

FINAL

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CATCHMENT HIGHLAND LIMITED

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1997**

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 year ended 31 December 1997.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The Directors do not recommend the payment of a dividend. The Directors propose that the profit for the period of £ 182 be transferred to reserves.

DIRECTORS

The Directors of the Company during the year ended 31 December 1997 are set out below.

H R Croft
R G Bradbury resigned 14 January 1998
J M Martin
J F McFadzean
A D Mawdsley
J M Geary
M F Bradbury resigned 14 January 1998

After the year end the following were appointed ;

G J M Tregaskis appointed 14 January 1998
G A I Waters appointed 14 January 1998

None of the directors have a shareholding in the company or in the ultimate holding company Catchment Highland Holdings Limited.

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

AUDITORS

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

by order of the board



Director

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 5 to 11.

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 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
and Registered Auditors
Manchester

7/10/98

CATCHMENT HIGHLAND LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover		0	0
Gross Profit		0	0
Interest receivable	3	182	0
Profit on ordinary activities before and after taxation		182	0

The Company has no recognised gains or losses for the period other than those recorded in the profit and loss account.

The notes on pages 8 to 11 form part of these financial statements.

CATCHMENT HIGHLAND LIMITED

BALANCE SHEET
At 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Fixed assets	4	5,830,074	530,652
CURRENT ASSETS			
Debtors	5	89,679	195,160
Cash at bank and in hand		182	0
Total Current Assets		89,861	195,160
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	6	(115,411)	(197,810)
Net Current liabilities		(25,550)	(2,650)
Total assets less current liabilities		5,804,524	528,002
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN 1 YEAR			
Creditors	7	(5,804,340)	(528,000)
Net Assets		184	2
CAPITAL AND RESERVES			
Equity share capital	10	2	2
Profit and loss account	11	182	0
Equity Shareholders' Funds		184	2

Approved by the board of Directors on 22nd July

1998 and signed on its behalf by John F. McFarlane

Director



The notes on pages 8 to 11 form part of these financial statements.

CATCHMENT HIGHLAND LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1997

	1997	1996
	£	£
Profit for the period and net addition to shareholders' funds.	182	0
Opening shareholders' funds	2	2
Shareholders' funds at 31 December	184	2

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

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. CAPITALISATION OF INTEREST

The financial interest on all facility drawdowns and commitment fees on facilities not yet utilised have been capitalised as part of the cost of construction of assets and will be depreciated over the useful life of the assets.

1e. DEPRECIATION

Depreciation will be charged over the useful life of the assets on all costs incurred in construction commencing when the plants become fully operational.

1f. 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. INTEREST RECEIVABLE

	£
Bank Interest receivable	182

4. FIXED ASSETS

	Intangible Development Costs	Assets in the course of construction	Total
<u>COST</u>	£	£	£
At 1 January 1997	2,652	528,000	530,652
Additions	0	5,299,422	5,299,422
Transfers	(2,652)	2,652	0
At 31 December 1997	0	5,830,074	5,830,074
<u>NET BOOK VALUE</u>			
At 1 January 1997	2,652	528,000	530,652
At 31 December 1997	0	5,830,074	5,830,074

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. DEBTORS

	1997	1996
	£	£
<u>Amounts falling due within one year</u>		
Other debtors	89,679	92,402
<u>Amounts falling due after more than one year</u>		
Prepayments	0	102,758
Total	89,679	195,160

6. CREDITORS - amounts falling due within one year

	1997	1996
	£	£
Amounts owed to associated undertakings	98,842	92,400
Accruals	16,569	105,410
Total	115,411	197,810

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

	1997	1996
	£	£
Bank loans	2,273,000	0
Amounts due to parent undertaking	3,531,340	528,000
Total	5,804,340	528,000

8. BORROWINGS

	1997	1996
	£	£
Within one years	0	0
Between one and two years	0	0
Between two and five years - parent undertaking	3,531,340	528,000
After more than five years	2,273,000	0
Total	5,804,340	528,000

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

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. BORROWINGS (Continued)

This amount is a sub-debt loan from the parent company as part of the Group financial arrangements and the loan greater than five years is a lease facility as part of the contractual arrangements in force.

9. CONTINGENT LIABILITY

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

10. CALLED UP SHARE CAPITAL

The Company's authorised share capital throughout the period ended 31 December 1997 was £100 divided into 100 of £1 each.

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

	1997	1996
	£	£
Ordinary shares of £1	2	2

11. PROFIT AND LOSS ACCOUNT

	1997	1996
At 1 January 1997	0	0
Profit for the period	182	0
At 31 December 1997	182	0

12. COMMITMENTS

Fixed asset commitments are;

	1997	1996
	£	£
Approved expenditure contracted	28,263,000	27,347,200
Approved expenditure not contracted	0	0

13. RELATED PARTY TRANSACTIONS

During the year the company incurred costs of £5,134,001 to the Joint Venture established between Bechtel Limited and Morrison Construction Limited for the construction of the treatment plants and at the year end £89,075 was outstanding.

Also, during the year, the company incurred costs of £15,625 to Morrison Construction Limited, a joint venture company which owns an interest in the company. Of these costs, £9,767 was outstanding at the year end.

CATCHMENT HIGHLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. 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.