

Catchment Highland Limited
Directors' Report and Financial Statements
Year ended 31 December 2003

Registered number SC 163036



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COMPANIES HOUSE 11/09/04

Catchment Highland Limited

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Catchment Highland Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

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

Business review

The directors consider the financial position of the company at the year end to be satisfactory.

Proposed dividend

No interim dividend was paid during the year. The directors do not recommend the payment of a dividend (2002: nil). The directors propose that the profit for the year of £13,304 is transferred to reserves (2002: £13,414).

Directors and directors' interests

The directors who held office during the year were as follows:

S DeAtley	(resigned 30 June 2004)
D Kilgour	
P Jeantet	(resigned 30 June 2004)
L A Bell	(resigned 21 October 2003)
J Clark	(appointed 21 October 2003)
N Jones	(appointed 30 June 2004)
N Scott-Barrett	(appointed 30 June 2004)

None of the directors who held office during the financial year had any disclosable interests in, or rights to subscribe for, the shares of the company or any other group company.

A directors' and officers' liability insurance was in force during the year.

Political and charitable contributions

The company made no political contributions or charitable donations during the year.

Auditors

Pursuant to section 386 of the Companies Act 1985 an elective resolution has been made dispensing with the requirement to re-appoint auditors annually. Therefore KPMG LLP is deemed to continue as auditor of the company.

By order of the board



Jonathan Clark
Director

Catchment Highland Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility 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.

Catchment Highland Limited

Report of the Independent Auditors' to the members of Catchment Highland Limited

We have audited the financial statements on pages 4 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.


Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or 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 the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP 3/1/04
Chartered Accountants
Registered Auditor
Manchester

Catchment Highland Limited

Profit and Loss Account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Finance lease charges receivable from parent undertaking		838,991	856,072
Finance lease charges payable		(822,540)	(839,560)
Operating profit	2	16,451	16,512
Interest receivable		3	2
Profit on ordinary activities before taxation		16,454	16,514
Taxation charge on profit on ordinary activities	3	(3,150)	(3,100)
Retained profit for the year	12	<u>13,304</u>	<u>13,414</u>

The company has no recognised gains or losses for the current or prior year other than those shown above.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial periods stated above and their historical cost equivalents.

All of the results shown above relate to continuing operations within the UK.

The notes on pages 7 to 11 form part of these financial statements.

Catchment Highland Limited

Balance Sheet

at 31 December 2003

	Note	2003 £	£	2002 £	£
Current assets					
Debtors	4	485,704		411,702	
Debtors due after more than one year	5	15,287,596		15,773,298	
Cash at bank and in hand		115		113	
		<hr/>		<hr/>	
		15,773,415		16,185,113	
Creditors: amounts falling due within one year	6	(491,954)		(411,813)	
		<hr/>		<hr/>	
Net current assets		15,281,461		15,773,300	
Creditors: amounts falling due after more than one year	7	(15,518,167)		(16,023,310)	
		<hr/>		<hr/>	
Net liabilities		<u>(236,706)</u>		<u>(250,010)</u>	
Capital and reserves					
Called up share capital	11	2		2	
Profit and loss account	12	(236,708)		(250,012)	
		<hr/>		<hr/>	
Equity shareholders' funds		<u>(236,706)</u>		<u>(250,010)</u>	

The notes on pages 7 to 11 form part of these financial statements.

These financial statements were approved by the board of directors on 17 August 2004 and were signed on its behalf by:



Jonathan Clark
Director

Catchment Highland Limited

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2003

	2003 £	2002 £
Profit for the financial year	13,304	13,414
	<hr/>	<hr/>
Net movement in shareholders' funds	13,304	13,414
Opening shareholders' funds	(250,010)	(263,424)
	<hr/>	<hr/>
Closing shareholders' funds	<u>(236,706)</u>	<u>(250,010)</u>

Catchment Highland Limited

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounts have been prepared on a going concern basis. The company has negative net assets due to a long term loan from its parent, Catchment Limited, which will provide the company with sufficient funds to fulfil its obligations as they fall due.

The company is a wholly owned subsidiary of Catchment Highland Holdings Limited and is included in the consolidated financial statements of Catchment Highland Holdings Limited. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1.

Leases

The company and its parent, Catchment Limited, have entered into a series of legal agreements to finance the Fort William and Inverness plants:

- Catchment Highland Limited purchases certain assets as agent for Catchment Limited;
- Catchment Highland Limited leases certain assets from Catchment Limited for a nominal sum, and;
- Catchment Limited leases back the same assets from Catchment Highland Limited for operational use in the business.

The directors have concluded that the substance of the arrangements is such that the risks and rewards of the projects lie with Catchment Limited. As such, all assets, liabilities and transactions relating to the business are shown within Catchment Limited, irrespective of the legal ownership.

Catchment Highland Limited remains as a leasing business which rents assets to Catchment Limited. Accordingly, these accounts show the lease liabilities and lease debtors. The capital element of future rentals receivable is treated as an asset and the interest element is credited to the profit and loss account over the period of the lease in proportion to the debtor outstanding. Similarly, the capital element of future rentals payable is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the obligation outstanding.

Related party transactions

As the company is a wholly owned subsidiary of Catchment Limited which is a wholly owned subsidiary of Catchment Highland Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Catchment Highland Limited

Notes continued

(forming part of the financial statements)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

2. Remuneration of directors

The directors received no emoluments as directors of the company during the year (2002: £nil).

3. Tax on profit on ordinary activities

	2003 £	2002 £
Analysis of tax charge for the year		
UK corporation tax at 30% (2002: 30.0%)	3,150	3,100
	<u>3,150</u>	<u>3,100</u>

Factors affecting the tax charge for year

The table below reconciles the notional tax charge at the UK corporation tax rate to the actual charge for the year.

Current tax reconciliation

Profit on ordinary activities before taxation	<u>16,454</u>	<u>16,514</u>
Tax on profit on ordinary activities at 30% (2002: 30%)	4,936	4,954
<i>Effects of:</i>		
Small companies relief	(1,786)	(1,854)
	<u>3,150</u>	<u>3,100</u>
Current tax charge for the year	<u>3,150</u>	<u>3,100</u>

4. Debtors: amounts falling due within one year

	2003 £	2002 £
Obligations under finance leases owed by parent undertaking:	<u>485,704</u>	<u>411,702</u>

5. Debtors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases owed by parent undertaking:	<u>15,287,596</u>	<u>15,773,298</u>

Catchment Highland Limited

Notes continued

(forming part of the financial statements)

6. Creditors: amounts falling due within one year

	2003 £	2002 £
Obligations under finance leases	485,704	411,702
Amounts owed to parent undertaking	-	111
Other creditors including taxation	6,250	-
	<u>491,954</u>	<u>411,813</u>

7. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases	15,287,596	15,773,298
Amounts owed to parent undertaking	230,571	241,712
Other creditors including taxation	-	8,300
	<u>15,518,167</u>	<u>16,023,310</u>

8. Analysis of debt

	2003 £	2002 £
Debt can be analysed as falling due:		
In one year or less, or on demand	485,704	411,702
Between one and two years	576,560	485,704
Between two and five years	2,310,045	2,015,064
In five years or more	12,400,991	13,272,530
	<u>15,773,300</u>	<u>16,185,000</u>

There is a cross guarantee in place in respect of monies advanced by Société Générale to Catchment Highland Holdings Limited and Catchment Limited.

The assets of the company are secured to Société Générale by way of a fixed and floating charge.

9. Amounts repayable in more than five years

	2003 £	2002 £
Obligations under finance leases	<u>12,400,991</u>	<u>13,272,530</u>

Catchment Highland Limited

Notes continued

(forming part of the financial statements)

10. Obligations under finance leases

	2003 £	2002 £
Within one year	1,679,723	1,630,799
In the second to fifth years	7,238,156	7,027,333
Over five years	17,895,378	19,785,913
	<hr/>	<hr/>
	26,813,257	28,444,045
Less future finance charges	(11,039,957)	(12,259,045)
	<hr/>	<hr/>
	<u>15,773,300</u>	<u>16,185,000</u>

11. Called up share capital

	2003 £	2002 £
Authorised		
Equity: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
Equity: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. Reserves

	Profit and loss account £
At beginning of year	(250,012)
Retained profit for the year	13,304
	<hr/>
At end of year	<u>(236,708)</u>

13. Ultimate parent company

The company is a wholly owned subsidiary of Catchment Limited which is a wholly owned subsidiary of Catchment Highland Holdings Limited. The smallest group in which the results of the company are consolidated is that headed by Catchment Highland Holdings Limited, a company registered in Scotland. The consolidated accounts of this group are available to the public and may be obtained from 152 Bath Street, Glasgow G2 4TB.

Catchment Highland Holdings Limited is a joint venture with equal immediate parent ownership of North West Water (Scotland) Limited, a company registered in England and Wales, International Water (Highland) Limited, a company registered in England and Wales, and International Water UU (Highland) Limited, a company registered in Scotland, and ultimate parent ownership of United Utilities Plc, a company registered in England and Wales, Bechtel Group Inc., a company registered in the United States of America, and Edison SpA, a company registered in Italy.

Catchment Highland Limited

14. Post balance sheet event

On 30th June 2004 International Water (Highlands) Limited sold it's shareholding in Catchment Highland Holdings Limited to Infrastructure Investors General Partner LLP an English limited liability partnership with ultimate parent ownership being Infrastructure Investors LP, an English limited partnership.

In addition there was a change in the ultimate parent ownership of International Water UU (Highland) Limited with Bechtel Group Inc and Edison SpA's share being transferred to Infrastructure Investors General Partner LLP an English limited liability partnership with the parent ownership being Infrastructure Investors LP, an English limited partnership. Infrastructure investors LP is a joint venture with ultimate parent ownership being Barclays plc, a company registered in England & Wales and Société Général SA, a company registered in France.