

**SCOTTISH WATER  
ANNUAL RETURN INFORMATION REQUIREMENTS**

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

Report Year 2007-08

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	1,800,000,000	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	310,894,141	322,120,310	96.51%
	Wholesale	Scottish Water Solutions Ltd	12,166,470	Various	Request for Additional Services. Design and construction work	Formal tendering for services agreement at SWS formation, and internal benchmarking.	12,166,470	322,120,310	3.78%

**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	5,648,792	322,120,310	1.75%
	Wholesale - SWC	Scottish Water Solutions Ltd			
		Rehabilitation Costs	255,181	322,120,310	0.08%
			<b>255,181</b>	<b>322,120,310</b>	<b>0.08%</b>
	Wholesale	Scottish Water Business Stream Ltd			
		Fixed Asset Transfer	249,908	351,060,745	0.07%
	Wholesale	Scottish Water Business Stream Holdings Ltd			
		Transfer of cash to SWBSH	25,000,000		
		Loan to SWBSH	58,500,000		
	Wholesale - SWC	Scottish Water (Non Regulated)			
		Transfer of Non Regulated Mainlaying and Tie-in work for Customer Connetctions	187,794.25	30,717,441	0.61%
	SW Regulated	Masts And Towers Deferred Income	3,396,754	30,717,441	11.06%

**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			
Accounts Payable Service		70,000	322,120,310	0.02%
Delivery of the capital programme		310,894,141	322,120,310	96.51%
Request for Additional Services. Design and construction work		12,166,470	322,120,310	3.78%
		<b>323,130,611</b>		
Scottish Water Business Stream Holdings Ltd				
Issue Of Shares From SWBSH to SW		34,600,000	351,060,745	9.86%

