

**Catchment Highland Limited**  
**Directors' Report and Financial Statements**  
**Year ended 31 December 2004**

**Registered number SC 163036**



# **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 2004.

### 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 and transfer to reserves

The directors do not recommend the payment of a dividend (2003: nil). The directors propose that the profit for the year of £14,401 is transferred to reserves (2003: £13,304).

### Directors and directors' interests

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

S DeAtley	(resigned 30 June 2004)
D Kilgour	
J Clark	
P Jeantet	(resigned 30 June 2004)
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 in the company.

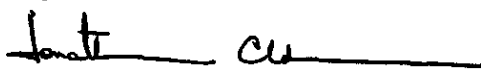
According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

A directors' and officers' liability insurance was in force 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 9.

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.

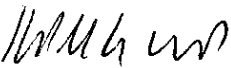
### **Basis of audit opinion**

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG LLP** 7/10/05  
Chartered Accountants  
Registered Auditor  
Manchester

# Catchment Highland Limited

## Profit and Loss Account

for the year ended 31 December 2004

	Note	2004 £	2003 £
Finance lease charges receivable from parent undertaking		846,909	838,991
Finance lease charges payable		(830,303)	(822,540)
<b>Operating profit from continuing operations</b>		<b>16,606</b>	<b>16,451</b>
Interest receivable		-	3
<b>Profit on ordinary activities before taxation</b>		<b>16,606</b>	<b>16,454</b>
Tax on profit on ordinary activities	3	(2,205)	(3,150)
<b>Retained profit for the year</b>	9	<b><u>14,401</u></b>	<b><u>13,304</u></b>

The company has no recognised gains or losses for the current or prior year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

# Catchment Highland Limited

## Balance Sheet

at 31 December 2004

	Note	2004 £	£	2003 £	£
<b>Current assets</b>					
<b>Debtors:</b>					
Amounts due within one year	4	576,560		485,704	
Amounts due after more than one year	5	14,708,530		15,287,596	
Cash at bank and in hand		115		115	
		15,285,205		15,773,415	
<b>Creditors: amounts falling due within one year</b>	6	(585,015)		(491,954)	
<b>Net current assets</b>			14,700,190		15,281,461
<b>Creditors: amounts falling due after more than one year</b>					
	7		(14,922,495)		(15,518,167)
<b>Net liabilities</b>			<u>(222,305)</u>		<u>(236,706)</u>
<b>Capital and reserves</b>					
Called up share capital	8		2		2
Profit and loss account	9		(222,307)		(236,708)
<b>Net deficit of equity shareholders' funds</b>			<u>(222,305)</u>		<u>(236,706)</u>

These financial statements were approved by the board of directors on 29<sup>th</sup> September 2005 and were signed on its behalf by:

**Jonathan Clark**  
Director

# Catchment Highland Limited

## Notes to 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.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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. The consolidated financial statements of Catchment Highland Holdings Limited, within which this company is included, can be obtained from the address given in note 11.

#### **Leases**

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.

#### **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.

# Catchment Highland Limited

## Notes to the financial statements (continued)

### 2. Remuneration of directors

The directors received no emoluments as directors of the company during the year (2003: £nil).

### 3. Tax on profit on ordinary activities

	2004 £	2003 £
<b>Analysis of tax charge for the year</b>		
UK corporation tax at 30% (2003: 30%)	2,205	3,150
	<u>2,205</u>	<u>3,150</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>16,606</u>	<u>16,454</u>
Tax on profit on ordinary activities at 30% (2003: 30%)	4,982	4,936
<i>Effects of:</i>		
Small companies relief	<u>(2,777)</u>	<u>(1,786)</u>
Current tax charge for the year	<u>2,205</u>	<u>3,150</u>

### 4. Debtors: amounts falling due within one year

	2004 £	2003 £
Obligations under finance leases owed by parent undertaking:	<u>576,560</u>	<u>485,704</u>

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

	2004 £	2003 £
Obligations under finance leases owed by parent undertaking:	<u>14,708,530</u>	<u>15,287,596</u>

# Catchment Highland Limited

## Notes to the financial statements (continued)

### 6. Creditors: amounts falling due within one year

	2004 £	2003 £
Obligations under finance leases	576,560	485,704
Other creditors including taxation	8,455	6,250
	<u>585,015</u>	<u>491,954</u>

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

	2004 £	2003 £
Obligations under finance leases	14,708,530	15,287,596
Amounts owed to parent undertaking	213,965	230,571
	<u>14,922,495</u>	<u>15,518,167</u>

### Maturity of debt

	2004 £	2003 £
Debt can be analysed as falling due:		
In one year or less, or on demand	576,560	485,704
Between one and two years	669,703	576,560
Between two and five years	2,627,572	2,310,045
In five years or more	11,411,255	12,400,991
	<u>15,285,090</u>	<u>15,773,300</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.

### 8. Called up share capital

	2004 £	2003 £
<b>Authorised</b>		
Equity: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
Equity: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

# Catchment Highland Limited

## Notes to the financial statements (continued)

### 9. Reserves

	<b>Profit and loss account £</b>
At 1 January 2004	(236,708)
Retained profit for the year	14,401
	<hr/>
<b>At 31 December 2004</b>	<b><u>(222,307)</u></b>

### 10. Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 2004

	<b>2004 £</b>	<b>2003 £</b>
<b>Profit for the financial year</b>	<b>14,401</b>	<b>13,304</b>
	<hr/>	<hr/>
<b>Net movement in shareholders' funds</b>	<b>14,401</b>	<b>13,304</b>
Opening shareholders' funds	(236,706)	(250,010)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b><u>(222,305)</u></b>	<b><u>(236,706)</u></b>

### 11. 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 United Utilities (Highland) Limited, a company registered in England and Wales (with ultimate parent ownership of United Utilities Plc, a company registered in England and Wales), and Infrastructure Investors General Partner LLP, an English limited liability partnership, (as General Partner of Infrastructure Investors LP, an English limited partnership).