

Your Communications Group Limited
Directors' Report and Financial Statements
For the Year Ended 31 March 2004



Company No: 4171876

Your Communications Group Limited

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Your Communications Group Limited

Officers and professional advisers

Directors

S Barber
S G Batey
H Logan
J E Roberts

Secretary

UU Secretariat Limited

Registered Office

Dawson House
Great Sankey
Warrington
Cheshire
WA5 3LW

Auditors

Deloitte & Touche LLP
Manchester

Bankers

National Westminster Bank plc
23 Sankey Street
Warrington
WA1 1XH

Your Communications Group Limited

Directors' Report

The directors present their report and audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activity of the company is that of an investment holding company.

Review of business and future developments

The loss after tax for the year was £79,000 (2003 - £234,915,000).

The directors do not propose the payment of a dividend (2003 - £nil), leaving £79,000 (2003 - £234,915,000) to be transferred from reserves.

Acquisition

On 29 February 2004, Your Communications Group Limited acquired the Eurocall Limited group of telecommunications companies, for a cash consideration of £42m (before discounting) of which £12m is payable in stages over the subsequent 18 months.

Directors and directors' interests

The present membership of the board is set out on page 1.

None of the directors had any direct shareholding in the company.

At 31 March 2004, the directors and their immediate families had the following interests, all of which were beneficial interests in the ordinary shares of United Utilities PLC (the ultimate parent company). Details of the interests of directors of United Utilities PLC are dealt with in that company's accounts.

| | 31 March 2004 | 31 March 2003 |
|------------|--------------------------|--------------------------|
| S J Barber | 6,010 | 5,943 |
| H Logan | 5,776 | 164 |

Details of directors' interests in the 'A' shares of United Utilities PLC are as follows:

| | 31 March 2004 | 31 March 2003 |
|------------|--------------------------|--------------------------|
| S J Barber | 3,338 | - |
| H Logan | 2,091 | - |

Your Communications Group Limited

Directors' Report (continued)

Directors and directors' interests (continued)

Details of directors' share options for shares in United Utilities PLC are as follows:

| | At 31/3/03 | Granted | Exercised | At 31/3/04 |
|------------------------|------------|---------|-----------|------------|
| S J Barber | | | | |
| Executive Share Scheme | 9,477 | 1,482 | - | 10,959 |
| SAYE Sharesave Scheme | 1,347 | - | - | 1,347 |
| H Logan | | | | |
| SAYE Sharesave Scheme | 1,740 | 272 | (2,012) | - |

Political and charitable contributions

No donations were made to charitable organisations or political parties (2003 - £nil).

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By order of the Board of Directors



SJ Barber

31 January 2005

Your Communications Group Limited

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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 a 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 are also responsible 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.

Your Communications Group Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YOUR COMMUNICATIONS GROUP LIMITED

We have audited the financial statements of Your Communications Group Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes 1 to 11. 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 and other members of the group is not disclosed.

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

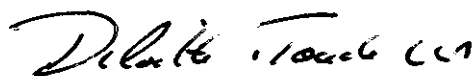
Basis of audit opinion

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's and the group'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 March 2004 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
31 January 2005

Your Communications Group Limited

Profit and loss account For the year ended 31 March 2004

| | | 2004 | 2003 |
|--|-----------|-------------|------------------|
| | Note | £'000 | £'000 |
| Administrative expenses (2003 - exceptional item) | | - | (234,907) |
| Operating loss | 2 | - | (234,907) |
| Interest payable and similar charges | 3 | (113) | (12) |
| Loss on ordinary activities before taxation | | (113) | (234,919) |
| Taxation credit on loss on ordinary activities | 4 | 34 | 4 |
| Retained loss for the financial year | 10 | (79) | (234,915) |

The notes on pages 8 to 12 form part of these financial statements.

The company has no recognised gains or losses other than the loss for the year as disclosed above and consequently no separate statement of total recognised gains and losses has been presented.

Reconciliation of movements in shareholders' funds Year ended 31 March 2004

| | 2004 | 2003 |
|------------------------------------|---------------|----------------|
| | £'000 | £'000 |
| Loss for the year | (79) | (234,915) |
| Opening shareholders' funds | 29,016 | 263,931 |
| Closing shareholders' funds | 28,937 | 29,016 |

Your Communications Group Limited

Balance sheet As at 31 March 2004

| | Note | 2004 £'000 | 2003 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 5 | 73,216 | 33,028 |
| Current assets | | | |
| Debtors | 6 | 4,185 | - |
| Creditors: amounts falling due within one year | 7 | (41,464) | (4,012) |
| Net current liabilities | | (37,279) | (4,012) |
| Total assets less current liabilities | | 35,937 | 29,016 |
| Creditors: amounts falling due after more than one year | 8 | (7,000) | - |
| Net assets | | 28,937 | 29,016 |
| Capital and reserves | | | |
| Share capital | 9 | 50,000 | 50,000 |
| Share premium | 10 | 213,935 | 213,935 |
| Profit and loss account | 10 | (234,998) | (234,919) |
| Shareholders' funds | | 28,937 | 29,016 |
| Attributable to equity shareholders | | 23,937 | 24,016 |
| Attributable to non - equity shareholders | | 5,000 | 5,000 |
| | | 28,937 | 29,016 |

Approved by the Board of directors on 31 January 2005 and signed on its behalf by

SJ Barber



Director

The notes on pages 8 to 12 form part of these financial statements.

Your Communications Group Limited

Notes to the accounts For the Year ended 31 March 2004

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

(a) Basis of preparation of the accounts

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

(b) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

(c) Taxation

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

Deferred tax is recognised in respect of all 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The deferred tax balance is not measured on a discounted basis.

(d) Cashflow statement

The company, as a wholly owned subsidiary of United Utilities PLC, has not prepared a cashflow statement under the FRS 1 exemption.

(e) Basis of consolidation

Under the exemption contained in section 228 of the Companies Act 1985, no group financial statements have been prepared as the company itself is a wholly owned subsidiary of United Utilities PLC. The company and its subsidiary undertakings are included by full consolidation in the consolidated accounts of its ultimate parent, United Utilities PLC, a company registered in England and Wales.

Your Communications Group Limited

Notes to the accounts (continued) For the Year ended 31 March 2004

2 Operating loss

The operating loss is stated after charging:

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Exceptional items: | | |
| Provision for permanent diminution in value of fixed asset investments | - | 234,907 |

Audit fees and directors' emoluments are borne by a fellow Group Company, Your Communications Limited.

3 Interest payable and similar charges

| | 2004 £'000 | 2003 £'000 |
|------------------|---------------|---------------|
| Group borrowings | 135 | 12 |
| Other interest | (22) | - |
| | 113 | 12 |

4 Taxation credit on loss on ordinary activities

| | 2004 £'000 | 2003 £'000 |
|-------------------------|---------------|---------------|
| Group relief receivable | 34 | 4 |

As the tax charge is equal to 30% of the loss before tax, there is no reconciliation presented.

Your Communications Group Limited

Notes to the accounts (continued)
For the Year ended 31 March 2004

5 Fixed asset investments

Investment in subsidiaries

| | £'000 |
|--------------------------------------|---------|
| Cost: | |
| As at 1 April 2003 | 267,935 |
| Additions | 40,188 |
| As at 31 March 2004 | 308,123 |
| Provisions: | |
| As at 1 April 2003 and 31 March 2004 | 234,907 |
| Net book value: | |
| As at 31 March 2004 | 73,216 |
| As at 31 March 2003 | 33,028 |

The subsidiary investments are all unlisted. Additional information in respect of the subsidiary investments is given below:-

| Subsidiary * | Activity | Class of shares held | Portion of shares held |
|------------------------------|--------------------------|----------------------|------------------------|
| Your Communications Ltd | Telecommunications | Ordinary | 99.9% |
| Eurocall Holdings Ltd | Holding company | Ordinary | 100% |
| Eurocall Ltd | Telecommunications | Ordinary | 100% |
| Eurocall Mobile Ltd | Mobile Telephony | Ordinary | 100% |
| Ventelo Ltd | Telecommunications | Ordinary | 100% |
| Ventelo Services Ltd | Telecommunications | Ordinary | 100% |
| Spectrum Media Ltd | Telecommunications | Ordinary | 100% |
| Intercell Ltd | Mobile Telephony | Ordinary | 100% |
| Intercell Communications Ltd | Telecommunications | Ordinary | 100% |
| Netforce Group PLC | Data & Internet Services | Ordinary | 99.99% |

*All unlisted and registered in England and Wales.

Your Communications Group Limited

Notes to the accounts (continued) For the Year ended 31 March 2004

6 Debtors

| | 2004 | 2003 |
|-------------------------------------|--------------|----------|
| | £'000 | £'000 |
| Amounts due from group undertakings | 3,177 | - |
| Prepayments and accrued income | 1,008 | - |
| | 4,185 | - |

7 Creditors: amounts falling due within one year

| | 2004 | 2003 |
|-----------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Other creditors | 5,000 | - |
| Amounts due to group undertakings | 23,525 | 4,012 |
| Accruals and deferred income | 12,939 | - |
| | 41,464 | 4,012 |

8 Creditors: amounts falling due after more than one year

| | 2004 | 2003 |
|-----------------|-------|-------|
| | £'000 | £'000 |
| Other creditors | 7,000 | - |

9 Called up share capital

| | 2004 and 2003 |
|--|----------------|
| | £'000 |
| Authorised | |
| 59,999,999 A ordinary shares of £1 each | 60,000 |
| 450,000,010 B ordinary shares of 10 pence each | 45,000 |
| 10,000,000 redeemable preference shares of 50 pence each | 5,000 |
| | 110,000 |
| Allotted, called up and fully paid | |
| 450,000,010 B ordinary shares of 10 pence each | 45,000 |
| 10,000,000 redeemable preference shares of 50 pence each | 5,000 |
| | 50,000 |

Your Communications Group Limited

Notes to the accounts (continued) For the Year ended 31 March 2004

In a poll the holders of the A ordinary shares have one vote for each share held, holders of the B ordinary shares have one vote for every ten shares held and holders of the redeemable preference shares have one vote for every two shares held.

The redeemable preference shares carry a non-cumulative fixed dividend of 2 pence per share per annum. They may be redeemed by the company being given 14 days notice in writing by the holder of the shares. Due to the lack of sufficient distributable reserves no dividend is proposed.

10 Reserves

| | Profit and Loss Account £'000 | Share Premium £'000 | Total £'000 |
|---------------------|--|---------------------------|----------------|
| As at 1 April 2003 | (234,919) | 213,935 | (20,984) |
| Loss for the year | (79) | - | (79) |
| As at 31 March 2004 | (234,998) | 213,935 | (21,063) |

11 Related party and ultimate parent undertaking

The company has taken advantage of the exemptions in FRS 8 not to disclose transactions with other members of the United Utilities PLC group, where more than 90% of their voting rights are controlled within the group.

The accounts of the company are consolidated in the Group accounts of the ultimate parent undertaking, United Utilities PLC, a company registered in England and Wales. Copies of the United Utilities PLC consolidated financial statements may be obtained from the Company Secretary, United Utilities PLC, Dawson House, Great Sankey, Warrington, WA5 3LW.