

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2012-13

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	2,179,297,000	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	17,196,629	16,675,081	103.13%
	Wholesale	Scottish Water Solutions Ltd	8,269	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS formation, and internal benchmarking.	8,269	16,675,081	0.05%
	Wholesale	Scottish Water Solutions 2 Ltd	550,343,440	QS3 (b) contract period substantially delivered to March 2015	Delivery of the capital programme	Competitive tender. QS3 (b) contract with solutions 2	131,748,590	127,998,590	102.93%
	Wholesale	Scottish Water Solutions 2 Ltd	143,047	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS2 formation, and internal benchmarking.	143,047	127,998,590	0.11%
	Wholesale	Scottish Water Horizons	73,217	18 Months	Moneymusk Power Supply & Design Work	Project linked to Stewart Milne Development funded through Infrastructure Charge. SW Horizons appointed due to competitive price and quick turnaround on project. SW Horizons worked with framework consultant on design work this work was tendered to 3 framework designers.	73,217	17,678,941	0.41%
	Wholesale	Scottish Water Horizons	573,549	24 Weeks	Mains Diversion at Fairmilehead	Formal testing to ensure that the bid cost is at fair market value.	573,549	17,678,941	3.24%

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	159,777	16,675,081	0.96%
	Wholesale	Scottish Water Solutions 2 Ltd			
		- project costs, including overhead, incurred on 'allocated' capital projects	6,386,586	127,998,590	4.99%

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		17,196,629	16,675,081	103.13%
Request for Additional Services. Design and construction work		8,269	16,675,081	0.05%
		17,204,898	16,675,081	103.18%
Scottish Water Solutions 2 Ltd	Wholesale			
Delivery of the capital programme		131,748,590	127,998,590	102.93%
Request for Additional Services. Design and construction work		143,047	127,998,590	0.11%
		131,891,638	127,998,590	103.04%
Scottish Water Horizons				
Developer Support Work carried out		646,766	17,678,941	3.66%
		646,766	17,678,941	3.66%

**SCOTTISH WATER
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2012-13

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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	184,712	16,675,081	1.11%
		- support services Property	8,489	16,675,081	0.05%
		- support services Fleet	24,282	16,675,081	0.15%
		- Financial Services	16,614	16,675,081	0.10%
			234,097	16,675,081	1.40%
	Wholesale	Scottish Water Solutions 2 Ltd			
		- secondment of staff from SW to SWS2	724,277	127,998,590	0.57%
		- support services IT	393,589	127,998,590	0.31%
		- support services Property	279,354	127,998,590	0.22%
		- support services Fleet	116,820	127,998,590	0.09%
		- support services Customer Service Contact Centre	24,000	127,998,590	0.02%
		- Financial Services	106,265	127,998,590	0.08%
			1,644,304	127,998,590	1.28%
	Wholesale	Scottish Water Business Stream Ltd			
		- support services IT Service Charge	83,932	376,637,871	0.02%
		- support services Property	0	376,637,871	0.00%
		- support services Internal Audit	68,953	376,637,871	0.02%
			213,750	376,637,871	0.06%
	Wholesale	Scottish Water Business Stream Ltd			
		- Wholesale Water & Wastewater Charge	298,088,000	376,637,871	79.14%
		- Non Primary Meter Services	17,856	376,637,871	0.00%
		- Non Primary Supply Shut Off and Disconnections	367,904	376,637,871	0.10%
		- Non Primary Building Water Supplies	168,361	376,637,871	0.04%
		- Non Primary Inspections	111,759	376,637,871	0.03%
		- Non Primary Connections	1,700,320	376,637,871	0.45%
		- Verification Of Services	73,960	376,637,871	0.02%
			300,528,160	376,637,871	79.79%
	Wholesale	Scottish Water Horizons			
		Management & Support Recharge	5,344	17,678,941	0.03%
		Lab Plant Veh & Waste & Sludge Processing Charge for Waste Services	668,616	17,678,941	3.78%
		Support Services Energy Efficiency Team	37,420	17,678,941	0.21%
		Support Services Aquatrine	155,500	17,678,941	0.88%
		Support Services Shipping Water	414,396	17,678,941	2.34%
		Support Services Facilities	1,107	17,678,941	0.01%
		Support Services Asset Management	126,034	17,678,941	0.71%
		Support Services Contact Centre	22,000	17,678,941	0.12%
		ABM & Support Charge For Horizons	522,591	17,678,941	2.96%
		Support Services Property	120,435	17,678,941	0.68%
		IT Service Charge	186,688	17,678,941	1.06%
		Insurance Re-Charge	28,425	17,678,941	0.16%
		Legal Re-Charge	92,870	17,678,941	0.53%
		Payroll & Timesheet Recharges	87,977	17,678,941	0.50%
		Trade Effluent	277,992	17,678,941	1.57%
			2,747,394	17,678,941	15.54%
	Wholesale	Scottish Water International			
		Management & Support Recharge	49,318	1,432,903	3.44%
		Support Services Asset Management	25,849	1,432,903	1.80%
		Support Services Customer Service	911	1,432,903	0.06%
		Support Services Property	2,485	1,432,903	0.17%
		IT Service Charge	11,663	1,432,903	0.81%
		Legal Re-Charge	26,806	1,432,903	1.87%
		Payroll & Timesheet Recharges	996	1,432,903	0.07%
			118,028	1,432,903	8.24%
	Wholesale	Non Core			
	SW Wholesale	ABM Support Charge for Customer Operations	215,103	2,530,078	8.50%
			215,103	2,530,078	8.50%
	SW Wholesale	Recharged Support Activities for Aquatrine	33,325	2,530,078	1.32%
		Recharged Support Activities for Customer Ops & Retail	4,109		
			37,434	2,530,078	1.48%
	SW Wholesale	Lab Plant & Veh Cross Charge for Aquatrine	206,131	2,530,078	8.15%
	SW Wholesale	Lab Plant & Veh Cross Charge for Other Customer Ops & Retail	228,202	2,530,078	9.02%
	SW Wholesale	Test & Sample processing charge for Customer Service Centre	615	2,530,078	0.02%
	SW Wholesale	Test & Sample processing charge for Scientific Services	932,722	2,530,078	36.87%
	SW Wholesale	Material & Contractor Charge for Legal & Estates	8,400	2,530,078	0.33%
	SW Wholesale	Lab Plant & Veh Cross Charge for Rechargeable Works	252,042	2,530,078	9.96%
			1,628,112	2,530,078	64.35%
	Total SW (Regulated)	Total SW (Non Regulated)	1,880,649	2,530,078	74.33%

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		113,974	376,637,871	0.03%
GSS Payment		111,931	376,637,871	0.03%
Gap Incentive - SWBS		585,490	376,637,871	0.16%
Vacancy Incentive - SWBS		635,350	376,637,871	0.17%
		1,446,745	376,637,871	0.38%
Scottish Water Horizons	Wholesale			
Customer Connections Services		20,033	17,678,941	0.11%
Plan Provision Recharge		30,000	17,678,941	0.17%
		50,033	17,678,941	0.28%