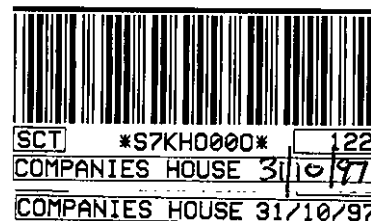


FINAL

CATCHMENT HIGHLAND LIMITED
Formerly Macrocom (343) Limited

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 1996



COMPANY-NUMBER:163036

CATCHMENT HIGHLAND LIMITED

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CATCHMENT HIGHLAND LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the 11 months ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the inter-group leasing of plant, equipment and related land.

BUSINESS REVIEW

On 1 February, the Company changed its name from Macrocom (343) Limited to Catchment Highland Limited. The Company was incorporated on 1 February 1996 and commenced trading on 24 December 1996. The Directors do not recommend the payment of a dividend.

DIRECTORS

The Directors of the Company during the period ended 31 December 1996 are set out below.

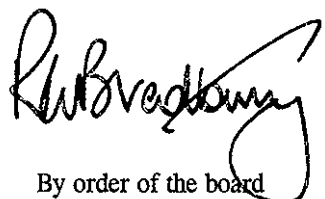
H R Croft - appointed 11 December 1996
R G Bradbury - appointed 11 December 1996
J M Martin - appointed 15 October 1996
J F McFadzean - appointed 11 December 1996
A D Mawdsley - appointed 15 October 1996
J M Geary - appointed 11 December 1996
I Dickson - appointed 1 February 1996 , resigned 15 October 1996
D Flint - appointed 1 February 1996 , resigned 15 October 1996

During the year a directors' and officers' liability insurance was in force.

AUDITORS

KPMG were appointed by the Directors as auditors to the Company. A resolution to re-appoint KPMG as auditors to the Company will be proposed at the Annual General Meeting.

Registered Office
12 Atholl Crescent
Edinburgh
Lothian
Scotland EH3 8HA
Registered in Scotland No. 163036

X 
By order of the board
R G Bradbury
Director
X 29th July 1997

CATCHMENT HIGHLAND LIMITED

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of financial statements

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors' responsibility includes the maintenance of adequate accounting records. The Directors also have a general responsibility at law for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT

to the members of Catchment Highland Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

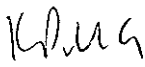
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1996 and of the result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
and Registered Auditor
Manchester

31/10/97

CATCHMENT HIGHLAND LIMITED

PROFIT AND LOSS ACCOUNT
for the 11 months ended 31 December 1996

There was no profit or loss for the period as the only transactions were the capitalisation of development costs and associated financing.

The Company has no recognised gains or losses for the period.

The notes on pages 7 to 9 form part of these financial statements.

CATCHMENT HIGHLAND LIMITED

BALANCE SHEET
At 31 December 1996

	Note	1996 £
FIXED ASSETS		
Fixed assets	3	530,652
CURRENT ASSETS		
Debtors	4	195,160
Total Current Assets		195,160
CREDITORS: AMOUNTS FALLING DUE WITHIN YEAR		
Creditors	5	(197,810)
Net Current liabilities		(2,650)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR		
Creditors	6	(528,000)
Net Assets		2
CAPITAL AND RESERVES		
Equity share capital	9	2
Profit and loss account	10	0
Shareholders' Funds		2

Approved by the board of Directors on *29th July* 1997 and signed on its behalf by

X R G Bradbury
R G Bradbury
Director

The notes on pages 7 to 9 form part of these financial statements.

CATCHMENT HIGHLAND LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the 11 months ended 31 December 1996

	1996
	£
Result for the period and net addition to shareholders' funds.	0
Shareholders' funds at 1 February 1996	<u>2</u>
Shareholders' funds at 31 December 1996	<u>2</u>

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1a. FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1b. GOING CONCERN

Notwithstanding the fact that the company is showing net current liabilities at the period end , the accounts have been prepared on a going concern basis as the Joint Venture has adequate facilities in place to enable the company to continue trading for the foreseeable future .

1c. TURNOVER

Turnover represents income receivable in the ordinary course of business for goods and services provided and excludes VAT.

1d. CASHFLOW STATEMENT

The company is exempt from the requirement to prepare a cash flow statement under the provision of Financial Reporting Standard 1 ('FRS1'), being the wholly owned subsidiary of a UK. Company.

2. DIRECTORS

The Directors received no emoluments as directors of the Company.

3. FIXED ASSETS

	Intangible Development Costs	Assets in the course of construction	Total
<u>COST</u>	£	£	£
At 1 February 1996	0	0	0
Additions	2,652	528,000	530,652
At 31 December 1996	2,652	528,000	530,652

NET BOOK VALUE

At 1 February 1996	0	0	0
At 31 December 1996	2,652	528,000	530,652

Development costs relate to financial commitment fees due on a finance lease agreement not yet utilised and these costs are incurred as part of the construction of assets. These costs will be depreciated over the useful life of the assets.

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DEBTORS

	1996
	£
<u>Amounts falling due within one year</u>	
Trade debtors	0
Other debtors	92,402
	<hr/> 92,402
<u>Amounts falling due after more than one year</u>	
Prepayments	102,758
Total	<hr/> 195,160 <hr/>

5. CREDITORS - amounts falling due within one year

	1996
	£
Trade creditors	92,400
Accruals	105,410
Total	<hr/> 197,810 <hr/>

6. CREDITORS - amounts falling due after more than one year

	1996
	£
Amounts due to parent undertaking	528,000
Total	<hr/> 528,000 <hr/>

7. BORROWINGS

	1996
	£
Within one years	0
Between one and two years	0
Between two and five years	528,000
After more than five years	0
Total	<hr/> 528,000 <hr/>

This amount is a sub-debt loan from the parent company as part of the Group financial arrangements.

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CONTINGENT LIABILITY

The assets of the Company are secured to Societe Generale by way of a fixed and floating charge.

9. CALLED UP SHARE CAPITAL

The Company's authorised share capital throughout the period ended 31 December 1996 was £100 divided into 100 of £1 each.

The allotted and fully paid share capital of the Company at 31 December was :

	1996
	£
Ordinary shares of £1	2

10. PROFIT AND LOSS ACCOUNT

	£
At 1 February 1996	Nil
Profit for the period	Nil
At 31 December 1996	Nil

11. COMMITMENTS

Fixed asset commitments are;

	1996
	£
Approved expenditure contracted	27,347,200
Approved expenditure not contracted	0

12. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Catchment Limited which is a wholly owned subsidiary of Catchment Highland Holdings Limited. This Holding Company is a Joint Venture with equal ultimate parent ownership of United Utilities PLC, a company registered in England and Wales, Morrison Construction Group plc, a company registered in Scotland, and Bechtel Group Inc., a company registered in the United States of America.