SCOTTISH WATER

ANNUAL RETURN INFORMATION REQUIREMENTS

Section N : Transfer Pricing

Table N1 : Transfer Pricing Summary (Capex)

Report Year 2006-07

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		QS2 & QS3 contract period substantially delivered to March 2010		Competitive tender. QS2 contract with solutions extended to cover the delivery of part of QS3 (a) program	179,033,953	181,395,000	98.70%
		Scottish Water Solutions Ltd	3,200,000		Request for Additional Services. Design and	Rate Benchmarking & Cost Recovery	3,114,688		
			2,200,000				5, 11,000		

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 incurred on 'allocated' capital projects	5,898,734	181,395,000	3.25%
	Wholesale - SWC	Scottish Water Solutions Ltd			
		Rehabilitation Costs	3,736,044	181,395,000	2.06%
		Leakage	445,608	181,395,000	0.25%
		Bulk Meters	194,126	181,395,000	0.11%
		Mainlay	15,422	181,395,000	0.01%
		DMA	-48,838	181,395,000	-0.03%
		Other	62,392	181,395,000	0.03%
			4,404,754	181,395,000	2.43%
	Wholesale	Scottish Water Business Stream Ltd			
		Fixed Asset Transfer	1,587,227	140,910,051.00	1.13%
		Working Capital Transfer	33,289,133	140,910,051.00	23.62%
	Wholesale - SWC	Scottish Water (Non Regulated)	1,644,062	30,129,352	5.46%
		Transfer of Non Regulated Mainlaying and Tie-in work for Customer Connetctions			

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	Vinolesale	51,359	181,395,000	0.03%
Delivery of the capital programme		179,033,953		
Request for Additional Services. Design and construction work		3,114,688		
		182,200,000	181,395,000	100.44%

SCOTTISH WATER

ANNUAL RETURN INFORMATION REQUIREMENTS

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

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) %
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Block C: Cost Allocation. Recharges to Core from Associate

Line			Total	Turnover of	Core spend (Col 4)	
Ref	Activity	Activity	Value £	Associate £	:Turnover (Col 5) %	
				-	,~	
	Wholesale	Scottish Water Solutions Ltd	2 225 222	101 005 000	5.440/	
		- secondment of staff from SW to SWS	9,265,069	181,395,000	5.11%	
		- support services IT - support services Property	1,933,287 2,034,452	181,395,000 181,395,000	1.07% 1.12%	
		- support services Property - support services Payroll	24,337	181,395,000	0.01%	
		- support services Frayron - support services Financial Systems	61,833	181,395,000	0.01%	
		- support services Fleet	418,161	181,395,000	0.23%	
		- support services Customer Service Contact Centre	24,000	181,395,000	0.01%	
			-,,,,,,			
			13,761,138	181,395,000	7.59%	
5047	Wholesale	Scottish Water Business Stream Ltd	584.335	440.040.054.00	0.440/	
5917		- Metering services - Trade Effluent Billing services	584,335	140,910,051.00 140,910,051.00	0.41% 0.04%	
5903		- Trade Emiling Services - Customer Operational Contact services	69,582	140,910,051.00	0.04%	
3903		- New Connections facilitation services	09,362	140,910,051.00	0.00%	
5912	, 5919, 5920	- support services IT	488,014	140,910,051.00	0.35%	
5910		- support services 11	286,487	140,910,051.00	0.20%	
5909		- support services Property	14,465	140,910,051.00	0.01%	
5908		- support services Financial Systems	30,489	140,910,051.00	0.02%	
5901		- support services Fleet	9,303	140,910,051.00	0.01%	
5914		- support services HR	3,291	140,910,051.00	0.00%	
5915		- support services Corporate Affairs	7,500	140,910,051.00	0.01%	
5908		- support services Accounts Payable	7,343	140,910,051.00	0.01%	
5913		- support services Legal	1,339	140,910,051.00	0.00%	
5904		- support services Procurement	392	140,910,051.00	0.00%	
	5916	- support services Treasury, Tax & Insurance	29,312	140,910,051.00	0.02%	
5907		- support services Internal Audit	9,297	140,910,051.00	0.01%	
5905		- support services Imiscellaneous Costs Billed to SWBS	57,332	140,910,051.00	0.04%	
			1,658,270	140,910,051	1.18%	
		0 4:1 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1				
F004	Wholesale -5012	Scottish Water Business Stream Ltd	400 704 400	440.040.054.00	00.000/	
5001	-5012	- Wholesale Water & Wastewater Charge - Non Prime Meter Installations	126,794,100	140,910,051.00 140,910,051.00	89.98% 0.01%	
		- Non Prime Meter Installations - Non Prime Meter Services	17,210 15,764	140,910,051.00	0.01%	
		- Non Prime Meter Services - Non Prime Supply Shut Off and Disconnections	4,258	140,910,051.00	0.01%	
5921		Interest received from SWBS	1,341,149	140,910,051.00	0.95%	
3921		Interest received from SWBS	1,341,145	140,910,031.00	0.55/6	
			128,172,480	140,910,051	90.96%	
			120,172,400	140,310,031	30.3076	
	Wholesale	Non Core				
	SWC	External Customer Infrastructure Work	3,741,976	30,129,352	12.42%	
	SWC	Scottish Water Solutions - Cost of capital work in N1	5,705,343	30,129,352	18.94%	
	SWC	Business Development - External mainlaying work	1,233,516	30,129,352	4.09%	
			10,680,835	30,129,352	35.45%	
	SW Wholesale	ABM Support Charge for Business Development	314,000	30,129,352	1.04%	
	SW Wholesale	ABM Support Charge for Waste Services	176,100	30,129,352	0.58%	
	SW Wholesale	ABM Support Charge for Customer Connections	322,700	30,129,352	1.07%	
	SW Wholesale	ABM Support Charge for Property Services	108,700	30,129,352	0.36%	
	SW Wholesale	ABM Support Charge for Shipping Water	100,400	30,129,352	0.33%	
	SW Wholesale	ABM Support Charge for Non Domestic Septic Tanks	234,000	30,129,352	0.78%	
	SW Wholesale	ABM Support Charge for Other Customer Ops & Retail	685,600	30,129,352	2.28%	
			1 041 500	20 120 252	6.44%	
			1,941,500	30,129,352	6.44%	
	SW Wholesale	Recharged Support Activities for Business Development	139,802	30,129,352	0.46%	
	SW Wholesale	Recharged Support Activities for Business Development Recharged Support Activities for Waste Services	63,918	30,129,352	0.40%	
	SW Wholesale	Recharged Support Activities for Waste Services Recharged Support Activities for Customer Connections	215,087	30,129,352	0.71%	
	SW Wholesale	Recharged Support Activities for Property Services	30,675	30,129,352	0.10%	
	SW Wholesale	Recharged Support Activities for Rechargeable Works	93,973	30,129,352	0.31%	
	SW Wholesale	Recharged Support Activities for Non Domestic Septic Tanks	13,826	30,129,352	0.05%	
	SW Wholesale	Recharged Support Activities for Legal & Estates	6,748	30,129,352	0.02%	
	SW Wholesale	Recharged Support Activities for Human Resources	3,963	30,129,352	0.01%	
			567,992	30,129,352	1.89%	
	014/ 14/1			/		
	SW Wholesale	Lab Plant & Veh Cross Charge for Business Development	995,748	30,129,352	3.30%	
	SW Wholesale	Lab, Plant, Veh & Waste & Sludge Processing charge for Waste Service	307,759	30,129,352	1.02%	
	SW Wholesale	Lab Plant & Veh Cross Charge for Customer Connections	98,465	30,129,352	0.33%	
	SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Property Services	17,961	30,129,352	0.06%	
		Lab Plant & Veh Cross Charge for Rechargeable Works	481,095	30,129,352	1.60%	
		Material & Contractor Charge for Rechargeable Works	476,343	30,129,352 30,129,352	1.58%	
	SW Wholesale	Lab Blant & Vab Cross Charge for Chinning Water			1.29%	
	SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Shipping Water	389,162		0.000/	
	SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks	293,836	30,129,352	0.98%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates		30,129,352 30,129,352	0.04%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates Lab Plant & Veh Cross Charge for Human Resources	293,836 11,481 0	30,129,352 30,129,352 30,129,352	0.04% 0.00%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates	293,836	30,129,352 30,129,352	0.04%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates Lab Plant & Veh Cross Charge for Human Resources	293,836 11,481 0 225,227	30,129,352 30,129,352 30,129,352 30,129,352	0.04% 0.00% 0.75%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates Lab Plant & Veh Cross Charge for Human Resources	293,836 11,481 0	30,129,352 30,129,352 30,129,352	0.04% 0.00%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates Lab Plant & Veh Cross Charge for Human Resources	293,836 11,481 0 225,227	30,129,352 30,129,352 30,129,352 30,129,352	0.04% 0.00% 0.75%	
	SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale SW Wholesale	Lab Plant & Veh Cross Charge for Non Domestic Septic Tanks Lab Plant & Veh Cross Charge for Legal & Estates Lab Plant & Veh Cross Charge for Human Resources Test & Sample processing charge for Scientific Services	293,836 11,481 0 225,227 3,297,080	30,129,352 30,129,352 30,129,352 30,129,352 30,129,352	0.04% 0.00% 0.75% 10.94%	

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 Billing Service (Billing Costs Billed t	o SWBS)	102,020	140,910,051.00	0.07%			
Interest Paid to SWBS		410,740	140,910,051.00	0.29%			
		512,759	140,910,051.00	0.36%			
		312,739	140,910,031.00	0.30 /6			
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