

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing
Table N1 : Transfer Pricing Summary (Capex)**

Report Year 2009-10

1 2 3 4 5 6 7 8 9 10 11

Block A: Market Testing

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover (Col 9) %
	Wholesale	Scottish Water Solutions Ltd	2,188,200,000	QS2 & QS3 contract period substantially delivered to March 2010	Delivery of the capital programme	Competitive tender. QS2 contract with solutions extended to cover the delivery of part of QS3 (a) program	232,032,790	236,123,626	98.27%
	Wholesale	Scottish Water Solutions Ltd	4,105,707	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS formation, and internal benchmarking.	4,105,707	236,123,626	1.74%
	Wholesale	Scottish Water Horizons	122,755	4 months	Design & installation of a small booster pumping station at Sunnyslaw SR and lay approx		117,113	17,233,783	0.68%
	Wholesale	Scottish Water Horizons	18,386	4 months	Study to look into the impact of an opencast mine around Pateshill WTW.	considered for the work. Due to the potential reputational issues regarding this development, we had to engage a contractor at short notice to	18,386	17,233,783	0.11%
	Wholesale	Scottish Water Horizons	2,850	4 months	pumping station and update the model for SW to review flooding issue.	There was no market testing carried out prior to utilis	2,850	17,233,783	0.02%

Block B: Cost Allocation. Recharges to Associate from Core

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
	Wholesale	Scottish Water Solutions Ltd			
		- project costs, including overhead, incurred on 'allocated' capital projects	5,530,700	236,123,626	2.34%

Block C: Cost Allocation. Recharges to Core from Associate

Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
Scottish Water Solutions Ltd	Wholesale			
Delivery of the capital programme		232,032,790	236,123,626	98.27%
Request for Additional Services. Design and construction work		4,105,707	236,123,626	1.74%
		236,138,497	236,123,626	100.01%
Scottish Water Horizons				
Developer Support Work carried out		1,722,897	17,233,783	10.00%
		1,722,897	17,233,783	10.00%

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

**Section N : Transfer Pricing
Table N.2: Transfer Pricing Summary (P&L)**

Report Year 2009-10

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Block A: Market Testing

Line Ref	Core Activity	Associate Activity	Value of Contract £	Period of Contract	Description	Type of Market Testing	Spend in Year £	Turnover of Assoc £	Core spend (Col 8) : Turnover(Col 9) %
	Wholesale	Scottish Water Business Stream Ltd	100,000	Apr-09	H20 Meter Reads		100,000	356,192,850	0.03%
	Wholesale	Scottish Water Business Stream Ltd		Various	Recharges from Business		27,322	356,192,850	0.01%

Block B: Cost Allocation. Recharges to Associate from Core

Line Ref	Core Activity	Associate Activity	Total Value £	Turnover of Associate £	Core spend (Col 4) : Turnover (Col 5) %
	Wholesale	Scottish Water Solutions Ltd			
		- secondment of staff from SW to SWS	2,991,540	236,123,626	1.27%
		- support services IT	748,610	236,123,626	0.32%
		- support services Property	1,536,517	236,123,626	0.65%
		- support services Fleet	198,719	236,123,626	0.08%
		- support services Customer Service Contact Centre	24,000	236,123,626	0.01%
		- Financial Services	130,529	236,123,626	0.06%
			5,629,914	236,123,626	2.38%
	Wholesale	Scottish Water Business Stream Ltd			
		- support services IT Service Charge	1,434,057	356,192,850	0.40%
		- support services Property	454,981	356,192,850	0.13%
		- support services Financial Systems	17,820	356,192,850	0.01%
		- support services Treasury, Tax & Insurance	42,640	356,192,850	0.01%
		- support services Internal Audit	65,570	356,192,850	0.02%
		- support services Miscellaneous Costs Billed to SWBS	5,354	356,192,850	0.00%
			2,020,423	356,192,850	0.57%
	Wholesale	Scottish Water Business Stream Ltd			
		- Wholesale Water & Wastewater Charge	316,966,740	356,192,850	88.99%
		- Non Primary Meter Services	53,520	356,192,850	0.02%
		- Non Primary Supply Shut Off and Disconnections	267,731	356,192,850	0.08%
		- Non Primary Building Water Supplies	2,927,458	356,192,850	0.82%
		- Non Primary Inspections	115,469	356,192,850	0.03%
			320,330,917	356,192,850	89.93%
	Wholesale	Scottish Water Horizons			
		Contracting Management & Support Recharge	752,504	17,233,783	4.37%
		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	258,545	17,233,783	1.50%
		Support Services Energy Efficiency Team	29,167	17,233,783	0.17%
		Support Services Aquatrine	9,000	17,233,783	0.05%
		Support Services Business Services	30,483	17,233,783	0.18%
		Support Services Developer Services	38,984	17,233,783	0.23%
		ABM & Support Charge For Horizons	544,052	17,233,783	3.16%
		Support Services Property	139,604	17,233,783	0.81%
		IT Service Charge	162,972	17,233,783	0.95%
		Insurance Re-Charge	26,585	17,233,783	0.15%
		Legal Re-Charge	34,168	17,233,783	0.20%
		Partnership Timesheeting	31,582	17,233,783	0.18%
		Contracting Regulated Labour Cost Transfer To Non Reg	154,943	17,233,783	0.90%
		Trade Effluent	286,453	17,233,783	1.66%
			2,499,041	17,233,783	14.50%
	Wholesale	Non Core			
	SW Wholesale	ABM Support Charge for Shipping Water	110,772	4,730,580	2.34%
	SW Wholesale	ABM Support Charge for Other Customer Ops & Retail	575,328	4,730,580	12.16%
			686,100	4,730,580	14.50%
	SW Wholesale	Recharged Support Activities for Legal & Estates	3,552	4,730,580	0.08%
	SW Wholesale	Recharged Support Activities for Other Customer Ops & Retail	48,424	4,730,580	1.02%
			51,976	4,730,580	1.10%
	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	5,230	4,730,580	0.11%
	SW Wholesale	Lab Plant & Veh Cross Charge for Rechargeable Works	52,937	4,730,580	1.12%
	SW Wholesale	Material & Contractor Charge for Rechargeable Works	42,543	4,730,580	0.90%
	SW Wholesale	Material & Contractor Charge for Legal & Estates	420,483	4,730,580	8.89%
	SW Wholesale	Lab Plant & Veh Cross Charge for Shipping Water	582,628	4,730,580	12.32%
	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	490,711	4,730,580	10.37%
	SW Wholesale	Test & Sample processing charge for Scientific Services	716	4,730,580	0.02%
			1,595,248	4,730,580	33.72%
	Total SW (Re)	Total SW (Non Regulated)	2,333,324	4,730,580	49.32%

Block C: Cost Allocation. Recharges to Core from Associate

Associate Activity	Core Activity	Total Value £	Turnover of Associate £	Core spend (Col 9) : Turnover (Col 10) %
Scottish Water Business Stream Ltd	Wholesale			
Sundry and Household Billing Service (Billing Costs Billed by SWBS)		0	356,192,850	0.00%
Interest Paid to SWBS		121,250	356,192,850	0.03%
Data Cleansing and Migration		0	356,192,850	0.00%
H20 Meter Reads		100,000	356,192,850	0.03%
Recharges From Business Solutions		27,322	356,192,850	0.01%
GSS Payment		138,140	356,192,850	0.04%
		386,712	356,192,850	0.11%
Scottish Water Business Stream Holdings Ltd	Wholesale			
Interest Paid to SWBS Holdings		8,477	0	0
		8,477	0	0
Scottish Water Horizons	Wholesale			
Contracting Recharges		70,410	17,233,783	0.41%
Contracting Non Reg Labour Cost Transfer To R		153,096	17,233,783	0.89%
Customer Connections Services		196,694	17,233,783	1.14%
Interest Paid To Horizons		0	17,233,783	0.00%
		420,201	17,233,783	2.44%
Scottish Water Horizons Holdings	Wholesale - SWC			
Interest Paid To Horizons Holdings		559	0	0
		559	0	0