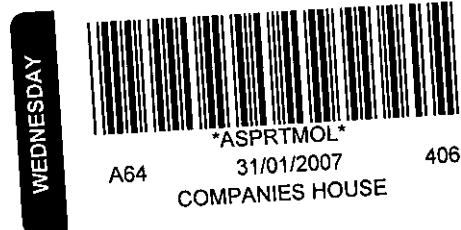


**NB PROPERTY AND ESTATE SERVICES
LIMITED**

18

Report and Financial Statements

Year ended 31 March 2006



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DIRECTOR'S REPORT

The director presents the annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company is the pursuance of investment opportunities on behalf of United Utilities Electricity PLC, the company's parent undertaking.

At 31 March 2005 the company owned 75% of the issued ordinary share capital of NB Gas Limited. On the 15th August 2005 the name of this company was changed from NB Gas Limited to United Utilities Investments (No.2) Limited. The company disposed of this shareholding on 13th September 2005 and realised a profit on disposal of £187,500.

The company has not traded, apart from this disposal, during the year or previous year. The company will assess future potential investment opportunities as they arise.

There are no significant events since the balance sheet date that are required to be disclosed.

RESULTS AND DIVIDENDS

The results for the year, set out in the profit and loss account on page 4, show that the company has made a profit for the year of £187,500 (2005 - £nil). The company did not trade in the previous year, nor make a profit or loss in that year. No dividend was proposed (2005 - £nil).

The financial position of the company at the year end is set out in the balance sheet on page 5.

DIRECTOR AND DIRECTOR'S INTERESTS

The director who served during the year and thereafter was:

UU Directorate Limited

The director who held office at 31 March 2006 did not hold any interest in the share capital of the company at any time during the year.

The director serving at 31 March 2006 did not hold any interest in the share capital of United Utilities PLC, the company's ultimate parent undertaking.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

INFORMATION GIVEN TO AUDITORS

The director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

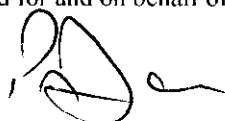
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

REGISTERED OFFICE

NB Property and Estate Services Limited
Dawson House
Great Sankey
Warrington
WA5 3LW

Signed for and on behalf of UU Directorate Limited



30 January 2007

**STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE
PREPARATION OF THE FINANCIAL STATEMENTS**

The director is required by the Companies Act 1985 to prepare financial statements for each financial year which 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 accounts, the director is 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director confirms that the financial statements comply with the above requirements. The director is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director has a general responsibility for the system of internal control and for taking such steps as are reasonably open to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NB PROPERTY AND ESTATE SERVICES LIMITED

We have audited the financial statements of NB Property and Estate Services 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 12. 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 director and auditors

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 report to you whether in our opinion, the information given in the director's report is consistent with the financial statements. In addition we also report to you whether, 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 director's remuneration and other transactions is not disclosed.

We read the director's 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 director 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; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director's report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
30 January 2007

PROFIT AND LOSS ACCOUNT**For the year ended 31 March**

	Note	2006 £	2005 £
Profit on disposal of investment		187,500	-
Profit before taxation		<u>187,500</u>	<u>-</u>
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	10, 11	<u>187,500</u>	<u>-</u>

All the results derive from discontinued operations.

The company has no recognised gains or losses for the current or prior year other than those recognised in the profit and loss account. Accordingly a separate statement of total recognised gains and losses has not been included.

NB PROPERTY AND ESTATE SERVICES LIMITED

BALANCE SHEET

As at 31 March

	Note	2006 £	2005 £
Investments	6	-	-
Current assets			
Debtors	7	1,100,102	1,100,102
Creditors:			
Amounts falling due within one year	8	(1,028,666)	(1,216,166)
Net current assets / (liabilities)		<u>71,436</u>	<u>(116,064)</u>
Net assets / (liabilities)		<u>71,436</u>	<u>(116,064)</u>
Capital and reserves			
Share capital	9	102	102
Profit and loss account	10	71,334	(116,166)
Equity Shareholders' funds / (deficit)	11	<u>71,436</u>	<u>(116,064)</u>

These financial statements were approved by the director on 30 January 2007 and signed for and on behalf of UU Directorate Limited by **PAUL DANIEL**



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. ACCOUNTING POLICIES

Basis of preparation

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

Investments

Investments are stated at the lower of cost, including related costs of acquisition, and director's valuation.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The company has taken advantage of the exemption included in FRS 1 -- Cash Flow Statements for wholly owned subsidiaries of an EU parent undertaking not to prepare a cash flow statement as a consolidated cash flow statement is included in the financial statements of the ultimate parent company United Utilities PLC.

Related parties

As the company is a wholly owned subsidiary of United Utilities PLC, the company has taken advantage of the exemption contained in FRS 8 -- Related Party Disclosures and has therefore not disclosed transactions or balances with entities which form part of the group.

2. DIRECTOR'S EMOLUMENTS

The director received no emoluments for his service as director of the company (2005 -- £nil).

3. AUDITORS' REMUNERATION

The auditors' remuneration was borne by another group undertaking in the current and prior year.

4. EMPLOYEES

The company had no employees in the year (2005 -- nil).

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge in the current year and prior year is zero.

Factors affecting the tax charge for the period

The table below reconciles the notional tax credit at the UK corporation tax rate to the actual charge for taxation.

	2006 £	2005 £
Profit on ordinary activities before tax	187,500	-
Tax on profit on ordinary activities at 30%	56,250	-
Non-taxable income	(56,250)	-
Current tax charge for the period	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

6. INVESTMENTS

	£
Costs	
At 1 April 2005	242,307
Disposal	(242,307)
	<u>-</u>
At 31 March 2006	<u>-</u>
Provision for impairment	
At 1 April 2005	(242,307)
Disposal	242,307
	<u>-</u>
At 31 March 2006	<u>-</u>
Net book value	
At 31 March 2006	<u>-</u>
At 31 March 2005	<u>-</u>

The investment represented 75% of the ordinary share capital of United Utilities Investments (No. 2) Limited (formerly NB Gas Limited). Proceeds from disposal of investment £187,500. Profit on disposal of investment £187,500.

7. DEBTORS

	2006 £	2005 £
Amounts falling due within one year:		
Called up share capital not paid	102	102
Amounts due from parent undertaking	1,100,000	1,100,000
	<u>1,100,102</u>	<u>1,100,102</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Loan from parent undertaking	<u>1,028,666</u>	<u>1,216,166</u>

9. SHARE CAPITAL

The authorised share capital consists of 5,000,000 £1 ordinary shares (2005 – 5,000,000 £1 ordinary shares).

	2006 £	2005 £
102 Ordinary shares of £1 each, Allotted, called up but not paid	<u>102</u>	<u>102</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

10. RECONCILIATION OF MOVEMENT ON RESERVES

	£
Profit and loss account	
At 1 April 2005	(116,166)
Profit for the year	187,500
	<hr/>
At 31 March 2006	71,334
	<hr/>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2006 £	2005 £
Profit for the financial year	187,500	-
Opening shareholders' deficit	(116,064)	(116,064)
	<hr/>	<hr/>
Closing shareholders' equity / (deficit)	71,436	(116,064)
	<hr/>	<hr/>

12. ULTIMATE PARENT UNDERTAKING

The smallest group in which the results of the company are consolidated is that headed by United Utilities Electricity PLC, the immediate parent company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by United Utilities PLC, the ultimate parent company. 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.