

Y.C. (No.1) Limited

Report and Financial Statements

For the year ended 31 March 2003

Registered No: 4310997



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Directors' Report

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

Principal activities and review of the business

The principal activity of the Company is to act as an investment holding Company. The Company did not trade during the period.

A review of the carrying value of the Company's fixed asset investments was undertaken during the year. This resulted in a provision for permanent diminution in value of £233,984,000.

Directors and directors' interests

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

Mr. S.J. Barber	(appointed 30 September 2002)
Mr. S.G. Batey*	
Mr. J.R.J. Deering	(resigned 30 September 2002)
Mr. H. Logan	
Mr J.E. Roberts*	

* Director of United Utilities PLC

The directors serving at 31 March 2003 had no interest in the share capital of the Company.

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

The interests of serving directors at 31 March 2003 in the share capital of United Utilities PLC, the Company's ultimate parent undertaking were as follows. Details of the interests of the directors of United Utilities PLC are dealt with in that company's accounts.

	2003			2002 (or on appointment)		
	Ordinary Shares	Share Options Executive Option Scheme	Employee Sharesave Scheme	Ordinary Shares	Share Options Executive Option Scheme	Employee Sharesave Scheme
Mr. S.J. Barber	5,943	9,477	1,347	4,786	9,477	1,688
Mr. H. Logan	164	-	1,740	-	-	1,740

Details of the employee sharesave scheme and the executive share option scheme operated by United Utilities PLC are given in that company's accounts.

Auditors

During the year, KPMG Audit plc resigned as the Company's auditors. The directors used their powers under the Companies Act 1985 to appoint Deloitte & Touche as the Company's auditors to fill the vacancy created by KPMG Audit plc's resignation.

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

By order of the board



S G Batey

Director
6 May 2004

Dawson House
Great Sankey
Warrington
Cheshire WA5 3LW

Statement of directors' responsibilities

United Kingdom 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 of the Company 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 maintaining 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.

Independent auditors' report to the members of Y.C. (No.1) Limited

We have audited the financial statements of Y.C. (No.1) Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

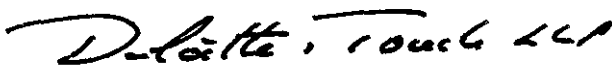
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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, 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 affairs of the Company as at 31 March 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors, Manchester

11 May 2004

Profit and Loss Account
For the year ended 31 March 2003

	Note	Year ended 31 March 2003 £000	23 weeks ended 31 March 2002 £000
Administration expenses- exceptional item	3	(233,984.0)	-
Loss on ordinary activities before taxation		(233,984.0)	-
Taxation	4	-	-
Retained loss for the financial year		(233,984.0)	-

All activities relate to continuing operations.

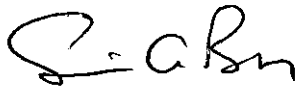
Reconciliation of movements in shareholders' funds

	Year ended 31 March 2003 £000	23 weeks ended 31 March 2002 £000
Opening equity shareholders' funds	-	-
Loss for the period	(233,984.0)	-
Closing equity shareholders' funds	(233,984.0)	-

Balance sheet
at 31 March 2003

	Note	31 March 2003 £000	31 March 2002 £000
Investments	3	24,016.0	258,000.0
Current assets			
Cash at bank and in hand		-	-
Creditors: amounts falling due within one year	5	(258,000.0)	(258,000.0)
Net current liabilities		<u>(233,984.0)</u>	<u>(258,000.0)</u>
Net liabilities		<u>(233,984.0)</u>	<u>-</u>
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account		<u>(233,984.0)</u>	<u>-</u>
Equity shareholders' funds		<u>(233,984.0)</u>	<u>-</u>

The financial statements on pages 7 to 11 were approved by the board of directors on 6 May 2004 and were signed on its behalf by:



S G Batey
Director

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

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

Group accounts

The Company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a wholly owned subsidiary undertaking of United Utilities PLC, a company incorporated in Great Britain and registered in England and Wales, which does prepare group accounts.

Cash flow statement

No cash flow statement has been prepared as the accounts of the ultimate parent company, United Utilities PLC, include a consolidated cash flow statement prepared in accordance with Financial Reporting Standard Number 1.

Investments

Investments are stated at cost less provision for any permanent diminution in value.

Related party transactions

As a wholly owned subsidiary, the Company is exempt from disclosing transactions with other Group undertakings.

2 Operating expenses

The directors received no emoluments as directors of the Company during the year (2002: £nil). There have been no employees of the Company during the year (2002: nil).

The auditor's remuneration is borne by United Utilities PLC and is not recharged.

3 Investments

In the period to 31 March 2002, the Company acquired 450,000,000 'B' ordinary shares of £0.10 in Your Communications Group Limited for a consideration of £258,000,000.

Following completion of the network, a review of the carrying value of assets in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' was performed by the subsidiaries of Your Communications Group Limited. Similarly, the carrying value Your Communications Group Limited has been reviewed by the Company. This review has resulted in an exceptional charge to operating profit of £233,984,000 relating to a provision for permanent diminution in the carrying value of the Company's fixed asset investments.

Notes to the Financial Statements (continued)

3 Investments (continued)

	£
Cost as at 1 April 2002 and 31 March 2003	258,000,000
Provision for diminution in value	
As at 1 April 2002	-
Charge to profit and loss account	233,984,000
As at 31 March 2003	233,984,000
Net book value as at 31 March 2003	24,016,000
Net book value as at 31 March 2002	<u>258,000,000</u>

4 Taxation

There is no tax credit in the year as the provision for permanent diminution in the carrying value of the Company's fixed asset investment is not tax deductible.

5 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	<u>258,000,000</u>	<u>258,000,000</u>

6 Share capital

The authorised share capital consists of 300,000,000 £1 ordinary shares (2002: 300,000,000 £1 ordinary shares).

	2003 £	2002 £
Ordinary shares of £1 each:		
Allotted, issued and fully paid	<u>1</u>	<u>1</u>

Notes to the Financial Statements (continued)

7 Ultimate parent undertaking

United Utilities PLC is the Company's immediate and ultimate parent undertaking, which is registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that headed by United Utilities PLC. The consolidated accounts of this group are available to the public and may be obtained from:

The Company Secretary
United Utilities PLC
Dawson House
Great Sankey
Warrington WA5 3LW