

M Tables – Regulatory Accounts Commentary

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1. General Comments

There have been no disclosure changes to the 2009/10 M Tables by the WICS.

2009/10 is the first 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'. Consequently, the comparative figures have been restated to exclude the entries made under FRS 17 'Retirement Benefits' (the UK GAAP equivalent standard) to ensure consistency for comparison purposes. In so doing, the results reported in the M Tables are now on a basis consistent with the Delivery Plan and quarterly updates. This approach is in line with our response to AR59 in the 2008/09 second round queries, where we proposed the exclusion of FRS 17 entries, thereby making the basis of preparation of the M Tables consistent with the E Tables. The FRS 17 (now IAS 19) entries are purely statutory accounting entries, not under the direct control of SW management, and excluding them from the M Tables removes any confusion and additional reconciliation between M and E Tables.

Details and explanations of the IFRS adjustments within the statutory accounts are provided in Appendix 1.1. The reconciliation of the 2008/09 restated figures in Tables M1 to M5 are provided in Appendix 1.2.

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 attached in the appendix 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, M24, 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.

Since submission of the Q4 Delivery Plan progress report, the gross and net MEAV figures have been amended (H Tables). The % of gross to net value decreased to 44% (previously 47%), leading to an increase in the CCA depreciation charge for 2009/10 of £17.3m. In the CCA balance sheet the tangible fixed asset balance has decreased by £1.9bn with a corresponding decrease in the CCA reserve and income and expenditure account reserve.

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 2009/10. (Tables M1, M2)

CCA adjustments

RPI of 4.45% used in the relevant adjustments, being the rate as at March 2010.

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 and closing CCA fixed asset values have been taken from the H Tables for the relevant years. The H Tables for 2009/10 have been calculated on a MEAV basis. The movement in the fixed asset value due to the change in method is reflected through the 'Investment plan adjustment' lines. The RPI adjustment has been calculated on the opening balances as reported in the 2008/09 M Tables.

Tables M16 & M17 – 5 year rolling summaries

Figures for 2006/07 to 2009/10 have been entered. Figures for 2005/06 were not required.

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. The 2007/08 comparatives figures for non core include the non regulated activities transferred to SWH on 1 April 2008.

Nominal operating costs (i.e. excluding depreciation, PFI charges and costs associated with non regulated activities) increased by £11.7m to £301.9m compared to £290.2m in 2008/09. On a like-for-like basis regulated operating costs decreased by £0.9m, a 0.3% nominal reduction. The table below summarises this movement:

	2009/10 £m	2008/09 £m	Movement fav/(adv) £m
Core operating expenditure - line M1.2	302.5	290.9	-11.6
Less: Internal PFI costs	-0.6	-0.7	-0.1
SW Regulated operating costs	301.9	290.2	-11.7
Winter costs (a-typical)	-3.1	-	3.1
VR and other restructure costs (a-typical)	-10.4	-3.5	6.9
New Opex	-0.9	-	0.9
Bad debt a-typical credit	6.4	8.1	1.7
	293.9	294.8	0.9
Power price increase	-5.7	-	5.7
LA rates	-34.3	-33.0	1.3
SEPA and WIC costs	-15.1	-15.4	-0.3
Like-for-like controllable costs - nominal	238.8	246.4	7.6
Average inflation (0.46%)		1.1	1.1
Like-for-like real controllable costs	238.8	247.5	8.7

Like-for-like controllable operating costs for 2009/10 of £238.8m actually reduced by £8.7m (3.5%) but £20.4m of specific additional costs were incurred, namely: £3.1m for costs associated with the extreme winter weather; £6.9m associated with restructuring the business; £1.7m of additional bad debt charges; £5.7m for power price increases reflecting market conditions; and increase local authority rates charges of £1.3m.

The cost of the PFI schemes in the year was £134.5m (excluding PFI team costs), £2.5m higher than in 2008/09.

Depreciation, including the infrastructure renewals charge and amortisation charges, increased by £35.0m to £301.5m, predominantly as a consequence of the capital investment programme.

Other operating income of £1.6m (line 1.8) was the gain on disposal of fixed assets, £0.1m higher than in 2008/09.

The net interest charge was £155.2m (2008/09: £149.5m) (line 1.11). The higher net charge was due to the timing of the drawdown of the new borrowings and lower interest received (see Table M23).

SW's total tax charge was £33.3m, an effective rate of 19.1% (2008/09: £64.9m, 33.6%). The effective rate for the year was favourably impacted by prior year adjustments associated with increased capital allowances claimed on work-in-progress in the 2008/09 tax computation. The effective rate for 2008/09 was impacted by the requirement to revisit changes introduced by the Finance Act 2007 in relation to assets classed as industrial buildings. This required a cumulative catch-up in the 2008/09 deferred 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 1.1. In addition, the Infrastructure Renewals prepayment is recognised separately in the M Tables (£18.7m, line 2.11).

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

The £12.1m decrease in debtors (from £63.5m to £51.4m; line 2.6) is due to:

- lower prepayments and other short term debtors (from £14.7m to £7.6m; Table M11, line 11.6) due to the utilisation of the advance purchase of materials for Glencorse WTW and the lower insurance premium prepayment; and
 - a reduction in non trade debtors (from £20.2m to £11.4m; Table M5, line 5.12) being lower VAT receivable outstanding from HMRC;
- partly offset by:
- higher household trade debtors (from £26.3m to £28.0m; Table M11, line 11.2); and
 - higher other trade debtors (from £2.3m to £4.4m; Table 11, line 11.4).

Cash at bank increased by £137.6m to £153.5m and reflects £37m of additional borrowing made available by the Scottish Government.

Post employment liability (line 2.27) is blank due to the IAS 19 pension liability (2009: FRS 17 pension liability) being excluded from the M Tables. This approach is consistent with the exclusion of all other statutory adjustments required under IFRS.

Other provisions (line 2.28) have decreased by £4.2m to £53.1m due primarily to net decreases in the reorganisation (£1.3m) and wholesale income uncertainty provisions (£3.1m). The different elements within the total are detailed in Table M26 (lines 26.8-26.10).

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 – 1.1, 1.2 and 1.3. 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 of 4.45%.
- Amortisation of deferred income (grants and contributions) is adjusted for the indexing.
- The working capital adjustment is the indexed of 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 total net MEAV balance from Table H1 (£38.8bn) plus the value of assets in the course of construction (£1.1bn).

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. The decrease of £8.8m compared to 2008/09 is due to lower net VAT receivable as a consequence of Business Stream no longer being part of the Scottish Water VAT group. This change means all invoices to and from Business Stream now include VAT, thereby increasing Scottish Water's element of VAT payable. *[I.e. creating a VAT liability for SW which did not exist in 2008/09.]*

Other creditors due after one year (line 5.20) consist of payments received in advance (£18.7m).

The income & expenditure reserve (line 5.28) is the total of the CCA reserve at 31 March 2009 and the CCA profit for 2009/10.

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 (08/09)	52.279
Add: Additions - gross per table below		** 653.087
Less: Closing short term capital creditor	M11.10 (09/10)	129.651
=> Cash payments - gross	M 6.9	575.715
Additions to fixed assets - net cost	M 8.5	604.715
Add: Infrastructure income & customer contributions		43.607
Additions to fixed assets - gross cost		648.322
Add: PFI investment (Seafield odour improvement project)		4.765
Total additions		** 653.087

Furthermore, in 2009/10 £4.8m 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.

There was no movement on long term loans to group companies (line 6.13) in 2009/10. The movement in 2008/09 of £58.5m is the repayment of the intercompany loan by SWBSH.

Table M7 – Analysis of Turnover and Operating Income

Turnover from services supplied to household customers increased by £32.7m, or 4.6%, to £737.4m driven mainly by the tariff increase effective from 1 April 2009. Turnover from wholesale services provided to Licensed Providers increased by £4.7m, or 1.5%, to £324.6m. Turnover from other sales reduced by £0.9m to £4.2m.

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) and closing (8.7 & 8.15) values in Table M8, agree to the values in Table H1 as at 31 March 2009 and 31 March 2010 respectively. 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 4.45%. The values shown for the investment plan adjustment (lines 8.2 & 8.9) are the revaluation adjustments bringing the closing values back into agreement with Table H1 values. H Table analysis generates a valuation of assets at a point in time and does not analyse year on year movements.

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 4.45%. 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.

Table M11 – CCA Working capital

The increase of £1.6m in Household trade debtors is predominantly driven by higher turnover.

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 VAT receivable. This decrease is due to lower net VAT receivable as a consequence of Business Stream no longer being part of the Scottish Water VAT group. This change means all invoices to and from Business Stream now include VAT, thereby increasing Scottish Water's element of VAT payable. *[I.e. creating a VAT liability for SW which did not exist in 2008/09.]*

The wholesale charge prepayment of £25.4m at March 2010 is the total of the provisional invoices for April 2010.

Capital creditors consist of the balance due to SW Solutions (£33.4m) and capital creditors and accruals relating to third parties (£96.2m). The balance at March 2010 includes recognition of the contractual costs associated with the SW Solutions Allocated Capital Investment Programme (ACIP) as the programme of work nears completion and the majority of projects and outputs have been delivered.

The total of capital creditors as at March 2010 (£129.6m) is broadly comparable to the level of capital creditors at the end of the 2002-06 period (£120.3m at 31 March 2006).

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

Table M12 – Movement on Current Cost Reserve

The investment plan adjustment (line 12.2) is the net opposite entry from Table M8 (line 8.2 £3,193.9m + line 8.9 £57.0m = £3,250.9m). The fixed asset inflation adjustment (line 12.3) represents the net of the cost and depreciation adjustments from Table M8 (lines 8.3 & 8.10). The other items are the opposite entries of the CCA adjustments described under Table M4. The detailed calculations for the financing adjustment and grants and third party contributions, which are based on the opening balances at 1 April 2009, are provided in the tables below.

M Table line no.		1 April 2009 £m	RPI %	Financing adjustment £m	M Table line no.
5.26	Net assets employed	40,602.547			
5.8	Net operating assets	41,003.443			
		-400.896			
5.22	Deferred tax - add back	306.962			
	Net finance	-93.934	4.45%	-4.179	12.5/4.14

M Table line no.		1 April 2009 £m	RPI %	Grants & 3rd party contrib. adjustment £m	M Table line no.
5.2	Third party contributions	-22.728	4.45%	-1.011	12.6

The table below provides the detailed calculation for the revised financing adjustment in 2008/09, based on the opening balance at 1 March 2008 and excluding the FRS 17 pension liability.

M Table line no.		1 April 2008 £m	RPI %	Financing adjustment £m	M Table line no.
5.26	Net assets employed	33,890.256			
5.8	Net operating assets	<u>34,162.337</u>			
		-272.081			
5.22	Deferred tax - add back	<u>241.965</u>			
	Net finance	<u><u>-30.116</u></u>	-0.38%	<u><u>0.115</u></u>	12.5/4.14

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	2008/09 £m	2009/10 £m	Mvmt £m
Total working capital	M11.13	-153.4	-232.5	79.1
Short-term capital creditors	M11.10	52.3	129.7	<u>-77.4</u>
Movement in working capital	M13.3			<u><u>1.7</u></u>

Table M14 – Analysis of net debt

Table M14 shows net debt for core activities of £2,859.8m.

Table M16 – 5 year rolling summary: Current Cost Income & Expenditure Account for Core Business

As agreed with the WICS, this table has not been populated for 2005/06. The 2008/09 and 2009/10 figures are entered automatically from the other tables.

Table M17 – 5 year rolling summary: Current Cost Balance Sheet for Core Business

As agreed with the WICS, this table has not been populated for 2005/06. The 2008/09 and 2009/10 figures are entered automatically from the other tables.

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) and closing (lines 18b.6 & 18b.15) balances agree to the values in Table H1 at 31 March 2009 and 31 March 2010 respectively. 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. Their inclusion, which could only be by means of allocation across the current category headings, would distort the clear tie between Tables H1 and M18B.

Additions/reclassifications from AUC are at actual cost. As in Table M8, the RPI of 4.45% was applied to the opening balances to calculate the RPI adjustment (lines 18b.3 & 18b.11). The revaluation adjustments to bring the closing figures back to the H1 values are shown in the investment plan adjustment (lines 18b.2 & 18b.8). H Table analysis generates a valuation of assets at a point in time and does not analyse year-on-year movements.

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) and closing (lines 18b.6 & 18b.15) balances agree to the values in Table H1 at 31 March 2009 and 31 March 2010 respectively. The Table H1 figures for wastewater 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. Their inclusion, which could only be by means of allocation across the current category headings, would distort the clear tie between Tables H1 and M18B.

Additions/reclassifications from AUC are at actual cost. As in Table M8, the RPI of 4.45% was applied to the opening balances to calculate the RPI adjustment (lines 18b.3 & 18b.11). The revaluation adjustments to bring the closing figures back to the H1 values are shown in the investment plan adjustment (lines 18b.2 & 18b.8). H Table analysis generates a valuation of assets at a point in time and does not analyse year on year movements.

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 consists of only the historical cost profit for the year. There are no other recognised gains or losses which need to be noted here under regulatory accounting.

Table M21 – Taxation analysis

The amended 2008/09 tables reflect the position per the 2008/09 tax computation which was submitted to HMRC in March 2010. Consequently, at the time of submitting the 2008/09 annual return best estimated tax values in some circumstances were required. This is also the case for the 2009/10 annual return.

In addition the 2008/09 tax computation includes capital allowances claimed on £431.25m of work in progress capital spend. This is as a result of an agreement with HMRC that Scottish Water could claim capital allowances on WIP for all projects commencing after 1 April 2006 in the Q&S3 capital programme.

Current tax charge (line 21.46) relates to adjustments in prior years capital gains calculations.

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	Wastewater £m	Total £m
Non infrastructure assets	M8.6	F / J	158.008	147.485	
Support services	M8.6	H / L	31.790	22.648	
Additions per Table M22	M22.8	I / J	189.798	170.133	359.931
Infrastructure assets - enhancement	M8.6	G / K	41.931	62.836	
Total	M8.6	I / M	231.729	232.969	464.698
Infrastructure assets - base	M22.20				167.157
Total reclassifications from AUC	M8.6	N			631.855

The figures in the section “Infrastructure renewals charges, expenditure and provision”, (lines 22.20 – 22.22), are the movements during 2008/09 and 2009/10. Therefore the resulting total is not the closing balance as given in the balance sheets at 31 March 2010. The table below shows the full reconciliation:

Infrastructure renewals	31 March 2009	2009/10 movements	M22 refs	31 March 2010	M2 / M5 refs
- Expenditure	777.974	167.157	22.20	945.131	
- Charges	-820.200	-106.200	22.21	-926.400	
Prepayment / (accrual)	-42.226	60.957	22.22	18.731	2.11 / 5.7

In the section “Expected depreciation on closing assets as of 31 March 2010”, (lines 22.23 – 22.28), the gross book values and net book values are taken from Table H1. The forecast depreciation charges are calculated using the NBV at 31 March 2010 from the H tables and the relevant % of the average useful lives remaining.

Table M23 – Interest analysis

Intercompany interest receivable/payable (line 23.1) is £0.1m to Business Stream in relation to wholesale settlements.

Table M24 - Turnover

Primary income (lines 24.1 – 24.13): The majority of the income types are directly identifiable with specific accounts in the SW general ledger. There is no income in any of the Non-Household categories (lines 24.3-24.10) as these categories relate to Business Stream’s activities following business separation in November 2006.

Other sources (line 24.14 onwards): Each income source representing > 3% of the other sources total has been separately identified. The balance (around 4% of the total) has been shown as “Sundry” (line 24.20). The reduction in building water supplies reflects the transfer of these services to Business Stream during 2008/09 and the economic climate during 2009/10.

Table M25 – Bad Debts (Trade debtors)

This table shows the gross receivable less bad debt provision. The net receivable amounts here are taken to Table M11 (lines 11.2 & 11.4).

The amounts shown in the Wholesale/non-household trade debtors section relate to non primary wholesale revenue and sundry / other regulated income.

Bad debt provision in the year: The Household charge to the profit and loss account (line 25.7) is net of an atypical credit of £6.4m. The movement on the sundry bad debt was a net charge of £0.1m to the profit and loss account.

The table below provides a breakdown of the household gross balances and bad debt provisions by age:

	96/05 £m	05/06 £m	06/07 £m	07/08 £m	08/09 £m	09/10 £m	Total £m
Gross Debt	147.7	25.9	27.8	30.8	37.1	55.6	324.9
Bad Debt Provision	(145.9)	(25.2)	(26.8)	(29.1)	(32.7)	(37.2)	(296.9)
Net Debt	1.8	0.7	1.0	1.7	4.4	18.4	28.0

Table M26 – Provisions analysis

The reorganisation provision balance (line 26.8) as at 31 March 2010 was £45.5m, a net decrease of £1.3m during the year. The additional VR charges for pension costs and extra staff redundancies, due to ongoing restructuring of the business, of £8.1m were offset by the payments made during the year of £9.4m.

The income uncertainty provision – wholesale (line 26.9) was created in 2007/08 and relates to uncertainty around wholesale non-domestic income. The balance as at 31 March 2010 was £7.1m, a net reduction of £3.1m in the year. Although good progress has been made stabilising settlement processes and data in the last year, a number of issues remain that affect the wholesale charges calculated by the CMA for 2008/09 and 2009/10. There remains a degree of uncertainty over the likely out-turn positions as at 31 March 2010. The main areas of concern are associated with:

- trade effluent complex site issue causing double charging;
- zero estimated weighted average unit charges and negative consumption;
- large user volume agreements and application of discounts;
- data issues around roads and property drainage services causing under-charging;
- burst allowance claims due to the severe winter weather; and
- the treatment of vacant properties.

The other provision (line 26.10) relates to onerous leases.

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 2009/10 Business Stream declared a dividend of £2.2m, 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 additions 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	674.3	
Administration expenses	<u>104.5</u>	
SW Group Expenditure		778.8
Less Business Stream		(20.7)
Less SW - IAS 19 adjustment		(3.1)
Add SW - other IFRS adjustments - net		<u>3.1</u>
Total expenditure (excluding IFRS & Business Stream)		<u>758.1</u>

Represented by

SW Regulated	736.9
SW Non Regulated	4.4
Horizons	16.8

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 and the regulatory account tables M18 (W & WW).

(£m)	SW & SWH*	Diff Board - M18	M18W/WW Tables			Diff M18 - E1/2/3a	E1/2/3a Tables Total
			Total	M18 W	M18 WW		
Employment	145.3		321.5	182.3	139.2		301.3
Other	177.6						
Opex	322.8	1.4	321.5	182.3	139.2	20.1	301.3
PFI	135.1	(3.4)	138.5	0.0	138.5	0.0	138.5
IMC	106.2	0.2	106.0	69.9	36.1	0.1	105.9
Depreciation	194.9		195.3	85.9	109.3		194.1
Grant Amortisation	(1.1)	(0.3)	(1.1)	(0.7)	(0.4)	1.0	(0.9)
Amort PFI	1.6		0.0				0.0
Gain on assets	(1.6)		0.0				0.0
Expenditure	758.1	(2.1)	760.2	337.5	422.7	21.2	739.0
Explained by							
Charges to SWBS for support		2.1					

* Excludes Business Stream & IFRS

The line differences above are 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).
- £2.1m 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.
- £21.2m Non Regulated expenditure is included in M18 Tables but now excluded from E Tables.

Commentary

Total operating costs excluding PFI costs and exceptional items increased by £40.4m to £621.7m.

	2009/10 £m	2008/09 £m	Variance £m
Functional costs - Water M18w.34	129.618	132.406	+2.788
Operating costs - Water M18w.43	52.650	50.866	(1.784)
Capital maintenance - Water M18w.54	155.204	150.436	(4.768)
Functional costs - Waste M18ww.35	246.710	240.235	(6.475)
Operating costs - Waste M18ww.44	30.937	28.837	(2.100)
Capital maintenance - Waste M18ww.55	145.037	114.568	(30.469)
	760.156	717.348	(42.808)
exclude PFI included in M18ww.35	138.459	136.065	(2.394)
	621.697	581.283	(40.414)
Remove Exceptional costs	0.000	0.000	+0.000
	621.697	581.283	(40.414)

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

	2009/10 £m	2008/09 £m	Variance £m
Non Regulated	21.194	27.996	+6.802
Wholesale (excluding PFI)	549.031	508.582	(40.449)
Retail	51.472	44.705	(6.767)
	621.697	581.283	(40.414)

Non Regulated activity costs have decreased by £6.8m from 2008/09 to £21.2m (£4.4m Scottish Water, £16.8m Horizons). This reflects the downturn in the housing market which has a direct impact on the Contracting and Developer Projects divisions. Non Regulated turnover decreased by £9.4m from £31.4m in 2008/09 to £22.0m in 2009/10.

Direct costs have decreased by £8.5m, General & Support increased by £1.0m and other operating expenditure has increased by £0.7m.

The key movements in Non Regulated Operating Costs from 2008/09 were:

- External developer consultancy work has decreased by £5.2m (mainly in hired and contracted costs) and external mains laying work has decreased by £2.4m (employment £0.6m, hired and contracted £0.8m, and materials £1.2m) as a result of the housing market downturn;

- The level of recoverable works has increased by £0.4m, with the overall cost increase offset by increased income;
- The bad debt charge increased by £0.2m and includes the write-off on a rechargeable job following liquidation of a contractor (£0.7m).

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

Retail activity costs have increased by £6.8m.

The key movements in Retail Costs from 2008/09 were:

- The household bad debt charge has increased by £4.7m to reflect the anticipated downturn in collection rates, as a result of the recession;
- Increase in council domestic billing and collection service £0.6m plus a small increase in internal costs £0.1m;
- Reduction in market set up and vacant property survey activity from prior year of £0.5m, partly offset by increased customer marketing activity of £0.2m;
- Cost of Regulation has increased by £0.2m due to an increase in CMA costs;
- Increase 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 £1.4m operating expenditure and £0.7m capital maintenance. In 2008/09 these figures were £1.0m operating expenditure and £0.5m capital maintenance. Core Third Party retail costs have therefore increased by £0.4m operating expenditure and £0.2m capital maintenance. This increase in charges to Business Stream reflect one-off exit costs associated with the move of Business Stream out of Scottish Water offices.
- Retail Non-infrastructure Depreciation has increased mainly due to the commissioning of wholesale/retail interface assets £0.4m.

Retail costs by segment

	2009/10 £m	2008/09 £m	Variance £m
Domestic	43.707	38.274	(5.433)
Non Domestic - Measured	4.317	3.670	(0.647)
Non Domestic - Non Measured	3.448	2.761	(0.687)
	51.472	44.705	(6.767)

Domestic customer retail total operating costs have increased by £5.4m.

The main movements from 2008/09 were:

- The household bad debt charge has increased by £4.7m to reflect the anticipated downturn in collection rates, as a result of the recession;
- Increase in council domestic billing and collection service £0.6m plus a small increase in internal costs £0.1m.

Non domestic customer retail total operating costs have increased by £1.3m to £7.7m (£4.3m measured and £3.4m unmeasured).

The main movements from 2008/09 were:

- £0.5m reduction in market operation activities, most notably reduction in vacant property surveys £0.2m, partly offset by increase in wholesale billing activity £0.3m;
- Cost of Regulation has increased by £0.2m due to a increase in CMA costs;
- Increase in the cost of services provided to Business Stream under service agreements of £0.4m operating expenditure and £0.2m capital maintenance, due to one-off exits costs associated with the move of Business Stream out of Scottish Water offices;
- Retail Non-infrastructure Depreciation has increased mainly due to the commissioning of wholesale/retail interface assets £0.4m.

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 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 set up and operation of the CMA systems and processes;
- 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.30 under retail.

Retail	2009/10	2009/10	2008/09	2008/09
	£m	%	£m	%
Water - Domestic	21.544	42%	18.884	42%
Water - Non Domestic	3.687	7%	3.404	8%
Wastewater - Domestic	22.163	43%	19.390	43%
Wastewater - Non Domestic	4.078	8%	3.027	8%
	51.472		44.705	

The split of Retail operating costs between water and wastewater level has remained consistent with 2008/09 (49% water, 2009/10 versus 50%, 2008/09).

Scottish Water
IFRS adjustments

Introduction

2009/10 is the first 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	(13.1)	1.
IAS 16	Infrastructure assets - depreciation & maintenance	(28.6)	2.
IFRIC 12	PFI costs - depreciation & lease liability	(2.0)	3.
Scottish Water - total IFRS adjustments		(43.7)	
Business Stream - IAS 19 adjustments (net)		0.1	
IFRS adjustments total per Appendix 2.1		(43.6)	

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 now calculated under IAS 19, but the principles are the same as under FRS 17. In the statutory income statement, the adjustments impact on cost of sales and finance costs. In the balance sheet, retirement benefits 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.

<i>Adjustments in statutory accounts:</i>		£m
<i>Income statement</i>		
Cost of sales	Staff costs - holiday pay charge	(0.2)
	Staff costs - pension costs	3.1
Finance costs - net		(16.0)
Impact on surplus before tax		(13.1)
<i>Balance sheet</i>		
Retirement benefit obligations (/Post employments liabilities)		(459.6)
Deferred taxation on retirement benefit obligations		128.7
Retirement benefit obligations - net		(330.9)
Trade & other payables - holiday pay accrual		(2.0)

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	(17.6)
	Depreciation	(11.0)
		<u>(28.6)</u>
Impact on surplus before tax		<u>(28.6)</u>
<i>Balance sheet</i>		
Property, plant & equipment		
	Cumulative adjustment as at 31 March 2010	<u>(35.2)</u>

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	41.1
	Depreciation	(15.3)
		<u>(27.8)</u>
Finance costs - net		<u>(27.8)</u>
Impact on surplus before tax		<u>(2.0)</u>
<i>Balance sheet</i>		
Property, plant & equipment		
	Leased assets	406.2
	Owned assets	(reclassification) 35.4
		<u>441.6</u>
Other loans & borrowings		
	Finance lease liability	
	< 1 year	(13.7)
	> 1 year	(446.7)
	total	<u>(460.4)</u>

Scottish Water
2008/09 Restatements

The comparative figures for 2008/09 have been restated to exclude the FRS 17 entries in order to provide information on a consistent basis with the 2009/10 figures. The exclusion of the FRS 17 entries also changes the financing adjustment in the CCA results.

However, as tax is based on statutory results, the tax charges and balances included in the Regulatory Accounts are as reported in Scottish Water's statutory accounts. Therefore, the 2008/09 tax charge has been restated and is on a consistent basis with the 2009/10 tax figures.

The following tables provide a reconciliation between the figures submitted in the 2008/09 M Tables in June 2009 with the restated values.

Table / Line Ref	2008/09 original £m	Adjustment £m	2008/09 restated £m
Table M1			
1.2 Operating costs	-287.555	-3.300	-290.855
1.9 Operating profit	345.185	-3.300	341.885
1.11 Net interest receivable less payable	-150.855	1.350	-149.505
1.12 Profit on ordinary activities before taxation	194.330	-1.950	192.380
1.13 Taxation - current	-0.830	0.000	-0.830
1.14 Taxation - deferred	-58.060	-5.800	-63.860
1.19 Retained profit for year	135.440	-7.750	127.690

Table M2			
2.25 Deferred tax provision	-301.162	-5.800	-306.962
2.27 Post employment assets / (liabilities)	-160.450	160.450	0.000
2.28 Other provisions	-18.731	-38.600	-57.331
2.29 Net assets employed	3573.555	116.050	3689.605
2.31 Income and expenditure account	655.696	116.050	771.746
2.33 Capital & reserves	3573.555	116.050	3689.605

Table M4			
4.2 Current cost operating expenditure	-287.555	-3.300	-290.855
4.11 Current cost operating profit	281.368	-3.300	278.068
4.13 Net interest receivable less payable	-150.855	1.350	-149.505
4.14 Financing adjustment	-0.075	-0.040	-0.115
4.15 Current cost profit before taxation	130.438	-1.990	128.448
4.16 Taxation - current	-0.830	0.000	-0.830
4.17 Taxation - deferred	-58.060	-5.800	-63.860
4.22 Current cost profit retained	71.548	-7.790	63.758

Table / Line Ref		2008/09 original £m	Adjustment £m	2008/09 restated £m
Table M5				
5.22	Deferred tax provision	-301.162	-5.800	-306.962
5.23	Post employment assets / (liabilities)	-160.450	160.450	0.000
5.24	Other provisions	-18.731	-38.600	-57.331
5.25	Total provisions	-480.343	116.050	-364.293
5.26	Net assets employed	40486.497	116.050	40602.547
5.28	Income and expenditure account	561.978	108.825	670.803
5.29	Current cost reserve	37006.660	7.225	37013.885
5.31	Total capital & reserves	40486.497	116.050	40602.547

In order to calculate the correct brought forward income and expenditure account and CCA reserve balances into the subsequent years, the 2006/07 and 2007/08 results in Tables M16 and M17 have also been restated on a consistent basis, i.e. excluding FRS 17 adjustments and recalculation of the CCA financing adjustment. The reconciliation from the M Tables submitted in June 2009 is provided in the table below.

			2006/07	2007/08
			£m	£m
Table M16				
16.16	Current cost profit retained	- original	143.981	161.005
	Reverse FRS17 entries	- opex	5.600	3.700
		- interest	-2.800	-5.300
	Recalculation of financing adjustment		-5.105	-2.080
16.16	Current cost profit retained	- restated	141.676	157.325

Table M17				
17.17	Provisions for liabilities and charges	- original	-316.485	-291.107
	Reverse FRS17 entries		55.200	-10.300
17.17	Provisions for liabilities and charges	- restated	-261.285	-301.407
17.20	Income and expenditure account	- original	390.055	624.530
	Reverse FRS 17 entries	- cumulative	55.200	-10.300
	Recalculation of financing adj - cumulative		-5.105	-7.185
17.20	Income and expenditure account	- restated	440.150	607.045
17.21	Current cost reserve	- original	24173.552	30527.427
	Recalculation of financing adj - cumulative		5.105	7.185
17.21	Current cost reserve	- restated	24178.657	30534.612

Scottish Water

Year ended 31 March 2010

Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts

Table M27			IFRS		Statutory Accounts	
Line	Description	Consolidated £m (3dp)	adjustments £m (1dp)	Consolidated £m (1dp)		
27.1	Turnover	1,124.069	-	1,124.1	Revenue	
27.2	Operating costs	(344.163)				
27.3	PPP costs	(134.464)				
27.4	Historical Cost Depreciation	(195.251)		(674.3)	Cost of sales	
27.5	Infrastructure Renewals charge	(106.200)				
27.6	Amortisation of PFI assets	(1.638)		(104.5)	Administrative expenses	
27.7	Amortisation of deferred income	1.068				
27.8	Operating income	1.558				
		(779.090)	0.3	(778.8)		
27.9	Operating profit	344.979	0.3	345.3	Operating surplus	
				38.9	Finance income	
				(238.9)	Finance costs	
27.11	Net interest receivable less payable	(156.127)	(43.9)	(200.0)		
27.12	Profit on ordinary activities before taxation	188.852	(43.6)	145.3	Surplus before taxation	
27.13	Taxation - current	(4.662)				
27.14	Taxation - deferred	(32.970)				
		(37.632)		(37.7)	Taxation	
27.19	Retained profit for year	151.220	(43.6)	107.6	Surplus for the year	

Scottish Water

Year ended 31 March 2010

Reconciliation of Regulatory Accounts / M Tables to Consolidated Statutory Accounts

Table M28			IFRS adjustments:			Reallocations / Reclassifications:			Statutory Accounts	
Line	Description	Consolidated	IAS19 Pension / holiday pay	IAS16 Infrastructure assets/deprn	IFRIC12 PFI assets/ finance lease	Infra Renewals Prepayment	Deferred / Current tax presentation	Split < > 1yr	Consolidated	
		£m (3dp)							£m (1dp)	
	<i>Fixed Assets</i>									<i>Non-current assets</i>
2.1	Tangible Assets	4,547.373		-35.2	441.6	18.7			4,972.5	Property, plant & equipment
2.2	Investment - loan to group company	0.000								
2.3	Investment - Other	0.079								
2.4	Total fixed assets	4,547.452					0.9		4,973.4	Deferred tax asset
	<i>Current Assets</i>									<i>Current assets</i>
2.5	Stocks	2.560							2.6	Inventories
2.6	Debtors	143.730							143.8	Trade & other receivables
2.7	Cash at bank and in hand	218.483					0.3		0.3	Current tax asset
2.8	Short term deposits	0.000							218.5	Cash & cash equivalents
2.9	Gilts reserve	0.000								
2.10	Assets transferred to PPP contractors	35.360			-35.4					
2.11	Infrastructure Renewals prepayment	18.731				-18.7				
2.12	Total current assets	418.864							365.2	
	<i>Creditors: amounts falling due within one year</i>									<i>Current liabilities</i>
2.13	Overdrafts	0.000								
2.14	Infrastructure Renewals accrual	0.000								
2.15	Creditors	-378.089	-2.1					-3.0 (i)	-383.3	Trade & other payables
2.16	Borrowings (excl. Govt. loans)	-1.430			-13.7				-15.1	Other loans & borrowings
2.17	Corporation tax payable	-2.019					-0.3		-2.3	Current tax liabilities
2.18	Customer retained earnings payable	0.000						-12.7 (ii)	-12.7	Provisions for liabilities
2.19	Total creditors	-381.538							-413.4	
2.20	Net current assets	37.326							-48.2	
2.21	Total assets less current liabilities	4,584.778							4,925.2	
	<i>Creditors: amounts falling due after one year</i>									<i>Non-current liabilities</i>
2.22	Borrowings (excl. Govt. loans)	-5.700			-446.7				-452.4	Other loans & borrowings
2.23	Other creditors	-18.700						-24.7 (i)	-43.4	Trade & other payables
2.24	Total creditors	-24.400							-495.8	
	<i>Provision for liabilities & charges</i>									
2.25	Deferred tax provision	-339.585	129.6				-0.9		-210.9	Deferred tax liabilities
2.26	Deferred income - grants and contributions	-27.681						27.7 (i)	-462.8	Retirement benefit obligations
2.27	Post employment assets / (liabilities)	0.000	-462.8						-3.2	Provisions for liabilities
2.28	Other provisions	-53.526	37.6					12.7 (ii)	-3.2	
2.29	Net Assets employed	4,139.586	-297.7	-35.2	-54.2	0.0	0.0	0.0	3,752.5	<i>Net assets</i>
	<i>Capital and reserves</i>									<i>Equity</i>
2.30	Govt. loans	3,064.646							3,064.7	Government loans
2.31	Income and Expenditure account	941.510	-297.7	-35.2	-54.2				554.4	Retained earnings
2.32	Other reserves	133.430							133.4	Other reserves
2.33	Capital & reserves	4,139.586	-297.7	-35.2	-54.2	0.0	0.0	0.0	3,752.5	

Scottish Water

Year ended 31 March 2010

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

Table M2			IFRS adjustments:			Reallocations / Reclassifications:			Statutory Accounts	
Line	Description	Total	IAS19 Pension / holiday pay	IAS16 Infrastructure assets/deprn	IFRIC12 PFI assets/ finance lease	Infra Renewals Prepayment	Deferred / Current tax presentation	Split < > 1yr	Company	
		£m (3dp)							£m (1dp)	
2.1	Fixed Assets									<i>Non-current assets</i>
2.1	Tangible Assets	4,533.944		-35.2	441.6	18.7			4,959.1	Property, plant & equipment
2.2	Investment - loan to group company	0.000								
2.3	Investment - Other	37.678							37.6	Investments
2.4	Total fixed assets	4,571.622							4,996.7	
2.5	Current Assets									<i>Current assets</i>
2.5	Stocks	2.523							2.5	Inventories
2.6	Debtors	52.168							52.2	Trade & other receivables
2.7	Cash at bank and in hand	153.531					0.2		0.2	Current tax asset
2.8	Short term deposits	0.000							153.5	Cash & cash equivalents
2.9	Gilts reserve	0.000								
2.10	Assets transferred to PPP contractors	35.360			-35.4					
2.11	Infrastructure Renewals prepayment	18.731				-18.7				
2.12	Total current assets	262.313							208.4	
2.13	Creditors: amounts falling due within one year									<i>Current liabilities</i>
2.13	Overdrafts	0.000								
2.14	Infrastructure Renewals accrual	0.000								
2.15	Creditors	-338.598	-2.1					-1.1 (i)	-341.8	Trade & other payables
2.16	Borrowings (excl. Govt. loans)	-1.430			-13.7				-15.1	Other loans & borrowings
2.17	Corporation tax payable	0.200					-0.2			
2.18	Customer retained earnings payable	0.000						-12.3 (ii)	-12.3	Provisions for liabilities
2.19	Total creditors	-339.828							-369.2	
2.20	Net current assets	-77.515							-160.8	
2.21	Total assets less current liabilities	4,494.107							4,835.9	
2.22	Creditors: amounts falling due after one year									<i>Non-current liabilities</i>
2.22	Borrowings (excl. Govt. loans)	-5.700			-446.7				-452.4	Other loans & borrowings
2.23	Other creditors	-18.700						-18.6 (i)	-37.3	Trade & other payables
2.24	Total creditors	-24.400							-489.7	
2.25	Provision for liabilities & charges									
2.25	Deferred tax provision	-340.546	128.7						-211.8	Deferred tax liabilities
2.26	Deferred income - grants and contributions	-19.646						19.7 (i)	-459.6	Retirement benefit obligations
2.27	Post employment assets / (liabilities)	0.000	-459.6						-3.2	Provisions for liabilities
2.28	Other provisions	-53.111	37.6					12.3 (ii)	-3.2	
2.29	Net Assets employed	4,056.404	-295.4	-35.2	-54.2	0.0	0.0	0.0	3,671.6	<i>Net assets</i>
2.30	Capital and reserves									<i>Equity</i>
2.30	Govt. loans	3,006.146							3,006.2	Government loans
2.31	Income and Expenditure account	916.828	-295.4	-35.2	-54.2				532.0	Retained earnings
2.32	Other reserves	133.430							133.4	Other reserves
2.33	Capital & reserves	4,056.404	-295.4	-35.2	-54.2	0.0	0.0	0.0	3,671.6	

Scottish Water

Year ended 31 March 2010

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

Statutory Accounts Company	£m	Expand detail £m	Reallocations / Reclassifications:			IFRS Adjs £m	CCA Adj £m	Less - Non Reg £m	Regulatory Tables			
			categories	< > 1 year	Interco				M 11 £m	M 5 £m	Line	Description
Note 11												
Inventories	2.5							0.0	2.5		11.1	Stocks
Note 12 Trade & other receivables												
Trade receivables (net)	31.8	-31.8										
Other receivables	11.9	-11.9										
Prepayments & accrued income	7.3		-0.7		1.0			0.0	7.6		11.6	Prepayments & other short term debtors
Amounts due from subsidiaries	1.2				-1.2							
Trade debtors - household		28.0							28.0		11.2	Trade debtors - household
Other trade debtors		3.8	1.2		0.2			-0.8	4.4		11.4	Other trade debtors
Other debtors - operating		0.5	-0.5									
Other debtors - non operating		11.4								11.4	5.12	Non trade debtors
	52.2											
						35.4				35.4	5.11	Asset transferred to PPP contractors
Note 14 Trade & other payables												
<i>Current</i>												
Trade payables	-23.2				-0.7				-23.9		11.7	Trade creditors
Non trade payables & accruals	-96.2				-33.4				-129.6		11.10	Short-term capital creditors
Accruals	-130.1	130.1										
Payments received in advance	-20.9		20.9									
Other payables	-8.8		8.8									
Deferred income	-1.0			1.0								
Other taxes & social security	-2.9		2.9									
Amounts due to subsidiaries	-25.3				26.0			-0.7				
Amounts due to SWS	-33.4				33.4							
Wholesale charge prepayment			-0.1		-25.3				-25.4		11.8	
Credit note provision		-21.1							-21.1		11.11	
Accruals - operating		-74.2	-2.9			1.9			-74.9		11.12	Accruals & other creditors
Other creditors - non operating		-34.8	-29.6					-0.4		-64.8	5.13	Non trade creditors due < 1 year
	-341.8											
<i>Non current</i>												
Other payables	-18.7									-18.7	5.20	Other creditors
Deferred income	-18.6			-1.0			-2.6			-22.2	5.2	Third party contributions
	-37.3											
Note 17 Other loans & borrowings												
<i>Current</i>												
Non-government loans	-1.4									-1.4	5.9	Borrowings (excl Govt loans) (<1year)
Obligations under finance leases	-13.7					13.7						
	-15.1											
<i>Non current</i>												
Non-government loans	-5.7									-5.7	5.19	Borrowings (excl Govt loans) (>1year)
Obligations under finance leases	-446.7					446.7						
	-452.4											
Check total	-791.9	0.0	0.0	0.0	0.0	497.7	-2.6	-1.9	-232.4	-66.0		