

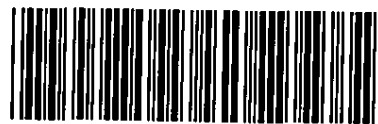
Y.C. (No.1) Limited

Director's Report and Financial Statements

For the year ended 31 March 2006

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 2006

The director's report has been prepared in accordance with the special provisions relating to small companies under s246(4) of the Companies Act 1985

Principal activities and review of the business

The principal activity of the Company is to act as an investment holding company During the year the Company disposed of its investment in the 450,000,010 'B' ordinary shares of Your Communications Group Limited to THUS Group plc

Directors and directors' interests

The directors who held office during the year were as follows

Mr S J Barber	(resigned 22 August 2005)
Mr S G Batey*	(resigned 28 July 2006)
Mr H Logan	(resigned 26 February 2006)
Mr J E Roberts*	(resigned 31 March 2006)
Mr T P Weller *	(appointed 1 August 2006)

* Director of United Utilities PLC

The directors serving at 31 March 2006 had no interest in the share capital of the Company

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

Details of the interests of the directors of United Utilities PLC are dealt with in that company's accounts

Disclosure of information to Auditors

In the case of each person who is a director at the time when the directors' report is approved

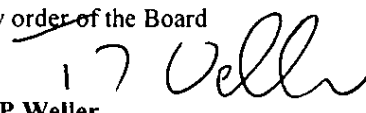
- so far as the director is aware, there is no relevant audit information of which the auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with s234ZA of the Companies Act 1985

Auditors

Pursuant to s386 of the Companies Act 1985 an elective resolution has been made to dispense with the requirement to re-appoint auditors annually Therefore Deloitte & Touche LLP is deemed to act as auditor of the Company

By order of the Board


T P Weller
Director
31 October 2007

Haweswater House,
Lingley Mere Business Park,
Lingley Green Avenue,
Great Sankey,
Warrington
WA5 3LP

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the financial year 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 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 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 10. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom
1 November 2007

Profit and Loss Account
For the year ended 31 March 2006


	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Other operating income		17,271	-
Operating profit	2	17,271	-
Loss on disposal of investment	3	(5,287)	-
Profit on ordinary activities before taxation		11,984	-
Tax on profit on ordinary activities	4	-	-
Retained profit for the year	9	11,984	-

The Company has no recognised gains or losses other than the profit for the current year and the result for the prior year. Accordingly, a separate statement of total recognised gains and losses has not been presented.

Balance sheet
at 31 March 2006

	Note	31 March 2006 £000	31 March 2005 £000
Fixed assets			
Investments	5	-	24,016
 Creditors: amounts falling due within one year	6	-	(36,000)
 Net current liabilities		-	(11,984)
 Net liabilities		-	(11,984)
 Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	-	(11,984)
 Shareholders' deficit	9	-	(11,984)

The financial statements on pages 4 to 8 were approved by the Board of Directors on 31 October 2007 and were signed on its behalf by


T P Weller
Director

Notes to the Financial Statements

For the year ended 31 March 2006

1 Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 1985

Group accounts

The Company has not prepared group accounts as it is exempt from the requirement to do so by s228 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 prepares consolidated accounts

Cash flow statement

The Company is a wholly owned subsidiary of United Utilities PLC and is included in the consolidated financial statements of United Utilities PLC, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised)

Investments

Investments are stated at cost less provision for impairment

Related party transactions

As a wholly owned subsidiary, the Company is exempt from disclosing related party transactions with other Group undertakings under FRS 8

2 Operating profit

The directors received no emoluments as directors of the Company during the year (2005 £nil). There have been no employees of the Company during the year (2005 £nil).

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

3 Loss on disposal of investment

On 26 February 2006, the company sold its investment in 450,000,010 'B' £0.1 ordinary shares of Your Communications Group Limited. In addition, Y C (No 2) Limited sold its 10,000,000 redeemable £0.5 preference shares in Your Communications Group Limited and YCL Transport Limited (formerly Your Communications Limited) sold its telecommunications business to THUS Group plc.

This sale of shares and business assets was for a total net consideration in THUS shares of £71,435,000. The shares in THUS Group plc were held by United Utilities PLC until they were sold on 25 June 2007. Settlement in respect of Y C (No 1) Limited's share of this consideration of £20,000,000 was made by intercompany transfers.

Notes to the Financial Statements (continued)
For the year ended 31 March 2006

4 Taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	11,984	-
UK Corporation tax at 30%	(3,595)	-
Non deductible loss on disposal of investment	(1,205)	-
Adjustment in respect of non taxable income	4,800	-
	<u>-</u>	<u>-</u>

5 Investments

	£'000
Cost at 1 April 2005	258,000
Disposal	<u>(258,000)</u>
Cost at 31 March 2006	<u>-</u>
Provision for impairment at 1 April 2005	233,984
Disposal	<u>(233,984)</u>
Provision for impairment at 31 March 2006	<u>-</u>
Net Book value as at 31 March 2006	<u>-</u>
Net book value as at 31 March 2005	<u>24,016</u>

Investments represented 450,000,010 'B' ordinary shares of £0.10 in Your Communications Group Limited prior to their disposal on 26 February 2006 (see note 3)

6 Creditors amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to group undertakings	<u>-</u>	<u>36,000</u>

7 Called up share capital

The authorised share capital consists of 300,000,000 £1 ordinary shares (2005 300,000,000 £1 ordinary shares)

	2006 £	2005 £
1 Ordinary share of £1 each		
Allotted, issued and fully paid	<u>1</u>	<u>1</u>

Notes to the Financial Statements (continued)

For the year ended 31 March 2006

8 Profit and Loss account

	2006 £000	2005 £'000
As at 1 April	(11,984)	(11,984)
Retained profit for the year	11,984	-
As at 31 March	-	(11,984)

9 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	11,984	-
Increase in shareholders' funds during the year	11,984	-
Opening shareholders deficit	(11,984)	(11,984)
Closing total shareholders funds/(deficit)	-	(11,984)

10 Ultimate parent undertaking

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

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
Haweswater House,
Lingley Mere Business Park,
Lingley Green Avenue,
Great Sankey,
Warrington,
WA5 3LP