

Your Communications Group Limited

Report and Financial Statements

Thirteen Months Ended 31 March 2002



Company no.
(England & Wales)
4171876

Your Communications Group Limited

Contents

Officers and Professional Advisors	1
Directors' report	2
Statement of Directors' Responsibilities	4
Auditors' report	5
Profit and loss account	6
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Notes to the accounts	8 -11

Your Communications Group Limited

Officers And Professional Advisors

Directors

S Barber
S G Batey
H Logan
J E Roberts
D I Scott

Secretary

UU (C.S.) Limited

Registered Office

Dawson House
Great Sankey
Warrington
Cheshire
WA5 3LW

Auditors

KPMG Audit Plc
St James' Square
Manchester
M2 6DS

Your Communications Group Limited

Directors' Report

The directors present their first report and audited financial statements for the thirteen months ended 31 March 2002.

Principal activities

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

Review of business and future developments

The company was incorporated on 2 March 2001 under the name Inhoco 2276 Limited. On 15 March 2001 the company changed its name to Norweb Telecom Group Limited and subsequent to that on 30 April 2001 it changed its name to Your Communications Group Limited.

On 10 May 2001 under a group reorganisation scheme the company acquired its investments in subsidiaries from its ultimate parent company United Utilities PLC.

The loss after tax for the year was £4,000 relating to financing costs of its investments.

The directors do not propose the payment of a dividend.

Directors

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

Inhoco Formations Limited was appointed on incorporation and resigned on 15 March 2001. S G Batey, J R J Deering, H Logan and J E Roberts were appointed on 15 March 2001. J R J Deering subsequently resigned and S Barber was then appointed on 30 September 2002. D I Scott was appointed on 23 July 2002.

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

At 31 March 2002 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).

	2002
J R J Deering	3,128
D I Scott	1,148

The interests of S G Batey and J E Roberts are given in the accounts of United Utilities PLC.

Your Communications Group Limited

Directors' Report

Directors (contd)

None of the other directors had any beneficial interests in the ordinary shares of United Utilities PLC.

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

	On appointment	Granted	At 31/3/02	Exercise Price per share	First Date Exercisable	Last Date Exercisable
J R J Deering						
Executive Share Scheme	9,620	-	9,620	768p	29/6/02	29/6/09
Executive Share Scheme	2,250	-	2,250	868p	3/12/01	3/12/08
Executive Share Scheme	2,000	-	2,000	768.5p	23/12/00	23/12/07
Executive Share Scheme	1,250	-	1,250	628p	9/1/00	9/1/07
Executive Share Scheme	500	-	500	584.5p	20/12/98	20/12/05
Executive Share Scheme	4,328	-	4,328	450.8p	19/8/99	19/8/04
H Logan						
SAYE Sharesave Scheme	1,740	-	1,740	556.5p	1/3/04	1/9/04
SAYE Sharesave Scheme	-	1,314	1,314	500p	1/3/05	1/9/05
D I Scott						
SAYE Sharesave Scheme	2,054	-	2,054	471.5p	1/3/03	1/9/03


The details for S G Batey and J E Roberts are given in the accounts of United Utilities PLC.

No directors' options were exercised during the period.

Auditors

KPMG Audit plc was appointed as initial auditor and it has notified the Company that it will not be continuing in office. As a consequence of this casual vacancy a resolution of the directors will be proposed to appoint Deloitte & Touche as the company's auditors following receipt of the formal notice of resignation from KPMG Audit plc.

By order of the Board of Directors


 H Logan
 16 October 2002

Your Communications Group 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 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 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF YOUR COMMUNICATIONS GROUP LIMITED

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 March 2002 and of its loss for the thirteen months then ended, and have been properly prepared in accordance with the Companies Act 1985.

Wally Audit PC

Chartered Accountants
and Registered Auditor
Manchester

31/10/02

Your Communications Group Limited

Profit and loss account

Thirteen months ended 31 March 2002

	Note	£000
Turnover		-
Cost of sales		-
Gross profit		-
Administrative expenses		-
Operating loss		-
Interest payable and similar charges	2	(6)
Loss on ordinary activities before taxation		(6)
Taxation credit on loss on ordinary activities	3	2
Retained loss for the financial period	7	(4)

All amounts relate to continuing activities and arise wholly from the principal activities.

The company has no recognised gains or losses other than the loss for the period and all profits have been accounted for on a historical cost basis.

Reconciliation of movements in shareholders' funds

Thirteen months ended 31 March 2002

	£000
Share Capital Subscribed	263,935
Loss for the period	(4)
Closing Shareholders' funds	263,931

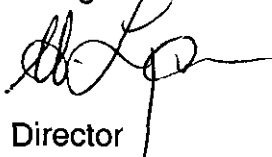
Your Communications Group Limited

Balance sheet 31 March 2002

	Note	£000
Fixed assets		
Investments	4	267,935
Creditors: amounts falling due within one year	5	(4,004)
Net current liabilities		(4,004)
Net assets		263,931
Capital and reserves		
Share capital – equity	6	50,000
Share Premium	7	213,935
Profit and loss account	7	(4)
Shareholders' funds		263,931
Attributable to equity shareholders		258,931
Attributable to non - equity shareholders		5,000
		263,931

Approved by the Board of directors on 16 October 2002 and signed on its behalf by

H Logan



Director

The notes on pages 8 to 11 form part of these financial statements.

Notes To The Accounts

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 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.

2 Interest payable and Similar Charges

	13 months ended 31 March 02 £'000
On group borrowings	(6)

Your Communications Group Limited

Notes To The Accounts

3 Taxation Credit On Loss On Ordinary Activities

	13 months ended 31 March 02 £'000
Group relief receivable	2

4 Investments

	31 March 02 £'000
Investments in Subsidiaries at cost	267,935

The subsidiary investments were acquired during the period. All of the investments are unlisted. Additional information in respect of the subsidiary investments is given below:-

Subsidiary	Country of Incorporation	Activity	Portion of shares held
Your Communications Ltd	England	Telecommunications	99.9%
Intercell Ltd	England	Mobile Telephony	100%
Intercell Communications Ltd	England	Telecommunications	100%
Netforce Group PLC	England	Data & Internet Services	99.99%

5 Creditors: amounts falling due within one year

	31 March 02 £'000
Amounts due to group undertakings	4,004
	4,004

6 Called up share capital

	31 March 02 £'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 share capital 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

6 Called up share capital (continued)

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 2p 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.

The movements on share capital in the period are shown below:-

	A Ordinary Shares £'000	B Ordinary Shares £'000	Redeemable Preference Shares £'000
Allotted on incorporation – 1 A ordinary share for £1.	-	-	-
Allotted to acquire subsidiary companies - 50,000,000 A ordinary shares for £263,935,000.	50,000	-	-
Purchase of own shares on group restructure – 50,000,000 A ordinary shares for £263,000,000	(50,000)	-	-
Allotted on group restructure – 450,000,010 B Ordinary shares for £258,000,000	-	45,000	-
Allotted on group restructure – 10,000,000 redeemable preference shares for £5,000,000	-	-	5,000
As at 31 March 2002	-	45,000	5,000

7 Reserves

	Profit and Loss Account £'000	Share Premium £'000	Total £'000
On Issue of A Ordinary Shares	-	213,935	213,935
On purchase of own A Ordinary Shares	-	(213,000)	(213,000)
On Issue of B Ordinary Shares	-	213,000	213,000
Loss for the period	(4)	-	(4)
As at 31 March 2002	(4)	213,935	213,931

Notes To The Accounts

8 Related party and ultimate parent undertaking

The company has taken advantage of the exemptions in FRS8 not to disclose transactions with other members of the United Utilities PLC 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 Group financial statements may be obtained from the Company Secretary, United Utilities PLC, Dawson House, Great Sankey, Warrington, WA5 3LW.