



WATER INDUSTRY COMMISSION FOR SCOTLAND

RULES AND GUIDELINES FOR THE CONTENTS OF REGULATORY ACCOUNTS

REGULATORY ACCOUNTING RULE 3

**Operative: Financial Year 2008-09
Version 5.0 February 2009**

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Pro-formas

The M tables contains the following pro formas

Pro-forma Number	Statement
1	- historic cost income and expenditure account;
2	- historic cost balance sheet;
3	- historic reconciliation between statutory accounts and regulatory accounts;
4	- current cost income and expenditure account;
5	- current cost balance sheet;
6	- current cost cash flow statement;
7	- analysis of turnover and operating income;
8/9/10	- current cost analysis of fixed assets by asset type and service;
11	- current cost working capital;
12	- movement on current cost reserve;
13	- reconciliation of current cost operating surplus to net cash flow from operating activities;
14	- analysis of net debt;
16	- 5 year rolling summary – current cost income and expenditure account;
17	- 5 year rolling summary – current cost balance sheet
18W/WW	- Activity based costing – Water and Wastewater service;
18b W/WW	- Analysis of fixed assets – Water and Wastewater service;
19	- Statement of total recognised gains and losses.
20	- Analysis of Borrowing by interest rate and date of maturity
21	- Taxation Analysis
22	- Fixed asset additions and expected depreciation
23	- Interest analysis
24	- Revenue analysis
25	- Bad debt
26	- Provisions analysis
27	- Consolidated Profit and Loss account (Historic cost)
28	- Consolidated Balance Sheet (Historic cost)

PART 1 - EXPLANATORY NOTE

1.1 Introduction

1.1.1 This regulatory accounting rule (RAR) covers the requirements for accounting information, with the exception of the current cost accounting methodology which is covered by regulatory accounting rule 1 (RAR 1), the classification of expenditure (RAR 2) and the activity cost analysis and methodology which is addressed in RAR 4.

1.1.2 Regulatory accounts should be prepared in accordance with these rules for each financial year. Additionally Scottish Water is required to provide in electronic format audited accounting information for the core and non-core business as part of the Annual Return reporting requirements each year. Separate guidance is provided for these returns.

1.2 Requirements

1.2.1 This regulatory accounting rule contains guidance on:

- the accounting statements of Scottish Water;
- the activity cost analysis of the core and non core businesses including analysis between wholesale and retail activities; RAR 4 also provides additional details;
- transactions with associated entities; and
- audit and publication of accounting statements.

1.3 Role of Regulatory Accounting Rules

1.3.1 Regulatory accounts are the primary source of regular audited financial information about the business regulated by WICS. It is intended that the RARs should take precedence over the accounting standards issued by the Accounting Standards Board in the preparation of regulatory accounts. Where the RARs do not specifically address an accounting issue, then UK Generally Accepted Accounting Practice (UK GAAP) should be followed.

1.3.2 In accordance with RAR 1, for the purposes of regulatory accounts, infrastructure renewals accounting will be used and the relevant sections of FRS12 and in FRS15 should be dis-applied.

1.3.3 For statutory purposes FRS17 – Retirement benefits and FRS19 – Deferred tax require certain disclosures by way of a note to the accounts. Where the statutory accounts of Scottish Water are bound with the regulatory accounts in one document, the additional disclosures specified in FRS17 and 19 are not required in the regulatory accounts. Where Scottish Water produces statutory accounts in a separate document, full disclosures under FRS17 and 19 must be made in the regulatory accounts.

1.3.4 A full reconciliation between the statutory accounts and the historic cost regulatory accounts should be provided, in the prescribed format, within the regulatory accounts (see Appendix 3, pro forma 3).

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- 1.3.5 Merger accounting will be retained for regulatory purposes, so as to ensure comparability, and the relevant sections of FRS6 should be disapplied. Again a full reconciliation between the statutory accounts and the historic cost regulatory accounts should be provided.
- 1.3.6 The RARs also require certain information, not normally provided under UK GAAP to be prescribed in the notes to the regulatory accounts. This includes, for example, details of the regulatory capital value and disaggregated cost information. The M tables set out pro formas for both the primary financial statements and the supporting notes to the accounts.

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2.1 Accounting statements

2.1.1 Requirements

Scottish Water shall prepare an income and expenditure account, a statement of assets and liabilities and a cash flow statement in respect of each of:

- the core business;
- the non - core business; and
- the total business of Scottish Water.

2.1.2 Cash flow statement

The regulatory accounts require Scottish Water to include a cash flow statement, accompanied by reconciliations between operating surplus and net cash flow from operating activities and also the movement in cash in the period and the movement in net debt. The cash flow statement should be prepared using the pro formas set out in the M tables.

2.1.3 Pro formas

Regulatory accounting statements should, as far as is practicably possible, have the same content as the statutory annual accounts of Scottish Water and be prepared in accordance with the formats and the accounting policies and principles which apply to those annual accounts.

2.1.4 The information in the regulatory accounts should be provided in the required format. The pro formas for the submission of data are included in the M tables. It is intended that these pro formas be consistent with the information submitted as part of the Annual Return. The regulatory capital values (pro forma 15) are those determined by WICS at strategic reviews. The pro forma for the statements of disaggregated activities are included for completeness but are fully described in RAR 4.

2.1.5 The Commission is primarily concerned with the current cost accounts. It has therefore decided that the analysis of operating surplus (incorporating the analysis of operating costs and turnover) and of fixed asset values by asset type and by service should only be prepared on a current cost basis. The regulatory requirement for the analysis of historical cost operating surpluses and fixed assets will be largely met by the statutory requirements.

2.1.6 Dividends policy

Scottish Water is required to report on the value of any dividends paid and provide a comprehensive explanation of the basis of the dividends payment.

2.1.7 Comparability – accounting treatment of acquisitions

Regulatory accounts are used for assessing comparative performance between Scottish Water and the water companies in England and Wales. So when businesses combine their operations it is necessary for merger accounting to be used for regulatory reporting. This may conflict with the requirements of FRS6 (Acquisitions and mergers) for the preparation of statutory accounts. The regulatory accounts should include a note reconciling in full the amounts reported

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in the statutory accounts with those reported in the historic cost part of the regulatory accounts.

2.1.8 **Transparency**

Regulatory accounts should aim to be transparent and readily understood by their readers. Accounting policies should be fully and clearly set out. Accounting policy changes should be clearly identified.

2.1.9 The objectives and constraints considered by members when selecting and changing accounting policies are to be stated. The disclosures required under FRS18 (Accounting Policies) for the statutory accounts are also to be made in the regulatory accounts.

2.1.10 Scottish Water should:

- Include an Operating and Financial Review (OFR)
- Provide a statement as to disclosure of information to auditors,
- Include a statement on dividends policy for the core business in the notes to the regulatory accounts;
- Include a statement describing the accounting treatment of amounts given to charitable trusts assisting customers or similar funds, in the notes to the regulatory accounts,
- Describe any changes in the accounting policies and assumptions underpinning the calculation of IRC and CCD, and;
- Include a comprehensive statement on the principles of the cost allocations for the disaggregated activities tables.

2.1.11 **Operating and Financial Review (OFR)**

Scottish Water should include an OFR in its regulatory accounts. This replaces the previous commentary requirements for the current year results.

‘Reporting Statement Operating and Financial Review’ (ASB January 2006) describes best practice for preparing an OFR. This should be followed for regulatory accounting purposes.

The OFR should **additionally** cover the following specific areas;

- Movements in turnover should be described with reference to the allowed price limit and to customer demand,
- Atypical operating expenditure items,
- Significant movements in IRC and CCD,
- Donations to charitable trusts assisting customers or similar funds,

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- Customer retained earnings paid.

2.1.12 **Statement as to disclosure of information to auditors**

The Companies (Audit, Investigations and Community Enterprise) Act 2004 (s234ZA) now includes clauses dealing with the auditor's rights to information.

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.

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.

Typically this is included in the Directors report for statutory purposes. WICS requires this statement to be made in Scottish Water's regulatory accounts.

2.2 **Core Business**

2.2.1 **Definitions**

The activities of Scottish Water are separated into activities which are defined in RAR 4:

- the core wholesale business;
- the core retail household business;
- the non-core (licensed) retail non-household business; and
- the non-core (non-licensed) business.

Transfer prices

2.2.2 When a non - core activity includes the optional use of an asset owned for a core activity, then it is appropriate that both owner and customers should benefit.

2.2.3 An arms length transfer price should be negotiated. This transfer price will appear in the turnover of the core business and the costs of the non - core business.

2.2.4 RAR 5 incorporates the disclosures required in respect of the apportionment and allocation of revenues, costs, assets and liabilities between the core wholesale business, the core retail business and any other business of Scottish Water or between Scottish Water and an associated entity. Transactions to be disclosed in

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the regulatory accounts are set out in Section 3.4 of this rule.

2.3 Surplus Analysis

Analysis of total current cost operating costs

2.3.1 The detailed requirements given in RAR 4 (The analysis of operating costs and assets) require a segmental analysis of the total current cost operating costs of Scottish Water for each of the following:

Water supply

Non core/Non-licensed

- Total

Core/Licensed

- Wholesale
 - resources and treatment
 - source
 - treatment
 - distribution
- Retail
 - retail household
 - retail non household
 - measured
 - non measured

Waste Water supply

Non core/Non-licensed

- Total

Core/Licensed

- Wholesale
 - sewerage
 - sewage treatment
 - sludge treatment and disposal
- Retail
 - retail - household
 - retail -non household
 - measured
 - non measured

2.3.2 The regulatory requirements in respect of the subjective analysis of operating costs have been incorporated into the pro formas in Appendix 1 to RAR 4.

Turnover analysis

2.3.3 An analysis of the turnover of Scottish Water is also required as set out in the M tables under the following headings

Water supply

- non core turnover;
- wholesale charges;
- measured supply;

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- unmeasured supply;
- other sources; and
- third party services;

Waste water supply

- non-core turnover
- wholesale charges
- measured supply;
- unmeasured supply;
- trade effluent;
- other sources; and
- third party services.

2.3.4 The categories of turnover are defined in Appendix 2.

2.3.5 When 'other sources' exceeds 5% of turnover this figure should be disaggregated into its major components.

2.3.6 All items of income should be stated gross and should not be netted off against items of expenditure.

2.3.7 This analysis should not include:

- rental income;
- interest received;
- income from investments; and
- profit from the sale of fixed assets.

However, profit from the sale of fixed assets and exceptional items should be disclosed separately. Rental income and income from investments should be shown, net of any associated expenses as other income after operating surplus in the income and expenditure account. Interest received should be included in the interest line. The analysis should be by service and include:

- current cost profit/(loss) on disposals of fixed assets;
- exceptional items;
- other operating income; and
- the working capital adjustment.

Reconciliation with the income and expenditure account

2.3.8 The subjective analysis of total operating costs should be combined with the analysis of turnover in order to disclose an analysis of operating surplus, split between water and sewerage, core and non core and retail and wholesale which can be readily reconciled with the income and expenditure account of Scottish Water.

2.4 Associated entities

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Definitions

2.4.1 RAR 5 defines that an associated entity should be determined in accordance with Financial Reporting Standard 8. For the purpose of this rule, the following are all to be considered associates of Scottish Water Wholesale (see RAR4 for further definitions):

- Retail - Non-household activities;
- Scottish Water Retail - Household
- Any other non-core business.

Other non-core should itself be divided into related business groupings and transactions with the core analysed.

2.4.2 Paragraph 14 of FRS8 seeks to distinguish between the control and influence of entities. Where Scottish Water considers that paragraphs 14(a) and 14(b) of FRS8 are applicable it should demonstrate that this is the case. Where an entity has Directors in common with Scottish Water and transactions have taken place between the entity and Scottish Water as covered in FRS8 paragraph 14(c); Scottish Water are to be required to have procedures in place to ensure such Directors are unable to influence such transactions.

Transactions to be disclosed

2.4.3 All transactions between the Scottish Water and its associated entities must be disclosed. In particular, the following transactions, with related data, must be disclosed:

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

2.4.3 Part 2 of RAR 5 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.

2.4.4 Any transactions in the last four categories may be aggregated with any other similar transaction in the same category with the same associated entity. This aggregation does not include netting off transactions to Scottish Water against transactions by Scottish Water or vice versa.

2.4.5 If an entity is an associated entity of Scottish Water for only part of a financial year then transactions with that associated entity throughout the financial year should be disclosed, unless Scottish Water has agreed with the Commission that partial

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disclosure is sufficient.

2.4.6 Scottish Water should include details in its Regulatory Accounts of services supplied by associate entities to Scottish Water and services supplied by Scottish Water to other associate entities. If a materiality level below which transactions are not disclosed is applied this should be declared.

2.4.7 In addition to the transactions identified in Section 3.4.3 above, the following details of inter-entity transactions should be provided:

- Where costs have been allocated between core and non-core businesses and between wholesale and retail businesses, the methodology for allocating costs should be described.
- Where customer retained earnings have been paid to an associated entity the policy underlying the dividend should be commented on.

2.4.8 The following details should now be included in the published regulatory accounts:

Service	Entity	Turnover Of Associate	Terms of Supply	Value
Service received by Scottish Water or service provided by Scottish Water.	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 eg competitive tendering.	Of service received by Scottish Water or service supplied by Scottish Water.

Members' statement

2.4.10 The disclosure of transactions with associated entities should include a statement that to the best of the members' knowledge, all appropriate transactions with associated entities have been disclosed. Nil returns are also required.

Transfer prices

2.4.11 All transactions between Scottish Water and associated entities should be considered on an arm's length basis and follow the guidance provided in RAR 5.

Diversification and protection of the core business

2.4.12 Scottish Water is required to submit at the same time as the regulatory accounting information, a certificate from the members stating that Scottish Water 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

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resources to enable it to carry out its functions.

In addition to the requirements outlined above, Scottish Water is required to:

- Confirm that in the opinion of the members all contracts entered into with any associated entity include all necessary provisions and requirements concerning the standard of service to Scottish Water, 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 members have taken into account in giving that certificate.
- Provide a report prepared by the Scottish Water's auditors and addressed to WICS, 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.

2.4.13 If the period to which the statement relates straddles the period when the Commission is entitled to issue an interim determination notice, the opinion of the members should in no way be compromised. Particularly as the Commission will continue to have specific regard to his general duties as defined in Statute.

2.4.14 This certificate should be submitted to the Commission as part of the published regulatory accounting information.

2.5 Publication of accounting statements

Reports to be delivered

2.5.1 Accounting information can be sub - divided as follows:

- statutory information which is not required by these rules (for example, emoluments of directors);
- statutory information which is also required by these rules (for example, income and expenditure account of Scottish Water);
- non - statutory information which is required to be published by these rules (for example, segmental analysis of operating costs), together with an auditors report on this information.
- non - statutory information which is required by this rule but is not required to be published, together with a report from the auditors on this information. This is generally covered by the requirements of RAR 5.

2.5.2 Scottish Water should submit the following documents to the Commission:

- Scottish Water accounts which should also be circulated on request to customers; and

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- A supplementary report containing any unpublished information.

2.5.3 It should be noted that Scottish Water should also submit the full statutory accounts.

2.5.4 It is recommended that water bill notifications make reference to the availability, upon request, of Scottish Water's accounts.

2.5.5 A checklist of the statements and reports required under this rule is contained in Appendix 1.

2.5.6 This rule requires that Scottish Water shall deliver to the Commission a copy of the accounting statements and auditors reports prepared under this rule 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. Scottish Water should deliver five copies of each of these statements and reports. Scottish Water is required to publish its regulatory accounts on its website at the same time as they are submitted to WICS.

If Scottish Water publishes its statutory and regulatory accounts in one document, then it may refer in the regulatory accounts to any relevant information provided as part of the statutory accounts..

2.5.7 **Reports to be published on website**

Scottish Water is required to publish its regulatory accounts in its website at the same time these are submitted to the Commission.

Reports to be published

2.5.8 This rule requires that all of the accounting statements and reports delivered to the Commission shall also be published, with the exception of:

- details of transactions (other than the summary outline in section 2.4.8 above) with associated entities; and
- details of the allocation and apportionment of assets and costs.

2.6 **Audit**

Auditors' reports

2.6.1 This rule requires auditors to address reports to the Water Industry Commission for Scotland concerning:

- accounting records;
- accounting statements;
- historical cost accounts; and
- current cost accounts.

2.6.2 Regulatory accounting information falls into two categories – that which is required to be published and that which is not required to be published – as discussed

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above. It is therefore convenient for auditors to prepare two reports to the Commission – one relating to the published accounts and the other to the information that is not required to be published. The recommended wording of these reports is discussed below.

2.6.3 These reports are in addition to the statutory report of the auditors to the members of the Board of Scottish Water, the Scottish Parliament and the Auditor General for Scotland.

Report on published accounts

2.6.4 The recommended wording of the auditors' report to the Commission on the published accounts is as follows:

" We have audited the Regulatory Accounts of Scottish Water for the year ended 31 March 20XX,

which comprise:

- the historic cost financial statements, comprising the historical cost income and expenditure account, statement of total recognised gains and losses, historical cost balance sheet, and related notes to the historical cost financial statements in tables 3, 14, 19, 20, 21,23, 24, 25, and 26, and
- the current cost financial information, comprising the current cost income and expenditure account, current cost balance sheet, current cost cash flow statement and related notes to the current cost financial information in tables 7, 8, 11,12,13,16,17,18w, 18ww, 18Bw, 18Bww, and 22 ; and
- the Statement of Accounting Policies.

This report is made, on terms that have been agreed, solely to Scottish Water and the Water Industry Commission for Scotland ("the WICS") in order to meet the requirements of regulatory accounting rules issued by the WICS under the Water Industry (Scotland) Act 2002. Our audit work has been undertaken so that we might state to Scottish Water and the WICS those matters that we have agreed to state to them in our report, in order (a) to assist the Scottish Water to meet its obligations under the regulatory accounting rules issued by the WICS and (b) to facilitate the carrying out by the WICS of its regulatory functions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Scottish Water and the WICS, for our audit work, for our report, or for the opinions we have formed.

Basis of preparation

The Regulatory Accounts have been prepared in accordance with the Regulatory Accounting Rules 1 to 4 issued by the WICS, the accounting policies set out in the Statement of Accounting Policies and, in the case of the regulatory historical cost financial statements, under the historical cost convention.

The regulatory financial statements are separate from the statutory financial statements of Scottish Water and have not been prepared under the basis of Generally Accepted Accounting Principles in the United Kingdom ("UK GAAP") as the Regulatory Accounting Rules specify alternative disclosures in certain respects. Where the Regulatory Accounting Rules do not specifically address an accounting issue, then they require UK GAAP to be

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followed. Financial information other than that prepared wholly on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of an entity as shown in financial statements prepared in accordance with the Water Industry (Scotland) Act 2002.

Respective responsibilities of the WICS, the Board Members, Accountable Officer and Auditors

The WICS determines the nature, form and content of the Regulatory Accounts. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WICS's purposes. Accordingly, we make no such assessment.

The Board and Accountable Officer responsibilities for preparing the Regulatory Accounts in accordance with the Regulatory Accounting Rules 1 to 4 are set out in the Statement of Board Members' Responsibilities for Regulatory Information.

Our responsibility is to audit the regulatory financial statements in accordance with International Standards on Auditing issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion' below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'.

We report to you our opinion as to whether the regulatory historical cost financial statements present fairly, under the historical cost convention, the revenues and costs, assets and liabilities of Scottish Water in accordance with Regulatory Accounting Rule 2 (Classification of expenditure), Regulatory Accounting Rule 3 (Contents of regulatory accounts) and Regulatory Accounting Rule 4 (The analysis of operating costs and assets); and whether the regulatory current cost financial information has been properly prepared in accordance with Regulatory Accounting Rule 1 (Accounting for current costs and regulatory capital values), Regulatory Accounting Rule 3 and Regulatory Accounting Rule 4. We also report to you if, in our opinion, Scottish Water has not kept proper accounting records as required by the Water Industry (Scotland) Act 2002; whether the information is in agreement with Scottish Water's accounting records and has been properly prepared in accordance with the requirements of, as appropriate, Regulatory Accounting Rule 1, Regulatory Accounting Rule 2, Regulatory Accounting Rule 3 and Regulatory Accounting Rule 4; or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Regulatory Accounts. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the Regulatory Accounts, and of whether the accounting policies are appropriate to the Organisation's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Regulatory Accounts are free from material misstatement,

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whether caused by fraud or other irregularity or error. However, as the nature, form and content of Regulatory Accounts are determined by the WICS, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of Scottish Water on which we report, which are prepared for a different purpose. Our audit report in relation to the statutory accounts of Scottish Water (our “Statutory” audit) was made solely to the members of the Board of Scottish Water as a body, the Scottish Parliament and the Auditor General for Scotland in accordance with the Public Finance and Accountability (Scotland) Act 2000. Our Statutory audit work was undertaken so that we might state to the members of the Board of Scottish Water, the Scottish Parliament and the Auditor General for Scotland those matters that we are required to state to them in a Statutory auditor’s report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than Scottish Water, the members of the Board of Scottish Water as a body, the Scottish Parliament and the Auditor General for Scotland, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

The regulatory historical cost financial statements comprising the historical cost income and expenditure account, statement of total recognised gains and losses, historical cost balance sheet, and related notes to the historical cost financial statements, have been drawn up in accordance with Regulatory Accounting Rule 3 in that infrastructure renewals accounting should be applied and accordingly that the relevant sections of Financial Reporting Standards 12 and 15 be disapplied.

Opinion

In our opinion, the Regulatory Accounts of Scottish Water for the year ended 31 March 20XX fairly present in accordance with the Regulatory Accounting Rules issued by the WICS, and the accounting policies set out in the Statement of Accounting Policies, the state of Scottish Water’s affairs at 31 March 20XX on an historical cost and current cost basis, the historical cost and current cost surplus for the year then ended and current cost cash flow for the year and have been properly prepared in accordance with those conditions, rules and accounting policies.

In respect of this information, we report that in our opinion:

- a) proper accounting records have been kept by Scottish Water as required by the Water Industry (Scotland) Act 2002;
- b) the information is in agreement with Scottish Water’s accounting records and has been properly prepared in accordance with, as appropriate, Regulatory Accounting Rules 1 to 4 issued by the WICS;
- c) the regulatory historical cost financial statements comprising the historical cost income and expenditure account, statement of total recognised gains and losses, historical cost balance sheet, and related notes to the historical cost financial statements in tables 3, 14, 19, 20, 21,23, 24, 25, and 26, present fairly, under the historical cost convention, the

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revenues and costs, assets and liabilities of Scottish Water and its Core Retail and Core Wholesale Businesses in accordance with Regulatory Accounting Rule 2, Regulatory Accounting Rule 3 and Regulatory Accounting Rule 4 issued in April 2008 by the WICS; and

d) the regulatory current cost financial information, comprising the current cost income and expenditure account, current cost balance sheet, current cost cash flow statement and related notes to the current cost financial information 7, 8, 11, 12, 13, 16, 17, 18w, 18ww, 18Bw, 18Bww, and 22, has been properly prepared in accordance with Regulatory Accounting Rule 1, Regulatory Accounting Rule 3 and Regulatory Accounting Rule 4, issued in April 2008 by the WICS.”

Report on unpublished information

2.6.5 The arrangement for the provision of assistance by the auditors to the Reporter on the accounting information which is not required to be published is covered in RAR 5.

Auditors’ contracts

2.6.6 The Commission should be informed by Scottish Water of any change in Scottish Water’s auditors and the following details provided:

- the name and address of the new auditors;
- the name of the partner responsible for the audit;
- the name, address, telephone number and e-mail address of the principal contact; and
- the date on which the auditors were appointed.

2.6.7 The Commission also requires a statement confirming that the contract of appointment with the auditors satisfies the requirement "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 Commission may reasonably require."

APPENDIX 1 - Checklist of requirements

This appendix summarises the reports and statements to be included in the regulatory accounts.

Accounting statements

Reports:

- HC Income and expenditure account
- HC Balance Sheet
- CCA Income and expenditure account
- CCA Balance Sheet
- CCA Cash Flow Statement,
for each of the Core Business, the Non Core Business and the
total business of Scottish Water.
- Notes to these accounts

Segmental information

Analysis of:

- turnover, operating income and working capital adjustment of the Core Business; -
current cost operating costs of the Core Business split between water resources
and treatment and distribution for water supply, sewage, sewage treatment, sludge
treatment and disposal for sewerage services.

Transactions with Associated Entities & Ring Fencing (note RAR 5 – part 2 provides more details)

- statement of compliance with RAR 5
- details of transactions between Scottish Water and associated entities
and between the Core and Non Core Businesses of Scottish Water
- statement that to the best of the members' knowledge, all appropriate
transactions with associated entities have been disclosed.
- details of procedures used to award contracts to associates.
- members' certificate regarding diversification and protection of the Core business.
- declaration by Directors and Senior Managers of interests in associates.

Basis of allocations and apportionment

- description of the basis of allocation and apportionment of costs and assets between
Scottish Water and its associated entities and between the Core and the Non Core
Businesses of Scottish Water.
- Further details are also given in RAR 4.

APPENDIX 1 - Checklist of requirements

Current cost accounts

- CC Income and expenditure account,
- CC Balance Sheet,
- CC Cash Flow Statement,
- analysis of fixed assets by asset type within service,
- calculation of investment plan adjustment where appropriate,
- five year rolling summary,
- statement of accounting policies,
- working capital note and
- movement on current cost reserves note,
- infrastructure renewals account reconciliation,
- analysis of net debt.

Audit reports

- report on published accounts
- report on non - published information

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M1
Historic Cost Income and Expenditure Account
(RAR Pro forma 1)

APPENDIX 2 – Definitions for RAR3 items in M tables

M1.1	Turnover	£m (3dp)
-------------	-----------------	-----------------

Definition: Total business revenue.
Split by core and non-core.

Ofwat Reference: T18, L1

M1.2	Operating Expenditure	£m (3dp)
-------------	------------------------------	-----------------

Definition: Historical cost operating costs (Excludes PPP costs (see Line 1.3), infrastructure renewals charge, historical cost depreciation, amortisation of deferred income, amortisation of PPP assets and extraordinary items).
Input as a negative number. Split by core and non-core.

Ofwat Reference: T18, L2 + T18, L3

M1.3	PPP Costs	£m (3dp)
-------------	------------------	-----------------

Definition: PPP costs in the year (excludes any SW internal costs related to PPP contracts, for example managing contracts, tankering costs etc).
Input as a negative number. Split by core and non-core.

Ofwat Reference:

M1.4	Historical Cost Depreciation	£m (3dp)
-------------	-------------------------------------	-----------------

Definition: The depreciation charge on non-infrastructure assets in the historic cost accounts.
Input as a negative number. Split by core and non-core.

Ofwat Reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M1.5	Infrastructure Renewals Charge	£m (3dp)
-------------	---------------------------------------	-----------------

Definition: The infrastructure renewals charge for the year.
Input as a negative number. Split by core and non-core.

Ofwat Reference:

M1.6	Amortisation of PPP assets	£m (3dp)
-------------	-----------------------------------	-----------------

Definition: Amortisation of PPP assets.
Input as a negative number. Split by core and non-core.

Ofwat Reference:

M1.7	Amortisation of deferred income	£m (3dp)
-------------	--	-----------------

Definition: Historic cost amortisation of deferred income.
Split by core and non-core.

Ofwat Reference:

M1.8	Operating income	£m (3dp)
-------------	-------------------------	-----------------

Definition: Historical cost operating income. Include exceptional items are defined in paragraph 5 of FRS3 'Reporting financial performance'. Excludes profits or loss on disposal of fixed assets.
Input as a positive number if profit or as a negative number if loss. Split by core and non-core.

Ofwat Reference: T18, L4

APPENDIX 2 – Definitions for RAR3 items in M tables

M1.9	Operating profit	£m (3dp)
-------------	-------------------------	-----------------

Definition: Historical cost operating profit.
Split by core and non-core.

Ofwat Reference: T18, L5

M1.10	Other Income	£m (3dp)
--------------	---------------------	-----------------

Definition: Includes rental income and income from investments (e.g. share income); excludes net interest and profit on disposals on fixed assets.
Input positive if profit, negative if loss. Split by core and non-core.

Ofwat reference: T18, L6

M1.11	Net interest receivable less payable	£m (3dp)
--------------	---	-----------------

Definition: Interest receivable less interest payable.
Input as a positive number for interest income or as a negative number for interest expenses. Split by core and non-core.

Ofwat reference: T18, L7

M1.12	Profit on ordinary activities before taxation	£m (3dp)
--------------	--	-----------------

Definition: Historical cost profit on ordinary activities before taxation.
Split by core and non-core.

Ofwat reference: T18, L8

APPENDIX 2 – Definitions for RAR3 items in M tables

M1.13	Taxation - current	£m (3dp)
--------------	---------------------------	-----------------

Definition: The current tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other taxes.

Exclude any provision for the deferred tax charge. Split by core and non-core.

Ofwat reference: T18, L9

M1.14	Taxation - deferred	£m (3dp)
--------------	----------------------------	-----------------

Definition: The deferred tax charge.

Input as a negative number. Split by core and non-core.

Ofwat reference: T18, L10

M1.15	Profit on ordinary activities after taxation	£m (3dp)
--------------	---	-----------------

Definition: Historical cost profit on ordinary activities after taxation.

Split by core and non-core.

Ofwat reference: T18, L11

M1.16	Extraordinary items	£m (3dp)
--------------	----------------------------	-----------------

Definition: The sum of extraordinary items (after tax), as defined by UKGAAP; and profits/losses attributable to minority interests.

Input as a positive number if profit or as a negative number if loss. Split by core and non-core.

Ofwat reference: T18, L12

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.17	Profit for the year	£m (3dp)
---------------	----------------------------	-----------------

Definition: Historical cost profit for the year.
Split by core and non-core.

Ofwat reference: T18, L13

M1.18	Dividends	£m (3dp)
--------------	------------------	-----------------

Definition: Dividends declared in the year.
Input as a negative number. Split by core and non-core.

Ofwat reference: T18, L14

M1.19	Retained profit for year	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Total historic cost profit retained for the year.
Split by core and non-core.

Ofwat reference: T18, L15

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M2
Historic Cost Balance Sheet
(RAR Pro forma 2)

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.1	Tangible Assets	£m (3dp)
-------------	------------------------	-----------------

Definition: Historical cost net book value of tangible fixed assets at the end of the financial year. This is stated after deducting grants and contributions received relating to infrastructure assets.

Split by core and non-core.

Ofwat reference: T19, L1

M2.2	Investment - loan to group company	£m (3dp)
-------------	---	-----------------

Definition: All loans to a group company.

Split by core and non-core.

Ofwat reference: T19, L2

M2.3	Investment - Other	£m (3dp)
-------------	---------------------------	-----------------

Definition: All investments as defined by UKGAAP, excluding those in line 2.

Split by core and non-core.

Ofwat reference: T19, L3

M2.4	Total fixed assets	£m (3dp)
-------------	---------------------------	-----------------

Definition: Historical cost total fixed assets.

Split by core and non-core.

Ofwat reference: T19, L4

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.5	Stocks	£m (3dp)
-------------	---------------	-----------------

Definition: Stocks held at the year end. Stocks consist of consumable stores and work in progress, including chemicals, stationary, petrol, backfill materials etc.

Split by core and non-core.

Ofwat reference: T19, L5

M2.6	Debtors	£m (3dp)
-------------	----------------	-----------------

Definition: Debtors consist of all amounts owing to the company at the financial year end including trade debtors, prepayments and accrued income. This includes amounts falling due after more than one year.

Split by core and non-core.

Ofwat reference: T19, L6

M2.7	Cash at bank and in hand	£m (3dp)
-------------	---------------------------------	-----------------

Definition: Cash in hand and at bank
Split by core and non-core.

Ofwat reference: T19, L7

M2.8	Short term reserves	£m (3dp)
-------------	----------------------------	-----------------

Definition: Short term deposits.
Split by core and non-core

Ofwat reference: T19, L8

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.9	Gilts Buffer	£m (3dp)
-------------	---------------------	-----------------

Definition: Amount transferred to the Gilts buffer.
Split by core and non-core.

Ofwat reference:

M2.10	Assets transferred to PPP contractors	£m (3dp)
--------------	--	-----------------

Definition: Assets transferred to PPP contractors.
Split by core and non-core.

Ofwat reference:

M2.11	Infrastructure Renewals prepayment	£m (3dp)
--------------	---	-----------------

Definition: The cumulative difference between the Infrastructure Renewals Expenditure and Infrastructure Renewals Charge.
Input: (positive number) If the balance sheet carries an accrual then enter 0 in this line and report the accrual in line 12. Split by core and non-core.

Ofwat reference: T19, L9

M2.12	Total current assets	£m (3dp)
--------------	-----------------------------	-----------------

Definition: Historical cost total current assets.
Split by core and non-core

Ofwat reference: T19, L10

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.13	Overdrafts	£m (3dp)
--------------	-------------------	-----------------

Definition: Overdrafts
Split by core and non-core

Ofwat reference: T19, L11

M2.14	Infrastructure Renewals accrual	£m (3dp)
--------------	--	-----------------

Definition: The cumulative difference between the IRE and IRC where the IRC has exceeded the IRE.

Input: negative number. If the balance sheet carries a prepayment then enter 0 in this line and report the prepayment in line 9. Split by core and non-core.

Ofwat reference: T19, L12

M2.15	Creditors	£m (3dp)
--------------	------------------	-----------------

Definition: Creditors due within one year, excluding overdrafts, borrowing, IRA, corporation tax payable and dividends payable.

Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L13

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.16	Borrowings (excl. Govt. loans)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Borrowings falling due within one year comprises obligations under finance leases due within the year, loans due to other group companies repayable within one year, redeemable debentures repayable within one year, bonds redeemable within one year, commercial paper due within one year, bills of exchange maturing within one year and any other form of borrowing repayable in less than one year. Accrued interest, on borrowings mains deposits and the fair value of interest rate swap agreements should not be included. Exclude government loans.

Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L14

M2.17	Corporation tax payable	£m (3dp)
--------------	--------------------------------	-----------------

Definition: Any balances of Corporation tax due to HMRC

Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L15

M2.18	Dividends payable	£m (3dp)
--------------	--------------------------	-----------------

Definition: Any unpaid dividends which have been recognised in accordance with FRS21.

Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L16

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.19	Total creditors	£m (3dp)
--------------	------------------------	-----------------

Definition: Total creditors falling due within one year.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L18

M2.20	Net current assets	£m (3dp)
--------------	---------------------------	-----------------

Definition: Historical cost net current assets.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L19

M2.21	Total assets less current liabilities	£m (3dp)
--------------	--	-----------------

Definition: Historic cost assets less current liabilities.
Input as a negative number. Split by core and non-core.

Ofwat reference:

M2.22	Borrowings (excl. Govt. loans)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Borrowings falling due after one year comprises obligations under finance leases due after one year, loans due to other group companies repayable after one year, redeemable debentures repayable after one year, bonds redeemable after one year, commercial paper due after one year, bills of exchange maturing after one year and any other form of borrowing repayable after one year. Accrued interest on borrowings should not be included. Excludes government loans.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L20

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.23	Other creditors	£m (3dp)
--------------	------------------------	-----------------

Definition: Creditors due after one year (other than items defined as borrowings).
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L21

M2.24	Total creditors	£m (3dp)
--------------	------------------------	-----------------

Definition: Total creditors due after one year.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L22

M2.25	Deferred tax provision	£m (3dp)
--------------	-------------------------------	-----------------

Definition: The deferred tax position as defined under UKGAAP.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L23

M2.26	Deferred income - grants and contributions	£m (3dp)
--------------	---	-----------------

Definition: Deferred income received which is to be credited to the profit and loss account over a number of future years. This arises from grants and contributions on capital expenditure.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L24

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.27	Post employment assets / (liabilities)	£m (3dp)
--------------	---	-----------------

Definition: The excess/shortfall of the pension scheme assets over/below the pension scheme assets over/below the present value of the scheme liabilities (as defined in FRS17'Retirement Benefits').
Input as a negative number if liability or positive if asset. Split by core and non-core.

Ofwat reference: T19, L25

M2.28	Other provisions	£m (3dp)
--------------	-------------------------	-----------------

Definition: All provisions including restructuring or reorganisation provisions but excluding the deferred tax provision.
Input as a negative number. Split by core and non-core.

Ofwat reference: T19, L26

M2.29	Net Assets employed	£m (3dp)
--------------	----------------------------	-----------------

Definition: Total assets less total liabilities (Historic Cost).
Split by core and non-core.

Ofwat reference: T19, L28

M2.30	Government loans	£m (3dp)
--------------	-------------------------	-----------------

Definition: Government loans.
Split by core and non-core.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M2.31	Infrastructure Renewals prepayment	£m (3dp)
--------------	---	-----------------

Definition: Cumulative balance of profits retained under the historical cost accounting convention.
Split by core and non-core.

Ofwat reference: T19, L31

M2.32	Total current assets	£m (3dp)
--------------	-----------------------------	-----------------

Definition: Non-distributable reserves (other than share capital and share premium). It will include capital redemption reserves, contingency reserves and other capital reserves. Amounts attributable to minority interests (if applicable) should also be included in this category.
Split by core and non-core.

Ofwat reference: T19, L32

M2.33	Capital & reserves	£m (3dp)
--------------	-------------------------------	-----------------

Definition: Total historic cost capital and reserves.
Split by core and non-core.

Ofwat reference: T19, L33

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M4
Current Cost Income and Expenditure Account
(RAR Pro forma 4)

APPENDIX 2 – Definitions for RAR3 items in M tables

M4.1	Turnover	£m (3dp)
-------------	-----------------	-----------------

Definition: Total core business revenue.

Ofwat reference: T20, L1

M4.2	Current cost operating expenditure	£m (3dp)
-------------	---	-----------------

Definition: Current cost operating costs (excludes PPP costs (see line 3), infrastructure renewals charge, current cost depreciation, amortisation of deferred income, amortisation of PPP assets and extraordinary items).

Ofwat reference:

M4.3	PPP costs	£m (3dp)
-------------	------------------	-----------------

Definition: PPP costs in the year (excludes any SW internal costs related to PPP contracts, for example managing contracts, tankering costs, etc).
Input as a negative number.

Ofwat reference:

M4.4	Current Cost Depreciation	£m (3dp)
-------------	----------------------------------	-----------------

Definition: Current cost depreciation on above ground assets in the year.
Input as a negative number.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M4.5	Infrastructure Renewals Charge	£m (3dp)
-------------	---------------------------------------	-----------------

Definition: The infrastructure renewals charge for the year.
Input as a negative number.

Ofwat reference:

M4.6	Amortisation of PPP	£m (3dp)
-------------	----------------------------	-----------------

Definition: Amortisation of PPP assets.
Input as a negative number.

Ofwat reference:

M4.7	Amortisation of deferred income	£m (3dp)
-------------	--	-----------------

Definition: Current cost amortisation of deferred income.

Ofwat reference:

M4.8	Operating income	£m (3dp)
-------------	-------------------------	-----------------

Definition: Current cost operating income. Include exceptional items as defined in paragraph 5 of FRS3 'Reporting financial performance'. Excludes profits or loss on disposal of fixed assets.

Ofwat reference: T20, L3

M4.9	Current cost operating profit before working capital adjustment	£m (3dp)
-------------	--	-----------------

Definition: Current cost operating profit before working capital adjustment.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M4.10	Working capital adjustment	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: The adjustment for the impact of general inflation on the real value of working capital to the business.

Ofwat reference: T20, L4

M4.11	Current cost operating profit	£m (3dp)
--------------	--------------------------------------	-----------------

Definition: Current cost operating profit before tax, interest and extraordinary items.

Ofwat reference: T20, L5

M4.12	Total current assets	£m (3dp)
--------------	-----------------------------	-----------------

Definition: Includes rental income and income from investments (e.g. share income); excludes net interest and profit on disposals of fixed assets.

Ofwat reference: T20, L6

M4.13	Net interest receivable less payable	£m (3dp)
--------------	---	-----------------

Definition: Interest receivable less interest payable. Interest receivable includes interest on cash and other deposits. Interest payable includes interest on loans, leases, debentures, overdrafts and all other borrowings e.g. commercial paper or bills of exchange.

Ofwat reference: T20, L7

M4.14	Financing adjustment	£m (3dp)
--------------	-----------------------------	-----------------

Definition: The real gain or loss arising for shareholders from the impact of general inflation on monetary assets and liabilities.

Ofwat reference: T20, L8

APPENDIX 2 – Definitions for RAR3 items in M tables

M4.15	Current cost profit before taxation	£m (3dp)
--------------	--	-----------------

Definition: Current cost profit on ordinary activities before taxation.
Input as a negative number. Split by core and non-core.

Ofwat reference: T20, L9

M4.16	Taxation - Current taxation	£m (3dp)
--------------	------------------------------------	-----------------

Definition: The current tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other taxes. Exclude any provision for the deferred tax charge.

Ofwat reference: T20, L10

M4.17	Taxation - Deferred	£m (3dp)
--------------	----------------------------	-----------------

Definition: The deferred tax charge.

Ofwat reference: T20, L11

M4.18	Current cost profit on ordinary activities	£m (3dp)
--------------	---	-----------------

Definition: Current cost profit after taxation but before extraordinary items..

Ofwat reference: T20, L12

M4.19	Extraordinary items	£m (3dp)
--------------	----------------------------	-----------------

Definition: The sum of extraordinary items (after tax), as defined by UKGAAP; and profits/losses attributable to minority interests.

Ofwat reference: T20, L13

APPENDIX 2 – Definitions for RAR3 items in M tables

M4.20	Current cost profit for the year	£m (3dp)
--------------	---	-----------------

Definition: Current cost profit for the year after taxation and extraordinary items.

Ofwat reference: T20, L14

M4.21	Dividends	£m (3dp)
--------------	------------------	-----------------

Definition: Dividends declared in the year.

Ofwat reference: T20, L15

M4.22	Current cost profit retained	£m (3dp)
--------------	-------------------------------------	-----------------

Definition: Total current cost profit retained for the year.

Ofwat reference: T20, L16

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M5
Current Cost Balance Sheet
(RAR Pro forma 5)

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.1	Tangible assets	£m (3dp)
-------------	------------------------	-----------------

Definition: The current cost net book value of tangible fixed assets before third party contributions.

Split by core and non-core.

Ofwat reference: T24, L1

M5.2	Third party contributions	£m (3dp)
-------------	----------------------------------	-----------------

Definition: Grants and third party contributions received in respect of infrastructure assets and the balance of deferred income relating to grants and third party contribution for non-infrastructure assets.

Input as a negative number.

Ofwat reference: T24, L2

M5.3	Working capital	£m (3dp)
-------------	------------------------	-----------------

Definition: The total of all the assets and liabilities included in the working capital analysis in table M11.

Ofwat reference: T24, L3

M5.4	Cash	£m (3dp)
-------------	-------------	-----------------

Definition: Cash in hand and at bank.

Ofwat reference: T24, L4

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.5	Short term deposits	£m (3dp)
-------------	----------------------------	-----------------

Definition: Short term deposits

Ofwat reference: T24, L5

M5.6	Debtors	£m (3dp)
-------------	----------------	-----------------

Definition: Overdrafts.

Ofwat reference: T24, L6

M5.7	Infrastructure renewals prepayment/(accrual)	£m (3dp)
-------------	---	-----------------

Definition: The cumulative difference between the Infrastructure Renewals Expenditure and Infrastructure Renewals Charge.

Ofwat reference: T24, L7

M5.8	Net operating assets	£m (3dp)
-------------	-----------------------------	-----------------

Definition: Current cost tangible fixed assets net of third party contributions, and working capital, cash, short term deposits, overdrafts and the infrastructure renewals prepayment or accrual.

Ofwat reference: T24, L8

M5.9	Borrowings (excl. govt. loans)	£m (3dp)
-------------	---------------------------------------	-----------------

Definition: Borrowings falling due within one year comprises obligations under finance leases due within the year, loans due to other group companies repayable within one year, redeemable debentures repayable within one year, bonds redeemable within one year, commercial paper due within one year, bills of exchange maturing within one year and any other form of borrowing repayable in less than one year. Accrued interest on borrowings should not be included. Excludes government loans.

Ofwat reference: T24, L9

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.10	Gilts reserve	£m (3dp)
--------------	----------------------	-----------------

Definition: Amount transferred to the Gilts buffer.

Ofwat reference:

M5.11	Assets transferred to PPP contractors	£m (3dp)
--------------	--	-----------------

Definition: Assets transferred to PPP contractors.

Ofwat reference:

M5.12	Non-trade debtors	£m (3dp)
--------------	--------------------------	-----------------

Definition: Debtors others than those included in working capital, but also excluding the infrastructure renewals prepayment/accrual and assets transferred to PPP contractors.

Ofwat reference: T24, L10

M5.13	Non-trade creditors due within one year	£m (3dp)
--------------	--	-----------------

Definition: Creditor balances due to paid in less than one year excluding amounts included as working capital. Includes dividends payable and corporation tax payable.

Input as a negative number.

Ofwat reference: T24, L11

M5.14	Investment - loan to group company	£m (3dp)
--------------	---	-----------------

Definition: All loans to a group company.

Ofwat reference: T24, L12

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.15	Investment - Other	£m (3dp)
--------------	---------------------------	-----------------

Definition: All investments as defined by UKGAAP, excluding those in line 13.

Ofwat reference: T24, L13

M5.16	Corporation tax payable	£m (3dp)
--------------	--------------------------------	-----------------

Definition: Any balances of Corporation tax due to HMRC

Ofwat reference: T24, L14

M5.17	Dividends payable	£m (3dp)
--------------	--------------------------	-----------------

Definition: Any unpaid dividends which have been recognised in accordance with FRS21.

Ofwat reference: T24, L15

M5.18	Total non-operating assets and liabilities	£m (3dp)
--------------	---	-----------------

Definition: Total non-operating assets and liabilities.

Ofwat reference:

M5.19	Borrowings (excl. govt. loans)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Borrowings falling due after one year comprises obligations under finance leases due after one year, loans due to other group companies repayable after one year, redeemable debentures repayable after one year, bonds redeemable after one year, commercial paper due after one year, bills of exchange maturing after one year and any other form of borrowing repayable after one year. Accrued interest on borrowings should not be included. Excludes government loans.

Ofwat reference: T24, L17

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.20	Other Creditors	£m (3dp)
--------------	------------------------	-----------------

Definition: Creditors due after one year (other than items defined as borrowings).

Ofwat reference: T24, L1

M5.21	Total Creditors falling due after more than one year	£m (3dp)
--------------	---	-----------------

Definition: Total Creditors falling due after more than one year.

Ofwat reference:

M5.22	Deferred tax provision	£m (3dp)
--------------	-------------------------------	-----------------

Definition: The deferred tax position as defined under UKGAAP.

Ofwat reference: T24, L19

M5.23	Post employment asset / (liabilities)	£m (3dp)
--------------	--	-----------------

Definition: The excess/shortfall of the pension scheme assets over/below the pension scheme assets over/below the present value of the scheme liabilities (as defined in FRS17 'Retirement Benefits').

Ofwat reference: T24, L20

M5.24	Other provisions	£m (3dp)
--------------	-------------------------	-----------------

Definition: All provisions including restructuring or reorganisation provisions but excluding the deferred tax provision.

Ofwat reference: T24, L21

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.25	Total provisions	£m (3dp)
--------------	-------------------------	-----------------

Definition: Total provisions for liabilities and charges.

Ofwat reference: T24, L13

M5.26	Net assets employed	£m (3dp)
--------------	----------------------------	-----------------

Definition: Total assets less total liabilities.

Ofwat reference: T24, L23

M5.27	Government Loans	£m (3dp)
--------------	-------------------------	-----------------

Definition: Government loans.

Ofwat reference:

M5.28	Income and expenditure account	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Cumulative balance of profits retained under current cost accounting.

Ofwat reference: T24, L26

M5.29	Current cost reserve	£m (3dp)
--------------	-----------------------------	-----------------

Definition: The balance on the current cost reserve at the end of the year.

Ofwat reference: T24, L27

APPENDIX 2 – Definitions for RAR3 items in M tables

M5.30	Other reserves	£m (3dp)
--------------	-----------------------	-----------------

Definition: Non - distributable reserves (other than share capital, current cost reserves and share premium). It will include capital redemption reserves, contingency reserves and other capital reserves. Amounts attributable to minority interests (if applicable) should also be included in this category.

Ofwat reference: T24, L28

M5.31	Total capital & reserves	£m (3dp)
--------------	-------------------------------------	-----------------

Definition: Total current cost capital and reserves.

Ofwat reference: T24, L29

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M6
Current Cost Cash Flow Statement
(RAR Proforma 6)

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.1	Net cash flow from operating activities	£m (3dp)
-------------	--	-----------------

Definition: Net cash flow movement from the operating activities of the company.
Split by core and non-core.

Ofwat reference: T28, L1

M6.2	Net cash changes in Non-trade debtors/creditors	£m (3dp)
-------------	--	-----------------

Definition: Changes in non-trade debtors and non-trade creditors within one year and non-trade creditors falling due after more than one year (as defined in Table M5.12, M5.13 and M5.21 respectively).

Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference:

M6.3	Cash changes in extraordinary items	£m (3dp)
-------------	--	-----------------

Definition: Receipts from extraordinary items (as defined in Table M4.19).
Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference:

M6.4	Interest received	£m (3dp)
-------------	--------------------------	-----------------

Definition: The amount of interest received by the company in the year.
Split by core and non-core.

Ofwat reference: T28, L2

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.5	Interest paid	£m (3dp)
-------------	----------------------	-----------------

Definition: The amount of interest paid by the company in the year.
Input as a negative number. Split by core and non-core.

Ofwat reference: T28, L3

M6.6	Interest in finance lease rentals	£m (3dp)
-------------	--	-----------------

Definition: The interest element on finance leases paid by the company in the year.
Split by core and non-core.

Ofwat reference: T28, L4

M6.7	Net cash flow from returns on Investment & servicing of finance	£m (3dp)
-------------	--	-----------------

Definition: The net financing cost in the year paid by the company.
Split by core and non-core.

Ofwat reference: T28, L6

M6.8	Taxation paid	£m (3dp)
-------------	----------------------	-----------------

Definition: All cash flows to or from taxation authorities in respect of the company's revenue and capital profits.
Input as a negative number. Split by core and non-core.

Ofwat reference: T28, L7

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.9	Gross cost of purchase of fixed assets	£m (3dp)
-------------	---	-----------------

Definition: The gross purchase price of fixed assets paid for by the company before any deduction of grants and contributions.
Input as a negative number. Split by core and non-core.

Ofwat reference: T28, L8

M6.10	Receipt of grants and contributions	£m (3dp)
--------------	--	-----------------

Definition: The total amount of grants and other contributions received for fixed asset purchases in the year.
Split by core and non-core.

Ofwat reference: T28, L9

M6.11	Infrastructure renewals expenditure	£m (3dp)
--------------	--	-----------------

Definition: Expenditure incurred in maintaining the existing operating capability of infrastructure assets.
Input as a negative number. Split by core and non-core.

Ofwat reference: T28, L10

M6.12	Disposal of fixed assets	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Cash proceeds received in the year on the sale of fixed assets.
Split by core and non-core.

Ofwat reference: T28, L11

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.13	Movements on long term loans to group companies	£m (3dp)
--------------	--	-----------------

Definition: The movement in the loans advanced to group companies.
Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference: T28, L12

M6.14	Net cash outflow from investing activities	£m (3dp)
--------------	---	-----------------

Definition: The net cashflow of the company relating to the acquisition or disposal of any asset held as a fixed asset.
Split by core and non-core.

Ofwat reference: T28, L13

M6.15	Acquisitions and disposals	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: The cash flows related to acquisition or disposal of any trade or business or any investment.
Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference: T28, L14

M6.16	Dividends paid	£m (3dp)
--------------	-----------------------	-----------------

Definition: Dividends paid by the company in the year.
Input negative. Split by core and non-core.

Ofwat reference: T28, L15

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.17	Net cash flow from management of liquid resources	£m (3dp)
--------------	--	-----------------

Definition: The net cashflow from the withdrawal/redemption and purchase of short term deposits and other liquid resources.

Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference: T28, L16

M6.18	Net Cash flow before financing	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: The net cash flow generated from operations, but after returns on investments and servicing of finance, taxation and investing activities.

Split by core and non-core.

Ofwat reference:

M6.19	Capital element in finance lease rentals	£m (3dp)
--------------	---	-----------------

Definition: The capital element of finance lease payments made in the year.
Split by core and non-core.

Ofwat reference: T28, L18

M6.20	New bank loans	£m (3dp)
--------------	-----------------------	-----------------

Definition: The receipts from any loans taken out in the year. These include the proceeds of any loans taken out from other group companies.

Split by core and non-core.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.21	New Government loans	£m (3dp)
--------------	-----------------------------	-----------------

Definition: The receipts from any government loans taken out in the year.
Split by core and non-core.

Ofwat reference:

M6.22	Bank loans repayments	£m (3dp)
--------------	------------------------------	-----------------

Definition: The amount repaid on any Non-Government loans in the year.
Input as a negative number. Split by core and non-core.

Ofwat reference:

M6.23	Government loans repayments	£m (3dp)
--------------	------------------------------------	-----------------

Definition: The amount repaid on any Government loans in the year.
Input as a negative number. Split by core and non-core.

Ofwat reference:

M6.24	Gilts reserve	£m (3dp)
--------------	----------------------	-----------------

Definition: Changes in the amount held in the gilts buffer.
Input as a positive number if cash inflow or as a negative number if cash outflow. Split by core and non-core.

Ofwat reference:

M6.25	Net cash inflow from financing	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: The net effect on cashflow after raising repaying loans.
Split by core and non-core.

Ofwat reference: T28, L22

APPENDIX 2 – Definitions for RAR3 items in M tables

M6.26	Increase (decrease) in cash and cash equivalents	£m (3dp)
--------------	---	-----------------

Definition: The net cashflows of the company in the year measured by the change in the level of cash.

Split by core and non-core.

Ofwat reference: T28, L23

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M7
Analysis of Turnover and Operating Income
(RAR Proforma 7)

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.1	Household (Water)	£m (3dp)
-------------	--------------------------	-----------------

Definition: All revenue accrued from the sale of water to households.

Ofwat reference:

M7.1	Household (Waste)	£m (3dp)
-------------	--------------------------	-----------------

Definition: All revenue accrued from the provision of wastewater services to households.

Ofwat reference:

M7.2	Retail Non-Household (Water)	£m (3dp)
-------------	-------------------------------------	-----------------

Definition: All retail revenue accrued from the sale of water to non-households.

Ofwat reference:

M7.2	Cash	£m (3dp)
-------------	-------------	-----------------

Definition: All retail revenue accrued from the provision of wastewater services to non-households

Ofwat reference:

M7.3	Wholesale Non-Household (Water)	£m (3dp)
-------------	--	-----------------

Definition: All wholesale revenue accrued from the sale of water to licensed retailers.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.3	Wholesale Non-Household (Waste)	£m (3dp)
-------------	--	-----------------

Definition: All wholesale revenue accrued from provision of wastewater services to licensed retailers.

Ofwat reference:

M7.4	Revenue grants (Water)	£m (3dp)
-------------	-------------------------------	-----------------

Definition: All revenue grants received for the provision of water services.

Ofwat reference:

M7.4	Revenue grants (Waste)	£m (3dp)
-------------	-------------------------------	-----------------

Definition: All revenue grants received for the provision of wastewater services.

Ofwat reference:

M7.5	Rechargeable works (Water)	£m (3dp)
-------------	-----------------------------------	-----------------

Definition: All income received for work relating to the water service where the appointee is the monopoly supplier, carried out by the appointed business, the cost of which is recovered from any person and recorded as revenue.

Ofwat reference:

M7.5	Rechargeable works (Waste)	£m (3dp)
-------------	-----------------------------------	-----------------

Definition: All income received for work relating to the wastewater service where the appointee is the monopoly supplier, carried out by the appointed business, the cost of which is recovered from any person and recorded as revenue.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.6	Bulk supplies (Water)	£m (3dp)
-------------	------------------------------	-----------------

Definition: All income received from providing a bulk supply to another water undertaker. Do not include income received from new licensees.

Ofwat reference:

M7.6	Bulk supplies (Waste)	£m (3dp)
-------------	------------------------------	-----------------

Definition: All income received from sewerage connection agreements with another sewerage undertaker or any other inter-company payments for sewerage services.

Ofwat reference:

M7.7	Other sources (excluding third parties) (Water)	£m (3dp)
-------------	--	-----------------

Definition: All other sources of turnover for water services that are not reported in the lines 1 to 6.

Ofwat reference: T24, L11

M7.7	Other sources (excluding third parties) (Waste)	£m (3dp)
-------------	--	-----------------

Definition: All other sources of turnover for wastewater services that are not reported in the lines 1 to 6.

Ofwat reference: T24, L12

M7.8	Third party services (Water)	£m (3dp)
-------------	-------------------------------------	-----------------

Definition: Revenue derived from third parties for the provision of water services for which costs are separately disclosed.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.8	Third party services (Waste)	£m (3dp)
-------------	-------------------------------------	-----------------

Definition: Revenue derived from third parties for the provision of wastewater services for which costs are separately disclosed.

Ofwat reference:

M7.9	Total turnover (Water)	£m (3dp)
-------------	-------------------------------	-----------------

Definition: Total appointed business revenue for water services.

Ofwat reference: T23, L16

M7.9	Total turnover (Waste)	£m (3dp)
-------------	-------------------------------	-----------------

Definition: Total appointed business revenue for wastewater services.

Ofwat reference: T23, L16

M7.10	Current cost profit or loss on disposal of fixed assets (Water)	£m (3dp)
--------------	--	-----------------

Definition: Net current cost profit/loss on disposal of fixed assets relating to water services.

Ofwat reference: T23, L17

M7.10	Current cost profit or loss on disposal of fixed assets (Waste)	£m (3dp)
--------------	--	-----------------

Definition: Net current cost profit/loss on disposal of fixed assets relating to wastewater services.

Ofwat reference: T23, L17

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.11	Exceptional items (Water)	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Exceptional items of an income nature are material net inflows which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. This is consistent with paragraph 5 of FRS3 'Reporting Financial Performance'.

Ofwat reference: T23, L18

M7.11	Exceptional items (Waste)	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Exceptional items of an income nature are material net inflows which derive from events or transactions that fall within the ordinary activities of the company, and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. This is consistent with paragraph 5 of FRS3 'Reporting Financial Performance'.

Ofwat reference: T23, L18

M7.12	Other operating income (Water)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Other operating income derived from operating activities for the water service (i.e. not classified as other income) but excluding exceptional items and profit/loss on disposal of fixed assets.

Ofwat reference: T23, L19

M7.12	Other operating income (Waste)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Other operating income derived from operating activities for the sewerage service (i.e. not classified as other income) but excluding exceptional items and profit/loss on disposal of fixed assets.

Ofwat reference: T23, L19

APPENDIX 2 – Definitions for RAR3 items in M tables

M7.13	Total operating income (Water)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Total operating income related to water services.

Ofwat reference: T23, L20

M7.13	Total operating income (Waste)	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: Total operating income related to wastewater services.

Ofwat reference: T23, L20

M7.14	Working capital adjustment (Water)	£m (3dp)
--------------	---	-----------------

Definition: An adjustment for the impact of general inflation on the real value of working capital to the business for water services. Note: A reduction in profit carries a negative sign.

Ofwat reference: T23, L21

M7.14	Working capital adjustment (Waste)	£m (3dp)
--------------	---	-----------------

Definition: An adjustment for the impact of general inflation on the real value of working capital to the business for wastewater services. Note: A reduction in profit carries a negative sign.

Ofwat reference: T23, L21

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M8
Current Cost Analysis of Fixed Assets by Asset Type ((Core) - RAR Proformas 8 -10)

APPENDIX 2 – Definitions for RAR3 items in M tables

M8.1	At 1 April 2007	£m (3dp)
-------------	------------------------	-----------------

Definition: This is the gross MEA brought forward from the previous year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability. For definition of asset types and asset valuation see the guidance.

Ofwat reference: T25, L1

M8.2	Investment plan adjustment (excl. inflation)	£m (3dp)
-------------	---	-----------------

Definition: The adjustment to GMEA as a result of an MEA revaluation. This aligns the gross asset value brought forward, with the value of the MEA revaluation.

Ofwat reference: T25, L2

M8.3	Inflation adjustment	£m (3dp)
-------------	-----------------------------	-----------------

Definition: Adjustment for valuation from previous year to current year prices using RPI by asset type.

Ofwat reference: T25, L3

M8.4	Disposals	£m (3dp)
-------------	------------------	-----------------

Definition: The reduction in gross value of assets caused by disposal of assets, by type.

Ofwat reference: T25, L4

M8.5	Additions	£m (3dp)
-------------	------------------	-----------------

Definition: Increase in gross value of assets by type caused by purchase. These comprise non-infrastructure expenditure on the base service, plus all enhancement expenditure as defined in RAR 2

Ofwat reference: T25, L5

APPENDIX 2 – Definitions for RAR3 items in M tables

M8.6	Reclassifications	£m (3dp)
-------------	--------------------------	-----------------

Definition: Assets reclassified from 'work in progress' to 'commissioned'

Ofwat reference:

M8.7	At 31 March 2008	£m (3dp)
-------------	-------------------------	-----------------

Definition: This is the total gross MEA at the end of the year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability.

Ofwat reference: T25, L6

M8.8	At 1 April 2007	£m (3dp)
-------------	------------------------	-----------------

Definition: Accumulated depreciation brought forward on assets by type at the beginning of the year.

Ofwat reference: T25, L7

M8.9	Investment plan adjustment (excl. inflation)	£m (3dp)
-------------	---	-----------------

Definition: The adjustment to accumulated depreciation as a result of a MEA revaluation.

Ofwat reference: T25, L8

M8.10	Inflation adjustment	£m (3dp)
--------------	-----------------------------	-----------------

Definition: The depreciation on the adjustment of valuation from previous year to current year (adjustment by year end RPI recorded in line 3) by asset type

Ofwat reference: T25, L9

APPENDIX 2 – Definitions for RAR3 items in M tables

M8.11	Disposals	£m (3dp)
--------------	------------------	-----------------

Definition: A negative number representing the reduction in depreciation caused by disposal of assets by type.

Ofwat reference: T25, L12

M8.12	Charge for year	£m (3dp)
--------------	------------------------	-----------------

Definition: Depreciation charge on assets by type. This figure is before the amortisation of deferred credits and intangible assets.

Ofwat reference: T25, L13

M8.13	At 31 March 2008	£m (3dp)
--------------	-------------------------	-----------------

Definition: Accumulated depreciation carried forward by asset type at the end of the charging year. (Accumulated depreciation brought forward by asset type plus revaluation adjustments, RPI adjustment, less disposals and the charge for the year for those assets.)

Input as a negative number.

Ofwat reference: T25, L14

M8.14	Net book amount at 31 March 2007	£m (3dp)
--------------	---	-----------------

Definition: Net book value by asset type at the year end. (Gross replacement cost by asset type at the year end less accumulated depreciation relating to those assets at the year end.)

Ofwat reference: T25, L15

APPENDIX 2 – Definitions for RAR3 items in M tables

M8.15	Net book amount at 1 April 2008	£m (3dp)
--------------	--	-----------------

Definition: Net book value by asset type at the beginning of the year. (Gross replacement cost by asset type relating to water at the beginning of the year less accumulated depreciation relating to those assets at the beginning of the year.)

Ofwat reference: T25, L16

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M11
Taxation Analysis (core)

APPENDIX 2 – Definitions for RAR3 items in M tables

M11.1	Stocks	£m (3dp)
--------------	---------------	-----------------

Definition: Stock held at the year end. Stocks comprise consumable stores and work in progress, including chemicals, stationary, petrol, backfill materials etc.

Ofwat reference: T26, L1

M11.2	Trade debtors - Household	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Trade debtors relating to household billings.

Ofwat reference:

M11.3	Trade debtors - Non Household (licensed businesses)	£m (3dp)
--------------	--	-----------------

Definition: Trade debtors relating to non-household billings (licensed retailers).

Ofwat reference:

M11.4	Other trade debtors	£m (3dp)
--------------	----------------------------	-----------------

Definition: Trade debtors relating to billings not covered by lines 11.2 and 11.3. This may include amounts for services provided other than water and sewerage charges.

Ofwat reference: T26, L6

M11.5	Measured income accrual	£m (3dp)
--------------	--------------------------------	-----------------

Definition: The accrual for revenue from measured customers which relates to the reporting year but that has not yet been billed.

Ofwat reference: T26, L7

APPENDIX 2 – Definitions for RAR3 items in M tables

M11.6	Prepayments and other short term debtors	£m (3dp)
--------------	---	-----------------

Definition: Prepayments and other debtors which relate to operating activities, excluding the measured income accrual and the infrastructure renewals prepayments.

Ofwat reference: T26, L8

M11.7	Trade creditors	£m (3dp)
--------------	------------------------	-----------------

Definition: Trade creditor balances at the year end falling due within one year.

Ofwat reference: T26, L9

M11.8	Wholesale charge prepayment	£m (3dp)
--------------	------------------------------------	-----------------

Definition: Charge prepaid by licensed retailers.

Ofwat reference:

M11.9	Deferred income - customer advance receipts	£m (3dp)
--------------	--	-----------------

Definition: The liability relating to all monies received from customers where the turnover relating to this has not yet been recognised.

This will include:

1. Unmeasured customers' payments made in advance of the 1 April for the next charging year; and
2. Measured customers who have credit balances arising from a direct debit payment plan.

Ofwat reference: T26, L10

APPENDIX 2 – Definitions for RAR3 items in M tables

M11.10	Short-term capital creditors	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Creditor balances at the year end for capital goods falling due within one year. This should include any accruals for capital goods.

Ofwat reference: T26, L11

M11.11	Credit note provisions	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Credit note provisions

Ofwat reference:

M11.12	Accruals and other creditors	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Accruals and non-trade creditors which relate to operating activities, excluding deferred income from customer receipts and also excluding the infrastructure renewals accrual.

Input as a negative number.

Ofwat reference: T26, L12

M11.13	Total working capital	£m (3dp)
---------------	------------------------------	-----------------

Definition: The total of all stock, debtors and creditors which relate to operating items, including short term capital creditors, but excluding any infrastructure renewals prepayment or accrual.

Ofwat reference: T26, L13

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M12
Movement on Current Cost Reserve (Core)
- RAR Proforma 12

APPENDIX 2 – Definitions for RAR3 items in M tables

M12.1	Balance at 1 April	£m (3dp)
--------------	---------------------------	-----------------

Definition: The balance on the current cost reserve at the start of the year.

Ofwat Reference: T27, L1

M12.2	Investment plan adjustment	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: Any revision during the year in the real value of tangible fixed assets arising periodically from improved information.

Ofwat Reference: T27, L2

M12.3	Fixed assets	£m (3dp)
--------------	---------------------	-----------------

Definition: The RPI adjustment denoting the change in the value of tangible fixed assets arising from the impact of general inflation, as measured by the change in the retail price index between the opening and closing balance sheet dates.

Ofwat Reference: T27, L3

M12.4	Working capital adjustment	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: The adjustment for the impact of general inflation on the real value of working capital to the business between opening and closing balance sheet dates.

Ofwat Reference: T27, L4

M12.5	Financing adjustment	£m (3dp)
--------------	-----------------------------	-----------------

Definition: The real gain or loss arising for shareholders from the impact of general inflation on monetary assets and liabilities.

Ofwat Reference: T27, L5

APPENDIX 2 – Definitions for RAR3 items in M tables

M12.6	Grants and third party contributions adjustment	£m (3dp)
--------------	--	-----------------

Definition: The adjustment for the impact of general inflation on third party grants and contributions between opening and closing balance sheet dates.

Ofwat Reference: T27, L6

M12.7	Balance at 31 March	£m (3dp)
--------------	----------------------------	-----------------

Definition: The balance on the current cost reserve at the end of the year.

Ofwat Reference: T27, L7

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M13

**Reconciliation of Current cost operating profit to net cash flow from operating activities
(core) - RAR Proforma 13**

APPENDIX 2 – Definitions for RAR3 items in M tables

M13.1	Current cost operating profit	£m (3dp)
--------------	--------------------------------------	-----------------

Definition: Current cost operating profit before tax, interest and extraordinary items.

Ofwat Reference: T29, L1

M13.2	Working capital adjustment	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: The adjustment for the impact of general inflation on the real value of working capital to the business between opening and closing balance sheet dates.

Ofwat Reference: T29, L2

M13.3	Movement in working capital	£m (3dp)
--------------	------------------------------------	-----------------

Definition: The movement in the total of the working capital items (working capital items are those indicated in Table M11)

Ofwat Reference: T29, L3

M13.4	Receipt from other income	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Receipts in the year from other sources of income other than interest. These include rental income and any other income received from any other sources. It excludes receipts from the sale of fixed assets.

Ofwat Reference: T29, L4

M13.5	Current Cost depreciation	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Current cost depreciation (as per Table M4.4)

Ofwat Reference: T29, L5

APPENDIX 2 – Definitions for RAR3 items in M tables

M13.6	Amortisation of PPP assets	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: Amortisation of assets transferred to PPP contractors.

Ofwat Reference: T29, L5

M13.7	Amortisation of deferred income	£m (3dp)
--------------	--	-----------------

Definition: Amortisation of deferred income (relating to grants and contributions).

Ofwat Reference: T29, L5

M13.8	Current cost profit/(loss) on sale of assets	£m (3dp)
--------------	---	-----------------

Definition: Net current cost profit/loss on disposal of fixed assets.

Ofwat Reference: T29, L6

M13.9	Infrastructure renewals charge	£m (3dp)
--------------	---------------------------------------	-----------------

Definition: The total infrastructure renewals charge in the year.

Ofwat Reference: T29, L7

M13.10	Other non-cash profit and loss items	£m (3dp)
---------------	---	-----------------

Definition: Any other non-cash profit and loss items which affect operating profit. This will include, but is not restricted to: - movements in provisions; and the difference between pension contributions and the FRS17 charge (to operating profit).

Ofwat reference: T29, L8

APPENDIX 2 – Definitions for RAR3 items in M tables

M13.11	Net cash flow from operating activities	£m (3dp)
---------------	--	-----------------

Definition: Net cash flow movement from the operating activities of the company.

Ofwat reference: T29, L9

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M14
Analysis of net debt (core) - RAR Proforma 14

APPENDIX 2 – Definitions for RAR3 items in M tables

M14.1	Less than one year	£m (3dp)
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Definition: Sum of borrowings with maturity less than one year.

Ofwat Reference:

M14.2	Between one and two years	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Sum of borrowings with maturity between one and two years.

Ofwat Reference:

M14.3	Between two and five years	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: Sum of borrowings with maturity between two and five years.

Ofwat Reference:

M14.4	Between five and twenty years	£m (3dp)
--------------	--------------------------------------	-----------------

Definition: Sum of borrowings with maturity between five and twenty years.

Ofwat Reference:

M14.5	In more than twenty years	£m (3dp)
--------------	----------------------------------	-----------------

Definition: Sum of borrowings with maturity more than twenty years.

Ofwat Reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M14.6	Total Borrowings	£m (3dp)
--------------	-------------------------	-----------------

Definition: Total borrowings.

Ofwat Reference:

M14.7	Cash	£m (3dp)
--------------	-------------	-----------------

Definition: Net cash position at the end of financial year.

Ofwat Reference:

M14.8	Short term deposits	£m (3dp)
--------------	----------------------------	-----------------

Definition: Short term deposits.

Ofwat Reference:

M14.9	Net debt	£m (3dp)
--------------	-----------------	-----------------

Definition: Net debt position at the end of financial year

Ofwat Reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M19

Regulatory Accounts (Historical cost accounting): Statement of total recognised gains and losses (core)

- RAR Proforma 19

APPENDIX 2 – Definitions for RAR3 items in M tables

M19.1	Profit for the year	£m (3dp)
--------------	----------------------------	-----------------

Definition: Historical cost profit after tax and extraordinary items.

Ofwat Reference: T18c, L1

M19.2	Actuarial gains/losses on post employment plans	£m (3dp)
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Definition: Actuarial gains/(losses) on post employment plans.

Ofwat Reference: T18c, L2

M19.3	Other gains and losses	£m (3dp)
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Definition: Other gains and losses.

Ofwat Reference: T18c, L3

M19.4	Total recognised gains and losses for the year	£m (3dp)
--------------	---	-----------------

Definition: Total recognised gains and losses for the year.

Ofwat Reference: T18c, L4

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M20
Analysis of Borrowing by interest rate and date of maturity (core)

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.1	Government Loans 3-3.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 3 – 3.99%.

Ofwat reference:

M20.2	Government Loans 4-4.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 4 – 4.99%.

Ofwat reference:

M20.3	Government Loans 5-5.99%	£m (3dp)
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Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 5 – 5.99%.

Ofwat reference:

M20.4	Government Loans 6-6.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 6 – 6.99%.

Ofwat reference:

M20.5	Government Loans 7-7.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 7 – 7.99%.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.6	Government Loans 8-8.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 8 – 8.99%.

Ofwat reference:

M20.7	Government Loans 9-9.99%	£m (3dp)
--------------	---------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 9 – 9.99%.

Ofwat reference:

M20.8	Government Loans 10-10.99%	£m (3dp)
--------------	-----------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 10 – 10.99%.

Ofwat reference:

M20.9	Government Loans 11-11.99%	£m (3dp)
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Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 11 – 11.99%.

Ofwat reference:

M20.10	Government Loans 12-12.99%	£m (3dp)
---------------	-----------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 12 – 12.99%.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.11	Government Loans 13-13.99%	£m (3dp)
---------------	-----------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 13 – 13.99%.

Ofwat reference:

M20.12	Government Loans 14-14.99%	£m (3dp)
---------------	-----------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 14 – 14.99%.

Ofwat reference:

M20.13	Government Loans 15-15.99%	£m (3dp)
---------------	-----------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) undertaken for loans with an interest rate of 15 – 15.99%.

Ofwat reference:

M20.14	Government Loans Total	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Closing balance for borrowing (**Government loans only**) in the year

Ofwat reference:

M20.15	Non-Government Loans 3-3.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 3 – 3.99%.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.16	Non-Government Loans 4-4.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 4 – 4.99%.

Ofwat reference:

M20.17	Non-Government Loans 5-5.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 5 – 5.99%.

Ofwat reference:

M20.18	Non-Government Loans 6-6.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 6 – 6.99%.

Ofwat reference:

M20.19	Non-Government Loans 7-7.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 7 – 7.99%.

Ofwat reference:

M20.20	Non-Government Loans 8-8.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 8 – 8.99%

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.21	Non-Government Loans 9-9.99%	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 9 – 9.99%.

Ofwat reference:

M20.22	Non-Government Loans 10-10.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 10 – 10.99%.

Ofwat reference:

M20.23	Non-Government Loans 11-11.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 11 – 11.99%.

Ofwat reference:

M20.24	Non-Government Loans 12-12.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 12 – 12.99%.

Ofwat reference:

M20.25	Non-Government Loans 13-13.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 13 – 13.99%.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M20.26	Non-Government Loans 14-14.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 14 – 14.99%.

Ofwat reference:

M20.27	Non-Government Loans 15-15.99%	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**) undertaken for loans with an interest rate of 15 – 15.99%.

Ofwat reference:

M20.28	Non-Government Loans (Total)	£m (3dp)
---------------	-------------------------------------	-----------------

Definition: Closing balance for borrowing (**Non-Government loans only**)

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M21
Taxation Analysis (core)

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.1	Work in progress - Opening amount	£m (3dp)
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Definition: Total amount for assets considered as Work in Progress at the beginning of the year.

Ofwat reference:

M21.2	Work in progress (portion where capital allowances have not been claimed) - opening	£m (3dp)
--------------	--	-----------------

Definition: Portion of opening assets considered as Work in Progress that has not yet been added to the capital allowances pools.

Ofwat reference:

M21.3	Total capitalised expenditure including IRE (outturn prices) excluding grants	£m (3dp)
--------------	--	-----------------

Definition: The total of all capitalised expenditure (water and sewerage service) for both base service and enhancement purposes. This expenditure should be reported net of grants and contributions, but excluding adopted assets at nil cost. It should also include infrastructure renewals expenditure. (outturn prices)

Ofwat reference: JR07 T18b, L12

M21.4	Capitalised expenditure allocated for capital allowances (including work in progress)	£m (3dp)
--------------	--	-----------------

Definition: Capital expenditure claimed for capital allowances in the year including work in progress. (Note: this amount should be equal to the sum of 21.6 to 21.15.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.5	Work in progress (portion where capital allowances have not been claimed) - closing	£m (3dp)
--------------	--	-----------------

Definition: Portion of assets considered Work in Progress where capital allowances have not been claimed yet (closing amount).

Ofwat reference:

M21.6	Assets qualifying for 100% first year allowances	£m (3dp)
--------------	---	-----------------

Definition: Portion of assets indicated in line 21.4 that qualify for 100% first year allowances.

Ofwat reference: JR07 T18b, L1

M21.7	Assets to be included in the general (25%) pool	£m (3dp)
--------------	--	-----------------

Definition: Portion of assets indicated in line 21.4 to be included in the general capital allowance pool which will receive capital allowances at 25% p.a. on a reducing balance basis.

Ofwat reference: JR07 T18b, L2

M21.8	Assets qualifying for long life (6%) pool	£m (3dp)
--------------	--	-----------------

Definition: Portion of assets indicated in line 21.4 to be included in the long life pool which will receive capital allowances at 6% p.a.

Ofwat reference: JR07 T18b, L3

M21.9	Assets qualifying for Industrial Buildings Allowance	£m (3dp)
--------------	---	-----------------

Definition: Portion of assets indicated in line 21.4 classified as industrial buildings for tax purposes

Ofwat reference: JR07 T18b, L4

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.10	Assets purchased under finance leasing	£m (3dp)
---------------	---	-----------------

Definition: Portion of assets indicated in line 21.4 purchased under finance leasing

Ofwat reference: JR07 T18b, L5

M21.11	Capitalised revenue expenditure deducted in year of spend	£m (3dp)
---------------	--	-----------------

Definition: Portion of assets indicated in line 21.4
(a) which is of a revenue nature and hence treated as deferred revenue expenditure for tax purposes; and
(b) for which a deduction is allowed for tax purposes in year of spend.

Ofwat reference: JR07 T18b, L6

M21.12	Capitalised revenue expenditure depreciated – non-infrastructure	£m (3dp)
---------------	---	-----------------

Definition: Portion of assets indicated in line 21.4
(a) which is of a revenue nature and hence treated as deferred revenue expenditure for tax purposes; and
(b) which relates to non-infrastructure assets, and for which a deduction in depreciation is allowed.

Ofwat reference: JR07 T18b, L7

M21.13	Capitalised revenue expenditure depreciated – infrastructure	£m (3dp)
---------------	---	-----------------

Definition: Portion of assets indicated in line 21.4
(a) which is of a revenue nature and hence treated as deferred revenue expenditure for tax purposes; and
(b) which relates to infrastructure assets, and a deduction in depreciation is allowed.

Ofwat reference: JR07 T18b, L8

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.14	Capitalised revenue expenditure not depreciated	£m (3dp)
---------------	--	-----------------

Definition: Portion of assets indicated in line 21.4
(a) which is of a revenue nature and hence treated as deferred revenue expenditure for tax purposes; and
(b) which is not depreciated and therefore no deduction is allowed.

Ofwat reference: JR07 T18b, L9

M21.15	Other assets not qualifying for capital allowances or revenue deductions	£m (3dp)
---------------	---	-----------------

Definition: Portion of assets indicated in line 21.4 in addition to those reported in line 21.14 which are not of a revenue nature and do not qualify for capital allowances or any other deduction for tax purposes

Ofwat reference: JR07 T18b, L10

M21.16	Grants and contributions taxable on receipt	£m (3dp)
---------------	--	-----------------

Definition: Portion of assets indicated in line 21.4 which relates to grants and contributions which are taxable on receipt

Ofwat reference: JR07 T18b, L11

M21.17	Average asset life – non - infrastructure	Years (1dp)
---------------	--	--------------------

Definition: The average asset life for non-infrastructure assets identified in line 21.12 and used in the calculation of the depreciation allowance reported in line 21.31

Ofwat reference: JR07 T18b, L13

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.18	Average asset life – infrastructure	Years (1dp)
---------------	--	--------------------

Definition: The average asset life for infrastructure assets identified in line 21.13 and used in the calculation of the depreciation allowance reported in line 21.32

Ofwat reference: JR07 T18b, L14

M21.19	Opening pool of capital allowances – asset life < 25 years	£m (3dp)
---------------	--	-----------------

Definition: Balance carried forward on capital allowances pool as at the balance sheet date for capital assets with a useful economic life of less than twenty-five years

Ofwat reference: JR07 T18b, L15

M21.20	Opening pool of capital allowances – asset life >= 25 years	£m (3dp)
---------------	---	-----------------

Definition: Balance carried forward on long life capital allowances pool as at the balance sheet date for capital assets with useful economic life of greater than or equal to twenty-five years.

Ofwat reference: JR07 T18b, L16

M21.21	Residual IBA's	£m (3dp)
---------------	-----------------------	-----------------

Definition: Net balance carried forward of Industrial Buildings Allowance assets as at balance sheet date for calculation of IBA's.

Ofwat reference: JR07 T18b, L17

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.22	General provisions – opening balance	£m (3dp)
---------------	---	-----------------

Definition: Opening balance of other general provisions, i.e. provisions in the 2005-06 balance sheet, which for tax purposes, are treated as “general”. This should include pensions provisions where the amounts charged to date exceed tax deductions allowed. Where a surplus exists and accelerated deductions have been taken, the figure should be entered as negative..

Ofwat reference:

M21.23	Losses brought forward	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Cumulative revenue tax losses carried forward for the appointed business as at the balance sheet date

Ofwat reference: JR07 T18b, L18

M21.24	HCA Operating profit	£m (3dp)
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Definition: Historical cost operating profit
Brought forward from 1.15

Ofwat reference: JR07 T18a, L1

M21.25	Total HCA Depreciation	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Total Historical cost depreciation charge for the year to be added back to operating profit to derive trading profit for tax purposes.

Ofwat reference: JR07 T18a, L2

M21.26	Infrastructure renewals charge	£m (3dp)
---------------	---------------------------------------	-----------------

Definition: Total infrastructure renewals charge for the year to be added back to operating profit to derive trading profit for tax purposes.

Ofwat reference: JR07 T18a, L3

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.27	Amortisation of PPP assets	£m (3dp)
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Definition: Amortisation of PPP assets

Ofwat reference:

M21.28	Amortisation of grants	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Amortisation of grants.

Ofwat reference:

M21.29	Deduction for capitalised revenue expenditure	£m (3dp)
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Definition: Amount of deduction available relating to total capitalised revenue expenditure net of grants. E.g. IRC

Input field (positive number)

Ofwat reference: JR07 T18a, L4

M21.30	Trading profit	£m (3dp)
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Definition: Trading profit for tax purposes

Ofwat reference: JR07 T18a, L5

M21.31	Depreciation on capitalised revenue expenditure – non – infrastructure	£m (3dp)
---------------	---	-----------------

Definition: The amount of depreciation on capital expenditure identified in line 21.12 in this and in previous years, which is allowed as a deduction for tax purposes. This is the total depreciation allowed this year on assets of this type.

Ofwat reference: JR07 T18a, L6

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.32	Depreciation on capitalised revenue expenditure – infrastructure	£m (3dp)
---------------	---	-----------------

Definition: The amount of depreciation on capital expenditure identified in table 21.13 in this and in previous years, which is allowed as a deduction for tax purposes. This is the total depreciation allowed this year on assets of this type.

Ofwat reference: JR07 T18a, L7

M21.33	Total interest paid	£m (3dp)
---------------	----------------------------	-----------------

Definition: The net amount of interest payable by the company in the year. This should include interest on;

- Overdrafts,
- loans (from all sources)
- and debenture stock

Less interest receivable in the year. This includes interest on:

- cash balances,
- loans to other group companies or third parties,
- the interest element on finance leases,
- and other investments.

It should exclude any amounts of interest charges calculated under FRS17.

Note: Net interest charged should be entered as a positive number

Ofwat reference: JR07 T18a, L8

M21.34	Capital allowances - asset life <25 years	£m (3dp)
---------------	---	-----------------

Definition: Total Capital Allowances utilised in the year relating to the general (25%) pool.

Ofwat reference: JR07 T18a, L9

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.35	Capital allowances - asset life >=25 years	£m (3dp)
---------------	--	-----------------

Definition: Total capital allowances utilised in the year relating to the long life (6%) pool.

Ofwat reference: JR07 T18a, L10

M21.36	Industrial building allowance utilised	£m (3dp)
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Definition: Industrial building allowance utilised in the year.

Ofwat reference: JR07 T18a, L11

M21.37	Other deductions	£m (3dp)
---------------	-------------------------	-----------------

Definition: Deductions allowed from trading profit for tax purposes not covered under lines 21.31 to 21.36.

Ofwat reference: JR07 T18a, L12

M21.38	Total deductions	£m (3dp)
---------------	-------------------------	-----------------

Definition: Total deduction from trading profit allowed

Ofwat reference: JR07 T18a, L13

M21.39	Grants and contributions taxable on receipt	£m (3dp)
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Definition: Grants and contributions taxable on receipt

Ofwat reference: JR07 T18a, L14

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.40	Other additions	£m (3dp)
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Definition: Other additions required to trading profits for tax purposes, not covered under line 21.39.

Ofwat reference: JR07 T18a, L15

M21.41	Total additions	£m (3dp)
---------------	------------------------	-----------------

Definition: Total additions required to trading profits for tax purposes.

Ofwat reference: JR07 T18a, L16

M21.42	Trading profit for tax	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Trading profit for tax taking into account all recognised deductions and additions required in the year.

Ofwat reference: JR07 T18a, L17

M21.43	Adjusted trading profit for tax	£m (3dp)
---------------	--	-----------------

Definition: Adjusted trading profit for tax. This line should show the effect of any adjustments to trading profit for tax, e.g. losses brought forward or adjustments arising from the previous year

Ofwat reference: JR07 T18a, L18

M21.44	Current tax charge	£m (3dp)
---------------	---------------------------	-----------------

Definition: The current tax charge on profits from ordinary activities in the report year taken from the submitted computation.

Ofwat reference: JR07 T18a, L19

APPENDIX 2 – Definitions for RAR3 items in M tables

M21.45	Prior Year adjustments	£m (3dp)
---------------	-------------------------------	-----------------

Definition: Any decrease or increase in the report year's current tax charge caused by prior year adjustments

Ofwat reference: JR07 T18a, L20

M21.46	Total current tax charge	£m (3dp)
---------------	---------------------------------	-----------------

Definition: The total current tax charge for the year incorporating the current year's tax charge, prior year's adjustments and payments for group relief.

Ofwat reference: JR07 T18a, L22

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M22
Fixed asset additions and expected depreciation (current cost accounting)

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.1	Very Short	£m (3dp)
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Definition: Capital expenditure on non-infrastructure assets (enhancement) with very short life.

Ofwat reference: JR07 T34, L1

M22.2	Short	£m (3dp)
--------------	--------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (enhancement) with short life.

Ofwat reference: JR07 T34, L2

M22.3	Medium	£m (3dp)
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Definition: Capital expenditure on non-infrastructure assets (enhancement) with medium life.

Ofwat reference: JR07 T34, L3

M22.4	Medium Long	£m (3dp)
--------------	--------------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (enhancement) with medium long life.

Ofwat reference: JR07 T34, L4

M22.5	Long	£m (3dp)
--------------	-------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (enhancement) with long life.

Ofwat reference: JR07 T34, L5

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.6	Land	£m (3dp)
--------------	-------------	-----------------

Definition: Land purchases (net of VAT) for capex enhancement works.

Ofwat reference: JR07 T34, L6

M22.7	Land disposals	£m (3dp)
--------------	-----------------------	-----------------

Definition: Land disposals in connection with capex enhancement works – this should be recorded at their HCA book value (typically the same as the original purchase price).

Ofwat reference: JR07 T34, L7

M22.8	Total	£m (3dp)
--------------	--------------	-----------------

Definition: Net total asset additions (enhancement).

Ofwat reference: JR07 T34, L8

M22.9	Very Short	£m (3dp)
--------------	-------------------	-----------------

Definition: Capital expenditure on non-infrastructure assets with very short life (base service).

Ofwat reference: JR07 T34, L9

M22.10	Short	£m (3dp)
---------------	--------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (base service) with short life.

Ofwat reference: JR07 T34, L10

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.11	Medium	£m (3dp)
---------------	---------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (base service) with medium life.

Ofwat reference: JR07 T34, L11

M22.12	Medium Long	£m (3dp)
---------------	--------------------	-----------------

Definition: Capital expenditure on non-infrastructure assets (base service) with medium long life.

Ofwat reference: JR07 T34, L12

M22.13	Long	£m (3dp)
---------------	-------------	-----------------

Definition: Capital expenditure on non-infrastructure (base service) assets with long life.

Ofwat reference: JR07 T34, L13

M22.14	Total	£m (3dp)
---------------	--------------	-----------------

Definition: Net total asset additions (base service).

Ofwat reference: JR07 T34, L14

M22.15	Very Short	£m (3dp)
---------------	-------------------	-----------------

Definition: The average life of non-infrastructure assets designated to have a very short depreciable life.

Ofwat reference: JR07 T34, L15

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.16	Short	£m (3dp)
---------------	--------------	-----------------

Definition: The average life of non-infrastructure assets designated to have a short depreciable life.

Ofwat reference: JR07 T34, L16

M22.17	Medium	£m (3dp)
---------------	---------------	-----------------

Definition: The average life of non-infrastructure assets designated to have a medium depreciable life.

Ofwat reference: JR07 T34, L1

M22.18	Medium Long	£m (3dp)
---------------	--------------------	-----------------

Definition: The average life of non-infrastructure assets designated to have a medium depreciable life.

Ofwat reference: JR07 T34, L18

M22.19	Long	£m (3dp)
---------------	-------------	-----------------

Definition: The average life of non-infrastructure assets designated to have a long depreciable life.

Ofwat reference: JR07 T34, L19

M22.20	Infrastructure renewals expenditure	£m (3dp)
---------------	--	-----------------

Definition: Infrastructure renewals expenditure

Ofwat reference: JR07 T34, L1

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.21	Infrastructure renewals charge	£m (3dp)
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Definition: Infrastructure renewals charge

Ofwat reference: JR07 T34, L1

M22.22	Infrastructure renewals prepayment/ (accrual)	£m (3dp)
---------------	--	-----------------

Definition: Infrastructure renewals prepayment/ (accrual)

Ofwat reference: JR07 T34, L1

M22.23	Very Short	£m (3dp)
---------------	-------------------	-----------------

Definition: Gross and net book value on assets designated to have a very short life (Columns 1 and 2). Columns 3 to 10 should contain the expected future depreciation for these assets.

Ofwat reference:

M22.24	Short	£m (3dp)
---------------	--------------	-----------------

Definition: Gross and net book value on assets designated to have a short life (Columns 1 and 2). Columns 3 to 10 should contain the expected future depreciation for these assets.

Ofwat reference:

M22.25	Medium	£m (3dp)
---------------	---------------	-----------------

Definition: Gross and net book value on assets designated to have a medium life (Columns 1 and 2). Columns 3 to 10 should contain the expected future depreciation for these assets.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M22.26	Medium Long	£m (3dp)
---------------	--------------------	-----------------

Definition: Gross and net book value on assets designated to have a medium long life (Columns 1 and 2). Columns 3 to 10 should contain the expected future depreciation for these assets.

Ofwat reference: *New line*

M22.27	Long	£m (3dp)
---------------	-------------	-----------------

Definition: Gross and net book value on assets designated to have a long life (Columns 1 and 2). Columns 3 to 10 should contain the expected future depreciation for these assets.

Ofwat reference:

M22.28	Total	£m (3dp)
---------------	--------------	-----------------

Definition: Gross and net book value of all assets with finite life (Columns 1 and 2). Columns 3 to 10 contain the expected future depreciation for these assets.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M23
Interest analysis

APPENDIX 2 – Definitions for RAR3 items in M tables

M23.1	Interest receivable/payable on intercompany balances	£m (3dp)
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Definition: The net of interest payable/receivable on inter-company borrowings/debtors.

Ofwat reference:

M23.2	Interest receivable on short term deposits	£m (3dp)
--------------	---	-----------------

Definition: Interest receivable on short term deposits.

Ofwat reference:

M23.3	Other interest receivable	£m (3dp)
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Definition: Other interest receivable.

Ofwat reference:

M23.4	Other interest payable	£m (3dp)
--------------	-------------------------------	-----------------

Definition: Other interest payable

Ofwat reference:

M23.5	Other finance charges - post employment costs	£m (3dp)
--------------	--	-----------------

Definition: Any 'other finance charges' which relate to post employment cost as defined by FRS17

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M23.6	Other finance charges	£m (3dp)
--------------	------------------------------	-----------------

Definition: Any 'other finance charges' which do not relate to post employment cost as defined by FRS17

Ofwat reference:

M23.7	Total net interest	£m (3dp)
--------------	---------------------------	-----------------

Definition: The sum of all interest charges

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M24
Analysis of primary and secondary income (core services)

APPENDIX 2 – Definitions for RAR3 items in M tables

M24.1	Household measured	£m (3dp)
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Definition: All revenue accrued from the sale of water (columns 1 and 4) and wastewater (columns 2 and 5) to measured households.

Ofwat reference:

M24.2	Household unmeasured	£m (3dp)
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Definition: All revenue accrued from the sale of water (columns 1 and 4) and wastewater (columns 2 and 5) to unmeasured households.

Ofwat reference:

M24.3	Non-Household measured (charges scheme)	£m (3dp)
--------------	--	-----------------

Definition: All revenue accrued from water (columns 1 and 4) and foul wastewater (columns 2 and 5) charged to measured non-households based on an approved Charges Scheme tariff.

Ofwat reference:

M24.4	Non-Household measured (non-charges scheme)	£m (3dp)
--------------	--	-----------------

Definition: All revenue accrued from water (columns 1 and 4) and foul wastewater (columns 2 and 5) charged to measured non-households at non-charges scheme tariffs.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M24.5	Non-Household unmeasured (charges scheme)	£m (3dp)
--------------	--	-----------------

Definition: All revenue accrued from water (columns 1 and 4) and foul wastewater (columns 2 and 5) charged to unmeasured non-households based on an approved Charges Scheme tariff.

Ofwat reference:

M24.6	Non-Household unmeasured (non-charges scheme)	£m (3dp)
--------------	--	-----------------

Definition: All revenue accrued from water (columns 1 and 4) and foul wastewater (columns 2 and 5) charged to measured non-households at non-charges scheme tariffs.

Ofwat reference:

M24.7	Non-Household Roads Drainage	£m (3dp)
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Definition: All revenue accrued for 'roads drainage' charged to non-households.

Ofwat reference:

M24.8	Non-Household Property Drainage	£m (3dp)
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Definition: All revenue accrued for 'property drainage' charged to non-households.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M24.9	Non-Household Trade effluent (Charges scheme)	£m (3dp)
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Definition: All revenue accrued from the reception, treatment and disposal of trade effluent at charges scheme tariffs.

Ofwat reference:

M24.10	Non-Household Trade effluent (Non-charges scheme)	£m (3dp)
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Definition: All revenue accrued from the reception, treatment and disposal of trade effluent at non-charges scheme tariffs.

Ofwat reference:

M24.11	Wholesale revenue (charges scheme)	£m (3dp)
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Definition: Wholesale revenue from licensed retail providers at charges scheme tariffs.

Ofwat reference:

M24.12	Wholesale revenue (non-charges scheme)	£m (3dp)
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Definition: Wholesale revenue from licensed retail providers at non-charges scheme tariffs.

Ofwat reference:

M24.13	Total turnover - primary income	£m (3dp)
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Definition: Total revenue accrued in the year for primary income.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M24.14 – 24.31	Turnover - Other sources (excluding third party services)	£m (3dp)
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Definition: Other sources of revenue (secondary income). Exclude Revenue grants, Rechargeable works, Bulk supplies and Third party services.

Ofwat reference:

M24.32	Total turnover – Other sources	£m (3dp)
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Definition: Total revenue accrued from other sources.

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M25
Bad debt

APPENDIX 2 – Definitions for RAR3 items in M tables

M25.1	Gross debt	£m (3dp)
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Definition: Gross billed debt from household customers

Ofwat reference:

M25.2	Bad debt provision	£m (3dp)
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Definition: Accumulated bad debt provisions (households)

Ofwat reference:

M25.3	Household trade debtors	£m (3dp)
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Definition: Net household trade debtors

Ofwat reference:

M25.4	Gross debt	£m (3dp)
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Definition: Gross debt from licensed retail providers/non-households

Ofwat reference:

M25.5	Bad debt provision	£m (3dp)
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Definition: Accumulated bad debt provisions (retail providers/non-households)

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

M25.6	Wholesale/Non-household trade debtors	£m (3dp)
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Definition: Net Non-household/licensed retail trade debtors (retail providers/non-households)

Ofwat reference:

M25.7	Household	£m (3dp)
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Definition: Bad debt provision in the year (households)

Ofwat reference:

M25.8	Wholesales/Non-household	£m (3dp)
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Definition: Bad debt provisions in the year (non households/licensed retail providers)

Ofwat reference:

APPENDIX 2 – Definitions for RAR3 items in M tables

TABLE M26
Provisions

APPENDIX 2 – Definitions for RAR3 items in M tables

M26.1 to M26.7	Provisions in the year - (classified as 'specific')	£m (3dp)
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Definition: List of provisions classified as 'specific' for tax purposes

Ofwat reference:

M26.8 to M26.14	Provisions in the year - (classified as 'general')	£m (3dp)
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Definition: List of provisions classified as 'general' for tax purposes

Ofwat reference:

APPENDIX 3 - Regulatory accounts – pro forma 3 example disclosure

Reconciliation between Statutory Accounts and Regulatory accounts

£m	Statutory UK GAAP	Regulatory	
<u>Profit and loss account</u>			
Operating profit	258.3	256.3	In the statutory accounts the company classifies rental income of £2.0m as operating income. WICS accounting guidelines state that this should be classified as 'other income' ie below the operating profit line. Profit before tax is unaffected by this re-classification.
Profit before tax	150.2	150.2	
<u>Balance sheet</u>			
Tangible fixed assets (net book value)	3,562.9	3,565.8	In the statutory accounts the company adopts infrastructure accounting as set out in FRS 15. WICS requests that, for regulatory accounting purposes, FRS15 is <u>not</u> applied for infrastructure renewals accounting. The infrastructure renewals accrual of £2.9m is therefore excluded from the fixed asset net book value.
Infrastructure renewals accrual	n/a	(2.9)	
Debtors	362.1	262.1	In the statutory accounts a long term group debtor of £100.0m is disclosed within debtors due after more than one year. Ofwat accounting guidelines state that this should be classified as an investment.
Investments – loan to group company	n/a	100.0	
Deferred income - grants and contributions	n/a	(39.3)	In the statutory accounts deferred income relating to grants and contributions of £39.3m is classified as; - Creditors due within one year £10.8m - Creditors due after more than one year £28.5m