

M Tables – Regulatory Accounts Commentary

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1. General Comments

2010/11 is the second financial year that Scottish Water has prepared its statutory financial statements under International Financial Reporting Standards (IFRS). In preparing the financial results reported in the M Tables, all IFRS adjustments have been excluded, including the adjustments arising from IAS 19 'Employee Benefits'. The 2010/11 statutory financial results included an exceptional item associated with the past service pension costs, under IAS 19, which has also been excluded from the results reported in the M Tables. Therefore the results reported in the M Tables are on a basis consistent with the Delivery Plan.

Details and explanations of the IFRS adjustments within the statutory accounts, including the exceptional item, are provided in Appendix 1.

The consolidation tables – M27 and M28 – include the results of Scottish Water Horizons Limited (SWH) and Scottish Water Horizons Holdings Limited (SWHH) along with Business Stream Holdings Limited (SWBSH) in the Non Core/Non Licensed column, while Business Stream is included in the Licensed column.

2. Results & Reconciliation

SW produces statutory consolidated accounts incorporating the results of all subsidiary companies. The consolidated statements also include the balance sheet (and relevant notes) for SW only ('company'). Detailed reconciliations between the statutory accounts and the regulatory tables are detailed in Appendix 2 to this document.

M Table financial information is for SW only, i.e. excluding SWBSH, SWHH, Business Stream and SWH, and is analysed between Core (= Regulatory business) and the remaining Non Core (= Non regulatory activities) where required. The exceptions to this are:

- tables M18W and M18WW which include the costs of SWH; and
- tables M27 and M28 which provide reconciliations from the SW Core figures to the group consolidated income statement and balance sheet respectively.

Due to some different descriptions and terminology between the regulatory M tables and the statutory accounts, Appendix 2.1 and 2.2 provide reconciliations from the Table M27 totals and M28 totals to the statutory consolidated income statement and consolidated balance sheet, respectively. Appendix 2.3 shows the reconciliation between Table M2 and the statutory "company" balance sheet.

Regulated / Non Regulated have been accounted for separately in SW's general ledger system enabling the production of regulated/non-regulated profit & loss accounts and balance sheets. These form the basis for the historical cost figures and analysis, in particular Tables M1, M2, M27 & M28.

Cost analysis in Tables M18 W and M18 WW was prepared using reports from SW's Activity Based Management (ABM) system. Detailed commentary on ABM methodology and cost allocation is provided in support of the E Tables and is not repeated in this document.

In previous years the closing CCA fixed asset values have been taken from the H Tables. However, as no H Tables have been prepared for the 2010/11 Annual Return, the CCA fixed asset values at 1 April 2010 have been updated by the relevant asset and depreciation movements during 2010/11. Therefore the CCA fixed asset values as at 31 March 2011, for the M Tables, have been calculated using the brought forward balances at 1 April 2010, adjusted by RPI (5.35%), adding the 2010/11 additions, deducting disposals during the year and less the CCA depreciation charge for 2010/11. No revaluation adjustments were required within the fixed asset tables because no revaluation has taken place.

3. Assumptions

Non core tax charge

It has been assumed that there are no brought forward profits/losses or capital allowances for the non core element. The tax charge is based on the actual profit attributable to the non regulatory businesses in 2010/11. (Tables M1, M2)

CCA adjustments

RPI of 5.35% has been used in the relevant adjustments, being the rate as at March 2011.

CCA working capital adjustment

The working capital adjustment has been pro rated between water and waste water based on turnover values. (Table M7, line 7.14)

CCA fixed asset values

Opening CCA fixed asset values have been taken from the H Tables for the year ended 31 March 2010, calculated on a MEAV basis, and agree to the closing fixed asset values reported in the 2009/10 M Tables. The RPI adjustment has been calculated on these opening balances. The additions (to assets under construction) are on a historical cost basis, agreeing to Table 5 of the Q4 Financial Report, and the reclassifications (from assets under construction) are on a historical cost basis. CCA depreciation has been calculated on a consistent basis as in 2009/10, using the % of gross to net book value of 44% of Table H1 as at 31 March 2010.

4.1 Commentary – Tables M1 to M28

This section has comments on individual tables, where it is felt that such narrative will aid understanding, explain significant year-on-year movements or provide additional guidance on how the information was gathered or calculated. There are no comments on the tables which appear self explanatory.

Table M1 – HCA Income & Expenditure Account

The Core information is from the general ledger reports for the Regulated business. The non core information relates to the sundry non regulated activities which remain within Scottish Water.

Scottish Water's regulated operating costs (i.e. excluding depreciation, PFI charges and costs associated with non regulated activities) increased by £25.9m to £327.8m compared to £301.9m in 2009/10. The £25.9m increased cost was due primarily to:

- a £3.8m increase in exceptional winter costs to £6.9m arising from the extreme snow and freezing conditions in November 2010 – January 2011;
- a £4.0m increase in VR and other restructure costs to £14.4m associated with the current business restructuring;
- a £21.4 increase in local authority rates arising from the 2010 rating revaluation, partially off-set by an a-typical credit from a rating appeal against the water undertaking for the 2005-10 period; and
- the £11.8m impact of inflation.

Adjusting for these movements, like-for-like controllable operating costs for 2010/11 were £241.8m reflecting a reduction in real terms of £8.1m (3.2%). The table below summarises this movement:

| | | 2010/11 | 2009/10 | Movement |
|---|--|--------------|--------------|--------------|
| | | £m | £m | fav/(adv) |
| | | | | £m |
| Core operating expenditure - line M1.2 | | 328.5 | 302.5 | -26.0 |
| Less: Internal PFI costs | | -0.7 | -0.6 | 0.1 |
| SW Regulated operating costs | | 327.8 | 301.9 | -25.9 |
| Winter costs (a-typical) | | -6.9 | -3.1 | 3.8 |
| VR and other restructure costs | | -14.4 | -10.4 | 4.0 |
| New Opex | | -2.0 | -0.9 | 1.1 |
| Average inflation (4.96%) | | - | 11.8 | 11.8 |
| | | 304.5 | 299.3 | -5.2 |
| LA rates | | -55.7 | -34.3 | 21.4 |
| Add back one-off rates credit (a-typical) | | 7.4 | - | -7.4 |
| SEPA and WIC costs | | -14.4 | -15.1 | -0.7 |
| Like-for-like real controllable costs | | 241.8 | 249.9 | 8.1 |

The cost of the PFI schemes in the year was £138.2m (excluding PFI team costs), £3.7m higher than in 2009/10.

Depreciation, including the infrastructure renewals charge and amortisation charges, increased by £17.2m to £318.7m, predominantly as a consequence of the capital investment programme.

Other operating income of £5.8m (line 1.8) was the gain on disposal of fixed assets, £4.2m higher than in 2009/10.

The net interest charge was £155.4m (2009/10: £155.2m) (line 1.11). The increase of £0.2m reflected the drawdown of the new borrowings offset by lower interest rates and higher interest received.

SW's total tax charge, on a regulatory basis, was £41.1m, an effective rate of 35.8% (2009/10: £33.3m, 19.1%). The effective rate for the year was adversely impacted by prior year adjustments primarily associated with lower capital allowances claimed on work-in-progress in the 2009/10 tax computation. This was partly offset by the re-measurement of deferred tax balances as a result of the change in the UK corporation tax rate from 28% to 26% that will be effective from April 2011. The effective rate for 2009/10 was favourably impacted by prior year adjustments related to increased capital allowances claimed on work-in-progress in the 2008/09 tax computation.

Table M2 – HCA Balance Sheet

Core / Non core information is from the general ledger reports. The non core information relates to the sundry non regulated activities which remain within Scottish Water following the transfer of the majority of the non regulated activities to SWH on 1 April 2008.

The main differences from the statutory HCA balance sheet are due to the IFRS adjustments in respect of infrastructure assets and PFI assets. These are explained in more detail in Appendix 1. In addition, the Infrastructure Renewals accrual is recognised separately in the M Tables (£28.9m, line 2.14).

Investment – other (line 2.3) is the investment in SWBSH of £34.6m and the investment in SWHH of £3.0m.

Debtors have remained constant at £51.4m (line 2.6) due to:

- lower prepayments and other short term debtors (from £7.6m to £5.3m; Table M11, line 11.6) due to lower IT service contract prepayments; and
- lower household trade debtors (from £28.0m to £27.7m; Table M11, line 11.2);

offset by:

- an increase in non trade debtors (from £11.4m to £13.2m; Table M5, line 5.12) being higher VAT receivable outstanding from HMRC; and
- higher other trade debtors (from £4.4m to £5.2m; Table 11, line 11.4).

Cash at bank increased by £98.7m to £252.2m, reflecting the drawdown of the available lending allocation of £106.0m from the Scottish Government in 2010/11. However, as no new borrowing will be available in 2011/12, cash is forecast to decrease substantially during 2011/12.

Post employment liability (line 2.27) is blank due to the IAS 19 pension liability being excluded from the M Tables. This approach is consistent with the exclusion of all other statutory adjustments required under IFRS and consistent with the presentation in 2009/10.

Other provisions (line 2.28) have decreased by £11.3m to £41.8m due primarily to net decreases in the reorganisation (£7.7m) and wholesale income uncertainty provisions (£3.7m).

Table M3 – HCA Balance Sheet – Reconciliation to Statutory Accounts

This provides a summary of the main reconciling items. The Profit and Loss section (lines 3.1-3.5) reconciles the statutory Group consolidated figures to Table M1 Core figures, because no profit and loss figures are provided for SW company in the statutory accounts. However, more details have been given in the appendices – 2.1, 2.2 and 2.3. The balance sheet section (lines 3.8-3.15) reconciles SW Company figures from the statutory accounts to Table M2 Core figures.

Table M4 – CCA Income & Expenditure Account

The only differences between the HCA and CCA Income and Expenditure Accounts are due to the CCA adjustments.

- CCA depreciation is calculated based on the brought forward CCA net book values. The net/gross % per the H Tables at March 2010 indicates 44.1% of the average useful life remains.
- The index applied is the RPI at 31 March 2011 of 5.35%.
- The amortisation of deferred income (grants and contributions) is adjusted for indexation.
- The working capital adjustment is the index applied to the opening (operating) working capital (as in Table M11).
- The financing adjustment is the index applied to the opening net finance amount for SW.

Table M5 – CCA Balance Sheet

Tangible assets balance (line 5.1) equals the calculated rolled forward net MEAV plus the value of assets in the course of construction (£0.9bn).

Third party contributions (line 5.2) include the index-adjusted value of both grants and contributions.

Non trade debtors (line 5.12) is VAT receivable at March.

Other creditors due after one year (line 5.20) consists of payments received in advance (£37.8m).

The other provisions total of £41.8m (line 5.24), a reduction of £11.3m compared to 2009/10, is made up of reorganisation (£37.8m), income uncertainty (£3.4m) and other (£0.6m):

Reorganisation: VR and related pension payments made during the year of £18.3m were partly offset by additional VR charges for pension costs and staff redundancies, due to the ongoing restructuring of the business, of £10.6m.

Income uncertainty: This provision relates to uncertainty around the wholesale/non-domestic income. Although progress has been made stabilising the settlement process, the balance of £3.4m (2010: £7.1m), covers a number of issues which could impact on the out-turn positions of the revenue in respect of the 3 financial years since market opening. The main areas covered by the provision are:

| | £m |
|---|------------|
| Provision for vacants / gap site - projects forecast | 0.4 |
| New connections - project forecast | -1.2 |
| Properties still to be turned to vacant | 2.1 |
| Burst allowance due to severe weather | 0.5 |
| Other settlement & general data issues, including CMA audit | 1.6 |
| | 3.4 |

The income & expenditure reserve (line 5.28) is the total of the reserve brought forward from 31 March 2010 and the CCA profit for 2010/11.

The movement in the current cost reserve (line 5.29) is due to the CCA inflation adjustments calculated on the opening balances (at 1 April 2010) of fixed assets, working capital, financing and grants and third party contributions. The table below shows the reconciliation.

| M Table | | | | | | | |
|-----------------|--|--|--|--|--|--|-------------------|
| line no. | | | | | | | £m |
| 5.29 | Balance at 1 April 2010 | | | | | | 35,535.623 |
| | <i>Inflation adjustments:</i> | | | | | | |
| 8.3/8.10 | Fixed assets | | | | | | 2,075.902 |
| 7.14 | Working capital adjustment | | | | | | -12.430 |
| 4.14 | Financing adjustment | | | | | | -3.317 |
| | Grants & 3rd party contributions adjustments | | | | | | -1.188 |
| 5.29 | Balance at 31 March 2011 | | | | | | <u>37,594.590</u> |

The detailed calculations for the financing adjustment and grants and third party contributions are provided in the tables below.

| M Table line no. | | 1 April 2010 £m | RPI % | Financing adjustment £m | M Table line no. |
|-------------------------|---------------------------|----------------------------|------------------|--|-----------------------------|
| 5.26 | Net assets employed | 39,403.480 | | | |
| 5.8 | Net operating assets | 39,805.490 | | | |
| | | -402.010 | | | |
| 5.22 | Deferred tax - add back | 339.982 | | | |
| | Net finance | <u>-62.028</u> | 5.35% | <u>-3.317</u> | 4.14 |
| | | | | | |
| | | | | Grants & 3rd party contrib. | |
| | | | | adjustment | |
| M Table line no. | | 1 April 2010 £m | RPI % | £m | |
| 5.2 | Third party contributions | <u>-22.221</u> | 5.35% | <u>-1.188</u> | |

Table M6 – CCA Cash Flow

Interest paid (line 6.5) includes intercompany interest paid to Business Stream of £0.1m in relation to the settlement of wholesale billing and reconciliation process.

The gross cost of fixed assets purchased (line 6.9) relates to the additions within the 'Assets in the course of construction' (AUC) column of Table M8. All additions to fixed assets are entered in AUC before being reclassified to the appropriate fixed asset category when they come into beneficial use. As the exact categorisation of fixed assets (including the split between base and enhancement for infrastructure assets) is not determined until they come into beneficial use, it is not possible to analyse the cash payments relating to fixed assets between lines M6.9 and M6.11. Accordingly, all cash payments are shown in line M6.9 and reconcile to the additions to fixed assets in Table M8 (line 8.5) as follows:

| | | | | M Table / line ref | | £m |
|--------------|---|--|--|---------------------------|---------|-------------------|
| | Opening short term capital creditor | | | M11.10 | (09/10) | 129.651 |
| Add: | Additions - gross per table below | | | | | ** 448.065 |
| Less: | Closing short term capital creditor | | | M11.10 | (10/11) | 139.812 |
| => | Cash payments - gross | | | M 6.9 | | 437.904 |
| | | | | | | |
| | Additions to fixed assets - net cost | | | M 8.5 | | 437.003 |
| Add: | Infrastructure income & customer contributions | | | | | 2.866 |
| | Additions to fixed assets - gross cost | | | | | 439.869 |
| Add: | PFI investment (Seafield odour improvement project) | | | | | 8.196 |
| | Total additions | | | | | ** 448.065 |

Furthermore, in 2010/11 £8.2m was invested in the Seafield odour improvement project, thereby increasing PFI assets. This investment has been included in the gross cost of fixed assets purchased within the cash flow (line 6.9) as shown in the table above.

Table M7 – Analysis of Turnover and Operating Income

Turnover from services supplied to household customers increased by £6.1m, or 0.8%, to £743.5m reflecting the increase in connected properties and the tariff freeze effective from 1 April 2010. Turnover from wholesale services provided to Licensed Providers decreased by £22.2m, or 6.8%, to £302.4m driven primarily by the reduction in regulated wholesale charges. Turnover from other sales reduced by £0.3m to £3.9m.

Table M8 – CCA Analysis of Fixed Assets by Asset type (Core)

For Water Services and Sewerage Services columns, the opening (lines 8.1 & 8.14) values in Table M8, agree to the values in Table H1 as at 31 March 2010. The additions in the year are at actual net cost. The inflation adjustment figures (lines 8.3 & 8.10) are the indexing of the brought forward values, using RPI of 5.35%. There are no values shown for the investment plan adjustment (lines 8.2 & 8.9) as there has been no revaluation carried out as at 31 March 2011 (i.e. no updated H Tables).

The H Tables categorise the assets into water / wastewater non infrastructure, water / wastewater infrastructure and support services. In Table M8 the support services have been allocated between water and wastewater based on their HCA values.

SW's additions to fixed assets are entered firstly to assets in the course of construction (AUC) then, on beneficial use, reclassified to the appropriate asset category. All values for AUC are HCA.

The CCA depreciation is calculated based on the brought forward CCA net book values. The net/gross % per the H Tables at March 2010 indicates 44.1% of the average useful life remains. The index applied is the RPI of 5.35%. For additions during the year, half of the actual cost (i.e. assuming additions are in use for half of the year, on average) and the relevant average useful lives are the basis, with no indexing. The total CCA depreciation charge reconciles with the forecast charge per Table M22 in the 2009/10 M Tables as follows:

| | Line ref | £m |
|--|----------------|--------------|
| CCA depreciation charge for 2010/11 per 2009/10 Table M22 | M22.28 (09/10) | 237.3 |
| Indexation at 5.35% | | 12.7 |
| | | 250.0 |
| CCA depreciation on additions to fixed assets during 2010/11 | | 14.7 |
| | M4.4 / M8.12 | 264.7 |

Table M11 – CCA Working capital

Trade debtors decreased by £0.3m to £27.7m. The table below provides a breakdown of the household gross balances and bad debt provisions by age:

| | 96/06 £m | 06/07 £m | 07/08 £m | 08/09 £m | 09/10 £m | 10/11 £m | Total £m |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross Debt | 167.7 | 26.4 | 28.8 | 33.3 | 37.9 | 54.5 | 348.6 |
| Bad Debt Provision | (165.4) | (25.5) | (27.6) | (31.3) | (33.7) | (37.4) | (320.9) |
| Net Debt | 2.3 | 0.9 | 1.2 | 2.0 | 4.2 | 17.1 | 27.7 |

Other trade debtors relate to sundry and non primary wholesale billing.

The decrease in prepayments and other short term debtors (line 11.6) was due to lower IT service contract prepayments.

The wholesale charge prepayment of £24.1m at March 2011 is the total of the provisional invoices for April 2011.

Capital creditors consist of the balances due to SW Solutions and SW Solutions 2 (£19.1m and £15.3m respectively) and capital creditors and accruals relating to third parties (£105.4m).

A separate reconciliation (Appendix 2.4) has been prepared showing reclassifications from the statutory basis of receivables and payables into regulatory CCA working capital (operating items) and non operating debtors and creditors. (Tables M11 & M5).

Table M13 – Reconciliation of Current Cost operating surplus to net cash flow from operating activities

The working capital movement (line 13.3) is the movement in the working capital totals (Table M11) excluding the short term capital creditors – see table below:

| | M Table Line ref | 2009/10 £m | 2010/11 £m | Mvmt £m |
|------------------------------|---------------------|---------------|---------------|-------------|
| Total working capital | M11.13 | -232.5 | -239.6 | 7.1 |
| Short-term capital creditors | M11.10 | 129.7 | 139.8 | -10.1 |
| Movement in working capital | M13.3 | | | -3.0 |

Table M18B W – Analysis of fixed assets – Water Service

The information presented here is a more detailed analysis of the non infrastructure and infrastructure water assets provided in Table M8. The opening (lines 18b.1 & 18b.16) balances agree to the values in Table H1 at 31 March 2010. The Table H1 figures for water storage (H1.2) and water resources (H1.4) are combined under “Sourcing”; water treatment works (H1.1) is “Treatment”; water pumping (H1.3) and water mains (H1.5) are “Water distribution”. Support service assets are not included in Table M18b.

Additions/reclassifications from AUC are at actual cost. As in Table M8, the RPI of 5.35% was applied to the opening balances to calculate the RPI adjustment (lines 18b.3 & 18b.11). There are no values shown for the investment plan adjustment (lines 18b.2 & 18b.8) as there has been no revaluation carried out as at 31 March 2011 (i.e. no updated H Tables).

Table M18B WW – Analysis of fixed assets – Waste water Service

The information presented here is a more detailed analysis of the non infrastructure and infrastructure waste water assets provided in Table M8. The opening (lines 18b.1 & 18b.16) balances agree to the values in Table H1 at 31 March 2010. The Table H1 figures for waste water infrastructure (H1.6, H1.7 & H1.8) and sewage pumping (H1.9) are combined under “Sewerage”; sewage treatment works (H1.10) is “Sewage treatment”; sludge treatment facilities (H1.11) is “Sludge treatment & disposal”. Support service assets are not included in Table M18b.

Additions/reclassifications from AUC are at actual cost. As in Table M8, the RPI of 5.35% was applied to the opening balances to calculate the RPI adjustment (lines 18b.3 & 18b.11). There are no values shown for the investment plan adjustment (lines 18b.2 & 18b.8) as there has been no revaluation carried out as at 31 March 2011 (i.e. no updated H Tables).

Table M19 – Statement of total recognised gains and losses (core)

As all IFRS adjustments have been excluded in the preparation of the M Tables, Table 19 only includes the profit for the year. There are no other recognised gains or losses which need to be noted here in a regulatory accounting context.

Table M22 – Fixed asset additions and expected depreciation (CCA)

The non infrastructure additions (line 22.8) are the amounts reclassified from AUC, as described above. These figures agree to the reclassifications in Table M8 (line 8.6) for non-infrastructure assets and support services, as split between water and sewerage services. The following table provides the reconciliation of the reclassifications in Table M8 (line 8.6) to the ‘additions’ in Table M22:

| | Line ref | Col ref | Water £m | Waste water £m | Total £m |
|---|---------------|------------|----------------|-------------------|----------------|
| Non infrastructure assets | M8.6 | F / J | 254.824 | 109.121 | |
| Support services | M8.6 | H / L | 14.916 | 14.491 | |
| Additions per Table M22 | M22.8 | I / J | 269.740 | 123.612 | 393.352 |
| Infrastructure assets - enhancement | M8.6 | G / K | 49.636 | 77.989 | |
| Total | M8.6 | I / M | 319.376 | 201.601 | 520.977 |
| Infrastructure assets - base | M22.20 | | | | 56.922 |
| Total reclassifications from AUC | M8.6 | N | | | 577.899 |

The figures in the section “Infrastructure renewals charges, expenditure and provision”, (lines 22.20 – 22.22), are the movements during 2009/10 and 2010/11. Therefore the resulting total is not the closing balance as given in the balance sheets at 31 March 2011. The table below shows the full reconciliation:

| Infrastructure renewals | 31 March 2010 | 2010/11 movements | M22 refs | 31 March 2011 | M2 / M5 refs |
|--------------------------------|----------------------|--------------------------|-----------------|----------------------|---------------------|
| - Expenditure | 945.131 | 56.922 | 22.20 | 1,002.053 | |
| - Charges | -926.400 | -104.600 | 22.21 | -1,031.000 | |
| Prepayment / (accrual) | 18.731 | -47.678 | 22.22 | -28.947 | 2.14 / 5.7 |

In the section “Expected depreciation on closing assets as of 31 March 2011”, (lines 22.23 – 22.28), the gross book values and net book values are taken from Table M8. The forecast depreciation charges are calculated using the NBV at 31 March 2011 and 44% of the average useful lives remaining.

Table M27 – Consolidated HCA Income & Expenditure Account

The intercompany items being visibly eliminated (in col 3) on this table are the intercompany wholesale income in SW and the intercompany cost of sales in Business Stream. Due to an adjustment to Business Stream’s cost of sales relating to the reconciliation process, there is an intercompany profit elimination along with the related tax impact. The intercompany interest between SW and Business Stream already eliminates across line 27.11.

Non core / non licensed includes the remaining non regulatory business within SW (as per table M1), the results for the 2 holdings companies (SWBSH & SWHH - interest and taxation) and SWH.

For 2010/11 Business Stream declared a dividend of £3.3m, payable to SWBSH. This eliminates across row 27.18.

Appendix 2.1 provides a reconciliation between Table M27 and the statutory consolidated income statement. The differences are due to the IFRS entries, along with different terminology and descriptions being used.

Table M28 – Consolidated HCA Balance Sheet

The intercompany items being visibly eliminated are:

- intercompany debtor and creditor balances (lines 2.6 & 2.15);
- intercompany profit elimination and related tax impact; and
- investments in subsidiary companies and the relevant share capitals (lines 2.3 & 2.30).

The intercompany loans eliminate across line 2.2.

Non core / non licensed includes the remaining non regulatory business within SW (as per table M2), the balance sheets for the 2 holdings companies (SWBSH & SWHH – intercompany loans, investment in subsidiary, intercompany debtors and creditors, taxation, share capital and reserves) and SWH.

Appendix 2.2 provides a reconciliation between Table M28 and the statutory consolidated balance sheet. The differences are due to the IFRS adjustments in addition to reclassifications and grouping of various items.

4.2 M Table 18W & 18WW detailed commentary

Methodology & Cost Allocation

Cost analysis in M Tables (M18W, M18WW) was prepared using reports from Scottish Water's Activity Based Management (ABM) systems.

Detailed commentary on ABM methodology and cost allocation is provided in support of table E and is not repeated in this document.

Trading Results & Reconciliation

Scottish Water Horizons Holdings Limited (SWHH) and Scottish Water Horizons Limited (SWH), were established and commenced trading on 1 April 2008. SWHH is the intermediate holding company and owns 100% of the shares in SWH which is the operating company. SWH is responsible for the majority of the Scottish Water Group's Non Regulated activities.

Business Stream is a fully owned subsidiary of Scottish Water. Scottish Water produces group consolidated accounts incorporating the results of Business Stream. E & M18 Table financials are produced for Scottish Water Regulated and Non Regulated activity, excluding Business Stream.

To aid comparison, the table below summarises Scottish Water consolidated results, Scottish Water company and Scottish Water Horizons results.

| SW Group Statutory Accounts: | | | |
|-------------------------------------|---|-----------|--------------|
| | | £m | £m |
| | Cost of sales | 674.4 | |
| | Administration expenses | 114.7 | |
| | SW Group Expenditure - before exceptional item (IFRS) | | 789.1 |
| <i>Less</i> | Business Stream | | (28.1) |
| <i>Less</i> | SW - IAS 19 adjustment | | (2.3) |
| <i>Add</i> | SW - other IFRS adjustments | | 40.0 |
| | Total expenditure (excluding IFRS & Business Stream) | | 798.7 |
| Represented by | | | |
| | SW Regulated | | 779.6 |
| | SW Non Regulated | | 2.0 |
| | Horizons | | 17.1 |

E & M18W & WW Tables include the costs of Scottish Water (Core / Regulated), Scottish Water (Non Regulated) and Scottish Water Horizons (Non Regulated). The costs of business retail activity undertaken by Business Stream are not reported in Scottish Water's E or M tables.

Scottish Water company and Scottish Water Horizons combined results are summarised and reconciled below, to E tables (including equivalent E1 & E2 tables removed from this year's Annual Return) and the regulatory account tables M18 (W & WW).

| (£m) | SW & SWH* | Diff SW/SWH - M18 | M18W/WW Tables | | | Diff M18 - E1/2/3a | E1/2/3a Tables Total |
|-----------------------------|--------------|-------------------------|----------------|--------------|--------------|--------------------------|----------------------------|
| | | | Total | M18 W | M18 WW | | |
| Employment | 144.2 | | 344.7 | 200.7 | 144.0 | | 326.4 |
| Other | 202.7 | | | | | | |
| Opex | 346.9 | 2.2 | 344.7 | 200.7 | 144.0 | 18.3 | 326.4 |
| PFI | 138.8 | (3.4) | 142.2 | 0.0 | 142.2 | 0.0 | 142.2 |
| IMC | 104.6 | 0.3 | 104.3 | 66.4 | 37.9 | 0.0 | 104.3 |
| Depreciation | 213.3 | | 209.8 | 101.3 | 108.5 | | 208.9 |
| Grant Amortisation | (1.1) | (0.4) | (1.1) | (0.7) | (0.4) | 0.8 | (0.9) |
| Amort PFI | 1.9 | | 0.0 | | | | 0.0 |
| Gain on assets | (5.8) | | 0.0 | | | | 0.0 |
| Expenditure | 798.7 | (1.3) | 800.0 | 367.8 | 432.2 | 19.1 | 780.8 |
| Explained by | | | | | | | |
| Charges to SWBS for support | | 1.3 | | | | | |

* Excludes Business Stream, IFRS & IAS19

The line differences are table presentation differences explained as follows:

- £3.4m difference between our Board report and M18 Tables re PFI costs is due to transfer of costs from Customer Operations for Intersite Sludge Tankering from Scottish Water wastewater treatment works to PFI works (£2.7m), terminal pumping station costs pumping to PFI works (£0.5m) and support costs for the PFI team (£0.2m).
- £1.3m of Scottish Water expenditure has been charged to Business Stream under Service Agreements. This cost has been netted off Scottish Water's expenditure in line with group inter-company transaction reporting. However, for the purposes of regulatory reporting this expenditure has been added back to report the full costs of providing these third party services.
- £19.1m Non Regulated expenditure is included in M18 Tables but is excluded from E Tables.

M18 Commentary

Total operating costs excluding PFI costs and exceptional items increased by £36.0m (5.8%) to £657.7m.

| | 2010/11 £m | 2009/10 £m | Variance £m |
|--------------------------------------|----------------|----------------|-----------------|
| Functional costs - Water M18w.34 | 137.158 | 129.618 | (7.540) |
| Operating costs - Water M18w.43 | 63.488 | 52.650 | (10.838) |
| Capital maintenance - Water M18w.54 | 167.120 | 155.204 | (11.916) |
| Functional costs - Waste M18ww.35 | 253.267 | 246.710 | (6.557) |
| Operating costs - Waste M18ww.44 | 33.017 | 30.937 | (2.080) |
| Capital maintenance - Waste M18ww.55 | 145.917 | 145.037 | (0.880) |
| | 799.967 | 760.156 | (39.811) |
| exclude PFI included in M18ww.35 | 142.236 | 138.459 | (3.777) |
| | 657.731 | 621.697 | (36.034) |
| Remove Exceptional costs | 0.000 | 0.000 | +0.000 |
| | 657.731 | 621.697 | (36.034) |

Detailed commentary on wholesale operating costs and efficiencies is provided in support of Annual Return Table E and is not repeated in this document.

More detailed commentary on Non Regulated and Retail activities is provided in this document.

Activity Analysis

| | 2010/11 £m | 2009/10 £m | Variance £m |
|---------------------------|----------------|----------------|-----------------|
| Non Regulated | 19.135 | 21.194 | +2.059 |
| Wholesale (excluding PFI) | 589.474 | 549.031 | (40.443) |
| Retail | 49.122 | 51.472 | +2.350 |
| | 657.731 | 621.697 | (36.034) |

Non Regulated activity costs have decreased by £2.1m (9.7%) from 2009/10 to £19.1m (£2.1m Scottish Water, £17.0m Horizons). Non Regulated turnover decreased by £2.2m from £21.9m in 2009/10 to £19.7m in 2010/11.

Direct costs have decreased by £1.3m (8.6%), General & Support decreased by £0.3m (6.3%) and other operating expenditure has decreased by £0.3m (20.1%).

The key movements in Non Regulated Operating Costs from 2009/10 were:

- VR and Restructuring costs of £0.7m associated with the Horizons Utilities division;
- Third Party Waste has increased by £1.0m (hired and contracted £1.0m) due to the new anaerobic digestion plant at the Deerdykes composting centre, and new Food Waste collection contracts with Edinburgh and Stirling councils;
- External developer consultancy has decreased by £1.6m (hired and contracted £1.5m) as a result of the continued housing market downturn;

- The level of recoverable works has decreased by £0.7m (hired and contracted £0.6m), reflecting less damage to our assets by third parties; and
- The bad debt charge for 2009/10 included the write-off on a rechargeable job following liquidation of a contractor of £0.7m.

Wholesale activity cost movements are explained in support of Annual Return Table E and are not repeated in this document.

Retail activity costs have decreased by £2.4m (4.6%) to 49.1m.

| | 2010/11 £m | 2009/10 £m | Variance £m |
|-----------------------------|---------------|---------------|----------------|
| Domestic | 41.209 | 43.707 | +2.498 |
| Non Domestic - Measured | 4.198 | 4.317 | +0.119 |
| Non Domestic - Non Measured | 3.715 | 3.448 | (0.267) |
| | 49.122 | 51.472 | +2.350 |

Domestic customer retail total operating costs have decreased by £2.5m (5.7%).

The key movements from 2009/10 were:

- The household bad debt charge has decreased by £2.0m reflecting the better than expected collection rates of prior year debt; and
- A decrease in domestic billing collection costs of £0.3m.

Non domestic customer retail total operating costs have increased by £0.1m (1.9%) to £7.9m (£4.2m measured and £3.7m unmeasured).

The key movements from 2009/10 were:

- Cost of Regulation has increased by £0.2m mainly due to an increase in CMA costs of £0.1m;
- Costs of wholesale – manage billing data - have increased by £0.7m mainly due to increased activity associated with the vacancy review project, gap site processing and field work, and data analysis and correction.
- Decrease in the cost of services provided to Business Stream under service agreements. This cost has been netted off Scottish Water's expenditure for the purposes of group reporting. However, for the purposes of regulatory reporting this expenditure has been added back to report the full costs of providing these third party services. This is split £0.6m operating expenditure (2010: £1.3m) and £0.6m capital maintenance (2010: £0.7m). Core Third Party retail costs have therefore decreased by £0.8m. This decrease in charges reflects Business Stream's move to source more support services from third parties outwith the SW Group

Since the transfer of business retail activity to Business Stream, the majority of Non Domestic costs are incurred in 3 main areas:

- Scottish Water's Wholesale Revenue Management team which is responsible for wholesale billing and account management, and interface with Licensed Providers and the Central Market Agency (CMA);
- The CMA costs charged to Scottish Water for the set up and operation of the CMA systems and processes; and to a lesser extent
- The cost of providing services to Business Stream under service agreements.

Scottish Water does not have access to business customer details. However, Scottish Water does have knowledge of properties and services. Therefore the costs of activities are allocated to customer and service, primarily on the basis of properties and services volumes, except where activities are clearly attributable to one service.

The cost of handling customer calls has been split by service based on the number of calls. Licensed Providers are responsible for handling calls from business customers. The cost of initial customer contact related to wholesale activities will be incurred by Licensed Providers. However, where Licensed Providers require information or action from the wholesaler, this is the responsibility of the wholesaler. In this case the costs of calls are included under wholesale activities, e.g. water distribution includes the cost of all customer contact on this type of activity, e.g. low pressure calls, water rising calls. Therefore, no cost is shown in line M18WW.29 and M18W.28 under retail.

| Retail | 2010/11 | 2010/11 | 2009/10 | 2009/10 |
|---------------------------|----------------------|----------------|----------------------|----------------|
| | £m | % | £m | % |
| Water - Domestic | 20.351 | 41% | 21.544 | 42% |
| Water - Non Domestic | 3.839 | 8% | 3.687 | 7% |
| Wastewater - Domestic | 20.858 | 43% | 22.163 | 43% |
| Wastewater - Non Domestic | 4.074 | 8% | 4.078 | 8% |
| | <u>49.122</u> | | <u>51.472</u> | |

The split of Retail operating costs between water and wastewater level has remained consistent with 2009/10 (49% water, 51% wastewater).

Scottish Water IFRS adjustments

Introduction

2010/11 is the second financial year that Scottish Water has prepared its statutory financial statements under International Financial Reporting Standards (IFRS). In preparing the financial results reported in the M Tables, the IFRS adjustments have been backed out and are summarised below. These adjustments form the reconciling adjustments in Appendix 2.1.

| <i>Favourable / (unfavourable) impact on surplus before tax</i> | | £m | Note ref. |
|---|--|-------------|-----------|
| IAS 19 | Pension & holiday pay adjustments | (10.4) | 1. |
| IAS 16 | Infrastructure assets - depreciation & maintenance | 13.2 | 2. |
| IFRIC 12 | PFI costs - depreciation & lease liability | (0.5) | 3. |
| Scottish Water - IFRS adjustments before exceptional item | | 2.3 | |
| Business Stream - IAS 19 adjustments (net) | | (0.1) | |
| IFRS adjustments excluding exceptional item per Appendix 2.1 | | 2.2 | |
| <i>Exceptional items</i> | | | |
| Scottish Water - IAS 19 pension adjustment | | 82.4 | |
| Business Stream - IAS 19 pension adjustment | | 0.6 | |
| IFRS adjustments - exceptional item per Appendix 2.1 | | 83.0 | 1. |
| IFRS adjustments - total | | 85.2 | |

Notes

In the following notes the bracketing convention means:

- favourable / (unfavourable) impact on the surplus in the income statement; and
- debit / (credit) in the balance sheet.

1. IAS 19 'Employee benefits'

Pension charges are calculated under IAS 19. In the statutory income statement, the adjustments impact on cost of sales and finance costs. In the balance sheet, retirement benefit obligations are shown within non-current liabilities. IAS 19 also requires the calculation of a holiday pay accrual to provide for the potential cost of annual leave not taken by employees by the end of the financial year. The tables below provide details of the IAS 19 adjustments within Scottish Water.

| <i>Adjustments in statutory accounts:</i> | | £m |
|--|----------------------------------|--------|
| <i>Income statement</i> | | |
| Cost of sales | Staff costs - holiday pay charge | 0.1 |
| CoS / Admin | Staff costs - pension costs | (2.4) |
| Finance costs - net | | (8.1) |
| Impact on surplus before tax - before exceptional item | | (10.4) |
| Exceptional item | | 82.4 |
| Impact on surplus before tax - after exceptional item | | 72.0 |

| | | | |
|---|--|--|---------|
| <i>Balance sheet</i> | | | |
| Retirement benefit obligations (/Post employment liabilities) | | | (281.9) |
| Deferred taxation on retirement benefit obligations | | | 73.3 |
| Retirement benefit obligations - net | | | (208.6) |
| Trade & other payables - holiday pay accrual | | | (1.8) |

Exceptional item - With effect from 1 April 2010, following the announcement made on 22 June 2010 as part of the Emergency Budget, increases to Local Government Pension Scheme benefits in accordance with the Pensions (Increase) Act 1971 are now based on the Consumer Price Index (CPI) and will no longer be related to the Retail Price Index (RPI). This change has reduced Pension Scheme liabilities and reduced past service costs by £83.0m before deferred tax. In line with the relevant guidance, this benefit was recognised in the accounting period. However, given the exceptional nature of this benefit, it was recognised as an exceptional item in the statutory income statement. The recognised income benefit has no beneficial impact on cash in the year. The cash benefit will be reflected through lower pension contributions made in future years.

2. IAS 16 'Property, plant & equipment'

In previous years the main difference between the fixed assets in the statutory accounts and the M Tables has been the recognition of the Infrastructure Renewals Prepayment/Accrual in a separate line. Under IAS 16 infrastructure renewals accounting is not permitted and infrastructure assets are depreciated over the estimated economic lives of the identified components of the network. Expenditure which is judged to enhance the asset base, or where it is probable that future economic benefits will flow to Scottish Water, is capitalised. All other expenditure is charged as an operating cost.

| | | | |
|---|---|--|--------|
| <i>Adjustments in statutory accounts:</i> | | | £m |
| <i>Income statement</i> | | | |
| Cost of sales | Repairs & maintenance | | 27.1 |
| | Depreciation | | (13.9) |
| Impact on surplus before tax | | | 13.2 |
| <i>Balance sheet</i> | | | |
| Property, plant & equipment | | | |
| | Cumulative adjustment as at 31 March 2011 | | (22.1) |

3. IAS17 'Leases' & IFRIC 12 'Service concession arrangements'

Under IFRIC 12, the PFI service concession agreements have been classified as finance leases resulting in the PFI assets being brought on to Scottish Water's statutory balance sheet. Assets held under finance leases are recognised as part of the property, plant and equipment of the company and depreciated accordingly. The corresponding finance lease liability is included in the balance sheet as a finance lease obligation, within other loans and borrowings. The PFI costs incurred are broken down into three categories: operating costs, finance costs and reduction of the finance lease obligation. The operating and finance costs are charged directly to the income statement.

| <i>Adjustments in statutory accounts:</i> | | | £m |
|---|-------------------------|--------------------|---------|
| <i>Income statement</i> | | | |
| Cost of sales | PFI costs reallocated | | 42.1 |
| | Depreciation | | (15.3) |
| Finance costs - net | | | (27.3) |
| Impact on surplus before tax | | | (0.5) |
| <i>Balance sheet</i> | | | |
| Property, plant & equipment | | | |
| | Leased assets | | 390.9 |
| | Owned assets | (reclassification) | 41.7 |
| | | | 432.6 |
| Other loans & borrowings | | | |
| | Finance lease liability | < 1 year | (14.6) |
| | | > 1 year | (430.9) |
| | | total | (445.5) |

The following tables provide a reconciliation of the IFRS adjustments detailed above to the IFRS adjustment totals shown in Appendix 2.1.

| | | | | £m | Note ref. |
|--|---|--|--|---------------|-----------|
| <i>IFRS adjustments to Cost of sales and Administrative expenses</i> | | | | | |
| IAS 19 | Staff costs - holiday pay charge (SW) | | | 0.1 | 1. |
| | Staff costs - pension costs (SW) | | | (2.4) | 1. |
| | Staff costs - pension costs (Business Stream) | | | (0.1) | |
| IAS 16 | Repairs & maintenance | | | 27.1 | 2. |
| | Depreciation | | | (13.9) | 2. |
| IFRIC 12 | PFI costs reallocated | | | 42.1 | 3. |
| | Depreciation | | | (15.3) | 3. |
| | | | | 37.6 | |
| <i>IFRS adjustments to Finance costs</i> | | | | | |
| IAS 19 | Pension scheme - interest on liabilities, less return on assets | | | (8.1) | 1. |
| IFRIC 12 | Finance lease finance costs | | | (27.3) | 3. |
| | | | | (35.4) | |

Scottish Water
Year ended 31 March 2011
Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts

| TABLE M27 | | | IFRS adjustments | | Statutory Accounts (IFRS) | |
|-----------|---|--------------|------------------|-------------|---------------------------|-------------------------|
| Line | Description | Consolidated | | Exceptional | Consolidated | |
| | | £m (3dp) | £m (1dp) | £m (1dp) | £m (1dp) | |
| 27.1 | Turnover | 1,127.094 | - | - | 1,127.1 | Revenue |
| 27.2 | Operating costs | (374.567) | | | | |
| 27.3 | PPP costs | (138.170) | | | | |
| 27.4 | Historical Cost Depreciation | (214.327) | | | (622.4) | Cost of sales |
| 27.5 | Infrastructure Renewals charge | (104.600) | | | | |
| 27.6 | Amortisation of PFI assets | (1.890) | | | (83.7) | Administrative expenses |
| 27.7 | Amortisation of deferred income | 1.065 | | | | |
| 27.8 | Operating income | 5.754 | | | | |
| | | (826.735) | 37.6 | 83.0 | (706.1) | |
| 27.9 | Operating profit | 300.359 | 37.6 | 83.0 | 421.0 | Operating surplus |
| | | | | | 62.0 | Finance income |
| | | | | | (253.8) | Finance costs |
| 27.11 | Net interest receivable less payable | (156.388) | (35.4) | - | (191.8) | |
| 27.12 | Profit on ordinary activities before taxation | 143.971 | 2.2 | 83.0 | 229.2 | Surplus before taxation |
| 27.13 | Taxation - current | (6.083) | | | | |
| 27.14 | Taxation - deferred | (43.118) | | | | |
| | | (49.201) | 27.2 | (23.2) | (45.2) | Taxation |
| 27.19 | Retained profit for year | 94.770 | 29.4 | 59.8 | 184.0 | Surplus for the year |

Scottish Water
Year ended 31 March 2011
Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts

| TABLE M28 | | | IFRS adjustments: | | | Reallocations / Reclassifications: | | | Statutory Accounts (IFRS) | | |
|-----------|---|-----------------|--------------------------|-------------------------------|------------------------------|------------------------------------|-----------------------------|--------|---------------------------|-----------------|--------------------------------|
| Line | Description | Consolidated | IAS19 | IAS16 | IFRIC12 | Infra | Deferred / | Split | | Consolidated | |
| | | | Pension / holiday pay | Infrastructure assets/depm | PFI assets/ finance lease | Renewals Prepayment | Current tax presentation | | | | < > 1yr |
| | <i>Fixed Assets</i> | £m (3dp) | | | | | | | | £m (1dp) | |
| 2.1 | Tangible Assets | 4,715.124 | | (22.1) | 432.6 | (28.9) | | | | 5,096.7 | <i>Non-current assets</i> |
| 2.2 | Investment - loan to group company | - | | | | | | | | | Property, plant & equipment |
| 2.3 | Investment - Other | 0.078 | | | | | | | | | |
| 2.4 | Total fixed assets | 4,715.202 | | | | | | | | 5,097.2 | |
| | <i>Current Assets</i> | | | | | | | | | | <i>Current assets</i> |
| 2.5 | Stocks | 2.278 | | | | | | | | 2.3 | Inventories |
| 2.6 | Debtors | 167.904 | | | | | | | | 167.9 | Trade & other receivables |
| 2.7 | Cash at bank and in hand | 339.344 | | | | | | 1.2 | | 1.2 | Current tax asset |
| 2.8 | Short term deposits | - | | | | | | | | | Cash & cash equivalents |
| 2.9 | Gilts reserve | - | | | | | | | | | |
| 2.10 | Assets transferred to PPP contractors | 41.666 | | | (41.7) | | | | | | |
| 2.11 | Infrastructure Renewals prepayment | - | | | | | | | | | |
| 2.12 | Total current assets | 551.192 | | | | | | | | 510.8 | |
| | <i>Creditors: amounts falling due within one year</i> | | | | | | | | | | <i>Current liabilities</i> |
| 2.13 | Overdrafts | - | | | | | | | | | |
| 2.14 | Infrastructure Renewals accrual | (28.947) | | | | 28.9 | | | | | |
| 2.15 | Creditors | (398.457) | (1.9) | | | | | (2.6) | (i) | (403.0) | Trade & other payables |
| 2.16 | Borrowings (excl. Govt. loans) | (1.561) | | | (14.6) | | | | | (16.2) | Other loans & borrowings |
| 2.17 | Corporation tax payable | (1.962) | | | | | | (1.2) | | (3.2) | Current tax liabilities |
| 2.18 | Customer retained earnings payable | - | | | | | | (10.6) | (ii) | (10.6) | Provisions for liabilities |
| 2.19 | Total creditors | (430.927) | | | | | | | | (433.0) | |
| 2.20 | Net current assets | 120.265 | | | | | | | | 77.8 | |
| 2.21 | Total assets less current liabilities | 4,835.467 | | | | | | | | 5,175.0 | |
| | <i>Creditors: amounts falling due after one year</i> | | | | | | | | | | <i>Non-current liabilities</i> |
| 2.22 | Borrowings (excl. Govt. loans) | (4.135) | | | (430.9) | | | | | (435.0) | Other loans & borrowings |
| 2.23 | Other creditors | (37.800) | | | | | | (23.9) | (i) | (61.7) | Trade & other payables |
| 2.24 | Total creditors | (41.935) | | | | | | | | (496.7) | |
| | <i>Provision for liabilities & charges</i> | | | | | | | | | | |
| 2.25 | Deferred tax provision | (382.664) | 73.8 | | | | | (66.0) | | (374.9) | Deferred tax liabilities |
| 2.26 | Deferred income - grants and contributions | (26.529) | | | | | | | | | |
| 2.27 | Post employment assets / (liabilities) | - | (284.0) | | | | | | | (284.0) | Retirement benefit obligations |
| 2.28 | Other provisions | (42.511) | 30.7 | | | | | 10.6 | (ii) | (1.2) | Provisions for liabilities |
| 2.29 | Net Assets employed | 4,341.828 | (181.4) | (22.1) | (54.6) | - | (65.5) | - | | 4,018.2 | <i>Net assets</i> |
| | <i>Capital and reserves</i> | | | | | | | | | | <i>Equity</i> |
| 2.30 | Govt. loans | 3,172.080 | | | | | | | | 3,172.1 | Government loans |
| 2.31 | Income and Expenditure account | 1,036.318 | (181.4) | (22.1) | (54.6) | | (65.5) | | | 712.7 | Retained earnings |
| 2.32 | Other reserves | 133.430 | | | | | | | | 133.4 | Other reserves |
| 2.33 | Capital & reserves | 4,341.828 | (181.4) | (22.1) | (54.6) | - | (65.5) | - | | 4,018.2 | |

Scottish Water

Year ended 31 March 2011

Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts (Company only)

| TABLE M2 | | | IFRS adjustments: | | | Reallocations / Reclassifications: | | | Statutory Accounts (IFRS) | |
|----------|--|-----------|--------------------------|-------------------------------|------------------------------|------------------------------------|-----------------------------|--------|---------------------------|----------|
| Line | Description | Total | IAS19 | IAS16 | IFRIC12 | Infra | Deferred / | Split | | |
| | | | Pension / holiday pay | Infrastructure assets/depm | PFI assets/ finance lease | Renewals Prepayment | Current tax presentation | | | |
| | | £m (3dp) | | | | | | | | £m (1dp) |
| | Fixed Assets | | | | | | | | | |
| 2.1 | Tangible Assets | 4,700.657 | | (22.1) | 432.6 | (28.9) | | | | 5,082.2 |
| 2.2 | Investment - loan to group company | - | | | | | | | | |
| 2.3 | Investment - Other | 37.678 | | | | | | | | 37.6 |
| 2.4 | Total fixed assets | 4,738.335 | | | | | | | | 5,119.8 |
| | Current Assets | | | | | | | | | |
| 2.5 | Stocks | 2.168 | | | | | | | | 2.1 |
| 2.6 | Debtors | 52.186 | | | | | | | | 52.2 |
| | | | | | | | 0.7 | | | 0.7 |
| 2.7 | Cash at bank and in hand | 252.264 | | | | | | | | 252.3 |
| 2.8 | Short term deposits | - | | | | | | | | |
| 2.9 | Gilts reserve | - | | | | | | | | |
| 2.10 | Assets transferred to PPP contractors | 41.666 | | | (41.7) | | | | | |
| 2.11 | Infrastructure Renewals prepayment | - | | | | | | | | |
| 2.12 | Total current assets | 348.284 | | | | | | | | 307.3 |
| | Creditors: amounts falling due within one year | | | | | | | | | |
| 2.13 | Overdrafts | - | | | | | | | | |
| 2.14 | Infrastructure Renewals accrual | (28.947) | | | | 28.9 | | | | |
| 2.15 | Creditors | (335.227) | (1.8) | | | | | (1.0) | (i) | (338.1) |
| 2.16 | Borrowings (excl. Govt. loans) | (1.561) | | | (14.6) | | | | | (16.2) |
| 2.17 | Corporation tax payable | 0.700 | | | | | (0.7) | | | |
| | | | | | | | | (9.9) | (ii) | (9.9) |
| 2.18 | Customer retained earnings payable | - | | | | | | | | |
| 2.19 | Total creditors | (365.035) | | | | | | | | (364.2) |
| 2.20 | Net current assets | (16.751) | | | | | | | | (56.9) |
| 2.21 | Total assets less current liabilities | 4,721.584 | | | | | | | | 5,062.9 |
| | Creditors: amounts falling due after one year | | | | | | | | | |
| 2.22 | Borrowings (excl. Govt. loans) | (4.135) | | | (430.9) | | | | | (435.0) |
| 2.23 | Other creditors | (37.800) | | | | | | (17.6) | (i) | (55.4) |
| 2.24 | Total creditors | (41.935) | | | | | | | | (490.4) |
| | Provision for liabilities & charges | | | | | | | | | |
| 2.25 | Deferred tax provision | (381.661) | 73.3 | | | | (65.5) | | | (373.8) |
| 2.26 | Deferred income - grants and contributions | (18.655) | | | | | | 18.6 | (i) | (281.9) |
| 2.27 | Post employment assets / (liabilities) | - | (281.9) | | | | | | | (281.9) |
| 2.28 | Other provisions | (41.776) | 30.7 | | | | | 9.9 | (ii) | (1.2) |
| 2.29 | Net Assets employed | 4,237.557 | (179.7) | (22.1) | (54.6) | - | (65.5) | - | | 3,915.6 |
| | Capital and reserves | | | | | | | | | |
| 2.30 | Govt. loans | 3,113.580 | | | | | | | | 3,113.6 |
| 2.31 | Income and Expenditure account | 990.547 | (179.7) | (22.1) | (54.6) | | (65.5) | | | 668.6 |
| 2.32 | Other reserves | 133.430 | | | | | | | | 133.4 |
| 2.33 | Capital & reserves | 4,237.557 | (179.7) | (22.1) | (54.6) | - | (65.5) | - | | 3,915.6 |

Scottish Water

Year ended 31 March 2011

Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts (Company only)

| Statutory Accounts (IFRS) Company | Expand detail | Reallocations / Reclassifications: | | | IFRS Adjts | CCA Adj | Less - Non Reg | Regulatory Tables | | Line | Description |
|--|---------------|------------------------------------|-----------|---------|---------------|---------|-------------------|-------------------|---------|--------|--|
| | | categories | <> 1 year | Interco | | | | M11 | M5 | | |
| £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | | |
| Note 11 | | | | | | | | | | | |
| Inventories | 2.1 | | | | | | | 2.1 | | 11.1 | Stocks |
| Note 12 Trade & other receivables | | | | | | | | | | | |
| Trade receivables (net) | 32.9 | (32.9) | | | | | | | | | |
| Other receivables | 13.9 | (13.9) | | | | | | | | | |
| Prepayments & accrued income | 4.4 | | 0.3 | | 0.6 | | | 5.3 | | 11.6 | Prepayments & other short term debtors |
| Amounts due from subsidiaries | 1.0 | | | | (1.0) | | | | | | |
| Trade debtors - household | | 27.7 | | | | | | 27.7 | | 11.2 | Trade debtors - household |
| Other trade debtors | | 5.2 | 0.4 | | 0.4 | | (0.8) | 5.2 | | 11.4 | Other trade debtors |
| Other debtors - operating | | 0.7 | (0.7) | | | | | | | | |
| Other debtors - non operating | | 13.2 | | | | | | | 13.2 | 5.12 | Non trade debtors |
| | 52.2 | | | | | | | | | | |
| | | | | | 41.7 | | | | 41.7 | 5.11 | Asset transferred to PPP contractors |
| Note 14 Trade & other payables | | | | | | | | | | | |
| <i>Current</i> | | | | | | | | | | | |
| Trade payables | (26.4) | | | | (0.8) | | | (27.2) | | 11.7 | Trade creditors |
| Non trade payables & accruals | (105.4) | | | | (34.4) | | | (139.8) | | 11.10 | Short-term capital creditors |
| Accruals | (122.3) | 122.3 | | | | | | | | | |
| Payments received in advance | (14.6) | | 14.6 | | | | | | | | |
| Other payables | (7.4) | | 7.4 | | | | | | | | |
| Deferred income | (1.0) | | | 1.0 | | | | | | | |
| Other taxes & social security | (2.6) | | 2.6 | | | | | | | | |
| Amounts due to subsidiaries | (24.0) | | | | 24.7 | | (0.7) | | | | |
| Amounts due to SWS | (34.4) | | | | 34.4 | | | | | | |
| Wholesale charge prepayment | | | (0.2) | | (23.9) | | | (24.1) | | 11.8 | |
| Credit note provision | | (21.9) | | | | | | (21.9) | | 11.11 | |
| Accruals - operating | | (66.2) | (2.6) | | | 1.8 | | (66.9) | | 11.12 | Accruals & other creditors |
| Other creditors - non operating | | (34.2) | (21.8) | | | | | | (56.4) | 5.13 | Non trade creditors due < 1 year |
| | (338.1) | | | | | | | | | | |
| <i>Non current</i> | | | | | | | | | | | |
| Other payables | (37.8) | | | | | | | | (37.8) | 5.20 | Other creditors |
| Deferred income | (17.6) | | | (1.0) | | | (3.7) | | (22.4) | 5.2 | Third party contributions |
| | (55.4) | | | | | | | | | | |
| Note 17 Other loans & borrowings | | | | | | | | | | | |
| <i>Current</i> | | | | | | | | | | | |
| Non-government loans | (1.6) | | | | | | | | (1.6) | 5.9 | Borrowings (excl Govt loans) (<1year) |
| Obligations under finance leases | (14.6) | | | | | 14.6 | | | | | |
| | (16.2) | | | | | | | | | | |
| <i>Non current</i> | | | | | | | | | | | |
| Non-government loans | (4.1) | | | | | | | | (4.1) | 5.19 | Borrowings (excl Govt loans) (>1year) |
| Obligations under finance leases | (430.9) | | | | | 430.9 | | | | | |
| | (435.0) | | | | | | | | | | |
| Check total | (790.4) | - | - | - | - | 489.0 | (3.7) | (1.9) | (239.6) | (67.4) | |