

Appendix 9: Financial model

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: General Assumptions**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
RPI												
RPI Index (Base year 2005-06)	2.75%	3.11%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
COPI	92.05	94.62	97.56	100.00	102.50	105.06	107.60	110.18	113.14	115.97	118.67	121.84
COPI Index (Base year 2005-06)	5.48%	7.02%	1.55%	2.40%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%
Initial RCV (£m)	87.25	98.47	100.00	100.00	102.40	104.86	107.37	109.95	112.70	115.52	118.41	121.37
Public Expenditure Limit (£m) *			516.9	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0
Public Expenditure Target (£m)			191.5	191.5	147.7	150.6	198.4	261.3	124.7	91.0	126.1	177.0
Acceptable variation from Public Expenditure target			20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Nominal Interest Rate Applicable to new debt			4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Nominal Return on Customer Retained Earnings			3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
Optimal Gearing Ratio			65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
(*) P.E.L. in 2004-05 includes carry-over from previous years												
RPI Tolerance Band												
Cash interest cover upper tolerance					25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Cash interest cover lower tolerance					25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted cash interest cover upper tolerance					25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Adjusted cash interest cover lower tolerance					23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Asset Data Entry**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Allowed for Investment O&S III and beyond (£ Million) (2005-06 prices)										
Infrastructure Renewal Expenditure			85.9	85.9	85.9	85.9	85.9	85.9	85.9	85.9
Other Investment		25.0	198.2	446.4	500.4	533.6	354.3	378.8	415.4	464.3
Total Investment Programme (Current Prices)		25.0	284.0	532.2	596.3	619.7	440.2	464.6	501.3	550.2
Total Allowed for Investment Retail/Wholesale separation and Other (£ Million) (2005-06 prices)										
Gross Capital Investment			8.4	8.4	1.4	1.4	-	-	-	-
Total allowed for investment			8.4	8.4	1.4	1.4	-	-	-	-
Total Allowed for Investment O&S III and beyond (£ Million) (2005-06 prices)										
Very Short		1.6	12.8	28.9	32.4	34.5	22.9	24.5	26.9	30.0
Short		3.3	28.5	59.6	66.8	71.3	47.3	50.6	55.5	62.0
Medium		3.6	28.5	64.1	71.9	76.7	50.9	54.4	59.7	66.7
Medium long		2.1	16.9	38.2	43.7	45.7	30.3	32.4	35.5	39.7
Long		6.5	51.3	115.5	129.5	138.1	91.7	98.0	107.5	120.1
Infinite (land)		0.7	10.4	13.1	14.6	15.6	10.4	11.1	12.1	13.6
Infrastructure Renewals (Net of Grants)		-	85.9	85.9	85.9	85.9	85.9	85.9	85.9	85.9
Infrastructure Enhancement		7.1	56.4	127.1	142.4	152.0	100.9	107.8	118.3	132.2
Total		25.0	284.0	532.2	596.3	619.7	440.2	464.6	501.3	550.2
Check										
IRC Charge (£ Million) (2005-06 prices)										
IRC Charge		147.2	85.9	85.9	85.9	85.9	85.9	85.9	85.9	85.9
Retail/Wholesale separation and Other Capital Expenditure (£ Million) (2005-06 prices)										
Very Short			8.4	8.4	1.4	1.4	-	-	-	-
Short			-	-	-	-	-	-	-	-
Medium			-	-	-	-	-	-	-	-
Medium long			-	-	-	-	-	-	-	-
Long			-	-	-	-	-	-	-	-
Infinite (land)			-	-	-	-	-	-	-	-
Total			8.4	8.4	1.4	1.4	-	-	-	-
Check										
Grants and Third Party contributions (£ Million) (2005-06 Prices)										
Very Short			-	-	-	-	-	-	-	-
Short			-	-	-	-	-	-	-	-
Medium			-	-	-	-	-	-	-	-
Medium long			-	-	-	-	-	-	-	-
Long		2.1	-	-	-	-	-	-	-	-
Infinite (land)		-	-	-	-	-	-	-	-	-
Infrastructure Enhancement		-	-	-	-	-	-	-	-	-
Total		2.1	-	-	-	-	-	-	-	-
Gross asset disposals (current cost) (£ Million) (2005-06 prices)										
Very Short			-	-	-	-	-	-	-	-
Short			2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Medium			-	-	-	-	-	-	-	-
Medium long			-	-	-	-	-	-	-	-
Long			-	-	-	-	-	-	-	-
Infinite (land)			-	-	-	-	-	-	-	-
Total		2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Gross asset disposals (historic cost) (£ Million)										
Very Short			-	-	-	-	-	-	-	-
Short		4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Medium			-	-	-	-	-	-	-	-
Medium long			-	-	-	-	-	-	-	-
Long			-	-	-	-	-	-	-	-
Infinite (land)			-	-	-	-	-	-	-	-
Total		4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Asset Data Entry**

	2004-05	2005-06	2005-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation eliminated on disposals (current cost) (£ Million) (2005-06 prices)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Depreciation eliminated on disposals (historic cost) (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Annual Depreciation foregone by disposal of assets (current cost) (£ Million) (2005-06 prices)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Annual Depreciation foregone by disposal of assets (historic cost) (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Opening MEAV 2006-07 (£ Million) (outturn prices)										
Very Short	50.6	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
Short	655.2	272.6	272.6	272.6	272.6	272.6	272.6	272.6	272.6	272.6
Medium	1,129.4	560.5	560.5	560.5	560.5	560.5	560.5	560.5	560.5	560.5
Medium long	234.6	152.8	152.8	152.8	152.8	152.8	152.8	152.8	152.8	152.8
Long	2,218.5	1,254.0	1,254.0	1,254.0	1,254.0	1,254.0	1,254.0	1,254.0	1,254.0	1,254.0
Infinite (land)	214.0	214.0	214.0	214.0	214.0	214.0	214.0	214.0	214.0	214.0
Infrastructure Assets	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8	21,302.8
Total	26,403.0	24,596.0	24,596.0	24,596.0	24,596.0	24,596.0	24,596.0	24,596.0	24,596.0	24,596.0
Annual Depreciation Work in Progress commissioned after April 1st 2006-07 (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Depreciation (2005-06 Prices)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Non-asset Data Entry**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Water Operating Costs (2005-06 prices)											
Base Operating Costs for the water service (£m)			2.1	5.3	7.6	10.2	11.0	11.0	11.0	11.0	11.0
Allowed for additions to baseline (water service) (£m)	162.4										
Allowed for New operating costs (water service)											
Drinking Water Compliance (£m)			0.2	0.4	0.4	0.3	6.3	6.3	6.3	6.3	6.3
Growth (£m)			0.0	0.1	0.3	0.7	0.7	0.7	0.7	0.7	0.7
Efficiency Targets on Base Operating Costs (Cumulative)			8.77%	9.74%	10.79%	11.88%	13.00%	13.00%	13.00%	13.00%	13.00%
Efficiency Targets on New Operating Costs (Cumulative)			0.00%	6.71%	9.89%	12.87%	15.94%	15.94%	15.94%	15.94%	15.94%
Additional Costs Allowed for (water service)											
Alternative Technical solutions to deliver objectives (Water service) (£m)			0.0	2.1	3.2	4.2	5.3	5.3	5.3	5.3	5.3
Leakage Control (£m)			0.0	0.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Improvements to levels of service (£m)			0.0	1.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Waste water Operating Costs (2005-06 prices)											
Base Operating Costs for the waste water service (£m)		128.9	0.3	1.5	2.1	2.6	3.2	3.2	3.2	3.2	3.2
Allowed for additions to baseline (waste water service) (£m)											
Allowed for New operating costs (waste water service)											
Environmental Compliance (£m)			3.2	3.4	3.8	3.8	5.9	5.9	5.9	5.9	5.9
Growth (£m)			0.0	0.3	0.3	0.3	2.8	2.8	2.8	2.8	2.8
Efficiency Targets on Base Operating Costs (Cumulative)			7.39%	8.56%	10.33%	11.78%	12.78%	12.78%	12.78%	12.78%	12.78%
Efficiency Targets on New Operating Costs (Cumulative)			0.00%	6.87%	9.83%	12.89%	15.85%	15.85%	15.85%	15.85%	15.85%
Additional Costs Allowed for (waste water service)											
Improvements to levels of service (£m)			0.0	1.6	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Allowed for PFI costs (£m)		113.8	119.0	120.4	120.0	120.5	120.7	121.3	120.7	120.7	120.1
PFI Efficiency Target (Cumulative)			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allowed for costs of retail/wholesale separation (2005-06 prices)											
Operating Costs (£m)				6.2	6.1	9.3	9.2	7.2	8.2	6.2	5.2
Efficiency target (%) (Cumulative)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjustments to Cost of Capital (£m)											
Financial Inputs (£ Million)											
Exceptional Expenses (Income) (outturn)		55.5	3.5								
Dividends Payable in Year (outturn)											
Income Received from sale of assets (outturn)		7.5	13.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cash		7.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
PFI assets transferred to service contractors (Historic Cost)		38.8	37.3	35.7	34.1	32.5	31.0	29.4	27.8	26.3	24.7
Amortisation of PFI (Historic Cost)		1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Creditors (Amounts falling due after more than one year)											
Provisions for liabilities and charges		81.2	63.2	55.0	50.2	45.3	40.3	35.4	30.9	26.7	22.9
Balance Sheet Assumptions											
Trade Debtors (Days)		27.4	28.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Stocks (% of Opex w/o PFI)		1.48%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Prepayments and Accrued Income (% Revenue)		5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Other Debtors (% Revenue)		2.33%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trade & Capital Creditors (% of Capex)		25.60%	25.60%	25.60%	25.60%	25.60%	25.60%	25.60%	25.60%	25.60%	25.60%
Accruals, Payments received, taxes and social security (% Opex w PFI)		29.76%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
Other Creditors (% Opex w PFI)		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Non-asset Data Entry**

Revenue (£ Million)	2003-04	2004-05	2005-06
Revenue	927.3	927.3	955.0

Historic cost Balance Sheet:

£ Million	SW ZDBP 2003-04	Annual Return 2004-05
Fangible Assets	2,881.2	2,847.8
Investments	0.1	0.1
Stocks	4.5	4.2
Trade Debtors	90.7	67.9
Prepayments and Accrued Income	51.0	46.6
PFI assets transferred to service contractors	45.4	56.3
Other Debtors	265.8	181.6
Total Debtors	402.5	266.7
Cash	10.6	7.5
Non-Government Loans (amounts falling due within one year)	12.7	10.7
Trade and Capital Creditors	102.8	131.9
Accruals, Payments received, taxes and social security	114.0	132.2
Other Creditors	31.0	17.9
Creditors (falling due within one year)	260.6	292.7
Other Creditors (amounts falling due after more than one year)	-	14.3
Non-Government Loans (amounts falling due after one year)	41.6	30.9
Deferred Tax	48.7	75.8
Provisions for liabilities and charges	66.2	85.9
Deferred Income	17.6	17.2
Government Loans	2,138.3	2,235.2
Reserves	18.4	18.4
Post tax profit	161.6	161.3
Net retained earnings	34.9	95.5
Check	TRUE	TRUE

Historic cost Income and Expenditure

£ Million	SW ZDBP 2003-04	Annual Return 2004-05
Revenue	958.3	950.5
Historic Asset Depreciation	119.0	114.2
Infrastructure Renewals Charge	143.0	145.0
Total Depreciation and Infrastructure Charges	262.0	259.2
Amortisation of Grants	1.0	0.5
Amortisation of PFI Assets	1.6	1.6
Revenue less Depreciation and Amortisation	694.7	700.2
Operating Costs	309.3	309.4
PFI Charge	111.5	111.0
Operating Profit	274.9	279.8
Interest Charges	136.6	136.1
Exceptional Expenses (Income)	52.8	51.8
Costs/charges	87.4	87.4
Profit	67.9	91.4
Current Tax	27.2	27.1
Deferred Tax	27.2	27.1
Total Tax	54.4	54.2
Dividend Payment	-	-
Post tax profit	60.63	64.30
Check	TRUE	TRUE

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Non-asset Data Entry**

Government Loans:

Government Loans rate band (Closing Value) £ Million	2003-04
3%-3.99%	65.5
4%-4.99%	802.2
5%-5.99%	328.5
6%-6.99%	1,364.1
7%-7.99%	454.0
8%-8.99%	27.9
9%-9.99%	166.9
10%-10.99%	126.6
11%-11.99%	28.3
12%-12.99%	1.2
13%-13.99%	0.9
14%-14.99%	0.2
Total Government Loans	2,198.3

Government Loans Due for Repayment (£ Million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
3%-3.99%	35.5	-	-	5.0	10.0	15.0	-	-	-	-
4%-4.99%	60.0	20.0	10.0	25.0	32.5	15.0	27.4	10.0	15.0	10.0
5%-5.99%	-	-	-	5.0	-	22.9	-	15.0	-	17.3
6%-6.99%	15.0	10.0	25.0	-	2.0	3.0	-	8.0	2.0	5.0
7%-7.99%	-	-	-	-	-	10.0	-	8.0	27.0	2.0
8%-8.99%	10.3	10.1	8.1	10.8	5.3	0.3	0.3	9.2	3.6	18.0
9%-9.99%	6.6	9.3	4.0	5.6	12.3	11.3	37.7	3.2	2.3	1.0
10%-10.99%	0.2	10.7	0.6	0.4	5.3	0.4	1.0	0.1	0.5	0.9
11%-11.99%	0.1	0.0	-	-	0.1	-	-	-	-	-
12%-12.99%	-	-	-	-	-	-	-	-	-	-
13%-13.99%	-	-	-	-	-	-	-	-	-	-
14%-14.99%	-	-	-	-	-	-	-	-	-	-
Total Government Loans	152.7	60.2	53.4	61.4	73.1	63.5	66.5	53.5	50.4	54.4

Non - Government Loans:

Non Government Loans rate band (Closing Value) £ Million	2003-04
3%-3.99%	3.4
4%-4.99%	-
5%-5.99%	0.1
6%-6.99%	-
7%-7.99%	9.6
8%-8.99%	39.7
9%-9.99%	-
10%-10.99%	-
11%-11.99%	0.5
12%-12.99%	1.0
13%-13.99%	-
14%-14.99%	-
Total Embedded Debt	54.3

Non-Government Loans Due for Repayment (£ Million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
3%-3.99%	-	3.4	-	-	-	-	-	-	-	-
4%-4.99%	-	-	-	-	-	-	-	-	-	-
5%-5.99%	-	0.1	-	-	-	-	-	-	-	-
6%-6.99%	-	-	-	-	-	-	-	-	-	-
7%-7.99%	1.7	1.7	1.8	1.9	1.9	0.7	-	-	-	-
8%-8.99%	11.1	5.4	4.4	4.7	5.1	2.2	1.4	1.6	1.7	0.9
9%-9.99%	-	-	-	-	-	-	-	-	-	-
10%-10.99%	-	-	-	-	-	-	-	-	-	-
11%-11.99%	-	-	-	-	-	-	-	-	-	-
12%-12.99%	-	-	-	-	-	-	-	-	-	-
13%-13.99%	-	-	-	-	-	-	-	-	-	-
14%-14.99%	-	-	-	-	-	-	-	-	-	-
Total Non- Government Loans	12.7	10.7	6.2	6.6	8.0	2.9	1.4	1.6	1.7	0.9

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Non-asset Data Entry**

Cash Flow	£ Million	Annual Return 2004-05
Operating Profit	279.3	
Depreciation	259.2	
Total Depreciation and Infrastructure Charges	1.6	
Amortisation of PFI Assets	(0.5)	
Amortisation of Grants	0.3	
Change in Stock	22.6	
Change in Debtors (excluding PFI assets transferred)	47.6	
Change in Creditors	17.7	
Change in Provisions (excluding deferred tax)	(61.6)	
Exceptional Items	566.5	
Net Cash Flow From Operations	527.4	
Investment	(1.2)	
Grants	10.3	
Asset Disposals	(1.2)	
Changes in Investments	(1.2)	
Net Cash Flow From Operations	515.9	
Net Cash Flow From Operations less Investment	51.7	
Government Loans Received	152.7	
Non-Government Loans Received	12.7	
Interest Paid	136.4	
Taxation Paid	-	
Dividends Paid	-	
New Debt Assumed (net from cash stock of which not refinancing	247.4	
	82.0	

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Quality and Standards II Input**

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Q&S II Investment (£ Million) (ALL IN 2005-06 prices)								
Very Short	42.3	36.0	18.7	14.8	3.0	0.5	-	-
Short	11.3	6.6	44.7	69.8	27.1	3.6	-	-
Medium	68.2	73.7	49.6	89.7	36.8	4.9	-	-
Medium long	14.4	15.6	35.9	55.1	26.4	3.6	-	-
Long	137.6	148.8	122.8	175.0	66.4	10.2	-	-
Infinite (land)	3.8	4.1	12.4	18.9	9.1	1.2	-	-
Infrastructure Renewals (Net of grants)	-	85.4	144.0	96.9	56.6	-	-	-
Infrastructure Enhancement	45.9	74.1	93.0	112.9	52.9	6.8	-	-
Total	423.7	444.1	521.1	632.3	242.7	30.3	-	-
£ Millions (ALL IN 2005-06 Prices)								
Actual Spend (incl. Spend to Save capex and additional items)	423.7	444.1	521.1	632.3	242.7	30.3	-	-
WICS Outputs Delivered (incl. Spend to Save capex and additional items)	423.7	444.1	521.1	632.3	242.7	30.3	-	-
Assets purchased through Grant-in-aid (for inefficiency) (2005-06 prices) (£ million)								
Very Short	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-
Infrastructure Enhancement	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Check					TRUE	TRUE	TRUE	TRUE

*NOTE: The information input in this table is a subset of the information in table "Grants and Third Party Contributions" located in the Asset Data Entry

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Input Sheet: Tax Data Entry**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Allocation New of capital expenditure for tax purposes										
Work in Progress (Opening Amount) (£m)	604,462	769,912	427,923	484,006	539,304	665,122	633,984	565,025	550,871	572,218
Total capitalised expenditure including IFE (outturn prices) excluding grants (£m)	513,107	657,497	540,040	584,611	630,335	682,846	486,067	536,716	593,566	667,162
Percentage Transferred (Opening WIP + Capex)	34.4%	70.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
WIP Transferred (£m)	404,656	998,486	484,006	539,309	585,122	633,984	585,025	550,871	572,218	619,930
Assets qualifying for 100% first year allowances	29,47%	46,95%	40,95%	42,39%	42,87%	43,31%	42,17%	41,72%	41,84%	42,33%
Assets qualifying for long life (6%) pool	32,49%	32,30%	28,77%	46,59%	45,89%	46,34%	46,77%	47,32%	47,18%	46,57%
Assets qualifying for Industrial Buildings Allowance	9,65%	10,32%	8,19%	8,52%	8,63%	9,73%	9,47%	9,37%	9,40%	9,51%
Capitalised revenue expenditure in year of spend	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Capitalised revenue expenditure depreciated - non - infrastructure	6,88%	0,94%	0,83%	0,86%	0,87%	0,88%	0,88%	0,85%	0,85%	0,88%
Capitalised revenue expenditure depreciated - infrastructure	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Capitalised revenue expenditure not depreciated	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Other assets not qualifying for capital allowances or revenue deductions	21,72%	10,48%	20,27%	0,73%	0,74%	0,75%	0,73%	0,72%	0,72%	0,73%
Grants and contributions taxable on receipt	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Check (Items add up to 100%)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Check (Compare with Investment Summary sheet)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

* not taxable on receipt

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Rates										
Tax Rate	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
Plant and Machinery Short life - less than 25 years - allowance rate (reducing balance)	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
Plant and Machinery Long life - more than 25 years - allowance rate (reducing balance)	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%
Industrial Buildings Allowance rate (straight line)	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%
Deductions for capital expenditure (£ Million)										
Existing IFA claims (outturn)	13,9	13,9	14,0	13,9	14,0	14,0	14,0	14,0	13,9	13,9
Finance lease depreciation	-	-	-	-	-	-	-	-	-	-
Depreciation on capitalised revenue expenditure - non - infrastructure (outturn) - Assets capitalised by 31/03/04	9,8	145,0	87,9	-	-	-	-	-	-	-
Depreciation on capitalised revenue expenditure - infrastructure (outturn)	-	-	-	-	-	-	-	-	-	-
Capitalised revenue expenditure deducted in year of spend	1,6	1,6	1,6	1,6	1,6	1,6	1,6	1,6	1,6	1,6
Amortisation of PFI assets	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Average asset life - non - infrastructure	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Average asset life - infrastructure	-	-	-	-	-	-	-	-	-	-
Opening position (£ Million)										
Opening pool of capital allowances - asset life < 25 years	583,2	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1
Opening pool of capital allowances - asset life > 25 years	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1
Residual IFA's	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1
General provisions - opening balance	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1	583,1
Leases brought forward	171,1	171,1	171,1	171,1	171,1	171,1	171,1	171,1	171,1	171,1
Other Deductions/Adjustments (£ Million)										
Revenue expenditure not allowable for tax purposes	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0
Provisionally taxable	-	-	-	-	-	-	-	-	-	-
Provisionally taxable	-	-	-	-	-	-	-	-	-	-
Profit/loss not subject to tax not taxed as trading income	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in general provisions (outturn)	31,9	6,5	20,7	25,0	25,9	28,9	28,0	29,4	30,9	32,4
Adjustments to tax charge	-	-	-	-	-	-	-	-	-	-

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Historic Cost Asset Information**

Asset Depreciation rates	Rate		Years																					
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25			
Very Short	20%	5																						
Short	10%	10																						
Medium	5%	20																						
Medium long	3%	40																						
Long	2%	60																						
Infinite (land)	0%	Inf.																						
Infrastructure	0%	Inf.																						
Opening gross book value (£ Million)																								
Very Short	270.1	285.5	304.9	326.6	353.0	389.3	438.7	464.5	492.9	524.7														
Short	37.5	77.3	148.3	200.4	264.5	334.3	410.6	461.9	516.4	582.0														
Medium	622.2	571.0	684.3	790.3	892.4	979.5	1,051.2	1,094.0	1,124.0	1,154.7														
Medium long	1,104.3	1,467.7	2,029.9	2,467.7	2,903.3	3,363.3	3,865.5	4,290.6	4,688.1	5,001.1														
Long	1,728.3	1,847.3	2,031.3	2,166.2	2,297.5	2,438.6	2,591.7	2,738.1	2,894.9	3,032.2														
Infinite (land)	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2														
Infrastructure Assets	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2	1,118.2														
Total	3,811.6	4,322.5	4,980.5	5,516.8	6,111.2	6,740.2	7,421.0	7,915.1	8,448.8	9,041.4														
Total Additions to Asset Base (£ Million)																								
Very Short	18.4	16.4	31.7	36.4	38.4	39.5	39.8	39.8	39.8	39.8														
Short	44.0	72.9	54.2	66.1	71.7	77.2	82.7	88.2	93.7	99.2														
Medium	83.3	83.3	66.0	72.1	77.2	82.3	87.4	92.5	97.6	102.7														
Medium long	35.3	57.2	43.7	43.7	46.0	50.2	57.4	62.5	67.6	72.7														
Long	123.0	184.0	134.9	134.3	139.0	151.9	163.3	174.7	186.1	197.5														
Infinite (land)	12.2	19.6	15.0	14.8	15.7	17.2	18.7	19.2	19.7	20.2														
Infrastructure Renewals (net of grants)	141.8	96.9	84.6	90.0	92.2	94.4	96.6	98.8	101.0	103.2														
Infrastructure Enhancement (net of grants)	91.6	119.6	110.0	140.1	152.9	167.1	181.3	195.5	210.0	224.5														
Total	515.2	680.0	540.1	584.8	629.9	681.4	732.8	784.3	835.8	887.3														
Additions to Asset Base Q&S III and beyond (£ Million) - outturn prices																								
Very Short	1.6	15.1	15.1	30.3	34.8	35.0	25.8	26.3	26.3	26.3														
Short	3.3	27.1	27.1	62.5	71.7	75.2	53.3	58.4	63.5	68.6														
Medium	3.6	29.1	29.1	67.2	84.3	88.3	57.4	62.5	67.6	72.7														
Medium long	6.5	52.4	52.4	130.0	139.0	143.0	88.3	93.4	98.5	103.6														
Long	0.7	5.9	5.9	13.7	15.2	17.2	11.7	12.2	12.7	13.2														
Infinite (land)	-	-	-	-	-	-	-	-	-	-														
Infrastructure Renewals (net of Grants)	7.1	57.8	57.8	133.2	152.9	167.1	113.7	124.5	135.3	146.1														
Infrastructure Enhancement	25.0	290.9	290.9	558.1	629.5	681.4	486.1	536.7	587.3	637.9														
Total	18.4	148.8	148.8	303.0	348.3	375.2	258.8	284.3	309.8	335.3														
Additions to Asset Base Q&S II (£ Million) - outturn prices																								
Very Short	18.4	3.0	0.5	-	-	-	-	-	-	-														
Short	44.0	27.1	3.6	-	-	-	-	-	-	-														
Medium	48.8	89.7	36.8	4.9	-	-	-	-	-	-														
Medium long	35.3	55.1	26.4	3.6	-	-	-	-	-	-														
Long	120.9	82.4	10.2	-	-	-	-	-	-	-														
Infinite (land)	12.2	18.9	9.1	1.2	-	-	-	-	-	-														
Infrastructure Renewals (net of Grants)	141.8	96.8	6.6	-	-	-	-	-	-	-														
Infrastructure Enhancement	513.9	1,353.2	243.7	39.9	-	-	-	-	-	-														
Total	513.9	632.3	243.7	39.9	-	-	-	-	-	-														
Additions to Asset Base Retail/Wholesale & Others - outturn prices (£m)																								
Very Short	-	-	5.5	5.7	1.5	-	-	-	-	-														
Short	-	-	-	-	-	-	-	-	-	-														
Medium	-	-	-	-	-	-	-	-	-	-														
Medium long	-	-	-	-	-	-	-	-	-	-														
Long	2.1	2.5	-	-	-	-	-	-	-	-														
Infinite (land)	-	-	-	-	-	-	-	-	-	-														
Infrastructure Enhancement	-	-	-	-	-	-	-	-	-	-														
Total	2.1	2.5	-	-	-	-	-	-	-	-														
Assets added through grants in the report year - outturn prices (£m)																								
Very Short	-	-	-	-	-	-	-	-	-	-														
Short	-	-	-	-	-	-	-	-	-	-														
Medium	-	-	-	-	-	-	-	-	-	-														
Medium long	-	-	-	-	-	-	-	-	-	-														
Long	-	-	-	-	-	-	-	-	-	-														
Infinite (land)	-	-	-	-	-	-	-	-	-	-														
Infrastructure Enhancement	-	-	-	-	-	-	-	-	-	-														
Total	-	-	-	-	-	-	-	-	-	-														

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Historic Cost Asset Information**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Disposals (historic cost basis) (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-	-	-
Total	4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cumulative depreciation as at 1st April (£ Million)										
Very Short	203.3	241.6	265.8	285.2	301.0	323.5	351.5	382.5	415.1	447.8
Short	9.7	13.0	24.1	42.0	65.9	124.4	132.6	174.4	221.6	274.6
Medium	136.7	155.4	185.0	225.0	260.4	296.2	339.9	385.0	433.0	484.4
Medium long	35.7	39.5	44.3	50.4	57.5	64.9	73.5	83.0	93.5	104.9
Long	221.4	266.9	306.9	337.9	368.9	401.1	435.8	472.5	510.9	551.2
Infrastructure Assets (IFC)	615.6	733.6	905.6	996.6	1,085.6	1,178.8	1,273.2	1,369.9	1,468.1	1,570.8
Depreciation on base assets (£ Million)										
Very Short	33.5	19.9	9.2	0.8	0.4	-	-	-	-	-
Short	4.0	4.0	4.5	4.5	4.0	2.5	1.4	1.2	0.8	0.8
Medium	24.8	24.8	22.3	22.2	21.8	21.7	21.6	21.5	21.5	21.5
Medium long	43.6	42.2	38.2	33.2	27.8	21.3	17.2	12.2	7.2	2.2
Long	112.7	90.3	62.1	53.2	50.0	48.1	46.7	46.3	45.7	45.6
Depreciation - on asset additions (£ Million)										
Very Short	1.8	5.3	9.1	16.0	22.9	27.8	31.0	36.6	39.8	39.1
Short	2.2	8.0	14.4	23.9	27.3	34.8	41.0	47.0	53.2	60.2
Medium	1.2	4.8	8.8	12.2	15.9	20.0	23.5	28.5	33.6	36.6
Medium long	0.4	1.6	2.9	4.0	5.1	6.3	7.3	8.2	9.2	10.3
Long	1.0	3.6	6.2	8.5	10.7	13.1	15.3	17.1	19.1	21.3
Total	6.7	23.3	41.4	60.0	61.2	102.1	118.5	131.4	144.1	157.9
Depreciation (eliminated on disposal) (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	2.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Depreciation (foregone on asset disposal) (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year (£ Million)										
Very Short	35.3	25.2	18.4	15.7	22.6	27.3	31.0	32.5	32.8	32.4
Short	16.9	16.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Medium	26.7	25.6	23.7	22.2	21.7	21.7	21.6	21.5	21.5	21.5
Medium long	5.8	6.1	6.1	7.2	7.4	8.6	9.6	10.5	11.4	12.5
Long	43.5	42.0	29.0	31.0	32.2	34.6	36.7	38.4	40.3	42.4
Total	117.5	113.7	103.5	113.1	131.3	150.2	165.2	177.7	189.9	203.5

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Historic Cost Asset Information**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Infrastructure Renewals Charge (£ Million)	145.0	145.0	87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
IFC										
Closing Net Book Value (£ Million)										
Very Short	463.9	38.1	41.4	62.1	75.7	87.2	82.1	77.8	76.8	80.9
Short	64.3	124.2	158.4	198.6	233.0	278.0	287.5	296.7	307.4	300.7
Medium	405.6	489.3	504.2	542.0	591.4	624.0	636.2	651.0	670.3	686.1
Medium long	106.3	158.7	196.3	232.8	271.4	313.0	337.6	354.6	356.2	430.9
Long	1,590.4	1,722.5	1,828.3	1,928.6	2,035.4	2,152.7	2,219.3	2,294.1	2,381.1	2,484.4
Infinite (land)	41.0	60.6	75.6	90.5	105.2	123.4	135.1	147.8	162.2	178.7
Infrastructure Assets	595.1	639.6	776.3	916.3	1,063.3	1,236.4	1,350.0	1,474.6	1,615.6	1,775.0
Total	2,632.8	3,232.9	3,580.3	3,977.0	4,377.4	4,814.7	5,047.8	5,306.6	5,607.8	5,986.7
Historic Cost Amortisation of Existing Grants (£ Million)										
Amortisation of Existing Grants (31/03/2004)	2.5	2.4	2.4	2.4	2.4	2.4	-	-	-	-
New Grants (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	2.1	2.5	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-	-	-
Infrastructure Enhancement	-	-	-	-	-	-	-	-	-	-
Total New Grants	2.1	2.5	-	-	-	-	-	-	-	-
Historic Cost Amortisation of New Grants (£ Million)										
Very Short	-	-	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-	-	-
Long	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Infinite (land)	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-
Total Amortisation of New Grants	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Historic Cost Amortisation of New and Existing Grants (£ Million)										
Total Amortisation of Grants	2.5	2.5	2.5	2.5	2.5	2.5	0.1	0.1	0.1	0.1
Deferred Income in HC Accounts (£ Million)										
Deferred Income Opening Amount	17.6	17.1	17.2	14.7	12.2	9.7	9.7	9.6	9.5	9.4
Additions on Year	2.1	2.5	-	-	-	-	-	-	-	-
Amortisation	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Deferred Income (Closing amount)	17.1	17.2	14.7	12.2	9.7	9.6	9.6	9.5	9.4	9.4

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Current Cost Asset Information**

Gross Asset cost at 1st April (Current cost) (£ Million)	2006	2007	2008	2009	2010	2011	2012	2013
Very Short	60.6	79.1	111.7	160.6	193.7	224.4	256.3	286.6
Short	655.2	723.1	804.4	883.3	930.9	1,066.9	1,149.6	1,241.6
Medium	1,129.4	1,222.3	1,323.9	1,432.9	1,551.6	1,647.7	1,751.7	1,866.2
Medium long	234.6	284.0	334.5	388.4	448.0	493.3	543.1	598.7
Long	2,218.5	2,406.7	2,596.8	2,797.1	3,016.1	3,194.8	3,387.9	3,539.9
Infinite (land)	214.0	254.2	254.7	276.5	300.3	319.5	340.3	363.1
Infrastructure Assets	21,502.6	22,632.9	24,066.1	24,413.0	25,055.6	25,882.5	26,763.5	27,674.3
Total	26,405.0	27,576.8	28,631.2	29,801.9	31,151.9	32,838.9	34,194.3	35,640.3
Total Additions to Asset Base (£ Million) - outturn prices	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	21.7	36.4	36.2	39.5	25.8	28.3	31.8	35.5
Short	54.2	66.1	71.7	78.4	53.3	58.4	65.7	75.2
Medium	65.0	72.1	77.2	84.3	57.4	62.8	70.9	80.9
Medium long	43.7	43.7	43.0	45.2	13.2	13.2	13.2	14.2
Long	15.0	14.9	15.7	17.2	11.7	12.5	14.4	16.5
Infinite (land)	94.6	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Infrastructure Renewals (net of Grants)	110.0	140.1	152.9	167.1	113.7	124.5	140.1	160.4
Infrastructure Enhancement	540.1	594.6	630.9	682.8	486.1	536.7	593.6	657.8
Total	1,100.3	1,223.1	1,285.7	1,393.9	1,007.0	1,101.2	1,202.8	1,314.1
Disposals (2005-06 prices) (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	-	-	-	-	-	-	-	-
Short	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-
Total	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Disposals (Revaluation) (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	-	-	-	-	-	-	-	-
Short	0.0	0.1	0.1	0.2	0.3	0.3	0.4	0.4
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-
Total	0.0	0.1	0.1	0.2	0.3	0.3	0.4	0.4
Cost Revaluation in the year (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	1.2	1.8	2.7	3.6	4.8	5.6	6.5	7.4
Short	15.7	17.4	19.3	21.4	24.8	26.7	28.7	31.0
Medium	27.1	29.3	31.8	34.4	38.6	41.2	43.8	46.7
Medium long	5.6	6.1	6.8	7.4	8.0	8.5	9.0	9.5
Long	53.2	57.6	62.3	67.1	75.4	79.9	84.7	90.0
Infinite (land)	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Infrastructure Assets	325.7	343.2	351.7	351.1	328.4	328.4	328.4	328.4
Total	637.7	661.8	679.9	693.9	723.8	723.8	723.8	723.8
Cost Revaluation Cumulative	637.7	1,299.5	1,979.3	2,711.2	3,500.1	4,321.0	5,175.9	6,066.9
Cumulative Depreciation as at 1st April (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	16.5	33.1	55.2	80.5	106.1	138.7	177.8	217.3
Short	322.7	449.4	525.1	611.2	708.7	818.1	945.1	1,090.7
Medium	31.8	62.1	92.1	122.1	152.1	182.1	212.1	242.1
Medium long	984.5	1,031.5	1,083.6	1,140.7	1,203.6	1,272.3	1,346.7	1,426.8
Long	-	87.9	180.1	276.6	377.6	483.8	595.1	711.6
Infrastructure Assets (IFC)	-	-	-	-	-	-	-	-
WIP adjustment	-	-	-	-	-	-	-	-
Total	2,014.5	2,247.8	2,506.9	2,797.6	3,113.1	3,465.6	3,785.3	4,130.9
Current Cost Depreciation- Charge in the year excluding WIP (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	16.1	22.4	22.9	23.7	30.9	34.7	35.0	34.5
Short	56.5	66.0	74.6	84.0	92.7	97.7	104.9	113.2
Medium	59.0	63.9	69.3	75.0	80.5	85.5	91.0	97.2
Medium long	8.4	9.7	11.0	12.5	13.9	15.2	16.5	18.1
Long	43.9	47.2	50.6	54.3	57.8	61.1	64.6	68.6
WIP Adjustment	-	-	-	-	-	-	-	-
Total	186.0	209.2	226.5	249.5	275.8	294.2	292.2	271.5

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Current Cost Asset Information**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation (eliminated on disposal) (£ Million) - (2006-06 prices)								
Very Short	-	-	-	-	-	-	-	-
Short	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Total	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Depreciation (revaluation eliminated on disposal) (£ Million)								
Very Short	-	-	-	-	-	-	-	-
Short	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Total	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2
Depreciation Revaluation (£ Million)								
Very Short	0.4	0.8	1.3	1.9	2.7	3.5	4.4	5.4
Short	9.2	10.8	12.6	14.7	17.7	20.3	21.9	23.5
Medium	13.7	15.4	17.3	19.4	22.5	25.1	27.9	30.9
Medium long	2.0	2.2	2.5	2.8	3.3	3.8	4.2	4.7
Long	23.1	24.8	26.5	28.3	31.6	33.8	36.2	38.7
Infrastructure Assets (IRC)	-	2.1	4.3	6.6	9.4	12.1	14.9	17.8
Total	48.3	56.1	64.6	73.8	87.3	96.7	106.5	121.1
Cumulative Depreciation Revaluation	-	48.3	104.4	168.0	242.7	330.0	428.7	538.3
Infrastructure Renewals Charge (IRC) (£ Million) (Outturn)								
IRC	87.8	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Net Book Value (£ Million)								
2006-07	40.5	55.5	70.1	87.6	84.7	80.4	79.3	83.2
Short	273.7	279.3	282.1	282.2	248.7	274.5	300.9	329.2
Medium	580.9	602.3	626.3	649.6	642.7	636.1	631.6	631.2
Medium long	191.8	230.4	270.9	315.1	343.2	374.0	403.9	449.2
Long	1,375.1	1,482.2	1,616.4	1,752.7	1,842.0	1,940.2	2,051.3	2,179.9
Infinite (land)	234.2	254.7	278.5	300.3	319.5	340.3	363.1	388.7
Infrastructure Assets	22,345.0	23,226.1	23,936.9	24,678.0	25,406.6	26,166.4	26,962.6	27,797.1
WIP - Investment	-	-	-	-	-	-	-	-
Total	25,241.1	26,141.1	27,077.7	28,065.5	28,899.5	29,813.9	30,797.8	31,848.6
New Grants (outturn prices) (£ Million)								
Very Short	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite (land)	-	-	-	-	-	-	-	-
Infrastructure Enhancement	-	-	-	-	-	-	-	-
Total New Grants	-	-	-	-	-	-	-	-
* All grants previous to 1st April 2006 are considered as part of the NEMV value								
Amortisation of grants added in period (£ Million)								
Very Short	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite	-	-	-	-	-	-	-	-
Infrastructure Enhancement	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Current Cost Asset Information**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Cumulative Amortisation of new grants (Current Cost) (£ Million)								
Very Short	-	-	-	-	-	-	-	-
Short	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-
Medium long	-	-	-	-	-	-	-	-
Long	-	-	-	-	-	-	-	-
Infinite (lane)	-	-	-	-	-	-	-	-
Infrastructure Assets	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Total Amortisation of Grants (Current Cost) (£ Million)								
Total Amortisation of Grants	-	-	-	-	-	-	-	-
Deferred Income and Current Cost Reserve (£ Million)								
Deferred Income Opening Amount	-	-	-	-	-	-	-	-
Deferred Income Opening Amount (Revalued portion)	-	-	-	-	-	-	-	-
Additions on year	-	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-	-
Deferred Income (Closing amount)	-	-	-	-	-	-	-	-
Impact on Current Cost Reserve	-	-	-	-	-	-	-	-

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: MEAV Depreciation**

Current Cost Annual Depreciation Charge (£ Million)	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Very Short	16.1	22.4	22.9	23.7	30.9	34.7	35.0	34.5
Short	58.5	66.0	74.6	84.0	92.7	37.7	44.9	53.2
Medium	59.0	63.9	69.3	75.0	80.5	85.5	91.0	97.2
Medium long	8.4	9.7	11.0	12.5	13.9	15.2	16.5	18.1
Long	43.9	47.2	50.6	54.3	57.8	61.1	64.6	68.6
Total CCD before WIP adjustment	186.0	203.2	228.5	249.5	275.8	234.2	252.2	271.5
WIP adjustment								
Total	186.0	203.2	228.5	249.5	275.8	234.2	252.2	271.5

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Interest Payable**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Embedded Debt Government & Non Government (£ Million)											
3%-3.99%		68.9	33.4	30.0	25.0	15.0	-	-	-	-	-
4%-4.99%		802.2	722.2	702.2	692.2	667.2	634.7	619.7	592.3	562.3	557.3
5%-5.99%		328.6	328.6	328.5	328.5	323.5	323.5	300.6	300.6	300.6	285.6
6%-6.99%		136.4	131.4	131.4	131.4	129.4	126.4	126.4	126.4	118.4	116.4
7%-7.99%		483.6	448.9	435.2	408.8	408.8	404.7	394.0	394.0	386.0	359.0
8%-8.99%		57.5	56.3	51.0	46.6	41.9	38.3	34.5	33.2	31.6	29.9
9%-9.99%		16.0	15.0	14.0	13.0	12.0	11.0	10.0	9.0	8.0	7.0
10%-10.99%		126.8	120.1	110.2	106.7	101.7	88.3	76.4	38.4	35.2	33.2
11%-11.99%		28.8	28.6	17.9	17.3	12.3	6.9	6.4	5.4	5.3	4.8
12%-12.99%		2.2	2.1	2.1	2.1	2.1	1.0	1.0	1.0	1.0	1.0
13%-13.99%		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
14%-14.99%		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Embedded Debt		2,192.5	2,027.4	1,956.6	1,897.0	1,829.0	1,747.9	1,681.5	1,613.5	1,559.5	1,506.4
Embedded Debt Due for Repayment (£ Million)											
3%-3.99%		35.5	3.4	5.0	10.0	15.0	15.0	15.0	15.0	15.0	15.0
4%-4.99%		80.0	20.0	10.0	25.0	25.0	15.0	27.4	10.0	10.0	10.0
5%-5.99%		-	0.1	-	-	5.0	-	-	-	15.0	-
6%-6.99%		5.0	-	-	-	2.0	3.0	-	8.0	8.0	5.0
7%-7.99%		16.7	11.7	26.8	1.8	1.8	10.7	-	8.0	27.0	2.0
8%-8.99%		11.1	5.4	4.7	5.1	2.2	2.2	1.4	1.6	1.7	0.9
9%-9.99%		10.3	10.1	8.1	10.8	0.3	9.2	5.3	9.2	3.6	18.0
10%-10.99%		6.6	9.3	4.0	5.8	12.8	11.8	37.7	3.2	2.3	1.0
11%-11.99%		0.2	10.7	0.6	5.0	5.5	0.4	1.0	0.1	0.5	0.9
12%-12.99%		0.1	-	0.0	-	-	-	-	-	-	-
13%-13.99%		-	-	0.7	-	-	-	-	-	-	-
14%-14.99%		-	-	-	-	-	-	0.1	-	-	-
Total		165.4	70.9	59.6	68.0	81.1	66.4	67.9	55.1	52.1	55.4
Repayment by type (£ Million)											
Government Loans		169.7	80.2	59.4	61.4	76.0	63.3	66.3	53.5	50.1	54.4
Non Government Loans		12.7	10.2	6.0	6.0	2.3	2.3	6.1	6.1	6.1	6.1
Total		182.4	90.4	65.4	67.4	78.3	65.6	72.4	59.6	56.2	60.5
Check		165.4	70.9	59.6	68.0	81.1	66.4	67.9	55.1	52.1	55.4
		TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
Interest Payable on Embedded Debt (£ Million)											
Avg. Rate											
3%-3.99%		1.8	1.1	1.0	0.7	0.3	-	-	-	-	-
4%-4.99%		34.3	32.0	31.0	30.6	29.3	28.2	27.3	26.4	25.9	25.3
5%-5.99%		18.1	18.1	18.1	17.9	17.8	17.2	16.3	16.1	15.7	15.2
6%-6.99%		8.7	8.5	8.5	8.5	8.5	8.3	8.2	8.0	7.6	7.4
7%-7.99%		34.1	33.1	31.6	30.6	30.4	30.0	29.5	29.2	27.9	26.8
8%-8.99%		5.3	4.6	4.1	3.8	3.3	3.0	2.9	2.9	2.6	2.5
9%-9.99%		15.4	14.4	13.5	12.6	11.9	11.6	11.6	11.1	10.5	9.5
10%-10.99%		13.0	12.1	10.9	10.9	8.6	8.6	6.0	3.9	3.6	3.4
11%-11.99%		3.3	2.7	2.0	1.7	1.1	0.8	0.7	0.6	0.6	0.5
12%-12.99%		0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1
13%-13.99%		0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
14%-14.99%		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Interest Payable on Embedded Debt		134.3	127.0	122.1	117.6	112.8	107.9	102.9	98.3	94.6	90.9
Interest Rate											
2003-04		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2004-05		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2005-06		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2006-07		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2007-08		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2008-09		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2009-10		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2010-11		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2011-12		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2012-13		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
2013-14		4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Cost of Capital Adjustment											
Cost of Debt (pre-tax) for cost of capital calculations											
Embedded Debt Interest Payable using CoC Cost of Debt (pre-tax) (£m)		88.63	85.70	82.27	78.88	75.79	72.96	70.49	68.02	65.55	63.07
Difference with actual interest payable (£m)		35.43	31.94	30.48	29.00	27.13	25.35	24.13	22.85	21.57	20.29

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Interest Payable**

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
New Debt Assumed (£ Million)		259.4	282.4	207.3	218.8	279.3	327.7	192.7	146.0	178.2	232.4
New Debt Required											
Interest (£ Million)											
Interest Payable on New Debt (before iterations)		6.0	11.9	24.0	33.5	48.3	66.5	71.5	80.4	87.1	95.3
Interest Payable on New Debt (iterations only)		6.0	18.0	28.3	38.2	49.2	63.2	75.3	85.0	90.4	98.8
Cumulative Interest on New Debt		140.3	145.0	150.3	156.2	162.5	171.3	178.2	181.3	185.0	190.7
Interest before tax adjustment											
Adjustments due to tax changes											
Total Interest Payable		140.3	145.0	150.3	156.2	162.5	171.3	178.2	181.3	185.0	190.7
Iterations to calculate new debt required (£ Million)											
Iterations to calculate new debt required		(256.4)	(256.4)	(202.5)	(213.8)	(261.8)	(264.8)	(160.9)	(110.9)	(139.0)	(91.0)
New debt before called up interest (before tax)		(259.4)	(282.4)	(207.3)	(218.8)	(279.7)	(301.7)	(164.7)	(113.6)	(142.3)	(195.5)
Iteration to infinity											

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Cost of Capital**

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Cost of Debt (pre tax)*	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%	4.60%
Cost of Equity	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
Gearing ratio	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%	65.00%
WACC	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%	4.12%
Cost of Capital (before adjustments)	161.8	177.4	194.3	212.4	227.2	239.6	254.6	271.9
Adjustments due to Embedded Debt (£m)	33.4	31.9	30.5	29.0	27.1	25.4	24.1	22.9
Adjustments due to Retail/Wholesale Competition Cost of Capital (£m)	-	-	-	-	-	-	-	-
Cost of Capital (£m)	195.26	209.34	224.73	241.43	254.35	264.92	278.77	294.75
Cost of Capital (%)	4.97%	4.86%	4.76%	4.66%	4.61%	4.55%	4.51%	4.46%

* Cost of Debt is entered pre-tax to prevent double counting of the tax shield in the revenue requirement

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Calculation of RCV**

£ Million	2005-06	2006-07	2007-08	2008-09	2008-10	2010-11	2011-12	2012-13	2013-14
Opening RCV	4,025.9								
Closing RCV (previous year)		3,751.3	4,110.3	4,507.3	4,929.2	5,390.3	5,647.4	5,950.8	6,379.1
Indexation		93.8	102.8	112.7	123.2	134.8	141.2	148.8	159.5
Opening RCV		3,845.1	4,213.0	4,620.0	5,052.4	5,525.1	5,798.6	6,140.6	6,538.6
Capital Expenditure		445.5	504.6	538.7	588.4	599.3	437.5	491.9	563.6
Non-Infrastructure Assets		335.5	364.5	421.4	421.4	285.6	313.0	351.9	403.1
Infrastructure Enhancement		110.0	140.1	152.9	167.1	113.7	124.5	140.0	160.4
Infrastructure Renewals Expenditure		94.6	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Grants and Contributions		-	-	-	-	-	-	-	-
Depreciation		186.0	209.2	228.5	249.5	275.8	294.2	292.2	271.5
Disposal		186.0	209.2	228.5	249.5	275.8	294.2	292.2	271.5
Depreciation of Capital Grants(*)		-	-	-	-	-	-	-	-
Infrastructure Renewals Charge		87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Disposal of Assets		1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2
Outperformance of regulatory assumptions	(274.5)								
Closing RCV		3,751.3	4,110.3	4,507.3	4,929.2	5,390.3	5,647.4	5,950.8	6,379.1
Average Year RCV		3,920.8	4,308.8	4,718.3	5,159.8	5,518.9	5,819.1	6,185.0	6,609.3

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process sheet : Operating Costs**

£ Million	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Water										
Base Operating Cost (2005-06 prices)	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4
Allowed for additions to baseline (2005-06 prices)	-	-	-	-	-	-	-	-	-	-
Revised Total Base Operating Cost (2005-06 prices)	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4	152.4
Inflation adjustment to base operating cost	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)	(3.7)
Less: Efficiency Target	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6	13.6
Less: Inflation Increment on Efficiency Target	-	-	-	-	-	-	-	-	-	-
Sub Total (outturn)	148.7	140.9	145.9	150.0	154.3	156.9	160.8	164.8	168.9	173.2
Allowed for New Operating Costs Relating to:										
- Drinking Water Compliance (2005-06 prices)	-	-	0.2	0.4	1.0	6.3	6.3	6.3	6.3	6.3
- Growth (2005-06 prices)	-	-	0.0	0.3	0.3	0.7	0.7	0.7	0.7	0.7
Allowed for New Operating Costs (2005-06 prices)	-	-	0.2	0.4	1.4	7.0	7.0	7.0	7.0	7.0
Inflation Adjustment to Allowed for New Operating Costs	-	-	0.0	0.0	0.1	0.7	0.9	1.1	1.3	1.5
Less: Efficiency Target	-	-	0.0	0.0	0.0	1.1	1.1	1.1	1.1	1.1
Less: Inflation Increment on Efficiency Target	-	-	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2
Subtotal (outturn prices)	-	-	0.2	0.4	1.3	6.5	6.6	6.8	7.0	7.2
Additional Costs Allowed for:										
- Alternative Technical solutions to deliver objectives (2005-06 prices)	-	-	2.1	3.2	4.2	5.3	5.3	5.3	5.3	5.3
- Leakage Control (2005-06 prices)	-	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
- Investments to levels of service (2005-06 prices)	-	-	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Additional Costs Allowed for (2005-06 prices)	-	-	7.4	8.5	9.5	10.9	10.9	10.9	10.9	10.9
Inflation adjustment to Additional Costs Allowed for (m)	-	-	0.1	0.2	0.2	1.4	1.8	2.2	2.6	3.0
Sub Total (outturn prices)	-	-	7.5	8.7	9.7	12.3	12.7	12.7	12.7	13.7
Total Water Operating Costs (outturn)	148.7	140.9	148.8	154.3	166.3	176.5	183.0	187.6	192.3	197.1

£ Million	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Waste Water										
Base Operating Cost (2005-06 prices)	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9
Allowed for additions to baseline (2005-06 prices)	-	-	-	-	-	-	-	-	-	-
Revised Total Base Operating Cost (2005-06 prices)	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9	126.9
Inflation adjustment to base operating cost	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)
Less: Efficiency Target	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Less: Inflation Increment on Efficiency Target	-	-	-	-	-	-	-	-	-	-
Sub Total (outturn)	126.8	118.6	122.1	123.8	126.5	127.2	130.4	133.7	137.0	140.4
Allowed for New Operating Costs Relating to:										
- The Quality Enhancement Programme (2005-06 prices)	-	-	3.2	3.4	3.8	5.9	5.9	5.9	5.9	5.9
- Growth (2005-06 prices)	-	-	0.1	0.5	1.3	2.5	2.5	2.5	2.5	2.5
Allowed for New Operating Costs (2005-06 prices)	-	-	3.3	3.9	5.2	8.4	8.4	8.4	8.4	8.4
Inflation Adjustment to Allowed for New Operating Costs	-	-	0.1	0.1	0.4	0.9	1.1	1.3	1.6	1.8
Less: Efficiency Target	-	-	0.0	0.4	0.7	1.3	1.3	1.3	1.3	1.3
Less: Inflation Increment on Efficiency Target	-	-	0.0	0.0	0.1	0.2	0.2	0.2	0.3	0.3
Sub Total (outturn)	-	-	3.1	3.6	4.8	7.8	8.0	8.2	8.4	8.6
Additional Costs Allowed for:										
- Alternative Technical solutions to deliver objectives (2005-06 prices)	-	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
- Additional Costs Allowed for (2005-06 prices)	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Inflation adjustment to Additional Costs Allowed for (m)	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub Total (outturn prices)	-	-	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Total Waste Water Operating Costs (outturn)	126.8	118.6	126.8	128.0	130.4	135.0	138.4	141.8	145.4	149.0

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process sheet : Operating Costs**

£ Million	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Retail/Wholesale separation										
RW Operating Cost (2005-06 prices)	-	-	6.2	6.1	9.3	9.2	8.2	7.2	6.2	5.2
Inflation Adjustment to RW Operating Costs	-	-	0.2	0.3	0.7	1.0	1.1	1.1	1.2	1.1
Less: Efficiency Target on RW Operating Costs	-	-	-	-	-	-	-	-	-	-
Less: Inflation Increment on Efficiency Target on RW Op. Costs	-	-	-	-	-	-	-	-	-	-
Total Retail/Wholesale separation: Operating Costs (outturn)	-	-	6.3	6.5	10.0	10.2	9.3	8.3	7.4	6.3
Operating Costs (excluding Depreciation and Amortisation) (outturn)	274.4	260.6	283.0	288.8	309.6	323.7	330.6	337.8	346.0	352.4
PFI Charge										
PFI Charge (2005-06 prices)	113.8	119.0	120.4	120.0	120.5	122.5	121.9	121.3	120.7	120.1
Inflation Adjustment to PFI Charge	(2.6)	-	3.0	6.1	9.3	12.7	16.0	19.4	22.8	26.2
Less: Efficiency Target on PFI	-	-	-	-	-	-	-	-	-	-
Less: Inflation Increment on Efficiency Target on PFI	-	-	-	-	-	-	-	-	-	-
Total PFI Charge (outturn)	111.0	119.0	123.4	126.0	129.8	135.2	137.9	140.7	143.5	146.3

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Current Cost Reserve**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Initial Current Cost Reserve (£ Million)	24,380.6								
Opening MEAV 1 April 2006	24,380.6								
Closing NBV Fixed Assets (Net of grants)	3,215.7								
Initial Current Cost Reserve (2006-07)	21,174.9								
Changes in Current Cost Reserve (£ Million)									
Opening Current Cost Reserve	21,174.9	21,753.6	21,753.6	22,352.0	22,970.0	23,609.2	24,239.2	25,010.3	25,743.8
Fixed Assets Adjustments	585.4	605.8	627.0	643.9	649.9	701.6	722.2	745.3	789.9
Working Capital Adjustments	(3.7)	(3.1)	(3.4)	(3.4)	(3.7)	(4.1)	(2.9)	(3.1)	(3.4)
Financing Adjustments	(3.8)	(5.3)	(6.8)	(7.8)	(7.8)	(8.4)	(9.0)	(9.6)	(10.1)
PFI Assets adjustments	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Grants and Third Party Contributions Adjustments	-	-	-	-	-	-	-	-	-
Current Cost Reserve	21,753.6	22,352.0	22,970.0	23,609.2	24,239.2	25,010.3	25,743.8	26,501.0	
Working Capital Adjustment (£ Million)									
Stocks	3.9	4.2	4.6	4.6	4.9	5.0	5.1	5.2	5.3
Trade Debtors	72.9	72.5	73.8	75.3	77.0	80.0	82.4	85.2	87.5
Prepayments and Accrued Income	51.0	54.0	55.3	57.0	57.0	58.7	60.5	62.3	64.2
Short-term Trade and Capital Creditors	169.0	138.3	152.2	161.5	174.8	127.0	137.4	152.0	170.9
Accruals, Payments received in advance, taxes and social security	106.3	113.8	116.1	123.0	128.5	131.2	134.0	136.8	138.7
Total Working Capital	(148.2)	(122.6)	(136.5)	(149.3)	(163.8)	(114.6)	(123.4)	(136.3)	(153.6)
Total Working Capital Adjustment (Inflation times opening amount)	(3.7)	(3.1)	(3.4)	(3.4)	(3.7)	(4.1)	(2.9)	(3.1)	(3.4)
Financing Adjustment (£ Million)									
Net Assets Employed	24,053.2	24,871.7	25,698.8	26,581.7	27,530.2	28,560.0	29,274.9	30,265.4	31,249.2
Net Operating Assets (excluding PFI assets)	24,205.2	24,982.0	25,869.0	26,833.6	27,887.8	28,741.9	29,658.4	30,630.5	31,625.1
Difference	(152.0)	(210.3)	(270.1)	(311.9)	(337.6)	(361.9)	(383.6)	(404.1)	(425.9)
Total Financing Adjustment (Inflation times opening amount)	(3.8)	(5.3)	(6.8)	(7.8)	(7.8)	(8.4)	(9.0)	(9.6)	(10.1)
Grants and Third Party Contributions (£ Million)									
Grants and Third Party Contributions	-	-	-	-	-	-	-	-	-

**Water Industry Commissioner for Scotland
Financial Model - Water Industry Commission for Scotland
Process Sheet: Capital Allowances**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Allowances rates										
Plant and Machinery Short life - less than 25 years - allowance rate (reducing balance)	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Plant and Machinery Long life - more than 25 years - allowance rate (reducing balance)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Industrial Buildings Allowance rate (straight line)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Appointments of Capital expenditure										
Work in Progress (Opening Amount) (£m)	680.46	768.91	427.92	484.01	539.31	585.12	633.98	585.03	550.87	572.22
Total capitalised expenditure including IRE (outturn prices) excluding grants (£m)	513.11	657.50	540.09	594.61	630.93	682.85	498.07	536.72	556.57	667.76
Percentage Transferred (Opening WIP + Capex)	34.48%	70.00%	50.00%	59.31	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
WIP Transferred (£m)	404.66	998.49	484.01	598.31	650.93	655.98	565.03	590.87	572.22	619.99
Assets qualifying for 100% first year allowances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Assets to be included in the general (25%) pool	119.2	202.79	46.92	46.92	42.89	45.31	46.72	46.72	47.58	48.58
Assets qualifying for Industrial Buildings Allowance	9.65%	10.32%	9.18%	9.52%	9.83%	9.72%	9.47%	9.37%	9.40%	9.51%
Assets Purchased under finance leases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capitalised revenue expenditure depreciated in year of spend	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capitalised revenue expenditure depreciated - non infrastructure	6.68%	0.94%	0.83%	0.86%	0.87%	0.88%	0.86%	0.85%	0.85%	0.86%
Capitalised revenue expenditure depreciated - infrastructure	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other assets not qualifying for capital allowances or revenue deductions	21.72%	10.49%	20.27%	0.73%	0.74%	0.75%	0.73%	0.72%	0.72%	0.73%
Grants and Contributions taxable on receipt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
100% Allowances or Capital expenditures deducted from trading profit (£ Million)										
Allowances										
Short life assets (25%) pool (£ Million)										
Opening Balance	565.2	511.8	727.9	694.5	692.3	707.4	758.4	731.0	720.7	720.1
Additions	119.2	458.8	198.1	233.6	258.8	274.6	238.3	233.8	238.4	262.4
Disposals	119.3	72.3	694.3	692.3	707.4	758.4	731.0	720.7	720.1	720.1
Closing Balance	511.8	727.9	694.5	692.3	707.4	758.4	731.0	720.7	720.1	720.1
Long Life Assets (6% pool) (£ Million)										
Opening Balance	669.1	681.1	683.4	1,017.7	1,092.4	1,373.2	1,651.0	1,715.8	1,858.0	2,000.3
Additions	33.5	22.1	18.3	20.6	28.4	32.7	26.3	26.8	23.0	20.9
Disposals	43.5	60.2	65.0	76.1	87.7	90.6	106.3	118.6	127.7	137.3
Allowances	681.1	681.1	681.1	872.7	932.8	1,015.3	1,171.4	1,293.9	1,453.0	1,626.7
Closing Balance	681.1	943.4	1,017.7	1,182.4	1,373.2	1,581.0	1,715.8	1,858.0	2,000.3	2,151.7
Industrial Buildings (straight line) (£ Million)										
IBA claims (Base year 2003-04)	13.9	13.9	14.0	13.9	14.0	14.0	14.0	14.0	13.9	13.9
New IBA assets	39.0	103.1	44.5	51.4	58.3	61.7	59.5	51.6	53.8	59.0
Allowances on new IBA assets	1.6	5.7	7.5	9.5	11.8	14.2	16.4	18.4	20.6	23.0
Total Industrial Building Allowances	15.5	19.6	21.5	23.4	25.8	28.2	30.4	32.4	34.5	36.9
Total Capital Allowances (incl. IBA) (£ Million)										
Total Allowances	229.5	322.4	317.9	330.3	349.2	373.4	383.6	391.3	402.2	419.8
Capitalised Revenue Expenditure: Non-Infrastructure Assets (£ Million)										
Opening Non-Infrastructure Assets (capitalised after 31/03/04)	27.0	27.0	9.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9
Depreciation of new capitalised Assets	(27.0)	(27.0)	(9.3)	(4.0)	(4.7)	(5.1)	(5.6)	(4.9)	(4.7)	(4.9)
Capital Additions	27.0	9.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9	5.3
Closing Capitalised Non-Infrastructure Assets	27.0	9.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9	5.3

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**Water Industry Commissioner for Scotland
Financial Model - Water Industry Commission for Scotland
Process Sheet: Capital Allowances**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Summary of Depreciation Calculations for Capitalised Revenue Expenditure: NI (£m)										
Non-Infrastructure Depreciation of Capitalised Assets (Capitalised Before 31/03/04)	(9.3)	(27.0)	(9.3)	(4.0)	(4.7)	(5.1)	(5.6)	(4.9)	(4.7)	(4.9)
Infrastructure Depreciation of Capitalised Assets (Capitalised after 31/03/04)	(6.6)	(27.0)	(9.3)	(4.0)	(4.7)	(5.1)	(5.6)	(4.9)	(4.7)	(4.9)
Total Depreciation										
Depreciation of Capitalised revenue Expenditure - Non Infrastructure Assets (£m)										
Capital Additions										
2004-05	27.0	9.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9	5.3
2005-06	27.0	27.0	-	-	-	-	-	-	-	-
2006-07			9.3							
2007-08				4.0						
2008-09					4.7					
2009-10						5.1				
2010-11							5.6			
2011-12								4.9		
2012-13									4.7	
2013-14										4.9
2014-15										
2015-16										
2016-17										
2017-18										
2018-19										
2019-20										
2020-21										
2021-22										
2022-23										
2023-24										
2024-25										
Total		27.0	9.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Tax Calculations**

Corporation tax Assumptions	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Corporate Tax Rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Trading profit/loss calculation (before losses brought forward) (£ Million)										
Historic Cost Operating Profit	280.3	325.7	384.2	387.8	373.9	351.4	367.1	375.9	385.7	384.7
plus ITC Depreciation	112.5	113.7	103.5	113.1	139.3	150.2	165.2	173.2	163.9	203.5
minus amortisation of grants	14.6	14.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
plus amortisation of PFI	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
minus amortisation of grants	-	-	-	-	-	-	-	-	-	-
minus Capital expenditure allowable as a deduction from profits	-	-	-	-	-	-	-	-	-	-
minus Finance lease depreciation	-	-	-	-	-	-	-	-	-	-
minus Depreciation Allowed as a deduction for tax purposes	154.8	172.0	97.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9
minus net interest payable	140.3	145.0	150.8	156.2	169.5	171.3	178.2	181.3	185.0	190.7
plus revenue expenditure not allowable	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
plus Change in General Provision	31.9	65.1	20.7	25.9	25.9	26.9	28.0	29.4	30.9	32.4
minus Charitable Allowances (25% of profits and 100% first year)	21.1	302.8	296.5	303.3	308.4	305.1	303.2	308.8	307.7	303.0
minus Profits Income not taxed as trading income	19.0	21.5	23.1	24.4	23.1	23.2	24.4	24.4	24.3	23.9
plus exceptional income less exceptional expense	(55.5)	(3.9)	-	-	-	-	-	-	-	-
plus Grants and Contributions taxable on receipt	-	-	-	-	-	-	-	-	-	-
Trading profit/loss for tax	(4.4)	(51.0)	31.4	126.3	108.0	86.7	93.2	119.7	119.7	122.9
* The initial trading profit might differ if Revenue Variance Cell E10 is 0 or 1. However, for the former there is a further adjustment in line 48 which will match both calculations. This has been done to avoid the use of circular references.										
Losses (£ Million)										
Losses brought forward	171.1	175.5	226.5	195.0	68.7	-	-	-	-	-
Losses used in the period	-	-	31.4	126.3	68.7	-	-	-	-	-
Adjustions	4.4	51.0	-	-	-	-	-	-	-	-
Losses carried forward	175.5	226.5	195.0	68.7	-	-	-	-	-	-
Corporation tax calculation (if trading profit) (£ Million)										
Adjusted trading profit	-	-	-	-	39.3	86.7	93.2	108.3	119.7	122.9
Corporation tax paid	-	-	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Adjustments due to circularity (when Revenue Variance Cell E10 = 0) (£ Million)										
Adjustments in Tax due to circularity	-	-	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Corporation tax paid	-	-	-	-	-	-	-	-	-	-
Change in Accelerated Capital Allowances (£ Million)										
Total capital allowances utilized	229.5	392.4	317.9	330.3	349.2	373.4	383.6	391.3	402.2	419.8
plus Expenditure allowed as a leading profit deduction	-	-	-	-	-	-	-	-	-	-
plus Finance lease depreciation	-	-	-	-	-	-	-	-	-	-
minus IRC	145.0	145.0	87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
minus Historic Cost depreciation	113.7	113.7	103.5	113.1	131.3	150.2	165.2	177.7	189.9	203.5
minus amortisation of PFI	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
plus amortisation of grants	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
minus revenue expenditure not allowed for tax (excluding permanently disallowed expenditure)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
minus Grants and contributions taxable on receipt	154.8	172.0	97.3	4.0	4.7	5.1	5.6	4.9	4.7	4.9
plus depreciation allowed as a deduction	126.8	224.7	222.7	156.1	129.3	103.4	123.7	118.7	118.8	113.3
Change in deferred tax items (£ Million)										
Change in accelerated capital allowances	120.8	236.7	262.7	195.1	129.8	103.4	123.7	118.7	118.8	113.3
minus movement in losses carried forward	4.4	51.0	(31.4)	(126.3)	(68.7)	(26.0)	(28.0)	(32.5)	(35.9)	(36.9)
Deferred tax items	84.5	177.2	233.4	231.4	172.1	103.5	95.7	86.3	81.0	81.1
Deferred tax change (£ Million)										
Deferred tax items multiplied by corporate tax rate	25.4	53.2	70.0	69.4	51.6	31.0	28.7	25.9	24.3	24.3

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Tax Calculations**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Deferred Tax + Corporation Tax (£ Million)										
Deferred Tax + Corporation Tax	25.4	53.2	70.0	69.4	63.4	57.1	56.7	56.4	60.2	61.2
Tax Reconciliation (£ Million)										
Profit before tax	90.7	183.7	233.4	211.4	190.2	180.2	189.9	184.6	200.7	204.0
Expected tax charge @ 30%	27.2	55.1	70.0	63.4	57.1	54.1	56.7	55.4	60.2	61.2
Tax charge/(credit) per accounts	-	-	-	-	-	-	-	-	-	-
Corporation Tax	(25.4)	(53.2)	(70.0)	(69.4)	(63.4)	(57.1)	(56.7)	(56.4)	(60.2)	(61.2)
Deferred Tax	(25.4)	(53.2)	(70.0)	(69.4)	(63.4)	(57.1)	(56.7)	(56.4)	(60.2)	(61.2)
Total Tax	(25.4)	(53.2)	(70.0)	(69.4)	(63.4)	(57.1)	(56.7)	(56.4)	(60.2)	(61.2)
Overcharge/(undercharge)	1.9	3.7	-	-	-	-	-	-	-	-
This over/(under) charge is explained as:										
Permanent differences @ 30%	(1.9)	(3.7)	-	-	-	-	-	-	-	-
Unexplained items	0.0	0.0	-	-	-	-	-	-	-	-
Total Difference	1.9	3.7	-	-	-	-	-	-	-	-
Check Line (Unexplained items = 0)	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

Alternative calculation of Historic Operating Profit excluding cash allowances for tax (This table is used when Revenue Variance Cell E10 = 0) (£ Million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
WICS Revenue without tax allowances from the required revenue	-	-	-	-	-	-	-	-	-	-
minus Operating Costs	283.0	288.8	288.8	288.8	288.8	288.8	288.8	288.8	288.8	288.8
minus PFI charge	123.4	126.0	126.0	126.0	126.0	126.0	126.0	126.0	126.0	126.0
minus IFC	87.9	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0
minus Historic Cost Depreciation	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3	103.3
minus Depreciation of PFI	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
plus Acquisition of grants	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)	(57.0)
Historic Cost Operating Profit without tax allowance on Required Revenue	(617.1)	(662.0)	(617.1)	(617.1)	(662.0)	(705.0)	(732.0)	(756.8)	(781.5)	(808.0)

Adjustments due to Circularity between Revenue Requirement and Tax (This table only works when Revenue Variance Cell E10 = 0) (£ Million)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Tax before iterations	-	-	-	-	-	-	-	-	-	-
Additional Tax and interest adjustment to infinity (due to circularities)	-	-	-	-	-	-	-	-	-	-
Difference	-	-	-	-	-	-	-	-	-	-
Proportion of tax	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%
Proportion of interest	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Corporate tax adjustment	-	-	-	-	-	-	-	-	-	-
Interest Adjustment	-	-	-	-	-	-	-	-	-	-

Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Process Sheet: Revenue Calculation

£ Million	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirement	871.9	920.4	983.2	1,066.4	1,119.3	1,106.3	1,153.9	1,202.7
Cost of Capital	195.3	209.3	224.7	241.4	254.3	264.9	278.8	294.7
Infrastructure Renewals Charge	87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
MEAV Depreciation (net of Amortisation of grants)	186.0	209.2	228.5	249.5	275.8	294.2	292.2	271.5
NBV eliminated by disposal of non-infra assets	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Operating Costs	283.0	288.8	309.6	323.7	330.6	337.8	345.0	352.4
PFI Charge	123.4	126.0	129.8	135.2	137.9	140.7	143.5	146.3
Working Capital Adjustment	(3.7)	(3.1)	(3.4)	(3.7)	(4.1)	(2.9)	(3.1)	(3.4)
Cashflow from disposal of assets	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Taxation payable in the year	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Revenue Requirement excluding tax	871.9	920.4	981.4	1,040.4	1,091.4	1,073.8	1,118.0	1,165.8

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Accounting Outputs: Historic Cost Balance Sheet**

£ Million	SW 2DBB * 2003-04	Annual Return 2004-05	Final Determination 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Fixed Assets:												
Tangible Assets	2,581.2	2,847.8	2,832.6	3,232.9	3,580.5	3,971.0	4,377.4	4,814.7	5,047.8	5,306.6	5,607.6	5,906.7
Investments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Fixed Assets	2,581.2	2,847.9	2,832.6	3,233.0	3,580.6	3,971.0	4,377.5	4,814.7	5,047.9	5,306.7	5,607.7	5,906.8
Current Assets:												
Stocks	4.5	4.2	4.1	3.9	4.2	4.3	4.6	4.9	5.0	5.1	5.2	5.3
Trade Debtors	80.7	67.9	72.9	72.1	72.2	73.6	75.4	77.7	80.0	82.4	85.0	87.5
Prepayments and Accrued Income	51.0	48.6	51.0	51.0	51.0	54.0	55.3	57.0	58.7	60.5	62.3	64.2
PFI assets transferred to service contractors	40.4	38.8	38.8	37.3	35.7	34.1	32.5	31.0	29.4	27.8	26.3	24.7
Other Debtors	23.8	26.4	22.4	22.4	23.2	24.1	25.9	26.7	26.7	27.5	28.3	29.2
Total Debtors	205.9	181.6	185.8	183.6	185.0	186.2	188.3	191.5	194.7	198.2	201.8	205.6
Cash	10.6	7.5	7.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Current Assets	220.9	195.3	198.4	189.5	191.2	192.5	194.9	198.4	201.7	205.3	209.0	212.9
Non-Government Loans (amounts falling due within one year)	12.7	10.7	10.7	6.2	6.6	8.0	2.9	1.4	1.6	1.7	0.9	0.6
Trade and Capital Creditors	102.3	131.9	131.9	169.0	138.3	152.2	161.5	174.8	127.0	137.4	152.0	170.9
Accruals, Payments received in advance, Taxes and social security	114.0	132.2	114.7	106.3	113.8	116.1	123.0	128.5	131.2	134.0	136.8	139.7
Other Creditors	31.0	17.9	30.8	30.4	32.5	33.2	35.2	36.7	37.5	38.3	39.1	39.9
Creditors (falling due within one year)	260.6	292.7	288.1	311.8	291.1	309.5	322.6	341.4	297.2	311.3	328.7	351.1
Net Current Assets (Liabilities)	(39.7)	(95.3)	(89.6)	(122.3)	(99.9)	(117.0)	(127.7)	(143.0)	(95.6)	(106.1)	(119.7)	(138.2)
Total Assets Less Current Liabilities	2,541.6	2,746.6	2,742.9	3,110.6	3,480.7	3,854.0	4,249.8	4,671.7	4,952.3	5,200.6	5,488.0	5,825.5
Other Creditors (amounts falling due after more than one year)	-	14.3	-	-	-	-	-	-	-	-	-	-
Non-Government Loans (amounts falling due after more than one year)	41.6	30.9	30.9	24.7	18.1	10.2	7.2	5.8	4.2	2.5	1.6	1.0
Deferred Tax	48.7	75.8	74.1	127.2	197.2	266.7	318.3	349.3	378.0	403.9	428.2	452.6
Provisions for liabilities and charges	66.2	63.9	81.2	63.2	55.0	50.2	45.3	40.3	35.4	30.9	26.7	22.9
Deferred income (grants)	17.6	17.2	17.1	17.2	14.7	12.2	9.7	9.7	9.6	9.5	9.4	9.4
NET ASSETS	2,367.5	2,526.5	2,539.6	2,876.3	3,195.6	3,514.8	3,869.2	4,266.6	4,525.0	4,753.7	5,022.0	5,342.7
Capital and Reserves												
Government Loans	2,138.5	2,233.2	2,245.2	2,447.4	2,601.3	2,758.1	2,964.9	3,229.2	3,355.4	3,447.9	3,575.7	3,753.6
Other Reserves	133.4	133.5	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4
Post tax profit	60.6	64.3	65.4	136.5	162.0	162.0	148.0	133.1	132.2	136.2	140.5	142.8
Net retained earnings brought forward	34.9	95.5	95.6	161.0	237.5	460.9	622.9	770.9	904.0	1,036.2	1,172.4	1,312.9
TOTAL	2,367.5	2,526.5	2,539.6	2,876.3	3,195.6	3,514.8	3,869.2	4,266.6	4,525.0	4,753.7	5,022.0	5,342.7
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

* Scottish Water Second Draft Business Plan

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Accounting Outputs: Historic Cost Income and Expenditure**

	2003-04 ¹	Annual Return 2004-05 ¹	Final Determination 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
£ Millions												
Revenue	958.3	960.5	927.3	963.0	981.2	1,004.7	1,035.9	1,066.4	1,099.1	1,132.7	1,167.2	1,202.7
Historic Asset Depreciation	119.0	114.2	117.5	113.7	103.5	113.1	131.3	150.2	166.2	177.7	188.9	203.5
Infrastructure Renewals Charge	143.0	145.0	145.0	145.0	87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Total Depreciation and Infrastructure Charges	262.0	259.2	262.5	258.7	191.4	203.2	223.5	244.6	263.0	276.9	290.6	307.7
Amortisation of Grants	1.0	0.5	2.5	2.5	2.5	2.5	2.5	0.1	0.1	0.1	0.1	0.1
Amortisation of Licences	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Revenue less Depreciation and Amortisation	685.7	700.2	663.7	705.3	790.8	802.4	813.4	820.3	836.7	854.3	874.2	893.5
Operating Costs	309.3	309.4	274.4	260.6	283.0	288.8	309.6	323.7	330.6	337.8	345.0	352.4
PFI Charge	111.5	111.0	111.0	119.0	123.4	126.0	129.8	135.2	137.9	140.7	143.5	146.3
Operating Profit	274.9	279.8	280.3	325.7	384.2	387.6	373.9	361.4	367.1	375.9	385.7	394.7
Interest Charges	136.6	136.1	140.3	145.0	150.8	156.2	162.5	171.3	178.2	181.3	185.0	190.7
Exceptional Expenses (Income)	52.6	51.9	55.5	3.5	-	-	-	-	-	-	-	-
Asset Disposals	2.4	3.4	6.2	12.3	-	-	-	-	-	-	-	-
Pre-tax Profit	87.9	91.4	90.7	189.7	233.4	231.4	211.4	190.2	188.9	194.6	200.7	204.0
Current Tax	-	-	-	-	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Deferred Tax	27.2	27.1	25.4	53.2	70.0	68.4	51.6	31.0	28.7	25.9	24.3	24.3
Total Tax	27.2	27.1	25.4	53.2	70.0	68.4	63.4	57.1	56.7	58.4	60.2	61.2
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-
Post tax profit	60.6	64.3	65.4	136.5	163.4	162.0	148.0	133.1	132.2	136.2	140.5	142.8

* Scottish Water Shared Draft Business Plan

¹ Includes Non-Core Revenue/Costs

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Accounting Outputs: Cash Flow**

£ Million	Annual Return 2004-05	Final Determination 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Operating Cash Flows											
Operating Profit	279.8	280.3	325.7	364.2	387.6	375.9	361.4	367.1	375.9	365.7	384.7
Accr:											
Total Depreciation and Infrastructure Charges	259.2	262.5	248.7	191.4	203.2	223.5	244.8	281.9	275.9	261.9	307.7
Amortisation of PFI Assets	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Amortisation of Grants	(0.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Change in Stock	0.3	0.4	0.2	(0.3)	(0.1)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Change in Debtors (excluding PFI assets transferred)	22.6	17.5	1.6	(3.0)	(2.8)	(3.6)	(4.8)	(4.7)	(5.1)	(5.2)	(5.3)
Change in Creditors	47.6	29.6	28.2	(21.0)	17.0	18.2	20.3	(44.3)	14.0	18.2	22.7
Change in Provisions (excluding deferred tax)	17.7	15.0	(18.0)	(8.2)	(4.8)	(4.9)	(5.0)	(4.9)	(4.5)	(4.2)	(3.8)
Exceptional Items	(61.8)	(55.5)	(3.5)	-	-	-	-	-	-	-	-
Net Cash Flow From Operations	566.5	548.8	591.9	542.2	589.2	505.8	617.8	576.5	658.5	667.4	717.3
Investment Funds Flow											
Infrastructure Renewals Expenditure		141.8	96.9	94.6	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Other Net Asset Additions	57.4	373.4	553.1	445.5	504.6	536.7	588.4	389.3	437.5	481.9	583.6
Grants	(1.2)	(2.1)	(2.5)	-	-	-	-	-	-	-	-
Asset Disposals	10.9	7.5	13.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Changes in Investments	0.0	-	-	-	-	-	-	-	-	-	-
Net Investment Cash Flow	515.2	505.6	644.0	559.1	593.6	626.9	661.8	495.1	535.7	592.6	666.8
Net Cash Flow From Operations less Investment	51.3	43.3	(52.1)	3.1	5.6	(24.1)	(64.0)	81.4	122.8	94.8	50.5
Financing Cash Flow											
Government Loans Repaid	152.7	152.7	60.2	53.4	61.4	73.1	63.5	66.5	53.5	50.4	54.4
Non-Government Loans Repaid	12.7	12.7	10.7	6.2	6.6	6.0	2.9	1.4	1.6	1.7	0.9
Interest Paid	136.4	140.3	145.0	150.8	156.2	165.5	171.3	178.2	181.3	185.0	190.7
Taxation Paid	-	-	-	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from cash stock	247.4	259.4	262.4	267.3	218.6	273.5	297.7	192.7	145.0	178.2	262.1
Net Cash Flow from other financing	82.0	84.0	131.5	147.7	156.6	186.4	261.3	124.7	91.0	126.1	177.0

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Accounting Outputs: Current Cost Balance Sheet**

£ million	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Fixed Assets:									
Tangible Assets	24,304.6	25,241.1	26,141.1	27,077.7	28,065.5	28,889.5	29,813.9	30,797.8	31,856.6
Third Party Contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investments	(148.2)	(122.6)	(136.5)	(149.3)	(163.8)	(174.6)	(183.9)	(195.3)	(209.6)
Working Capital	24,242.4	25,118.5	26,004.7	26,928.5	27,901.8	28,775.0	29,690.0	30,661.6	31,705.1
Net Operating Assets	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Cash and Investments	37.3	36.5	35.8	34.9	34.0	33.1	32.1	31.1	30.0
PFI assets transferred to service contractors	23.2	24.1	24.5	25.1	25.9	26.7	27.5	28.3	29.2
Non-Trade Debtors	36.6	39.1	41.2	38.1	39.1	39.0	40.0	40.0	40.5
Non-trade Creditors due within one year	24.7	18.1	10.2	7.2	5.8	4.2	2.5	1.6	1.0
Creditors due after more than one year	63.2	55.0	50.2	45.3	40.3	35.4	30.9	26.7	22.9
Provisions for liabilities and charges	127.2	197.2	265.7	318.3	349.3	378.0	403.9	428.2	452.6
Deferred Tax	24,052.2	24,871.7	25,688.8	26,581.7	27,530.2	28,380.0	29,274.9	30,228.4	31,249.2
Net Assets employed									
Capital and Reserves									
Government Loans	2,447.4	2,601.3	2,758.5	2,964.9	3,229.2	3,385.4	3,447.9	3,575.7	3,753.6
Other Reserves	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4	133.4
Current Cost Reserve	21,745.9	21,753.6	22,352.0	22,970.0	23,699.2	24,299.2	25,010.3	25,743.8	26,501.0
Post tax profit	136.5	85.9	71.8	56.3	45.1	33.7	21.2	8.3	37.7
Other reserves brought forward	185.0	297.5	368.3	458.9	558.4	658.4	758.4	858.4	958.4
TOTAL	24,052.2	24,871.7	25,688.8	26,581.7	27,530.2	28,380.0	29,274.9	30,228.4	31,249.2
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

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Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Accounting Outputs: Current Cost Income and Expenditure

£ Millions	2006-07	2007-08	2008-09	2008-10	2010-11	2011-12	2012-13	2013-14
Revenue	981.2	1,004.7	1,055.9	1,066.4	1,099.1	1,132.7	1,167.2	1,202.7
Current Cost Depreciation	186.0	209.2	228.5	249.5	275.4	294.2	292.2	271.5
Infrastructure Renewals Charge	87.9	80.0	82.2	84.3	86.8	89.2	90.7	104.2
Total Depreciation and Infrastructure Charges	273.9	289.3	310.7	333.9	362.2	383.4	382.9	375.7
Amortisation of Grants	-	-	-	-	-	-	-	-
Amortisation of PFI Assets	1.6	1.6	1.7	1.7	1.8	1.8	1.9	1.9
Revenue less Depreciation and Amortisation	705.7	703.8	713.6	720.8	724.8	747.5	781.5	825.0
CC Operating Costs (excluding Dep and Amortisation)	283.0	288.8	309.6	323.7	330.6	337.8	345.0	352.4
PFI Charge	123.4	126.0	129.8	135.2	137.9	140.7	143.5	146.3
Working Capital Adjustments	3.7	3.1	3.4	3.7	4.1	2.9	3.1	3.4
Current Cost Operating Profit	302.9	292.0	277.6	265.7	260.3	321.9	326.1	329.7
Interest Charges	150.8	156.2	162.5	171.3	178.2	181.3	185.0	190.7
Exceptional Expenses (Income)	-	-	-	-	-	-	-	-
Asset Disposals	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Financing Adjustments	3.8	3.3	6.8	7.8	8.4	9.0	9.8	10.1
Current Cost Profit Before Taxation	155.9	141.1	121.7	102.1	90.4	149.5	150.5	148.9
Current Tax	-	-	11.8	26.0	28.0	32.5	35.9	36.9
Deferred Tax	70.0	69.4	51.6	31.0	28.7	25.9	24.3	24.3
Total Tax	70.0	69.4	63.4	57.1	56.7	58.4	60.2	61.2
Dividend Payment	-	-	-	-	-	-	-	-
Post tax profit	85.9	71.6	58.3	45.1	33.7	91.2	90.3	87.7

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Main outputs: Investment Summary**

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Allowed for Investment Programme (£ Million) (outturn prices)										
Capital Expenditure components:										
Total O&S III Programme:										
Infrastructure Renewals (Post-efficiency)			87.9	90.0	92.2	94.4	96.8	99.2	101.7	104.2
Other Investment (Post-efficiency)		25.0	202.9	488.1	537.3	597.0	398.3	437.5	491.9	565.6
Total O&S III Programme		25.0	290.8	578.1	629.5	691.4	495.1	536.7	593.6	669.8
Total RIV Separation & Other Capital Expenditure										
Total RIV Capital Expenditure (Post-efficiency)			5.5	5.7	1.5	1.5	-	-	-	-
Total O&S II and additional outputs (2004-05 and beyond)										
Infrastructure Renewals	141.8	96.9	6.6	-	-	-				
Other Investment	371.3	536.6	237.1	30.9	-	-				
Total O&S II and additional outputs (2004-05 and beyond)	513.1	633.5	243.7	30.9	-	-				
Total Capital Grants and Contributions	2.1	2.5	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	515.2	660.0	540.1	594.6	630.9	692.8	496.1	536.7	593.6	667.8

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**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Main Outputs: Model Output**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue from Customers (Model Calculation) (£m)	963.0	871.9	920.4	983.2	1,066.4	1,119.3	1,106.3	1,153.9	1,202.7
Change in Customer Revenue (Model Calculation) from Previous Year	n/a	-9.46%	5.56%	7.91%	7.38%	4.96%	-1.16%	4.30%	4.22%
Revenue from Customers (After Smoothing) (£m)	963.0	981.2	1,004.7	1,085.9	1,086.4	1,099.1	1,132.7	1,167.2	1,202.7
Change in Customer Revenue (After Smoothing) from Previous Year	n/a	1.86%	2.40%	3.10%	2.95%	3.09%	3.05%	3.05%	3.04%
Total size of investment programme (inc IRE and grants) (£m)	660.0	540.1	594.6	630.9	682.8	496.1	536.7	593.6	667.8
Operating Costs (not including depreciation or RPI-X costs) (£m)	260.6	283.0	288.8	309.6	323.7	330.6	337.8	345.0	352.4
RPI Costs (£m)	119.0	123.4	126.0	130.8	135.2	137.9	140.7	143.3	146.3
Regulatory Capital Value (£m)	3,751.3	4,110.3	4,507.3	4,929.2	5,390.3	5,647.4	5,930.8	6,379.1	6,829.4
Net Debt Outstanding (Government and Non-Government Loans net from cash) (£m)	2,476.3	2,624.0	2,774.7	2,973.1	3,234.4	3,359.2	3,450.2	3,576.2	3,753.2
Gearing Ratio	66%	64%	62%	60%	60%	59%	56%	56%	55%
New Debt Assumed (incl. Grants-in-aid) (£m)	191.5	147.7	150.6	198.4	261.3	124.7	91.0	126.1	177.0
Public Expenditure Limit (£m) incl. carry-over	422.9	413.4	447.7	479.1	482.6	383.3	440.6	531.6	567.5
Scenario Compliance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Targeted Public Expenditure (£m)	191.5	147.7	150.6	198.4	261.3	124.7	91.0	126.1	177.0
Compliant with Targeted Debt	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Interest Costs (£m)	145.0	150.8	156.2	162.5	171.3	178.2	181.3	185.0	190.7
Weighted Average Cost of Debt	5.9%	5.7%	5.6%	5.5%	5.3%	5.3%	5.3%	5.2%	5.1%
Return on Capital Employed	4.4%	4.7%	4.2%	3.9%	2.8%	2.7%	2.8%	2.8%	2.5%
Alternative Revenue Pricing (£m)	963.0	981.2	1,004.7	1,035.9	1,066.4	1,099.1	1,132.7	1,167.2	1,202.7
Year on Year Revenue Change		1.9%	2.4%	3.1%	2.9%	3.1%	3.1%	3.0%	3.0%
Variance from Model Calculation (£m)	-	(108.3)	(64.4)	(42.7)	-	20.2	(28.3)	(13.3)	0.0
Model Revenue Alternative Pricing	1								

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Model Outputs: Key Performance Indicators (PR04 and PR99)**

Key Performance Indicators (ratios from PR04)

List of Ratios		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Name	Definition										
Cash interest cover	funds from operations: gross interest	3.91	4.03	3.59	3.84	3.65	3.46	3.08	3.45	3.52	3.57
Compliant with Ofwat acceptable range	Around										
Adjusted cash interest cover	funds from operations less capital charges: gross interest	2.04	2.30	2.33	2.54	2.28	2.03	1.61	1.93	1.95	1.95
Compliant with Ofwat acceptable range	Around										
Funds from operations:debt	Funds from operations:debt	17.92%	18.03%	14.92%	15.97%	14.51%	13.00%	11.02%	12.89%	13.04%	13.05%
Compliant with Ofwat acceptable range	Greater than										
Retained cashflow:debt	Retained cashflow:debt	17.92%	18.03%	14.92%	15.97%	14.51%	13.00%	11.02%	12.89%	13.04%	13.05%
Compliant with Ofwat acceptable range	Less than										
Gearing	net debt/regulatory capital value	66.01%	63.84%	61.56%	61.56%	60.32%	60.00%	59.48%	57.59%	56.06%	54.96%
Compliant with Ofwat acceptable range	Yes										

Key Performance Indicators (selected ratios from PR99)

List of Ratios		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Name	Definition										
Debt / Net operating cash flow from operating activities	Debt / Net operating cash flow from operating activities										
Compliant with Ofwat acceptable range	Maximum (Years)										
Debt / Net operating cash flow from operating activities less tax less interest expense	Debt / Net operating cash flow from operating activities less tax less interest expense										
Compliant with Ofwat acceptable range	Maximum (Years)										
Cash Flow to Capital Expenditure Ratio (EBDA basis)	Net operating cash flow from operating activities less expense / Capital Expenditure										
Compliant with Ofwat acceptable range	Minimum (Percentage)										

List of Ratios		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Name	Definition										
Debt Payback Period (EBITDA basis)	Debt / Net operating cash flow from operating activities	4.15	4.18	4.84	4.63	4.91	5.24	5.83	5.24	5.20	5.23
Compliant with Ofwat acceptable range	Maximum (Years)										
Debt Payback Period (EBDA basis)	Debt / Net operating cash flow from operating activities less tax less interest expense	5.58	5.64	6.70	6.26	6.89	7.69	9.07	7.76	7.67	7.66
Compliant with Ofwat acceptable range	Maximum (Years)										
Cash Flow to Capital Expenditure Ratio (EBDA basis)	Net operating cash flow from operating activities less expense / Capital Expenditure	81%	69%	73%	75%	68%	62%	75%	83%	79%	73%
Compliant with Ofwat acceptable range	Yes										

**Water Industry Commission for Scotland
Financial Model - Strategic Review of Charges 2006-10
Alternative Inputs: Revenue Variance Options**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Alternative Revenue Phasing (\$m)	655.0	681.2	1,004.7	1,036.9	1,066.4	1,098.1	1,132.7	1,167.2	1,202.7
Variance From Model Calculation (\$m)		100.3	84.4	84.4	(260.2)	(260.2)	(260.2)	(260.2)	(260.2)
Level of Debt (\$m)	2,447.4	2,601.3	2,756.5	2,964.5	3,299.2	3,355.4	3,447.3	3,575.7	3,753.6
Gearing ratio: Debt to RCV	66%	64%	62%	60%	60%	59%	58%	56%	55%
Model Revenue Alternative Phasing	1								