

Catchment Highland Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2010

Registered Number SC163036

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Catchment Highland Limited

Financial Statements

For the Year ended 31 December 2010

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Catchment Highland Limited

Company Information

Directors

Graham Robinson Keegan (Resigned 31 October 2010)
Leslie Anthony Bell (Resigned 9 November 2010)
John Findlay McFadzean
Nigel Wythen Middleton
Andrew Cowan (Served from 31 October 2010 to
9 November 2010)
Duncan John Lucas Bates (Served from 9 November 2010
to 23 December 2010)
Malcolm Richard Saunders (Appointed 9 November 2010)

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditors
St James' Square
Manchester
M2 6DS

Catchment Highland Limited

The Directors' Report

For the Year ended 31 December 2010

The Directors present their report and the financial statements of the Company for the year ended 31 December 2010.

Principal Activities and Business Review

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

Results and Dividends

The profit for the year amounted to £nil (2009: loss £1,332). The Directors have not recommended a dividend (2009: £nil).

The profit for the year will be transferred to reserves.

The directors consider the financial position of the company at the year end to be satisfactory and that the delivery of operational services is running well.

Key performance indicators

The Directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

Political and charitable contributions

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

Financial Instruments

The Company has no significant financial instruments.

Directors

The Directors who served the Company during the year and up to the date of this report are listed on page 1.

The Directors had no beneficial interest in the Company. The Directors' interests in the ultimate parent company are disclosed in that Company's financial statements. The Directors had no material interest in any contract of significance to which the Company was a party during the financial year.

Disclosure of information to the auditors

So far as each of the Directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

Catchment Highland Limited

The Directors' Report *(continued)*

For the Year ended 31 December 2010

Auditor

Pursuant to section 437 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The Directors' report was approved by the board on 27 May 2011 and signed on its behalf by:



Simon Peck
For and on behalf of
Infrastructure Managers Limited
Company Secretary
Edinburgh

Company Registration Number: SC163036

Catchment Highland Limited

Statement of Directors' Responsibilities

For the Year ended 31 December 2010

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

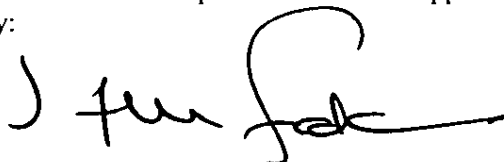
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors' responsibilities were approved by the Board on 27 May 2011 and signed on its behalf by:



.....
John Findlay McFadzean
Director

Catchment Highland Limited

Independent auditor's report to the members of Catchment Highland Limited

We have audited the financial statements of Catchment Highland Limited for the year ended 31 December 2010 set out on pages 7 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Catchment Highland Limited

Independent auditor's report to the members of Catchment Highland Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mick Davies (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditors
Chartered Accountants

1 June 2011

Catchment Highland Limited

Profit and Loss Account

For the Year ended 31 December 2010

	Note	2010 £	2009 £
Turnover		—	—
Gross Profit		—	—
Administrative expenses		—	—
Operating Profit		—	—
Interest receivable and similar income	3	432,389	354,350
Interest payable and similar charges	4	(432,389)	(354,350)
Profit on Ordinary Activities Before Taxation		—	—
Tax on profit on ordinary activities	5	—	(1,332)
Loss for the Financial Year		—	(1,332)

The Company has no recognised gains and losses other than those included in the profit above, which all relate to continuing activities, and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 9 to 13 form part of these financial statements.

Catchment Highland Limited

Balance Sheet

as at 31 December 2010

	Note	2010 £	2009 £
Current Assets			
Debtors due within one year	6	1,208,298	1,256,205
Debtors due after one year	6	8,868,613	9,874,620
		<u>10,076,911</u>	<u>11,130,825</u>
Creditors: Amounts falling due within one year	7	<u>(1,208,298)</u>	<u>(1,256,205)</u>
Net Current Assets		<u>8,868,613</u>	<u>9,874,620</u>
Total Assets Less Current Liabilities		<u>8,868,613</u>	<u>9,874,620</u>
Creditors: Amounts falling due after more than one year	8	<u>(9,060,428)</u>	<u>(10,066,435)</u>
Net liabilities		<u>(191,815)</u>	<u>(191,815)</u>
Capital and Reserves			
Share capital	11	2	2
Profit and loss account	12	<u>(191,817)</u>	<u>(191,817)</u>
Deficit in Equity Shareholder's Funds	13	<u>(191,815)</u>	<u>(191,815)</u>

These financial statements on pages 7 to 13 were approved by the Directors and authorised for issue on 22 May 2011, and are signed on their behalf by:



John Findlay McFadzen
Director

The notes on pages 9 to 13 form part of these financial statements.

Catchment Highland Limited

Notes to the Financial Statements

For the Year ended 31 December 2010

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due.

Going Concern

The financial statements have been prepared on a going concern basis notwithstanding net liabilities of £191,815 at 31 December 2010. The company is dependent on interest income from its immediate parent to allow it to settle ongoing obligations as they fall due. The company's financial projections indicate that sufficient funds will be generated to ensure ongoing obligations are met. On that basis, the directors are satisfied that it is appropriate for the financial statement to continue to be prepared on a going concern basis.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is small.

Catchment Highland Limited

Notes to the Financial Statements

For the Year ended 31 December 2010

1. Accounting policies (continued)

Finance lease agreements

The company and its parent, Catchment Limited, have entered into a series of legal agreements to finance the Fort William and Inverness wastewater and sewage treatment 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.

Group accounting

As the Company 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). The consolidated financial statements of BIIF Holdco Limited, within which this Company is included, can be obtained from the address given in note 15.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Catchment Highland Limited

Notes to the Financial Statements

For the Year ended 31 December 2010

2. Operating results

The Directors did not receive any remuneration from the Company during the year (2009: £nil). The company has no employees (2009: £nil).

The company's audit fee for the current and prior years are borne by its immediate parent company.

3. Interest receivable

	2010 £	2009 £
Finance lease charges receivable from parent undertaking	<u>432,389</u>	<u>354,350</u>

4. Interest payable and similar charges

	2010 £	2009 £
Finance charges	<u>432,389</u>	<u>354,350</u>

5. Taxation on ordinary activities

Analysis of charge in the year

	2010 £	2009 £
Current tax:		
Corporation tax	-	-
Over/under provision in prior year	<u>-</u>	<u>1,332</u>
Total current tax	<u>-</u>	<u>1,332</u>

6. Debtors

	2010 £	2009 £
Obligations under finance leases owned by parent undertaking	<u>10,076,911</u>	<u>11,130,825</u>

The debtors above include the following amounts falling due after more than one year:

	2010 £	2009 £
Obligations under finance leases owned by parent undertaking	<u>8,868,613</u>	<u>9,874,620</u>

7. Creditors: Amounts falling due within one year

	2010 £	2009 £
Finance lease agreements	<u>1,208,298</u>	<u>1,256,205</u>

Catchment Highland Limited

Notes to the Financial Statements

For the Year ended 31 December 2010

8. Creditors: Amounts falling due after more than one year

	2010	2009
	£	£
Amounts owed to group undertakings	191,815	191,815
Finance lease agreements	8,868,613	9,874,620
	<u>9,060,428</u>	<u>10,066,435</u>

9. Commitments under finance lease agreements

Future commitments under finance lease agreements are as follows:

	2010	2009
	£	£
Amounts payable within 1 year	1,208,298	1,256,205
Amounts payable between 1 and 2 years	1,369,702	1,410,589
Amounts payable between 3 and 5 years	5,230,929	5,262,917
Amounts payable after more than 5 years	2,267,982	3,201,114
	<u>10,076,911</u>	<u>11,130,825</u>

Finance lease agreements are analysed as follows:

Current obligations	1,208,298	1,256,205
Non-current obligations	8,868,613	9,874,620
	<u>10,076,911</u>	<u>11,130,825</u>

10. Contingencies

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.

11. Share capital

Authorised share capital:

	2010	2009
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Catchment Highland Limited

Notes to the Financial Statements

For the Year ended 31 December 2010

12. Profit and loss account

	2010 £	2009 £
Balance brought forward	(191,817)	(190,485)
Loss for the financial year	—	(1,332)
Balance carried forward	<u>(191,817)</u>	<u>(191,817)</u>

13. Reconciliation of movements in shareholders' deficit

	2010 £	2009 £
Loss for the financial year	—	(1,332)
Opening shareholders' deficit	(191,815)	(190,483)
Closing shareholders' deficit	<u>(191,815)</u>	<u>(191,815)</u>

14. Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

15. 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 BIIF Holdco Limited, a company registered in Scotland. The consolidated accounts of this group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Catchment Highland Holdings Limited is a joint venture with equal immediate parent ownership of Reno Water (Highland) Limited, a company registered in England and Wales (with ultimate parent ownership of Barclays Integrated infrastructure Fund LP), International Water (Highland) Ltd (with ultimate parent ownership of Barclays Integrated Infrastructure Fund LP, and International Water UU (Highland) Limited a company registered in England and Wales (which in turn has equal immediate parent ownership of United Utilities (Highland) Limited and IWUHH Limited).

The ultimate parent and controlling entity is Barclays Integrated Infrastructure Fund LP. Barclays Integrated Infrastructure Fund LP is owned by a number of investors, with no one investor having individual control.