operations	6,800	-	-	-
17						
18		CapEx				
19		Construction Capex	(94,643)	(7,910)	(7,910)	(7,910)
20		Senior Facility: Interest	(1,435)	-	-	-
21		Senior Facility: Upfront Fee	(1,000)	-	-	-
22		Establishment of DSRA/c	(2,950)	-	-	-
23		Total	(100,028)	(8,910)	(7,910)	(7,910)
24						
25		Corporate Tax	-	-	-	-
26						
27		Cashflow Before Funding	(93,228)	(8,910)	(7,910)	(7,910)
28						

Screenshot 2: Input sheet for the actual data

The screenshot above shows an example of the actual period up to 31-Mar-09. The inputs that can be updated for the actual are styled in a pink colour (style name: Actuals_Input) and are conditionally formatted to guide the users where to enter the actual data. Basic coding to update the actual data is:

= IF (Actuals flag =1, Actuals Input, Calculated)

General cashflow items

This is the simplest method and is applicable for general cashflow items that do not have balances, such as Revenue, OpEx, and Interest revenue. The cashflow statement (in IFS sheet) is adjusted using the basic coding as demonstrated in Screenshot 4.

	AE	C	I	U	V	W
1		Actuals Inputs for Inte				
2				1-Dec-08	1-Jan-09	1-Apr-09
3				31-Dec-08	31-Mar-09	30-Jun-09
4		Integrity	31-Dec-07			
5		User Signals				
6		Construction				
7		Operations				
8		Actuals	31-Mar-09			
11		Cashflows				
12		Operations				
13		Revenue	11,000	-	11,000	
14		Variable OpEx	(3,500)	-	(3,500)	
15		Fixed OpEx	(700)	-	(700)	
16		Cashflow from Operations	6,800	-	6,800	
17						

Screenshot 3: Inputs for general cashflow items



AE	C	I	U	V	W
1	Integrated Financial Statements				
2			1-Dec-08	1-Jan-09	1-Apr-09
3	Integrity	31-Dec-07	31-Dec-08	31-Mar-09	30-Jun-09
4	User Signals				
5	Construction				
6	Operations				
7	Actuals				
8	Year: Financial		2009	2009	2009
9					
10	F				
11	Cashflows				
12	Operations				
13	Revenue	413,433	-	11,000	10,201
14	Variable OpEx	(142,779)	-	(3,500)	(3,221)
15	Fixed OpEx	(31,067)	-	(700)	(658)
16	Cashflow from Operations	239,587	-	6,800	6,322

Screenshot 4: Actuals coding for general cashflow items

Construction cost items

This is applicable to construction capital expenditures and other costs during construction such as capitalised financing costs. The actual data is linked as such to ensure that the net book value of the fixed assets and debt balance (in the Balance Sheet) going forward are correctly updated.

AE	C	I	T	U	V
1	Actuals Inputs for Integrated Financial Sta				
2			1-Nov-08	1-Dec-08	1-Jan-09
3	Integrity	31-Dec-07	30-Nov-08	31-Dec-08	31-Mar-09
4	User Signals				
5	Construction				
6	Operations				
7	Actuals				
16	Cashflow from Operations	6,800	-	-	6,800
17					
18	CapEx				
19	Construction Capex	(94,643)	(15,000)	(4,500)	-
20	Senior Facility: Interest	(1,435)	(500)	(325)	-
21	Senior Facility: Upfront Fee	(1,000)	-	-	-
22	Establishment of DSRA/c	(2,950)	-	(2,950)	-
23	Total	(100,028)	(15,500)	(7,775)	-

Screenshot 5: Inputs for construction cost items

AE	C	T	U	V	W
1	Construction				
2		1-Nov-08	1-Dec-08	1-Jan-09	1-Apr-09
3	Integrity	30-Nov-08	31-Dec-08	31-Mar-09	30-Jun-09
4	User Signals				
5	Construction				
6	Operations				
7	Actuals				
19	Spare				
20	Spare				
21	Spare				
22	Construction CapEx	7,910	7,910	-	-
23	Construction CapEx: Applied	15,000	4,500	-	-
24					
25	Costs to be Funded				
26	Construction Capex	15,000	4,500	-	-
27	Senior Facility: Interest	500	325	-	-
28	Senior Facility: Upfront Fee	-	-	-	-
29	Establishment of DSRA/c	-	2,950	-	-
30	Total	15,500	7,775	-	-

Screenshot 6: Actuals coding for construction capex

Tracking of actual debt payments

The actuals for the Principal are linked to the debt account in the Finance sheet, i.e. where the debt balance is calculated. This is to ensure that the debt balance is correctly updated and the forecast calculations going forward remain correct (for example the forecast interest is calculated as % of the debt balance).

AE	C	H	I	U	V	W
1	Actuals Inputs for Integrated Financial					
2				1-Dec-08	1-Jan-09	1-Apr-09
3	Integrity	31-Dec-07		31-Dec-08	31-Mar-09	30-Jun-09
4	User Signals					
5	Construction					
6	Operations					
7	Actuals					
35	Cash available for Sen	6,800	-	-	6,800	-
36						
37	Senior Debt					
38	Interest	(1,100)	-	(1,100)	-	-
39	Principal repayment	(1,850)	-	(1,850)	-	-
40	Total	(2,950)	-	(2,950)	-	-
41						
42	Cash available to fund	3,850	-	-	3,850	-

Screenshot 7: Inputs for debt services

AE	C	I	U	V	W
1	Finance				
2			1-Dec-08	1-Jan-09	1-Apr-09
3	Integrity	31-Dec-07	31-Dec-08	31-Mar-09	30-Jun-09
4	User Signals				
5	Construction				
6	Operations				
7	Actuals				
15	Senior Debt				
16					
17	Account				
18	Balance B/f		-	65,000	63,150
19	Refinance @ Completion	65,000	65,000	-	-
20	Principal Repayments	(65,000)	-	(1,850)	(1,862)
21	Balance C/f		65,000	63,150	61,288
22					
23					
24	Interest				
28	All in Rate		-	1.68%	1.70%
29					
30	Interest: Repayment	17,296	-	1,100	1,074

Screenshot 8: Actuals coding for the debt

Reserve accounts and tax payable

- Reserve Accounts: The movements of the reserve accounts (the additions and releases) need to be updated for the actual data.
- Tax: The Tax Payable (Income Statement) and Tax Paid (Cashflow) need to be updated for the actual data. The Tax Creditor in the Balance Sheet will be automatically updated.

About Navigator Project Finance

Founded in 2004, Navigator Project Finance Pty Ltd (Navigator) is the project finance modelling expert. Headquartered in Sydney, Australia, Navigator is raising the global benchmark in financial modelling services to the project finance sector. Navigator designs and constructs financial models for complex project financings, offers training courses throughout the Middle East, Asia and Europe, and conducts independent model reviews of project finance transaction models. Navigator delivers fast, flexible and rigorously-tested project finance services that provide unparalleled transparency and ease of use.

Customers include market leaders such as Deutsche Bank, ANZ Investment Bank, Bovis Lend Lease, Oxiana, Mirvac Property, Westpac and the Commonwealth Bank of Australia, together with leaders from the finance, mining, property, utilities, banking, chemical and infrastructure sectors.

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