

**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	2,197,900,000	QS2 & QS3 contract period substantially delivered to March 2011	Delivery of the capital programme	Competitive tender. QS2 contract with solutions extended to cover the delivery of part of QS3 (a) program	82,041,364	88,364,130	92.84%
	Wholesale	Scottish Water Solutions Ltd	619,867	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS formation, and internal benchmarking.	619,867	88,364,130	0.70%
	Wholesale	Scottish Water Solutions 2 Ltd	447,505,279	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with solutions 2	82,613,466	77,613,466	106.44%
	Wholesale	Scottish Water Solutions 2 Ltd	7,225	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS2 formation, and internal benchmarking.	7,225	77,613,466	0.01%
	Wholesale	Scottish Water Horizons	7,531	n/a	Sale of pressure regulating valves to leakage delivery.	Valves were bought by Horizons at a good price for a project that was subsequently shelved, sold to SW at cost	7,531	17,558,093	0.04%
	Wholesale	Scottish Water Horizons	16,767	1 months	Model re-verification for Livingston model	Due to the potential reputational issues regarding this development, we had to engage a contractor at short notice. SW could not carry out the work quickly and could not compete with the Horizons price.	16,767	17,558,093	0.10%
	Wholesale	Scottish Water Horizons	7,810	1 months	Eredine	Work was tendered to show best value	7,810	17,558,093	0.04%
	Wholesale	Scottish Water Horizons	25,052	1 months	Dunedin Drainage and water model	Work was required urgently and was priced by Horizons and SW Framework consultant. Price is competitive	25,052	17,558,093	0.14%

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	4,510,934	88,364,130	5.10%
		- project costs, including overhead, incurred on 'allocated' capital projects			
	Wholesale	Scottish Water Solutions 2 Ltd	25,095,438	77,613,466	32.33%
		- project costs, including overhead, incurred on 'allocated' capital projects			

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		82,041,364	88,364,130	92.84%
Request for Additional Services. Design and construction work		619,867	88,364,130	0.70%
		82,661,231	88,364,130	93.55%
Scottish Water Solutions 2 Ltd	Wholesale			
Delivery of the capital programme		82,613,466	77,613,466	106.44%
Request for Additional Services. Design and construction work		7,225	77,613,466	0.01%
		82,620,691	77,613,466	106.45%
Scottish Water Horizons				
Developer Support Work carried out		57,160	17,558,093	0.33%
		57,160	17,558,093	0.33%

**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) %

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	534,758	88,364,130	0.61%
		- support services IT	227,142	88,364,130	0.26%
		- support services Property	600,002	88,364,130	0.68%
		- support services Fleet	340,406	88,364,130	0.39%
		- support services Customer Service Contact Centre	24,000	88,364,130	0.03%
		- Financial Services	157,797	88,364,130	0.18%
			1,884,105	88,364,130	2.13%
	Wholesale	Scottish Water Solutions 2 Ltd			
		- secondment of staff from SW to SWS2	597,919	77,613,466	0.77%
		- support services IT	297,732	77,613,466	0.38%
		- support services Property	234,397	77,613,466	0.30%
		- support services Fleet	103,816	77,613,466	0.13%
		- Financial Services	52,958	77,613,466	0.07%
			1,286,822	77,613,466	1.66%
	Wholesale	Scottish Water Business Stream Ltd			
		- support services IT Service Charge	1,102,998	358,195,225	0.31%
		- support services Property	1,812	358,195,225	0.00%
		- support services Treasury, Tax & Insurance	42,603	358,195,225	0.01%
		- support services Internal Audit	59,637	358,195,225	0.02%
		- Recharges To Business Solutions	1,124	358,195,225	0.00%
			1,208,174	358,195,225	0.34%
	Wholesale	Scottish Water Business Stream Ltd			
		- Wholesale Water & Wastewater Charge	297,724,075	358,195,225	83.12%
		- Non Primary Meter Services	53,973	358,195,225	0.02%
		- Non Primary Supply Shut Off and Disconnections	236,805	358,195,225	0.07%
		- Non Primary Building Water Supplies	2,337,357	358,195,225	0.65%
		- Non Primary Inspections	105,874	358,195,225	0.03%
		- Non Primary Connections	282,572	358,195,225	0.08%
			300,740,655	358,195,225	83.96%
	Wholesale	Scottish Water Horizons			
		Management & Support Recharge	34,019	17,558,093	0.19%
		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	329,742	17,558,093	1.88%
		Support Services Energy Efficiency Team	35,000	17,558,093	0.20%
		Support Services Aquatrine	18,000	17,558,093	0.10%
		Support Services Shipping Water	53,741	17,558,093	0.31%
		Support Services Facilities	3,791	17,558,093	0.02%
		Support Services Asset Management	9,556	17,558,093	0.05%
		Support Services Developer Services	38,984	17,558,093	0.22%
		ABM & Support Charge For Horizons	657,283	17,558,093	3.74%
		Support Services Property	114,966	17,558,093	0.65%
		IT Service Charge	175,385	17,558,093	1.00%
		Insurance Re-Charge	41,031	17,558,093	0.23%
		Legal Re-Charge	19,760	17,558,093	0.11%
		Trade Effluent	310,228	17,558,093	1.77%
			1,841,485	17,558,093	10.49%
	Wholesale	Non Core			
	SW Wholesale	ABM Support Charge for Rechargeable Works	228,768	2,113,344	10.82%
			228,768	2,113,344	10.82%
	SW Wholesale	Recharged Support Activities for Aquatrine	9,076	2,113,344	0.43%
	SW Wholesale	Recharged Support Activities for Rechargeable Works	22,925	2,113,344	1.08%
	SW Wholesale	Recharged Support Activities for Legal & Estates	3,419	2,113,344	0.16%
	SW Wholesale	Recharged Support Activities for Other Customer Ops & Retail	6,423	2,113,344	0.30%
			41,843	2,113,344	1.98%
	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	264,694	2,113,344	12.52%
	SW Wholesale	Lab Plant & Veh Cross Charge for Rechargeable Works	191,227	2,113,344	9.05%
	SW Wholesale	Material & Contractor Charge for Rechargeable Works	332,661	2,113,344	15.74%
	SW Wholesale	Material & Contractor Charge for Legal & Estates	8,400	2,113,344	0.40%
	SW Wholesale	Lab Plant & Veh Cross Charge for Shipping Water	20,977	2,113,344	0.99%
	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	44,244	2,113,344	2.09%
	SW Wholesale	Test & Sample processing charge for Scientific Services	369,067	2,113,344	17.46%
	SW Wholesale	Test & Sample processing charge for Customer Service Centre	13,201	2,113,344	0.62%
	SW Wholesale	Test & Sample processing charge for Regulation	1,600	2,113,344	0.08%
			1,246,070	2,113,344	58.96%
	Total SW (Re)	Total SW (Non Regulated)	1,516,681	2,113,344	71.77%

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			
Interest Paid to SWBS		119,633	358,195,225	0.03%
GSS Payment		90,682	358,195,225	0.03%
		210,315	358,195,225	0.06%
Scottish Water Horizons	Wholesale			
Procurement Cost Recharges		93,265	17,558,093	0.53%
Contracting Non Reg Labour Cost Tf To Regula		142,055	17,558,093	0.81%
Customer Connections Services		150,246	17,558,093	0.86%
		385,566	17,558,093	2.20%