

# Financials

## Our robust balance sheet supports long-term resilience

Due to the regulatory framework within which we operate, the economic value of our activities is best measured through performance against our determination for AMP7, but our balance sheet strength does provide financial resilience, which is particularly important in times of economic turbulence.

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# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 1. Our opinion is unmodified

In our opinion:

- the financial statements of United Utilities Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## What our opinion covers

We have audited the Group and Parent Company financial statements of United Utilities Group PLC ("the Company") for the year ended 31 March 2024 (FY24) included in the Integrated Annual Report, which comprise:

Group (United Utilities Group PLC and its subsidiaries)	Parent Company (United Utilities Group PLC)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Company statement of cash flows
Consolidated statement of cash flows	Notes 1 to 24 and Appendices A1 to A7 to the Parent Company financial statements, including the accounting policies in note A6 and on pages 186 to 188.
Notes 1 to 24 and Appendices A1 to A7 to the Group financial statements, including the accounting policies in note A6 and on pages 186 to 188.	

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

## 2. Overview of our audit

	Key Audit Matters	Vs FY23	Item
<p><b>Factors driving our view of risks</b></p> <p>Following our FY23 audit, and considering developments affecting the United Utilities Group since then, our assessment of risks and our view of how these impact the audit of the financial statements have been updated for the current year where needed.</p> <p>The Group has been operating in a high inflationary environment, where customers (and household customers in particular) are experiencing increased costs of living. Recently, household customer cash collection rates have been below expectation, suggesting that customers may be struggling to pay bills.</p> <p>The Group has updated provisioning rates in the year to more accurately reflect cash collection rates.</p> <p>Considering these factors, there has been no change to our overall risk assessment for the Provisions for Household Customer Debt. It remains a Key Audit Matter (KAM).</p> <p>The Group's capital programme has continued to be impacted by inflation, as general contracting costs have increased beyond that expected at the start of the current 5-year regulatory period. This could increase the incentive to treat operating costs as capital items. Our overall risk assessment for the capitalisation of costs KAM has not changed; in line with prior year our selection of projects to test considered those that could be more susceptible to judgement.</p> <p>There was no change to our risk assessment or approach in relation to the valuation of retirement benefit obligations and recoverability of the Parent Company's investments.</p>	Provisions for household customer debt	◀ ▶	4.1
	Capitalisation of costs relating to the capital programme	◀ ▶	4.2
	Valuation of retirement benefit obligations	◀ ▶	4.3
	Recoverability of parent company's investment in United Utilities PLC	◀ ▶	4.4

## 2. Overview of our audit

<p><b>Audit committee interaction</b></p>	<p>During the year, the AC met four times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each.</p> <p>The matters included in the Audit committee report on pages 125 to 126 are materially consistent with our observations of those meetings.</p>																						
<p><b>Our independence</b></p>	<p>We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.</p> <p>We have not performed any non-audit services during FY24 or subsequently which are prohibited by the FRC Ethical Standard.</p> <p>We were first appointed as auditor by the shareholders for the year ended 31 March 2012. The period of total uninterrupted engagement is for the 13 financial years ended 31 March 2024.</p> <p>The Group engagement partner is required to rotate every 5 years. As these are the fourth set of the Group's financial statements signed by Ian Griffiths, he will be required to rotate after the FY25 audit.</p>	<table border="1"> <tr> <td><b>Total audit fee</b></td> <td>£962k</td> </tr> <tr> <td><b>Audit-related fees (including interim review)</b></td> <td>£91k</td> </tr> <tr> <td><b>Other services</b></td> <td>£165k</td> </tr> <tr> <td><b>Non-audit fee as a % of total audit and audit-related fee %</b></td> <td>15.7%</td> </tr> <tr> <td><b>Date first appointed</b></td> <td>22 July 2011</td> </tr> <tr> <td><b>Uninterrupted audit tenure</b></td> <td>13 years</td> </tr> <tr> <td><b>Next financial period which requires a tender</b></td> <td>2032</td> </tr> <tr> <td><b>Tenure of group engagement partner</b></td> <td>4 years</td> </tr> </table>	<b>Total audit fee</b>	£962k	<b>Audit-related fees (including interim review)</b>	£91k	<b>Other services</b>	£165k	<b>Non-audit fee as a % of total audit and audit-related fee %</b>	15.7%	<b>Date first appointed</b>	22 July 2011	<b>Uninterrupted audit tenure</b>	13 years	<b>Next financial period which requires a tender</b>	2032	<b>Tenure of group engagement partner</b>	4 years					
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<p><b>Materiality (Item 6 below)</b></p>	<p>The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.</p> <p>We have determined overall materiality for the Group financial statements as a whole at £18.0m (FY23: £16.5m) and for the Parent Company financial statements as a whole at £8.8m (FY23: £8.0m).</p> <p>A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.</p> <p>Consistent with FY23, we determined materiality with reference to a range of metrics due to the fact that United Utilities faces increased finance costs, as a result of the current high-inflationary environment, which causes profit before tax to decline. As such, Group materiality is based on revenues, total assets and operating profit, of which it represents 0.9%, 0.1% and 3.7% (FY23: 0.9%, 0.1% and 3.7%) respectively.</p> <p>Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 0.1% (FY23: 0.1%).</p>	<p><b>Materiality levels used in our audit</b></p> <table border="1"> <thead> <tr> <th>Metric</th> <th>FY24 £m</th> <th>FY23 £m</th> </tr> </thead> <tbody> <tr> <td>Group</td> <td>18</td> <td>16.5</td> </tr> <tr> <td>GPM</td> <td>13.5</td> <td>12.3</td> </tr> <tr> <td>HCM</td> <td>17</td> <td>16.2</td> </tr> <tr> <td>PLC</td> <td>8.8</td> <td>8</td> </tr> <tr> <td>LCM</td> <td>8.7</td> <td>8</td> </tr> <tr> <td>AMPT</td> <td>0.9</td> <td>0.5</td> </tr> </tbody> </table> <p> <b>Group</b> Group Materiality  <b>GPM</b> Group Performance Materiality  <b>HCM</b> Highest Component Materiality  <b>PLC</b> Parent Company Materiality  <b>LCM</b> Lowest Component Materiality  <b>AMPT</b> Audit Misstatement Posting Threshold         </p>	Metric	FY24 £m	FY23 £m	Group	18	16.5	GPM	13.5	12.3	HCM	17	16.2	PLC	8.8	8	LCM	8.7	8	AMPT	0.9	0.5
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# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 2. Overview of our audit

<p><b>Group scope</b> (Item 7 below)</p>	<p>We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components. The work on all components (2023: All components) including the audit of the parent company, was performed by the Group team.</p> <p>Of the Group's 23 (FY23: 23) reporting components, we subjected 4 (2023: 4) to full scope audits for group purposes and 0 (FY23: 0) to specified risk-focused audit procedures.</p> <p>The components within the scope of our work accounted for the percentages illustrated opposite. For the FY24 audit, components within scope of our work accounted for 98% of absolute profit before tax, 99% of total assets and 100% of revenue (FY23: 99% of absolute profit before tax, 100% of total assets and 100% of revenue).</p> <p>In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.</p> <p>We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.</p> <ul style="list-style-type: none"> <li><span style="color: blue;">■</span> Full scope audits</li> <li><span style="color: black;">■</span> Remaining components</li> </ul>	<p><b>Coverage of group financial statements</b></p> <p>The charts show the following coverage:</p> <ul style="list-style-type: none"> <li>Absolute profit before tax: 98% (Full scope audits), 2% (Remaining components)</li> <li>Total assets: 99% (Full scope audits), 1% (Remaining components)</li> <li>Revenue: 100% (Full scope audits)</li> </ul>
<p><b>The impact of climate change on our audit</b></p>	<p>We have considered the potential impacts of climate change on the financial statements as part of planning our audit. The Group has set out its climate targets in line with limiting global warming to 1.5°C and to be climate net zero by 2050. The majority of the Group's carbon emissions are from the burning of fossil fuels, fuels used for transport and the grid electricity purchased. The Group continues to develop its assessment of climate change. Climate change matters impact the Group in a variety of ways including opportunities and risks relating to renewable energy sources and extreme weather events. Further information is provided on pages 68 to 77. While the Group has set out its targets, it is continually developing its assessment of the impact of climate change on capital expenditure, the cost base, and impacts on cash flows. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on page 188.</p> <p>As part of our audit, we have made enquiries of directors and operational managers to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of certain unquoted pension assets.</p> <p>We held discussions with our own climate change professionals to challenge our risk assessment. Considering, the expected remaining useful lives of property, plant and equipment, and the nature of unquoted pension assets, we assessed that there is not a significant impact on our audit for this financial year. There was no significant impact of climate change on our key audit matters.</p> <p>We have read the Group's disclosure of climate related information in the front half of the Integrated annual report as set out on pages 68 to 77 and considered consistency with the financial statements and our audit knowledge.</p>	

### 3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

#### Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period related to a one off total expenditure impact.

We considered whether the risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

#### Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in the basis of preparation section of the accounting policies note to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in this note to be acceptable; and
- The related statement under the Listing Rules set out on page 120 is materially consistent with the financial statements and our audit knowledge.

#### Disclosures of emerging and principal risks and longer-term viability

##### Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the long-term viability statement on pages 120 to 121 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on pages 120 to 121 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

##### Our reporting

- The related statement under the Listing Rules set out on page 120 is materially consistent with the financial statements and our audit knowledge;
- We have nothing material to add or draw attention to in relation to these disclosures; and
- We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 4. Key Audit Matters

### What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

### 4.1 Provisions for household customer debt (group)

Financial statement elements	Our assessment of risk vs FY23		Our results
	FY24	FY23	
Provisions for household customer debt	£80.7m	£81.5m	<p>◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to provisions against household customer debt compared to FY23</p> <p><b>FY24: Acceptable</b> FY23: Acceptable</p>

#### Description of the Key Audit Matter

At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the recoverability of trade receivables. Key assumptions (as outlined in the accounting policies on page 187) include current and forecast cash collection rates.

As part of our risk assessment, we determined that the recoverability of trade receivables has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. There is a risk of management bias in the selection of assumptions upon which estimates are based.

#### Our response to the risk

We performed the tests below rather than seeking to rely on the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Methodology choice:** challenging the Group on the appropriateness of the selection of updated provisioning rates in place for calculating the provision and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses;
- **Recalculation:** performing a recalculation of the provision, and verifying cash collections in the billing system;
- **Sensitivity analysis:** considering the sensitivity of future performance compared to historic cash collection rates; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the doubtful debts provision.

#### Communications with United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- The appropriateness of the selected updated provisioning rates used in deriving the household customer debt provision.
- Our approach to the audit of provisions for household customer debt.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

#### Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the valuation of provisions for customer debt in particular, the selection of key assumptions used in the valuation (the period of historical cash collections, the risk associated with the impact of the increasing cost of living experienced by customers and the risk associated with collections from void properties).

#### Our results

Based on the risk identified and the procedures that we performed, we found the provisions for household customer debt and the related disclosures to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125 for details on how the Audit Committee considered provisions against household customer debt as an area of significant attention, pages 187 and 225 for the accounting policy on provisions against household customer debt, and page 198 for the financial disclosures.

## 4.2 Capitalisation of costs relating to the capital programme (group)

Financial statement elements	Our assessment of risk vs FY23		Our results
	FY24	FY23	
Property, plant and equipment additions	£892.5m	£866.9m	<p>◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the capitalisation of costs relating to the capital programme compared to FY23</p> <p><b>FY24: Acceptable</b> FY23: Acceptable</p>

**Description of the Key Audit Matter**

The Group has a substantial capital programme which has been agreed with the Water Services Regulation Authority (Ofwat) and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

The determination of in year project costs as capital or operating expenditure is inherently judgemental, particularly for certain projects where projects contain both capital and operating expenditure elements and therefore has the opportunity for manipulation. Under IAS 16 expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised has a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.

**Our response to the risk**

We performed the detailed tests below rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Our procedures to address the risk included:

- **Accounting analysis:** assessed the group's capitalisation policy for compliance with relevant accounting standards;
- **Tests of detail:** critically assessed the capital nature of a sample of projects against the capitalisation policy focusing on new projects approved, project overspend, forecast cost to complete; and
- **Assessing transparency:** assessed the adequacy of the group's disclosures of its capitalisation policy including the judgement involved in assessing expenditure as capital.

**Communications with United Utilities Group PLC's Audit Committee**

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of capitalisation of costs relating to the capital programme.
- The results of our procedures.
- The adequacy of the disclosures.

**Areas of particular auditor judgement**

We identified the following as the area of particular auditor judgement:

- The appropriateness of the capitalisation rates applied to capital projects, where projects have an element of both capital and operating expenditure elements.

**Our results**

Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125 for details on how the Audit Committee considered the capitalisation of costs relating to the capital programme as an area of significant attention, pages 188 and 224 to 225 for the accounting policy on the capitalisation of costs relating to the capital programme, and pages 196 to 197 for the financial disclosures.

## 4.3 Valuation of retirement benefit obligations (group)

Financial statement elements	Our assessment of risk vs FY23		Our results
	FY24	FY23	
Retirement benefit obligation	£2,284.4m	£2,330.5m	<p>◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the valuation of retirement benefit obligations compared to FY23</p> <p><b>FY24: Acceptable</b> FY23: Acceptable</p>

**Description of the Key Audit Matter**

The valuation of the retirement benefit obligations depends on a number of estimates, including the discount rates used to calculate the current value of the future payments to pensioners, the rate of inflation that must be incorporated in the estimate of the future pension payments, and the life expectancy of pension scheme members.

There is a considerable amount of estimation uncertainty involved in setting the above assumptions and a small change in the assumptions and estimates may have a significant impact on the retirement benefit obligations.

The effect of these matters is that, as part of our risk assessment, we determined that the gross defined benefit pension obligations has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

**Our response to the risk**

We performed the tests below rather than seeking to rely on the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Methodology assessment:** using our internal actuarial specialists to consider and assess critically the methodologies applied.
- **DBO assumption:** benchmarking the key assumptions applied in determining the Group's defined benefit obligations, being the discount rate, inflation rate and mortality/life expectancy. This includes a comparison of these key assumptions against externally derived data.
- **Assessing external actuary's credentials:** evaluating the competence and independence of the external actuaries who are engaged by the Company to estimate the pension scheme obligations for the purpose of the financial statements.
- **Assessing transparency:** considering the adequacy of the Group's disclosure in respect of retirement benefits, in particular the gross defined benefit obligation and the assumptions used and sensitivities disclosed, which are set out in notes 14 and A4 to the financial statements.

# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 4. Key Audit Matters continued

### Communications with United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the valuation of retirement benefit obligations, including the involvement of our actuarial specialists.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

### Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the valuation of retirement benefit obligations and in particular, the selection of key assumptions used in the valuation (the discount rate, the inflation rate and the mortality rate).

### Our results

Based on the risk identified and procedures performed, we found the valuation of the retirement benefit obligations to be acceptable (FY23: acceptable).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 125 for details on how the Audit Committee considered the valuation of retirement benefit obligations as an area of significant attention, pages 187 and 226 to 227 for the accounting policy on the valuation of retirement benefit obligations, and pages 199 and 216 to 221 for the financial disclosures.

### 4.4 Recoverability of parent company's investment in United Utilities PLC (parent company)

Financial statement elements	Our assessment of risk vs FY23		Our results
	FY24	FY23	
Investment in United Utilities PLC	£6,326.8m	£6,326.8m	<p>◀ ▶ We have not identified any significant changes to our assessment of the level of risk relating to the recoverability of the parent company's investment in United Utilities PLC compared to FY23</p> <p>FY24: <b>Acceptable</b> FY23: <b>Acceptable</b></p>

### Description of the Key Audit Matter

The carrying amount of the parent company's investment in United Utilities PLC represents 98% (FY23: 98%) of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

### Our response to the risk

We performed the tests below rather than seeking to rely on any of the company's controls because testing for recoverability through detailed testing is inherently the most effective means of obtaining audit evidence.

Our procedures to address the risk included:

- **Tests of detail:** comparing the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry).

### Communications with United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the parent company's investment in United Utilities PLC.
- Our conclusions on the appropriateness of key assumptions used.
- The adequacy of the disclosures.

### Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The valuation of the regulatory capital value.

### Our results

- Based on the risk identified and procedures performed, we concluded that the recognition of no impairment was appropriate (FY23: no impairment).

Further information in the Integrated Annual Report and Accounts: See the Audit Committee report on page 126 for details on how the Audit Committee considered the recoverability of the parent company's investment in United Utilities PLC as an area of significant attention, page 225 for the accounting policy on the recoverability of the parent company's investment in United Utilities PLC, and page 197 for the financial disclosures.



## 5. Our ability to detect irregularities, and our response

### Fraud – identifying and responding to risks of material misstatement due to fraud

<b>Fraud risk assessment</b>	<p>To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:</p> <ul style="list-style-type: none"> <li>• Inquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group’s high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud;</li> <li>• Using analytical procedures to identify any unusual or unexpected relationships;</li> <li>• Reading Board and Audit Committee minutes; and</li> <li>• Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards.</li> </ul>
<b>Risk communications</b>	<p>We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.</p>
<b>Fraud risks</b>	<p>As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as provisions for household customer debt and capitalisation of costs relating to the capital programme.</p> <p>On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity.</p>
<b>Link to KAMS</b>	<p>Further detail in respect of the provisions for household customer debt and capitalisation of costs relating to the capital programme are set out in section 4 of this report.</p>
<b>Procedures to address fraud risks</b>	<p>We also performed procedures including:</p> <ul style="list-style-type: none"> <li>• Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals relating to revenue, cash and borrowings posted to unexpected or unrelated accounts, and journals posted between operating costs and property, plant and equipment by users we would not expect; and</li> <li>• Assessing significant accounting estimates and judgements for bias.</li> </ul>

### Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

<b>Laws and regulations risk assessment</b>	<p>We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.</p> <p>As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.</p>
<b>Risk communications</b>	<p>We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.</p>
<b>Direct laws context and link to audit</b>	<p>The potential effect of these laws and regulations on the financial statements varies considerably.</p> <p>The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.</p>
<b>Most significant indirect law/ regulation areas</b>	<p>The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, Environment Agency, Competition law, Drinking Water Inspectorate, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group’s activities and its legal form.</p> <p>Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.</p>
<b>Known actual or suspected matters or legislation of particular relevant</b>	<p>In relation to the Collective proceedings in the Competition Act Tribunal that were issued in December 2023, as discussed in the Material Litigation report and in note 22, we assessed disclosures against our understanding from legal correspondence and inquiries performed.</p>
<b>Significant actual or suspected breaches discussed with the audit committee</b>	<p>We discussed with the audit committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.</p>

# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 5. Our ability to detect irregularities, and our response continued

### Context

<p><b>Context of the ability of the audit to detect fraud or breaches of law or regulation</b></p>	<p>Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.</p>
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## 6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

<p><b>£18.0m</b> (FY23: £16.5m)</p> <p><b>Materiality for the group financial statements as a whole</b></p>	<p><b>What we mean</b> A quantitative reference for the purpose of planning and performing our audit.</p> <p><b>Basis for determining materiality and judgements applied</b> Materiality for the Group financial statements as a whole was set at £18.0m (FY23: £16.5m). Consistent with FY23, we determined materiality with reference to a range of metrics. United Utilities is facing rising finance costs, as a result of the current high-inflationary environment, which is causing profit before tax to decline. Materiality represents 0.9% of revenue, 0.1% of total assets and 3.7% of operating profit (FY23: 0.9% of revenue, 0.1% of total assets and 3.7% of operating profit). When using a benchmark of either revenue, total assets, or operating profit to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 0.5-1%, 0.5-1% and 3-5% respectively. Materiality for the Parent Company financial statements as a whole was set at £8.8m (FY23: £8.0m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.1% (FY23: 0.1%).</p>
<p><b>£13.5m</b> (FY23: £12.3m)</p> <p><b>Performance materiality</b></p>	<p><b>What we mean</b> Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.</p> <p><b>Basis for determining performance materiality and judgements applied</b> We have considered performance materiality at a level of 75% (FY23: 75%) of materiality for United Utilities Group PLC Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £6.6m (FY23: £6.0m), which equates to 75% (FY23: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.</p>
<p><b>£0.9m</b> (FY23: £0.5m)</p> <p><b>Audit misstatement posting threshold</b></p>	<p><b>What we mean</b> This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to United Utilities Group PLC's Audit Committee.</p> <p><b>Basis for determining the audit misstatement posting threshold and judgements applied</b> We set our audit misstatement posting threshold at 5.0% (FY23: 3.0%) of our materiality for the Group financial statements. The change in percentage brings the threshold in line with KPMG methodology. This was previously set at £0.5m as requested by the Audit Committee. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.</p>

The overall materiality for the Group financial statements of £18.0m (FY23: £16.5m) compares as follows to the main financial statement caption amounts:

	Total group revenue		Group operating profit before tax		Total group assets	
	FY24	FY23 (as previously stated)	FY24	FY23	FY24	FY23
Financial statement caption	£1,949.5m	£1,824.4m	£480.2m	£440.8m	£15,653.4m	£14,527.2m
Group materiality as % of caption	0.92%	0.90%	3.75%	3.74%	0.11%	0.11%

## 7. The scope of our audit

<b>Group scope</b>	<b>What we mean</b>	How the Group audit team determined the procedures to be performed across the Group.	
		The Group has 23 (FY23: 23) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.	
		We determined individually financially significant components as those contributing at least 1% (FY23: 5%) of total assets or 1% (FY23: 1%) of total revenue or 1% (FY23: 3%) of total liabilities. We selected total assets, total revenue, and total liabilities because these are the most representative of the relative size of the components. We identified 4 (FY23: 4) components as individually financially significant components and performed full scope audits on these components.	
		The number of components within the scope of our work and materiality applied are detailed below, with the prior year comparatives indicated in brackets	
	<b>Scope</b>	<b>Number of components</b>	<b>Range of materiality applied</b>
	Full scope audit	4 (4)	£8.7m - £17.0m (£8.0m - £16.2m)
		For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The work on 4 of the 4 components (FY23: 4 of the 4 components), including the audit of the Parent Company, was performed by the Group team.	
		The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.	
		The components within the scope of our work accounted for the percentages illustrated in section 2 - Group Scope. In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.	

## 8. Other information in the annual report

The directors are responsible for the other information presented in the Integrated Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

### All other information

#### Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

#### Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

### Strategic report and directors' report

#### Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

#### Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance disclosures

#### Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the Integrated Annual Report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Integrated Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Integrated Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

#### Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

# KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

## 7. The scope of our audit continued

Other matters on which we are required to report by exception

### Our responsibility

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Our reporting

We have nothing to report in these respects.

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 168, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements..

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

### Ian Griffiths

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square, Manchester, M2 3AE

15 May 2024

# Consolidated statement of comprehensive income

for the year ended 31 March 2024

	Note	2024 £m	Re- presented <sup>(1)</sup> 2023 £m
<b>Revenue</b>	2	<b>1,949.5</b>	1,804.2
Other income		18.8	25.0
Staff costs	3	(205.1)	(192.2)
Other operating costs	4	(602.4)	(556.4)
Allowance for expected credit losses – trade and other receivables		(22.0)	(22.7)
Depreciation of property, plant and equipment		(406.1)	(385.5)
Amortisation of intangible assets		(32.7)	(38.1)
Infrastructure renewals expenditure		(219.8)	(193.5)
<b>Total operating expenses</b>		<b>(1,469.3)</b>	(1,363.4)
<b>Operating profit</b>		<b>480.2</b>	440.8
Investment income	5	85.6	47.0
Finance expense	6	(389.3)	(262.7)
Allowance for expected credit losses – loans to joint ventures	A5	(2.4)	–
<b>Investment income and finance expense</b>		<b>(306.1)</b>	(215.7)
Profit on disposal of subsidiary		–	31.2
Share of losses of joint venture	12	(4.1)	–
<b>Profit before tax</b>		<b>170.0</b>	256.3
Current tax credit	7	5.8	25.2
Deferred tax charge	7	(48.9)	(76.6)
<b>Tax</b>	7	<b>(43.1)</b>	(51.4)
<b>Profit after tax</b>		<b>126.9</b>	204.9
<b>Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods</b>			
Cash flow hedges – effective portion of fair value movements		(63.0)	(50.6)
Tax on items that may be reclassified to profit or loss	7	15.8	12.7
Reclassification of items taken directly to equity		1.8	(36.6)
Tax reclassified to income statement	7	(0.5)	7.0
		(45.9)	(67.5)
<b>Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods</b>			
Remeasurement losses on defined benefit pension schemes		(368.5)	(445.3)
Change in credit assumptions for debt reported at fair value through profit or loss		0.7	4.8
Cost of hedging – cross-currency basis spread adjustment		4.8	6.3
Tax on items taken directly to equity	7	151.1	151.5
		(211.9)	(282.7)
<b>Total comprehensive income</b>		<b>(130.9)</b>	(145.3)
<b>Earnings per share</b>			
Basic	8	18.6p	30.0p
Diluted	8	18.6p	30.0p
Dividend per ordinary share	9	49.78p	45.51p

<sup>(1)</sup> The consolidated statement of comprehensive income for the year ended 31 March 2023 has been re-presented to reflect £20.2 million of income not derived from the output of the group's ordinary activities in Other income rather than in Revenue. These amounts were previously reported as £4.8 million and £1,824.4 million respectively. See note 2 for further details.

All of the results shown above relate to continuing operations.

The accompanying notes on pages 186 to 228 form part of these financial statements.

# Consolidated and company statements of financial position

at 31 March 2024

	Note	Group		Company	
		2024 £m	2023 £m	2024 £m	2023 £m
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	13,044.3	12,570.7	–	–
Intangible assets	11	124.5	142.3	–	–
Interests in joint ventures and other investments	12	12.4	16.5	6,326.8	6,326.8
Inventories – other		–	1.2	–	–
Trade and other receivables	13	73.7	75.7	75.0	75.0
Retirement benefit surplus	14	268.0	600.8	–	–
Derivative financial instruments	A3	361.5	428.6	–	–
		<b>13,884.4</b>	<b>13,835.8</b>	<b>6,401.8</b>	<b>6,401.8</b>
<b>Current assets</b>					
Inventories – properties held for resale		3.0	4.2	–	–
Inventories – other		18.5	8.9	–	–
Trade and other receivables	13	226.8	190.5	61.0	30.1
Current tax asset	7	100.1	98.9	–	–
Cash and cash equivalents	15	1,399.3	340.4	–	–
Derivative financial instruments	A3	21.3	48.5	–	–
		<b>1,769.0</b>	<b>691.4</b>	<b>61.0</b>	<b>30.1</b>
<b>Total assets</b>		<b>15,653.4</b>	<b>14,527.2</b>	<b>6,462.8</b>	<b>6,431.9</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables	18	(957.9)	(892.4)	–	–
Borrowings	16	(9,345.8)	(8,259.0)	(1,982.3)	(1,864.8)
Deferred tax liabilities	7	(1,930.6)	(2,048.1)	–	–
Derivative financial instruments	A3	(255.2)	(243.1)	–	–
		<b>(12,489.5)</b>	<b>(11,442.6)</b>	<b>(1,982.3)</b>	<b>(1,864.8)</b>
<b>Current liabilities</b>					
Trade and other payables	18	(413.3)	(376.7)	(5.0)	(5.6)
Borrowings	16	(655.6)	(176.4)	–	–
Provisions	17	(13.5)	(13.1)	–	–
Derivative financial instruments	A3	(25.4)	(9.7)	–	–
		<b>(1,107.8)</b>	<b>(575.9)</b>	<b>(5.0)</b>	<b>(5.6)</b>
<b>Total liabilities</b>		<b>(13,597.3)</b>	<b>(12,018.5)</b>	<b>(1,987.3)</b>	<b>(1,870.4)</b>
<b>Total net assets</b>		<b>2,056.1</b>	<b>2,508.7</b>	<b>4,475.5</b>	<b>4,561.5</b>
<b>EQUITY</b>					
Share capital	21	499.8	499.8	499.8	499.8
Share premium account		2.9	2.9	2.9	2.9
Other reserves	20	311.1	353.4	1,033.3	1,033.3
Retained earnings		1,242.3	1,652.6	2,939.5	3,025.5
<b>Shareholders' equity</b>		<b>2,056.1</b>	<b>2,508.7</b>	<b>4,475.5</b>	<b>4,561.5</b>

The accompanying notes on pages 186 to 228 form part of these financial statements.

These financial statements for the group and United Utilities Group PLC (company number: 6559020) were approved by the board of directors on 15 May 2024 and signed on its behalf by:

**Louise Beardmore**  
Chief Executive Officer

**Phil Aspin**  
Chief Financial Officer

# Consolidated statement of changes in equity

for the year ended 31 March 2024

	Share capital £m	Share premium account £m	Other reserves <sup>(1)</sup> £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	353.4	1,652.6	2,508.7
Profit after tax	-	-	-	126.9	126.9
<b>Other comprehensive income</b>					
Remeasurement losses on defined benefit pension schemes (see note 14)	-	-	-	(368.5)	(368.5)
Change in credit assumptions for debt reported at fair value through profit or loss	-	-	-	0.7	0.7
Cash flow hedges – effective portion of fair value movements	-	-	(63.0)	-	(63.0)
Cost of hedging – cross-currency basis spread adjustments	-	-	4.8	-	4.8
Tax on items recorded within other comprehensive income (see note 7)	-	-	14.6	152.3	166.9
Reclassification of items taken directly to equity	-	-	1.8	-	1.8
Tax reclassified to income statement (see note 7)	-	-	(0.5)	-	(0.5)
<b>Total comprehensive income</b>	-	-	(42.3)	(88.6)	(130.9)
Dividends (see note 9)	-	-	-	(320.0)	(320.0)
Equity-settled share-based payments (see note 3)	-	-	-	2.1	2.1
Purchase of shares to satisfy exercise of share options	-	-	-	(3.8)	(3.8)
<b>At 31 March 2024</b>	<b>499.8</b>	<b>2.9</b>	<b>311.1</b>	<b>1,242.3</b>	<b>2,056.1</b>

	Share capital £m	Share premium account £m	Other reserves <sup>(1)</sup> £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	416.2	2,038.5	2,957.4
Profit after tax	-	-	-	204.9	204.9
<b>Other comprehensive income</b>					
Remeasurement losses on defined benefit pension schemes (see note 14)	-	-	-	(445.3)	(445.3)
Change in credit assumptions for debt reported at fair value through profit or loss	-	-	-	4.8	4.8
Cash flow hedges - effective portion of fair value movements	-	-	(50.6)	-	(50.6)
Cost of hedging - cross-currency basis spread adjustments	-	-	6.3	-	6.3
Tax on items recorded within other comprehensive income (see note 7)	-	-	11.1	153.1	164.2
Reclassification of items taken directly to equity	-	-	(36.6)	-	(36.6)
Tax reclassified to income statement (see note 7)	-	-	7.0	-	7.0
<b>Total comprehensive income</b>	-	-	(62.8)	(82.5)	(145.3)
Dividends (see note 9)	-	-	-	(301.2)	(301.2)
Equity-settled share-based payments (see note 3)	-	-	-	4.6	4.6
Purchase of shares to satisfy exercise of share options	-	-	-	(6.8)	(6.8)
<b>At 31 March 2023</b>	<b>499.8</b>	<b>2.9</b>	<b>353.4</b>	<b>1,652.6</b>	<b>2,508.7</b>

<sup>(1)</sup> Other reserves comprise the group's cumulative exchange reserve, capital redemption reserve, merger reserve, cost of hedging reserve and cash flow hedging reserve. Further detail of movements in these reserves is included in note 20.

The accompanying notes on pages 186 to 228 form part of these financial statements.

# Company statement of changes in equity

for the year ended 31 March 2024

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	1,033.3	3,025.5	4,561.5
Profit after tax	–	–	–	235.7	235.7
<b>Total comprehensive income</b>	–	–	–	235.7	235.7
Dividends (see note 9)	–	–	–	(320.0)	(320.0)
Equity-settled share-based payments (see note 3)	–	–	–	2.1	2.1
Purchase of shares to satisfy exercise of share options	–	–	–	(3.8)	(3.8)
<b>At 31 March 2024</b>	<b>499.8</b>	<b>2.9</b>	<b>1,033.3</b>	<b>2,939.5</b>	<b>4,475.5</b>

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	1,033.3	3,073.0	4,609.0
Profit after tax	–	–	–	255.9	255.9
<b>Total comprehensive income</b>	–	–	–	255.9	255.9
Dividends (see note 9)	–	–	–	(301.2)	(301.2)
Equity-settled share-based payments (see note 3)	–	–	–	4.6	4.6
Purchase of shares to satisfy exercise of share options	–	–	–	(6.8)	(6.8)
<b>At 31 March 2023</b>	<b>499.8</b>	<b>2.9</b>	<b>1,033.3</b>	<b>3,025.5</b>	<b>4,561.5</b>

At 31 March 2024, 31 March 2023 and 31 March 2022, the company's entire retained earnings balance was distributable to shareholders.

The company's other reserves comprised a capital redemption reserve that arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a profit after tax of £235.7 million (2023: £255.9 million).

The accompanying notes on pages 186 to 228 form part of these financial statements.



# Consolidated and company statements of cash flows

for the year ended 31 March 2024

	Note	Group		Company	
		2024 £m	2023 £m	2024 £m	Restated <sup>(1)</sup> 2023 £m
<b>Operating activities</b>					
Cash generated from operations	A1	865.4	883.1	308.1	306.5
Interest paid		(175.6)	(118.2)	–	(7.1)
Interest received and similar income		50.7	15.8	5.1	–
Tax paid		–	(10.8)	–	–
Tax received		4.6	17.6	10.6	8.6
<b>Net cash generated from operating activities</b>		<b>745.1</b>	<b>787.5</b>	<b>323.8</b>	<b>308.0</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment	A1	(749.5)	(675.9)	–	–
Purchase of intangible assets	A1	(14.6)	(18.1)	–	–
Grants and contributions received	18	27.9	5.1	–	–
Proceeds from disposal of property, plant and equipment		4.8	–	–	–
Repayment of loans to joint ventures	A5	–	5.0	–	–
Proceeds from disposal of subsidiary		–	90.5	–	–
<b>Net cash used in investing activities</b>		<b>(731.4)</b>	<b>(593.4)</b>	<b>–</b>	<b>–</b>
<b>Financing activities</b>					
Proceeds from borrowings net of issuance costs		1,610.0	501.1	–	–
Repayment of borrowings		(248.5)	(278.1)	–	–
Dividends paid to equity holders of the company	9	(320.0)	(301.2)	(320.0)	(301.2)
Purchase of shares to satisfy exercise of share options		(3.8)	(6.8)	(3.8)	(6.8)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,037.7</b>	<b>(85.0)</b>	<b>(323.8)</b>	<b>(308.0)</b>
Effects of exchange rate changes		–	(1.3)	–	–
<b>Net increase in cash and cash equivalents</b>		<b>1,051.4</b>	<b>107.8</b>	<b>–</b>	<b>–</b>
Cash and cash equivalents at beginning of the year		327.9	220.1	–	–
<b>Cash and cash equivalents at end of the year</b>	15	<b>1,379.3</b>	<b>327.9</b>	<b>–</b>	<b>–</b>

<sup>(1)</sup> The company cash flow statement has been restated to remove interest of £55.9 million on the intercompany loan with United Utilities PLC which was previously reflected within interest paid and proceeds from borrowings. Interest accrued on the intercompany loan is capitalised to the principal of the loan balance rather than settled as cash. Interest paid of £63.0 million as previously reported has now been restated to £7.1 million while proceeds from borrowing, which was previously £55.9 million, has been restated as nil. This has resulted in an increase in net cash generated from operations of £55.9 million and increase in net cash used in financing activities of the same amount.

The accompanying notes on pages 186 to 228 form part of these financial statements.

# Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Further detail can be found in note A6.

## Basis of preparation

The group and the parent company financial statements have been prepared in accordance with UK-adopted international accounting standards as applied in accordance with the requirements of the Companies Act 2006. They have been prepared on the historical cost basis, except for the revaluation of financial instruments, accounting for the transfer of assets from customers, and the revaluation of infrastructure assets to fair value on transition to IFRS.

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods presented. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results, ultimately, may differ from these estimates.

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of the approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the group in the form of cash and committed facilities as well as consideration of the group's capital adequacy, along with a baseline plan that incorporates latest views of the current economic climate. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of severe, but plausible, downside scenarios in order to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact of £400 million arising in the assessment period; elevated levels of bad debt of £15 million per annum; outcome delivery incentive penalties equivalent

to 1.0 per cent of RoRE per annum; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction in other discretionary totex spend; the close out of derivative asset balances; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that the severe but plausible downside scenarios indicate that the Group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities. The financial statements have, therefore, been prepared on a going concern basis.

## Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 March 2024, that were relevant to the group or would have a material impact on the group's financial statements, or that were not early adopted in previous years.

### IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' establishes new principles for the recognition, measurement, presentation, and disclosure of insurance and reinsurance contracts and is mandatory for annual reporting periods beginning on or after 1 January 2023. Management have assessed that adoption of the standard does not materially impact the financial statements of the Group.

Existing financial guarantees, being those issued by United Utilities PLC on certain external borrowings of its subsidiaries and those issued in support of Water Plus in respect of certain amounts owed to wholesalers, are outside of the scope of the standard on the basis that these have not previously been accounted for as insurance contracts and as such will continue to be measured in accordance with IFRS 9 'Financial Instruments'.

## Future accounting developments

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Critical accounting judgements and key sources of estimation uncertainty

In the process of applying its accounting policies set out in note A6, the group is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these estimates, judgements and assumptions could have a material effect on the financial statements.

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. As estimates carry with them an inherent level of uncertainty, the group performs sensitivity analysis where this is practicable and where, in management's opinion, it provides useful and meaningful information. This sensitivity analysis is performed to understand a range of outcomes that could be considered reasonably possible based on experience and the facts and circumstances associated with individual areas of the financial statements that are subject to estimates. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out below.

The following paragraphs detail the critical accounting judgements and key sources of estimation uncertainty in the financial statements. In determining which of these are significant, the group has considered the extent to which the estimation gives rise to a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Considered in this context, the group considers the accounting estimates for retirement benefits and the useful economic lives of property, plant and equipment and intangible assets to be a significant area of estimation uncertainty in preparing the financial statements.

### Retirement benefits

**Accounting estimate\*** – The group operates two defined benefit pension schemes, which are independent of the group's finances. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of not more than three years. Profit before tax and net assets are affected by the actuarial assumptions used. The key assumptions include: discount rates, pay growth, mortality, and increases to pensions in payment and deferred pensions. It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Sensitivities in respect of the assumptions used during the year are disclosed in note A4.

**Accounting estimate\*** – Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,772.0 million (2023: £216.3 million) that are categorised as 'level 3' within the IFRS 13 'Fair value measurement' hierarchy, meaning that their value is not observable at 31 March 2024. This includes assets with an estimated fair value of £1,564.8 million relating to bulk annuity policies purchased in the year as part of a partial buy-in transaction, further detail of which is included in note A4, and £202.7 million of investments in private debt funds. The fair value of the bulk annuity assets is directly pegged to the present value of the defined benefit obligations that they insure, and therefore estimation of their fair value is inherently linked to the assumptions used in valuing the schemes' liabilities as set out above. Estimates of the fair value of the remaining 'level 3' assets, which now form a higher proportion of total scheme assets following the partial buy-in transaction, are based on valuations performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total asset balances, updated for any subsequent cash movements between the statement date and the year end reporting date.

### Revenue recognition and allowance for doubtful receivables

**Accounting judgement\*\*** – The group recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. In estimating the amount of revenue to recognise, where the group considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is deemed probable. There are two criteria whereby

management does not recognise revenue for amounts which have been billed to those customers on the basis that collectability is not probable. These are as follows:

- The customer has not paid their bills for a period of at least two years; or
- The customer has paid their bills in the preceding two years but has previously had bills de-recognised and has more than their current year debt outstanding.

This two-criteria approach resulted in a £31.0 million (2023: £29.5 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their debt was deemed to be probable (i.e. the second criteria were disapplied), the required adjustment to revenue would have been £19.4 million (2023: £18.6 million) lower.

**Accounting estimate\*\*** – At each reporting date, the company and each of its subsidiaries evaluate the estimated recoverability of trade receivables and record allowances for expected credit losses ('ECL') based on experience. Estimates associated with these allowances are based on, among other things, a consideration of how actual collection history might inform expected future recovery. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

At 31 March 2024, an allowance for expected credit losses relating to household customer debt of £80.7 million (2023: £81.5 million) was supported by a six-year cash collection projection. Based on a five-year or seven-year cash collection projection, the allowance for doubtful receivables would have increased by £0.3 million (2023: £2.2 million) or reduced by £0.2 million (2023: £0.2 million) respectively.

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant ECL allowance. The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

We have also considered the high level of uncertainty as to how economic conditions may impact the recoverability of household receivables for a significant proportion of the group's customer base. A range of scenarios have been used to inform a probability-based assessment of the allowance for expected credit losses. These take account of cash collection rates in the current year as well as recent years, incorporating the current economic uncertainty to provide a range of views as to how recoverability of household receivables may be impacted. This assessment resulted in the release of a significant portion of the management overlay, which had previously been recognised in light of the economic uncertainty arising initially from the onset of the COVID-19 pandemic, and which is described more fully within the Annual Report for the year ended 31 March 2020. This overlay was subsequently maintained to address the collection risk arising from recent cost-of-living pressures and the adverse impact on customer affordability. A review of cash collection performance in the current year has led to an increase in the modelled provisioning rates used in the year as this data is incorporated within the model, and we expect to use these revised rates going forward. The impact of cost-of-living pressures on the recoverability of household receivables, and the adequacy of our ECL allowance, will continue to be kept under review.

The revised provisioning rates, coupled with the release of a significant portion of the management overlay, supports a charge equivalent to around 1.6 per cent of household revenue recorded during the period, which is slightly lower than the position at 31 March 2023.

Had future cash collection been assessed based on the average cash collection rates for the current year only, the allowance for expected credit losses charged to the income statement would have remained at 1.6 per cent of household revenue with similar results based on using average cash collection from the last two years or the last four years. At 31 March 2024, a charge of 1.6 per cent is considered to be appropriate given prevailing levels of uncertainty and recognising the level of estimation uncertainty associated with the assumptions made in forecasting the year-end debt position upon which the allowance for expected credit losses is based.

**Accounting estimate\*\*** – United Utilities Water Limited raises bills in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes. For household water and wastewater customers with water meters, the receivable billed is dependent on the volume supplied, including the sales

# Accounting policies

value of an estimate of the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis and the group recognises revenue for unbilled amounts based on estimated usage from the last billing through to each reporting date. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

Revenue recognised for unbilled amounts for these customers at 31 March 2024 was £156.4 million (2023: £141.0 million). Had actual consumption been 5 per cent higher or lower than the estimate of units supplied, this would have resulted in revenue recognised for unbilled amounts being £5.2million (2023: £4.7 million) higher or lower respectively. For customers who do not have a meter, the receivable billed and revenue recognised is dependent on the rateable value of the property as assessed by an independent rating officer.

## Property, plant and equipment

**Accounting judgement\*\*** – The group recognises property, plant and equipment ('PP&E') on its water and wastewater infrastructure assets where such expenditure enhances or increases the capacity and/or resilience of the network, whereas any expenditure classed as maintenance is expensed in the period as incurred. Determining enhancement from maintenance expenditure requires an accounting judgement, particularly when projects have both elements within them. Enhancement spend was 48 per cent of total spend in relation to infrastructure assets during the year. A change of +/- 5 per cent would have resulted in £21.0 million (2023: £12.5 million) less/more expenditure being charged to the income statement during the period.

**Accounting estimate\*** – The estimated useful economic lives of PP&E and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of PP&E and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £438.8 million (2023: £423.6 million). A 10 per cent increase in average asset lives would have resulted in a £39.9 million (2023: £41.4 million) reduction in this figure and a 10 per cent

decrease in average asset lives would have resulted in a £43.9 million (2023: £39.0 million) increase in this figure.

## Derivative financial instruments

**Accounting estimate\*\*** – The model used to arrive at the fair value the group's derivative financial instruments requires management to estimate future cash flows based on applicable interest rate curves. Projected cash flows are then discounted back using discount factors that are derived from the applicable interest rate curves adjusted for management's estimate of counterparty and own credit risk, where appropriate. Sensitivities relating to derivative financial instruments are included in note A3.

\* Judgements/estimates that could reasonably give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

\*\*Other judgements/estimates considered less likely to give rise to a material adjustment to the carrying value of assets or liabilities in the next financial year.

## Climate change

The group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements.

The natural environment within which the group operates is constantly changing, and this influences how its water and wastewater services are to be delivered in the future. In addition, the group has embedded ambitious climate-related targets within its own operations, with this affecting the portfolio of assets required to deliver such services.

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's decarbonisation measures. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned, in part as a result of the group's decarbonisation strategy. In recent years, this has resulted in material accelerations in respect of bioresources facilities impacted by changes in environmental legislative requirements. No further material accelerations were required in

the current financial year, however this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which are expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year.

In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change also presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase. This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

In recent years the group has sought to further enhance the accuracy of its useful life assessments through the introduction of more forward-looking information in asset life reviews. This includes the use of disposal data to identify trends that may inform the group's view of useful lives into the future. This information is used alongside other decommissioning data and data from strategic asset planning systems to inform useful asset lives.

The group mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that incorporate defined climate scenarios, climate change mitigation pledges, and long-term climate projections. The group installs permanent flood defences and other resilience measures at the most vulnerable facilities to protect its assets. The group further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

# Notes to the financial statements

## 1 Segmental reporting

The board of directors of United Utilities Group PLC (the board) is provided with information on a single-segment basis for the purposes of assessing performance and allocating resources. The group's performance is measured against a range of financial and operational key performance indicators ('KPIs'), with operational KPIs aligned to the group's purpose and financial KPIs focused on profitability and financial sustainability. The board reviews revenue, operating profit and gearing, along with operational drivers at a consolidated level. In light of this, the group has a single segment for financial reporting purposes.

## 2 Revenue

The group's revenue arises from the provision of services within the United Kingdom.

	2024 £m	Re-presented <sup>(1)</sup> 2023 £m
Wholesale water charges	819.9	758.1
Wholesale wastewater charges	990.8	914.7
Household retail charges	93.1	83.0
Other <sup>(1)</sup>	45.7	48.4
	<b>1,949.5</b>	<b>1,804.2</b>

<sup>(1)</sup> Revenue for the year ended 31 March 2023 has been re-presented so as to include £20.2 million of income not derived from the output of the group's ordinary activities in other income rather than in revenue. This income, which had previously been included in the 'other' category in the above table, related to amounts receivable under government renewable energy schemes and the sale of energy generated to the grid, which is a by-product, rather than an output, of the group's ordinary activities. As such it does not meet the criteria to be recognised as revenue from contracts with customers in accordance with IFRS 15 and so has instead been reflected as other income in the consolidated statement of comprehensive income.

In accordance with IFRS 15, revenue has been disaggregated based on what is recognised in relation to the core services of supplying clean water and the removal and treatment of wastewater. Each of these services is deemed to give rise to a distinct performance obligation under the contract with customers, although following the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Other revenues comprise a number of smaller non-core income streams, including property sales and income from activities, typically performed opposite property developers, which impact the group's capital network assets. This includes diversion works to relocate water and wastewater assets, and activities that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

## 3 Directors and employees

### Directors' remuneration

	2024 £m	2023 £m
Fees to non-executive directors	0.8	0.8
Salaries	1.1	1.6
Benefits	0.2	0.4
Bonus	0.4	0.6
Share-based payment charge	0.7	1.8
	<b>3.2</b>	<b>5.2</b>

Further information about the remuneration of individual directors and details of their pension arrangements are provided in the directors' remuneration report on pages 142 to 163.

### Remuneration of key management personnel

	2024 £m	2023 £m
Salaries and short-term employee benefits	6.8	6.4
Share-based payment charge	1.8	3.4
	<b>8.6</b>	<b>9.8</b>

Key management personnel comprises all directors and certain senior managers who are members of the executive team.

# Notes to the financial statements

## 3 Directors and employees continued

### Staff costs (including directors)

Group	2024 £m	2023 £m
Wages and salaries <sup>(1)</sup>	341.8	317.4
Employee-related taxes and levies	32.5	30.7
Severance	1.4	(0.2)
Post-employment benefits:		
Defined benefit pension expenses (see note 14)	2.2	8.5
Defined contribution pension expense (see note 14)	32.4	29.2
Charged to other areas including regulatory capital schemes	(205.2)	(193.4)
<b>Staff costs</b>	<b>205.1</b>	<b>192.2</b>

<sup>(1)</sup> Wages and salaries excluding non-permanent staff was £302.5 million (2023: £274.7 million)

Included within staff costs were net credits of £3.2 million (2023: £0.2 million) relating to restructuring costs.

The total expense included within staff costs in respect of equity-settled share-based payments was £2.1 million (2023: £4.6 million).

The company operates several share option schemes, details of which are given on pages 147 to 148 and 159 to 160 in the Directors' remuneration report.

Average number of staff employed by the group during the year (full-time equivalent including directors):

	2024 number	2023 number
Average number of staff employed by the group during the year	6,035	5,975

#### Company

The company has no staff.

#### 4 Other operating costs

	2024	2023
	£m	£m
Power	164.3	130.8
Hired and contracted services	128.7	103.7
Materials	127.1	132.7
Property rates	82.0	87.1
Regulatory fees	39.3	36.7
Insurance	13.3	19.7
Loss on disposal of property, plant and equipment	6.7	4.2
Accrued innovation costs	6.0	6.1
Cost of properties disposed	–	1.4
Other expenses	35.0	34.0
	<b>602.4</b>	<b>556.4</b>

In June 2023, the group experienced a significant outfall pipe fracture at a major wastewater treatment works at Fleetwood, for which the remediation and associated activity resulted in costs of £37.6 million being incurred during the year. These costs have been presented as an adjusting item in arriving at the group's underlying operating profit position as included in its alternative performance measures.

The £37.6 million of costs is split into £23.6 million of operating costs included in the above total, and £14.0 million of infrastructure renewal expenditure. The majority of the £23.6 million of operating costs are reflected within hired and contracted services, including the cost of tankering to reduce the volume of sewage spills along the Fylde Coast while remediation activity was undertaken.

In addition to the costs relating to the incident at Fleetwood, other operating costs have increased compared with the same period in the prior year, predominantly due changes in energy prices, which have resulted in an increase in the group's power costs on a hedged basis.

Research and development expenditure for the year ended 31 March 2024, was £0.7 million (2023: £1.2 million). In addition, £6.0 million (2023: £6.1 million) of costs have been accrued during the year by United Utilities Water Limited in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP7. These expenses offset amounts recognised in revenue during each year intended to fund innovation projects across England and Wales as part of an industry-wide scheme to promote innovation in the sector. The amounts accrued will either be spent on innovation projects that the group successfully bids for, or will be transferred to other successful water companies in accordance with the scheme rules.

During the year, the group obtained the following services from its auditor:

	2024	2023
	£'000	£'000
<b>Audit services</b>		
Statutory audit – group and company	240	215
Statutory audit – subsidiaries	737	642
	<b>977</b>	<b>857</b>
<b>Non-audit services</b>		
Regulatory audit services provided by the statutory auditor	80	75
Other non-audit services	193	159
<b>Total audit and non-audit services</b>	<b>1,250</b>	<b>1,091</b>

#### 5 Investment income

	2024	2023
	£m	£m
Interest receivable on short-term bank deposits held at amortised cost	49.1	11.5
Interest receivable on loans to joint ventures held at amortised cost (see note A5)	5.6	4.7
Net pension interest income (see note 14)	28.6	28.7
Other interest receivable	2.3	2.1
	<b>85.6</b>	<b>47.0</b>

# Notes to the financial statements

## 6 Finance expense

	2024 £m	2023 £m
<b>Interest payable</b>		
Interest payable on borrowings held at amortised cost <sup>(1)</sup>	379.8	497.7
	<b>379.8</b>	497.7
<b>Fair value losses/(gains) on debt and derivative instruments</b>		
Fair value hedge relationships:		
Borrowings <sup>(2)</sup>	(5.1)	(213.1)
Designated swaps <sup>(2)(3)</sup>	3.4	224.7
	<b>(1.7)</b>	11.6
Financial instruments at fair value through profit or loss:		
Borrowings designated at fair value through profit or loss <sup>(4)</sup>	(21.3)	(4.2)
Associated swaps	22.1	0.4
	<b>0.8</b>	(3.8)
Fixed interest rate swaps <sup>(5)</sup>	27.3	(146.0)
Net receipts on derivatives and debt under fair value option	(21.3)	(32.8)
Inflation swaps <sup>(6)</sup>	5.3	(62.2)
Other	(0.9)	(1.8)
	<b>10.4</b>	(242.8)
<b>Net fair value losses/(gains) on debt and derivative instruments<sup>(6)</sup></b>	<b>9.5</b>	(235.0)
	<b>389.3</b>	262.7

### Notes:

<sup>(1)</sup> Includes a £225.9 million (2023: £463.5 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £1.4 million (2023: £1.5 million) interest expense on lease liabilities, representing the unwinding of the discounting applied to future lease payments.

<sup>(2)</sup> Includes foreign exchange gain of £35.1 million (2023: £20.6 million loss). These gains/losses are largely offset by fair value losses/gains on derivatives.

<sup>(3)</sup> Under the provisions of IFRS 9 'Financial instruments', a £4.8 million gain (2023: £6.3 million gain) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.

<sup>(4)</sup> Under the provisions of IFRS 9 'Financial instruments', a £0.7 million gain (2023: £4.8 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.

<sup>(5)</sup> These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.

<sup>(6)</sup> Includes £29.3 million (2023: £31.8 million) income due to net interest on derivatives and debt under fair value option and £25.9 million (2023: £56.2 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements excluding this income are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 96 to 97.

Interest payable is stated net of £81.0 million (2023: £127.5 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the year. This has been calculated by applying an average capitalisation rate of 6.1 per cent (2023: 7.9 per cent) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'.

Underlying finance expense, which forms part of the group's APMs set out on pages 96 to 97, is calculated by adjusting net finance expense and investment income of £306.1 million (2023: £215.7 million) reported in the income statement to exclude the £9.5 million of fair value losses (2023: £235.0 million of fair value gains) in the above table, but include £29.3 million (2023: £31.8 million) income due to net interest on derivatives and debt under fair value option, and £25.9 million (2023: £56.2 million) expense due to non-cash inflation uplift on index-linked derivatives.

## 7 Tax

	2024 £m	2023 £m
<b>Current tax</b>		
UK corporation tax	–	–
Adjustments in respect of prior years	(5.8)	(25.2)
Total current tax credit for the year	(5.8)	(25.2)
<b>Deferred tax</b>		
Current year	44.3	44.1
Adjustments in respect of prior years	4.6	32.5
Total deferred tax charge for the year	48.9	76.6
Total tax charge for the year	43.1	51.4

The current tax 'adjustments in respect of prior years' of £5.8 million mainly relates to claims for research and development UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the year, along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims.

The current tax 'adjustments in respect of prior years' of £25.2 million in the previous year is mainly due to the utilisation of losses that were previously being carried forward.



## 7 Tax continued

The table below reconciles the notional tax charge at the UK corporation tax rate to the total tax charge and total effective tax rate for the year:

	2024 £m	2024 %	2023 £m	2023 %
Profit before tax	170.0		256.3	
Tax at the UK corporation tax rate	42.5	25.0	48.7	19.0
Deferred tax rate adjustment	–	–	10.6	4.1
Adjustments in respect of prior years	(1.2)	(0.7)	7.3	2.8
Net income not taxable	1.8	1.1	(15.2)	(5.9)
Total tax charge and effective tax rate for the year	43.1	25.4	51.4	20.0

The deferred tax rate adjustment in the prior year reflects the fact that the deferred tax charge was at the future tax rate of 25 per cent, rather than the 19 per cent rate used previously.

The table below reconciles the notional tax charge at the UK corporation tax rate to the total current tax charge for the year.

	2024 £m	2023 £m
Profit before tax	170.0	256.3
Profit before tax multiplied by the standard rate of UK corporation tax of 25% (2023: 19%)	42.5	48.7
Relief for capital allowances in place of depreciation	(202.0)	(107.5)
Disallowances of depreciation charged in the accounts	94.6	69.8
Adjustments to tax charge in respect of prior years	(5.8)	(25.2)
Financial transactions timing differences	4.2	(48.9)
Pension timing differences	(9.2)	(6.0)
Relief for capitalised interest	(20.2)	(24.2)
Other timing differences	1.0	2.6
Joint ventures net losses	1.0	–
Profit on disposal of subsidiary	–	(5.9)
Income not taxable	(2.8)	(12.0)
Depreciation charged on non-qualifying assets	3.7	2.6
Current year tax losses carried forward	87.2	80.8
Current tax credit for the year	(5.8)	(25.2)

The group's current tax charge is typically lower than the UK headline rate of 25 per cent, primarily due to a range of adjustments that are simply timing differences between recognition of the income or expense in the accounts and in the related tax computations submitted to HMRC. These include deductions in relation to capital spend, pension timing differences, unrealised profits or losses in relation to financing and related treasury derivatives and capitalised interest.

The current year net timing differences in relation to capital spend, i.e. capital allowances less depreciation, was higher in the current and prior year mainly due to the temporary super-deductions introduced in 2021 and 'first-year allowances' introduced in March 2023.

The group undertakes and invests in Research & Development ('R&D') upon which accelerated capital allowances are expected to be available. The extent to which R&D allowances are available on any given asset is dependent on the specific fact pattern of the asset and project. Reaching agreement with tax authorities as to the amount of R&D allowances can take a number of years, and judgment is required in estimating the amount of R&D allowances likely to be received following the conclusion of these processes. The adjustments to the tax charge in respect of prior years of £5.8 million mainly relate to the ongoing enquiries from the tax authorities in relation to our claims for R&D allowances between 2019 and 2021 on our innovation-related expenditure. The group believes that it has made appropriate provision for periods that are currently still under enquiry and yet to be agreed with tax authorities, and that the carrying amount of the relevant tax assets reflect management's estimate of the most likely amount that will be received. The £25.2 million in the prior year mainly relates to the utilisation of tax losses that were previously being carried forward.

The year-on-year movement in financial transactions timing differences is sensitive to fair value movements on treasury derivatives and can, therefore, fluctuate significantly from year to year.

The relief for capitalised interest relates to amounts that are immediately deductible under the UK tax rules notwithstanding the amounts being capitalised for accounting purposes. The year-on-year amount will depend on the amount capitalised.

Other timing differences includes a range of small value items where there is a timing difference between the accounting and tax recognition.

The decrease in income not taxable in the current year is mainly due to the additional 30 per cent element of the temporary capital allowances super-deductions included in the prior year, which is not applicable in the current year.

Depreciation charged on non-qualifying assets relates to accounting depreciation where there is no corresponding tax deduction.

# Notes to the financial statements

## 7 Tax continued

Current year tax losses have arisen mainly as a result of the availability of tax relief available on capital spend. These losses will be carried forward to be utilised against future taxable profits.

### Pillar Two

In line with the recent enactment of the Pillar Two income taxes legislation in the UK, which came into effect on 1 January 2024, the group has assessed its potential exposure. This legislation mandates a top-up tax for entities with an effective tax rate below the 15 per cent threshold. The first accounting period for the group to which the Pillar Two legislation will apply is the year to 31 March 2025.

As of 31 March 2024, the only jurisdiction in which the group has a potential Pillar Two exposure is the UK. The entire UK profits of the group will be within the scope of Pillar Two. However, from preliminary calculations, we expect that the effective rate of all our group entities will exceed the 15% tax rate benchmark and management are not currently aware of any circumstances in which this may change. Therefore, the group does not expect a potential exposure to Pillar Two top-up taxes.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023 and 27 June 2023, respectively, the IASB and AASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12, under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The group applied the temporary exception at 31 March 2024.

	2024 £m	2023 £m
Tax on items recorded within other comprehensive income		
<b>Deferred tax</b>		
On remeasurement losses on defined benefit pension schemes	(152.2)	(152.8)
On net fair value losses on credit assumptions for debt reported at fair value through profit and loss and cost of hedging	(13.9)	(19.1)
Share-based payments	(0.3)	0.7
<b>Total tax charge on items recorded within other comprehensive income</b>	<b>(166.4)</b>	<b>(171.2)</b>

The tax adjustments taken to other comprehensive income primarily relate to remeasurement movements on the group's defined benefit pension schemes. Management consider that the most likely method of realisation would be through a refund, which would be taxed at the rate applicable to refunds from a trust (currently 25 per cent reduced from 35 per cent in the prior year).

### Current tax asset

Group	Total £m
At 1 April 2022	74.4
Charged to the income statement	–
Adjustments in respect of prior years	25.2
Transfer from amounts owed by related parties	6.1
Payments/(receipts)	(6.8)
<b>At 31 March 2023</b>	<b>98.9</b>
Charged to the income statement	–
Adjustments in respect of prior years	5.8
Payments/(receipts)	(4.6)
<b>At 31 March 2024</b>	<b>100.1</b>

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities.

### Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the group, and the movements thereon, during the current and prior year:

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 April 2022	1,790.6	355.8	1.7	2,148.1
Charged to the income statement	78.7	7.3	(9.4)	76.6
Credited to other comprehensive income	–	(152.8)	(18.4)	(171.2)
Disposal of deferred tax liability	(5.4)	–	–	(5.4)
<b>At 31 March 2023</b>	<b>1,863.9</b>	<b>210.3</b>	<b>(26.1)</b>	<b>2,048.1</b>
Charged to the income statement	144.8	8.9	(104.8)	48.9
Credited to other comprehensive income	–	(152.2)	(14.2)	(166.4)
<b>At 31 March 2024</b>	<b>2,008.7</b>	<b>67.0</b>	<b>(145.1)</b>	<b>1,930.6</b>

## 7 Tax continued

Certain deferred tax assets and liabilities have been offset in accordance with IAS 12 'Income Taxes'.

The accelerated tax depreciation represents the difference between capital allowances and accounting depreciation on the group's property, plant and equipment. Capital allowances are tax reliefs provided in law and spread the tax relief due over a pre-determined standard number of years. This contrasts with the accounting treatment, where the expenditure is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially. Due to the group's continued significant annual capital expenditure, the deductions for capital allowances are expected to exceed depreciation for the medium term and continue to impact future corporation tax payments.

Given the fully funded nature of the group's defined benefit pension schemes, the retirement benefit obligations primarily relates to deferred taxation on the pensions schemes surplus position. This amount is significantly impacted by financial market conditions and long-term inflation expectations, and therefore it is difficult to forecast future movements. However, these movements have no impact on medium-term future corporation tax payments as they only impact year-on-year deferred tax movement.

Deferred tax on retirement benefit obligations can also arise where there are year-on-year differences between the contributions paid and the associated amounts charged to the profit and loss account. However, given the fully funded nature of our pension schemes, any such deferred tax movements, together with the associated impact on future corporation tax payments, is not expected to be significant for the medium term.

Included in the credit to other comprehensive income of £166.4 million is a credit of £60.1 million reflecting a change in the rate at which tax would be payable on an authorised surplus payment in respect of the group's retirement benefit surplus, from 35 per cent to 25 per cent in the year.

The other short-term temporary differences of £145.1 million includes £211.2 million relating to tax losses that have been carried forward, where permitted under HMRC rules, to be utilised in future periods. This includes £87.2 million (2023: £108.9 million) of current year tax losses carried forward. Also included are other short-term timing differences in relation to the year-on-year movement in financial transactions which are sensitive to fair value movement on treasury derivatives, and can therefore fluctuate significantly from year to year. However, these fair value movements have no impact on future corporation tax payments as they only impact the year-on-year deferred tax movement.

### Company

The company had no deferred tax assets or liabilities at 31 March 2024 or 31 March 2023.

## 8 Earnings per share

	2024 £m	2023 £m
Profit after tax attributable to equity holders of the company - continuing operations	126.9	204.9
	2024 pence	2023 pence
<b>Earnings per share</b>		
Basic	18.6	30.0
Diluted	18.6	30.0

Basic earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 681.9 million being the weighted average number of shares in issue during the year (2023: 681.9 million). Diluted earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 683.5 million, being the weighted average number of shares in issue during the year, including dilutive shares (2023: 684.1 million).

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings Per Share'. Potential dilutive ordinary shares comprise outstanding share options awarded to directors and certain employees (see note 3).

The weighted average number of shares can be reconciled to the weighted average number of shares, including dilutive shares, as follows:

	2024 million	2023 million
Average number of ordinary shares – basic	681.9	681.9
Effect of potential dilutive ordinary share options	1.6	2.2
Average number of ordinary shares – diluted	683.5	684.1

# Notes to the financial statements

## 9 Dividends

	2024 £m	2023 £m
Amounts recognised as distributions to equity holders of the company in the year comprise:		
<b>Ordinary shares</b>		
Final dividend for the year ended 31 March 2023 at 30.34 pence per share (2022: 29.00 pence)	206.9	197.8
Interim dividend for the year ended 31 March 2024 at 16.59 pence per share (2023: 15.17 pence)	113.1	103.4
	<b>320.0</b>	301.2
Proposed final dividend for the year ended 31 March 2024 at 33.19 pence per share (2023: 30.34 pence)	226.3	206.9

The proposed final dividends for the years ended 31 March 2024 and 31 March 2023, were subject to approval by equity holders of United Utilities Group PLC as at the reporting dates and, hence, have not been included as liabilities in the consolidated financial statements at 31 March 2024 and 31 March 2023.

## 10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2024 £m	2023 £m
Property, plant and equipment – owned	12,986.7	12,513.8
Right-of-use assets – leased	57.6	56.9
<b>Net book value</b>	<b>13,044.3</b>	12,570.7

Property, plant and equipment – owned

Group	Land and buildings £m	Infra- structure assets £m	Operational assets £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
<b>Cost</b>						
At 1 April 2022	372.3	6,031.3	8,361.7	513.7	1,639.9	16,918.9
Additions	1.1	88.7	243.5	2.9	530.7	866.9
Transfers	1.3	129.1	99.0	7.1	(222.6)	13.9
Disposals	(7.2)	(10.7)	(199.7)	(19.1)	–	(236.7)
At 31 March 2023	367.5	6,238.4	8,504.5	504.6	1,948.0	17,563.0
Additions	2.1	79.6	224.2	6.1	580.5	892.5
Transfers	16.8	469.8	423.7	21.9	(938.3)	(6.1)
Disposals	(7.1)	(0.1)	(59.0)	(87.3)	–	(153.5)
<b>At 31 March 2024</b>	<b>379.3</b>	<b>6,787.7</b>	<b>9,093.4</b>	<b>445.3</b>	<b>1,590.2</b>	<b>18,295.9</b>
<b>Accumulated depreciation</b>						
At 1 April 2022	137.1	522.3	3,758.1	413.7	–	4,831.2
Charge for the year	8.5	47.9	305.5	21.6	–	383.5
Transfers	–	0.4	2.9	–	–	3.3
Disposals	(6.8)	(10.6)	(132.8)	(18.6)	–	(168.8)
At 31 March 2023	138.8	560.0	3,933.7	416.7	–	5,049.2
Charge for the year	8.4	49.2	325.4	21.3	–	404.3
Transfers	(0.5)	(0.1)	(0.8)	–	–	(1.4)
Disposals	(2.7)	–	(53.4)	(86.8)	–	(142.9)
<b>At 31 March 2024</b>	<b>144.0</b>	<b>609.1</b>	<b>4,204.9</b>	<b>351.2</b>	<b>–</b>	<b>5,309.2</b>
Net book value at 31 March 2023	228.7	5,678.4	4,570.8	87.9	1,948.0	12,513.8
<b>Net book value at 31 March 2024</b>	<b>235.3</b>	<b>6,178.6</b>	<b>4,888.5</b>	<b>94.1</b>	<b>1,590.2</b>	<b>12,986.7</b>

At 31 March 2024, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £327.0 million (2023: £322.6 million). In addition to these commitments, the group has long-term expenditure plans, which include investments to achieve improvements in performance required by regulators and to provide for future growth.

Following a review of inventories carried out during the year ended 31 March 2023, the group opted to reclassify spare parts previously recognised within inventories to property, plant and equipment in order to better reflect the expected consumption pattern of these items. This resulted in £14.6 million being transferred to property, plant and equipment (cost) and £3.3 million being transferred to accumulated depreciation at 31 March 2023, with any spare part additions being recognised directly in property, plant and equipment during the year ended 31 March 2024.

## 10 Property, plant and equipment continued

Following a review of the presentation of government grants related to assets during the year, the group has elected to deduct the value of grants received in arriving at the carrying value of related assets on the basis that this provides a better representation of the substance of these transactions. This has resulted in £6.1 million of grants related to assets received in previous years being deducted from the assets' carrying values, net of £1.4 million of amortisation of these grants that has already been recognised in profit and loss. These amounts are reflected in the transfers lines in the previous table. During the year ended 31 March 2024, government grants of £1.9 million related to assets were received. These have been reflected in the additions line in the previous table as a deduction in arriving at the carrying value of the related assets.

### Company

The company had no property, plant and equipment or contractual commitments for the acquisition of property, plant and equipment at 31 March 2024 or 31 March 2023.

## 11 Intangible assets

Group	Total £m
<b>Cost</b>	
At 1 April 2022	432.9
Additions	19.0
Transfers	0.6
Disposals	–
At 31 March 2023	452.5
Additions	15.9
Transfers	–
Disposals	(79.3)
<b>At 31 March 2024</b>	<b>389.1</b>
<b>Accumulated amortisation</b>	
At 1 April 2022	272.1
Charge for the year	38.1
Transfers	–
Disposals	–
At 31 March 2023	310.2
Charge for the year	32.7
Transfers	–
Disposals	(78.3)
<b>At 31 March 2024</b>	<b>264.6</b>
Net book value at 31 March 2023	142.3
<b>Net book value at 31 March 2024</b>	<b>124.5</b>

The group's intangible assets relate mainly to computer software.

At 31 March 2024, the group had entered into contractual commitments for the acquisition of intangible assets amounting to £1.1 million (2023: £2.8 million).

### Company

The company had no intangible assets or contractual commitments for the acquisition of intangible assets at 31 March 2024 or 31 March 2023.

## 12 Interests in joint ventures and other investments

	2024 £m	2023 £m
Joint ventures at the start of the period	16.5	16.5
Share of losses of joint ventures	(4.1)	–
<b>Joint ventures at the end of the period</b>	<b>12.4</b>	<b>16.5</b>

The group's interests in joint ventures mainly comprises its 50 per cent interest in Water Plus Group Limited ('Water Plus'), which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

The group's total share of Water Plus losses for the year was £4.1 million (2023: nil share of profits or losses), all of which is recognised in the income statement.

Details of transactions between the group and its joint ventures are disclosed in note A5.

### Company

At 31 March 2024, the company's investments related solely to its investments in United Utilities PLC, which was recorded at a cost of £6,326.8 million (2023: £6,326.8 million).

# Notes to the financial statements

## 13 Trade and other receivables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Trade receivables	61.0	47.8	–	–
Amounts owed by subsidiary undertakings	–	–	136.0	105.1
Amounts owed by related parties (see note A5)	100.8	102.2	–	–
Other debtors and prepayments	62.1	43.1	–	–
Accrued income	76.6	73.1	–	–
	<b>300.5</b>	<b>266.2</b>	<b>136.0</b>	<b>105.1</b>

The majority of accrued income arises from timing differences between the billing cycle and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract assets at the beginning of the reporting period having subsequently reversed into the income statement during the year.

At 31 March 2024, the group had £73.7 million (2023: £75.7 million) of trade and other receivables classified as non-current, all of which was owed by related parties.

The carrying amounts of trade and other receivables approximate to their fair value at 31 March 2024 and 31 March 2023.

Trade receivables do not carry interest and are stated net of allowances for bad and doubtful receivables, an analysis of which is as follows:

Group	2024 £m	2023 £m
At the start of the year	85.7	84.6
Amounts charged to operating expenses	22.0	22.7
Trade receivables written off	(22.8)	(21.0)
Amounts charged to deferred grants and contributions	(0.5)	(0.6)
<b>At the end of the year</b>	<b>84.4</b>	<b>85.7</b>

Amounts charged to deferred income relate to amounts invoiced for which revenue has not yet been recognised in the income statement.

At each reporting date, the group evaluates the recoverability of trade receivables and records allowances for expected credit losses, which are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers past events, current conditions and forecasts of future conditions.

At 31 March 2024 and 31 March 2023, the group had no trade receivables that were past due and not individually impaired.

The following table provides information regarding the ageing of net trade receivables that were past due and individually impaired:

	Aged less than one year £m	Aged between one year and two years £m	Aged greater than two years £m	Carrying value £m
<b>At 31 March 2024</b>				
Gross trade receivables	66.7	27.2	51.4	145.3
Allowance for expected credit losses	(20.7)	(12.7)	(51.0)	(84.4)
<b>Net trade receivables</b>	<b>46.0</b>	<b>14.5</b>	<b>0.4</b>	<b>60.9</b>

	Aged less than one year £m	Aged between one year and two years £m	Aged greater than two years £m	Carrying value £m
<b>At 31 March 2023</b>				
Gross trade receivables	51.6	31.8	50.1	133.5
Allowance for expected credit losses	(20.2)	(16.7)	(48.8)	(85.7)
<b>Net trade receivables</b>	<b>31.4</b>	<b>15.1</b>	<b>1.3</b>	<b>47.8</b>

At 31 March 2024, the group had £0.1 million (2023: £0.3 million) of trade receivables that were not past due.

At 31 March 2024 and 31 March 2023, the group had no accrued income that was past due. In instances where the collection of consideration is not considered probable at the point services are delivered, no accrued income is recognised, as the criteria to recognise revenue in accordance with IFRS 15 has not been met.

### Company

At 31 March 2024 and 31 March 2023, the company had no trade receivables that were past due. Of the £136.0 million (2023: £105.1 million) owed by subsidiaries, £75.0 million (2023: £75.0 million) was classified as non-current at the reporting date.

The carrying amount of trade and other receivables approximates to their fair value at 31 March 2024 and 31 March 2023.

## 14 Retirement benefits

The group participates in two major funded defined benefit pension schemes in the United Kingdom – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC group of the Electricity Supply Pension Scheme ('ESPS') – as well as a defined contribution scheme, which is part of the UUPS, and a series of historic unfunded, unregistered retirement benefit schemes operated for the benefit of certain former employees.

Both defined benefit schemes are closed to new employees, and since 1 April 2018 the majority of active members in the defined benefit section of the UUPS have been part of a hybrid section comprising both defined benefit and defined contribution elements in order to reduce the overall costs and risk to the group resulting from increases in future service costs, while balancing the interests of employees by maintaining an element of defined benefit pension provision.

Information about the pension arrangements for executive directors is contained in the directors' remuneration report.

### Defined benefit schemes

As similar financial and demographic assumptions are used in accounting for both of the group's defined benefit pension schemes, and given they have similar risk profiles, the information below and further detail provided in note A4 is presented on an aggregated basis unless otherwise stated.

The net pension income before tax recognised in the income statement in respect of the defined benefit pension schemes is summarised as follows:

Group	2024 £m	2023 £m
Current service cost	2.8	6.0
Past service cost	(4.6)	–
Administrative expenses	4.0	2.5
<b>Pension expense charged to operating profit</b>	<b>2.2</b>	<b>8.5</b>
Net pension interest income credited to investment income (see note 5)	(28.6)	(28.7)
<b>Net pension income credited to the income statement before tax</b>	<b>(26.4)</b>	<b>(20.2)</b>

Defined benefit pension costs excluding curtailments/settlements included within employee benefit expense were £2.2 million (2023: £8.5 million) comprising current service costs and administrative expenses, partially offset by a past service credit of £4.6 million (2023: £nil) relating to the release of historic accrued defined benefit pension augmentations that are no longer required. Total post-employment benefits expense excluding curtailments/settlements charged to operating profit of £34.6 million (2023: £37.7 million) comprise the defined benefit costs described above of £2.2 million (2023: £8.5 million) and defined contribution costs of £32.4 million (2023: £29.2 million) (see note 3).

The reconciliation of the opening and closing net pension surplus included in the statement of financial position is as follows:

Group	2024 £m	2023 £m
At the start of the year	600.8	1,016.8
Income recognised in the income statement	26.4	20.2
Contributions	9.3	9.1
Remeasurement losses gross of tax	(368.5)	(445.3)
<b>At the end of the year</b>	<b>268.0</b>	<b>600.8</b>

Included in the contributions paid of £9.3 million (2023: £9.1 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2023: £0.6 million), and administration expenses of £4.0 million (2023: £2.5 million). Contributions in relation to current service cost fell to £2.8 million (2023: £6.0 million).

Remeasurement gains and losses are recognised directly in the statement of comprehensive income.

Group	2024 £m	2023 £m
The return on plan assets, excluding amounts included in interest	(402.7)	(1,087.8)
Actuarial gains arising from changes in financial assumptions	52.7	950.0
Actuarial gains/(losses) arising from changes in demographic assumptions	49.2	(60.7)
Actuarial losses arising from experience	(67.7)	(246.8)
<b>Remeasurement losses on defined benefit pension schemes</b>	<b>(368.5)</b>	<b>(445.3)</b>

Deferred tax on the movement in the defined benefit surplus during the year has been recognised at a rate of 25 per cent, being the rate applicable to refunds from a trust, reflecting the most likely method by which the defined benefit surplus would be realised (see note 7).

# Notes to the financial statements

## 14 Retirement benefits continued

For more information in relation to the group's defined benefit pension schemes, including changes in financial and demographic assumptions, see note A4.

### Defined contribution schemes

During the year, the group made £32.4 million (2023: £29.2 million) of contributions to defined contribution schemes, which are included in employee benefits expense in the consolidated income statement (see note 3), and as cash outflows in arriving at net cash generated from operating activities in the consolidated statement of cash flows.

### Company

The company did not participate in any of the group's pension schemes during the years ended 31 March 2024 and 31 March 2023.

## 15 Cash and cash equivalents

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash at bank and in hand	3.7	2.6	–	–
Short-term bank deposits	1,395.6	337.8	–	–
<b>Cash and short-term deposits</b>	<b>1,399.3</b>	<b>340.4</b>	<b>–</b>	<b>–</b>
Book overdrafts (included in borrowings – see note 16)	(20.0)	(12.5)	–	–
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1,379.3</b>	<b>327.9</b>	<b>–</b>	<b>–</b>

Cash and short-term deposits include cash at bank and in hand, deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and have a maturity of three months or less. The carrying amounts of cash and cash equivalents approximate their fair value.

Book overdrafts, which result from normal cash management practices, represent the value of cheques issued and payments initiated that had not cleared as at the reporting date.

## 16 Borrowings

Group	2024 £m	2023 £m
<b>Non-current liabilities</b>		
Bonds	7,598.2	6,378.8
Bank and other term borrowings	1,691.4	1,825.0
Lease obligations	56.2	55.2
	<b>9,345.8</b>	<b>8,259.0</b>
<b>Current liabilities</b>		
Bonds	328.4	–
Bank and other term borrowings	304.2	160.8
Book overdrafts (see note 15)	20.0	12.5
Lease obligations	3.0	3.1
	<b>655.6</b>	<b>176.4</b>
	<b>10,001.4</b>	<b>8,435.4</b>
<b>Company</b>	<b>2024 £m</b>	<b>2023 £m</b>
<b>Non-current liabilities</b>		
Amounts owed to subsidiary undertakings	1,982.3	1,864.8
	<b>1,982.3</b>	<b>1,864.8</b>

Amounts owed to subsidiary undertakings relate to an intercompany loan from United Utilities PLC to the company, which bears interest calculated with reference to the Bank of England base rate plus a credit margin, and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

For further details of the principal economic terms and conditions of outstanding borrowings and the maturity profile of lease liabilities recognised at the balance sheet date, see note 19.

Borrowings are unsecured and are measured at amortised cost. The carrying amounts of borrowings approximate their fair value.



## 17 Provisions

Group	Severance £m	Other £m	Total £m
At 1 April 2022	1.2	12.3	13.5
(Credited)/charged to the income statement	(0.3)	0.8	0.5
Utilised in the year	(0.5)	(0.4)	(0.9)
At 31 March 2023	0.4	12.7	13.1
Charged to the income statement	1.5	2.8	4.3
Utilised in the year	(1.4)	(2.5)	(3.9)
<b>At 31 March 2024</b>	<b>0.5</b>	<b>13.0</b>	<b>13.5</b>

The group had no provisions classed as non-current at 31 March 2024 or 31 March 2023.

The severance provision as at 31 March 2024 and 31 March 2023 relates to severance costs as a result of group reorganisation.

Other provisions principally relate to contractual, legal and environmental claims against the group and represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

### Company

The company had no provisions at 31 March 2024 or 31 March 2023.

## 18 Trade and other payables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Non-current</b>				
Deferred grants and contributions	937.7	873.3	–	–
Other creditors	20.2	19.1	–	–
	<b>957.9</b>	<b>892.4</b>	<b>–</b>	<b>–</b>
	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Current</b>				
Trade payables	23.4	26.4	–	–
Amounts owed to subsidiary undertakings	–	–	0.9	2.0
Other tax and social security	7.5	6.9	–	–
Deferred grants and contributions	17.8	16.6	–	–
Accruals and other creditors	315.4	272.8	4.1	3.6
Deferred income	49.2	54.0	–	–
	<b>413.3</b>	<b>376.7</b>	<b>5.0</b>	<b>5.6</b>

The average credit period taken for trade purchases is 11 days (2023: 11 days).

The carrying amounts of trade and other payables approximates to their fair value at 31 March 2024 and 31 March 2023.

The majority of deferred income balances comprise timing differences between customer payments, the billing cycle, and the usage of water by customers. They therefore typically reverse in subsequent months, with all amounts held in relation to these contract liabilities at the beginning of the reporting period having subsequently reversed into the income statement during the year.

### Deferred grants and contributions

Group	2024 £m	2023 £m
At the start of the year	889.9	834.2
Amounts capitalised during the year	25.9	5.4
Transfers of assets from customers	61.3	66.2
Transfer of government grants related to assets	(4.7)	–
Credited to the income statement – revenue	(17.4)	(16.2)
Credited to the income statement – other operating expenses	–	(0.3)
Credited to allowance for bad and doubtful receivables	0.5	0.6
At the end of the year	<b>955.5</b>	<b>889.9</b>

During the year, the unamortised value of government grants related to assets has been transferred to property, plant and equipment and deducted in arriving at the carrying value of related assets. See note 10 for further detail.

# Notes to the financial statements

## 19 Leases

In order to carry out its activities, the group enters into leases of assets from time to time, typically in relation to items such as land, buildings, vehicles, and equipment. Due to the nature of the group's operations, many of the group's leases have extremely long terms, with leases ranging from one year to 999 years. The group does not typically enter into lease contracts with a duration of less than 12 months, and no material costs were incurred during the year for short-term leases.

During the year, the group has entered into leases of computer equipment for which the underlying assets are of low value, and therefore qualify for the recognition exemption available under IFRS 16 'Leases', which the group has elected to apply. The expense related to these low-value assets incurred in the year totals £0.6 million (2023: £nil).

As at 31 March 2024, the group's statement of financial position included right-of-use assets with a net book value of £57.6 million (2023: £56.9 million) and lease liabilities with a total value of £59.2 million (2023: £58.3 million). These balances are analysed further below.

### Right-of-use assets

As shown in note 10, the carrying amount of right-of-use assets at the year ended 31 March 2024 is presented in the following asset classes.

	2024 £m	2023 £m
Land and buildings	52.0	51.2
Operational assets	5.4	5.5
Fixtures, fittings, tools, and equipment	0.2	0.2
<b>Total carrying amount of right-of-use assets</b>	<b>57.6</b>	<b>56.9</b>

Additions to right-of-use assets were £2.6 million (2023: £1.0 million). Disposals were £1.0 million (2023: £2.5 million).

The depreciation charge recognised in relation to right-of-use assets, which is included within the group's operating profit, was as follows:

	2024 £m	2023 £m
Land and buildings	1.2	1.4
Operational assets	0.6	0.6
Fixtures, fittings, tools, and equipment	–	–
<b>Total depreciation of right-of-use assets</b>	<b>1.8</b>	<b>2.0</b>

### Lease liabilities

As set out in note 16, lease liabilities at the year ended 31 March 2024 of £59.2 million (2023: £58.3 million) is split between £56.2 million (2023: £55.2 million) presented as non-current liabilities and £3.0 million (2023: £3.1 million) presented as current liabilities.

The maturity profile of lease liabilities recognised at the balance sheet date is:

	2024 £m	2023 £m
Less than 1 year	3.0	3.2
1 to 5 years	8.6	9.0
5 to 10 years	7.9	7.8
10 to 25 years	26.0	25.0
25 to 50 years	43.2	41.3
50 to 100 years	85.0	81.5
100 to 500 years	108.6	105.3
Longer than 500 years	3.5	3.2
<b>Total undiscounted cash payments</b>	<b>285.8</b>	<b>276.3</b>
Effect of discounting	(226.6)	(218.0)
<b>Present value of cash payments</b>	<b>59.2</b>	<b>58.3</b>

Interest recognised in relation to lease liabilities for the year ended 31 March 2024, and included within the group's finance expenses, was £1.4 million (2023: £1.5 million).

The total cash outflow for leases for the year ended 31 March 2024 was £2.9 million (2023: £3.3 million); of this, £1.4 million was payment of interest (2023: £1.5 million) and £1.5 million payment of principal (2023: £1.8 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

## 20 Other reserves

Group	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2022	1,033.3	(703.6)	0.4	86.1	416.2
Changes in fair value recognised in other comprehensive income	–	–	6.3	(50.6)	(44.3)
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	(36.6)	(36.6)
Tax on hedge effectiveness taken directly to equity	–	–	(1.6)	12.7	11.1
Tax on reclassification to consolidated income statement	–	–	–	7.0	7.0
<b>At 31 March 2023</b>	<b>1,033.3</b>	<b>(703.6)</b>	<b>5.1</b>	<b>18.6</b>	<b>353.4</b>
At 1 April 2023	1,033.3	(703.6)	5.1	18.6	353.4
Changes in fair value recognised in other comprehensive income	–	–	4.8	(63.0)	(58.2)
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	1.8	1.8
Tax on hedge effectiveness taken directly to equity	–	–	(1.2)	15.8	14.6
Tax on reclassification to consolidated income statement	–	–	–	(0.5)	(0.5)
<b>At 31 March 2024</b>	<b>1,033.3</b>	<b>(703.6)</b>	<b>8.7</b>	<b>(27.3)</b>	<b>311.1</b>

The capital redemption reserve arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009. The merger reserve arose in the same year on consolidation and represents the capital adjustment to reserves required to effect the reverse acquisition.

The group recognises the cost of hedging reserve as a component of equity. This reserve reflects accumulated fair value movements on cross-currency swaps resulting from changes in the foreign currency basis spread, which represents a liquidity charge inherent in foreign exchange contracts for exchanging currencies and is excluded from the designation of cross-currency swaps as hedging instruments.

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships to give a more representative view of operating costs. Fair value movements relating to the effective part of these swaps are recognised in other comprehensive income and accumulated in the cash flow hedging reserve.

### Company

The company's other reserves at 31 March 2024, 31 March 2023 and 1 April 2022, were comprised entirely of a £1,033.3 million capital redemption reserve that arose as a result of a return of capital to shareholders following the acquisition of United Utilities PLC by the company in the year ended 31 March 2009.

## 21 Share capital

Group and company	2024 million	2024 £m	2023 million	2023 £m
<b>Issued, called up and fully paid</b>				
Ordinary shares of 5.0 pence each	681.9	34.1	681.9	34.1
Deferred shares of 170.0 pence each	274.0	465.7	274.0	465.7
	<b>955.9</b>	<b>499.8</b>	955.9	499.8

Details of the voting rights of each category of shares can be found within the directors' report on page 165.

The 170.0 pence deferred shares were created to facilitate a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009 (see company statement of changes in equity on page 184), and represent the amount of a special dividend paid on B shares at that time. The deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding up.

# Notes to the financial statements

## 22 Contingent liabilities

Since 2016, the group has received indications from a number of property search companies ('PSCs') that they intend to claim compensation for amounts paid in respect of CON29DW water and drainage search reports, which they allege should have been provided to them either free of charge or for a nominal fee in accordance with the Environmental Information Regulations. In April 2020, a group of over 100 PSCs, comprising companies within the groups that had previously issued notice of intended claims, served proceedings on all of the water and sewerage undertakers in England and Wales, including U UW, for an unspecified amount of compensation. The litigation is being dealt with on a phased basis, with questions on whether the requested information falls within EIR being decided first (Phase 1). The trial of Phase 1 was concluded in December 2023, and U UW is awaiting the judgement, which is likely to be due at the end of spring 2024. Regardless of the outcome of the initial phase, no damages would be assessed or awarded until later phases in the litigation. However, based on the information currently available, the likelihood of the claim's success is considered to be low, and any potential outflow is not expected to be material.

Collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against U UW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative, Professor Carolyn Roberts. It is alleged that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the 2025-30 regulatory price control period) as a result of U UW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. A hearing is currently scheduled for late September 2024 to deal with certification of the claim and any possible preliminary issue or strike out arguments in respect of the claim. U UW believes the claim is without merit and will defend it robustly. Similar claims have also been issued and served against five other water and wastewater companies.

## 23 Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no financial liabilities to be disclosed in this regard (2023: none).

At 31 March 2024, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £342.7 million (2023: £339.0 million).

	2024 £m	2023 £m
Property, plant and equipment	327.0	322.6
Intangible assets	1.1	2.8
Infrastructure renewals expenditure	14.6	13.6
<b>Total commitments contracted but not provided for</b>	<b>342.7</b>	<b>339.0</b>

The company has not entered into performance guarantees as at 31 March 2024 and 31 March 2023.

## 24 Events after the reporting period

There were no significant events after the reporting period requiring disclosure or any adjustments to the financial position, financial performance, or cash flows reported as at 31 March 2024.

# Notes to the financial statements – appendices

## A1 Consolidated statement of cash flows – further analysis

### Cash generated from operations

	Group		Company	
	2024 £m	2023 £m	2024 £m	Restated <sup>(1)</sup> 2023 £m
Profit before tax	170.0	256.3	207.4	245.4
Adjustment for investment income and finance expense (see notes 5, 6 and A5)	306.1	215.7	113.0	55.9
Adjustment for share of losses of joint ventures (see note 12)	4.1	–	–	–
Profit on disposal of subsidiary	–	(31.2)	–	–
Operating profit	480.2	440.8	320.4	301.3
Adjustments for:				
Depreciation of property, plant and equipment (see notes 10 and 19)	406.1	385.5	–	–
Amortisation of intangible assets (see note 11)	32.7	38.1	–	–
Loss on disposal of property, plant and equipment (see note 4)	6.7	4.2	–	–
Amortisation of deferred grants and contributions (see note 18)	(17.4)	(16.2)	–	–
Equity-settled share-based payments charge (see note 3)	2.1	5.1	2.1	4.6
Pension contributions paid less pension expense charged to operating profit	(7.1)	0.4	–	–
Changes in working capital:				
(Increase)/Decrease in inventories	(7.2)	3.9	–	–
(Increase)/Decrease in trade and other receivables	(26.9)	27.2	(15.0)	0.4
(Decrease)/Increase in trade and other payables	(4.2)	(5.5)	0.6	0.2
Increase/(Decrease) in provisions (see note 17)	0.4	(0.4)	–	–
<b>Cash generated from operations</b>	<b>865.4</b>	<b>883.1</b>	<b>308.1</b>	<b>306.5</b>

<sup>(1)</sup> The company cash flow statement has been restated to present the equity-settled share-based payment charge of £4.6 million, which is incurred by the company and subsequently recharged to subsidiaries within the group, within the adjustments to operating profit. This charge was previously reported within the decrease in trade and other receivables. There has been no overall change to the cash generated from operations as a result of the restatement.

The group has received property, plant and equipment of £61.3 million (2023: £66.2 million) in exchange for the provision of future goods and services (see notes 18 and A6).

### Reconciliation of fixed asset purchases to fixed asset additions

	2024 £m	2023 £m
<b>Owned property, plant and equipment<sup>(1)</sup></b>		
Purchase of property, plant and equipment in statement of cash flows	749.5	675.9
Non-cash additions:		
Transfers of assets from customers (see note 18)	61.3	66.2
IAS 23 capitalised borrowing costs (see note 6)	79.7	126.0
Receipt of government grants related to assets (see notes 10 and A6)	(1.9)	–
Transfer of spare parts from inventories	–	(11.3)
Net book value transfers to intangible assets	–	0.6
Timing differences on cash paid <sup>(2)</sup>	3.9	9.5
<b>Property, plant and equipment additions</b>	<b>892.5</b>	<b>866.9</b>

Notes:

<sup>(1)</sup> This reconciliation relates to property, plant and equipment owned by the group and therefore excludes right-of-use assets recognised in accordance with IFRS 16 'Leases', for which cash flows relating to the associated lease liabilities are included within repayment of borrowings and interest paid in the statement of cash flows.

<sup>(2)</sup> Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

	2024 £m	2023 £m
<b>Intangible assets</b>		
Purchase of intangible assets in statement of cash flows	14.6	18.1
IAS 23 capitalised borrowing costs (see note 6)	1.3	1.5
Net book value transfers from property, plant and equipment	–	(0.6)
<b>Intangible asset additions</b>	<b>15.9</b>	<b>19.0</b>

# Notes to the financial statements – appendices

## A2 Net debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives hedging the financial risk associated with the group's borrowings<sup>(1)</sup>. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

	Borrowings			Derivatives			Cash and cash equivalents £m	Adjustments in calculating net debt <sup>(3)</sup> £m	Net debt £m
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m	Total liabilities from financing activities £m			
At 31 March 2023	(6,378.9)	(1,985.9)	(58.3)	(151.1)	349.8	(8,224.4)	327.9	(304.3)	(8,200.8)
<b>Non-cash movements:</b>									
Inflation uplift on index-linked debt	(178.2)	(47.7)	–	–	–	(225.9)	–	–	(225.9)
Fair value movements	(11.2)	3.3	–	1.5	(54.7)	(61.1)	–	6.7	(54.4)
Foreign exchange	26.6	8.6	–	–	–	35.2	–	–	35.2
Other	(4.3)	–	(3.8)	–	–	(8.1)	–	–	(8.1)
<b>Cash flows used in financing activities:</b>									
Receipts in respect of borrowing and derivatives <sup>(2)</sup>	(1,492.0)	(103.8)	–	(14.2)	–	(1,610.0)	1,610.0	–	–
Payments in respect of borrowings and derivatives <sup>(2)</sup>	111.4	129.9	1.5	5.7	–	248.5	(248.5)	–	–
Dividends paid	–	–	–	–	–	–	(320.0)	–	(320.0)
Exercise of share options – purchase of shares	–	–	–	–	–	–	(3.8)	–	(3.8)
<b>Changes arising from financing activities</b>	<b>(1,547.7)</b>	<b>(9.7)</b>	<b>(2.3)</b>	<b>(7.0)</b>	<b>(54.7)</b>	<b>(1,621.4)</b>	<b>1,037.7</b>	<b>6.7</b>	<b>(577.0)</b>
Cash flows used in investing activities	–	–	–	–	–	–	(731.4)	–	(731.4)
Cash flows generated from operating activities	–	–	1.4	–	–	1.4	745.1	–	746.5
<b>At 31 March 2024</b>	<b>(7,926.6)</b>	<b>(1,995.6)</b>	<b>(59.2)</b>	<b>(158.1)</b>	<b>295.1</b>	<b>(9,844.4)</b>	<b>1,379.3</b>	<b>(297.6)</b>	<b>(8,762.7)</b>

### Notes:

<sup>(1)</sup> Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2024, the group had net derivative liabilities of £34.8 million (2023: net derivative assets of £25.5 million) to hedge electricity prices. See note A3 for further details.

<sup>(2)</sup> Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown net, with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

<sup>(3)</sup> The fair value of the derivatives reported in financing liabilities that are not hedging specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives that are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships) are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

Fair value movements includes the indexation expense relating to the group's inflation swap portfolio of £111.3 million (2023: £85.3 million). The remaining fair value and foreign exchange movements in the year on the group's bond and bank borrowings are materially hedged by the fair value swap portfolio.

## A2 Net debt continued

	Borrowings			Derivatives		Total liabilities from financing activities £m	Cash and cash equivalents £m	Adjustments in calculating net debt <sup>(2)</sup> £m	Net debt £m
	Bonds £m	Bank and other term borrowings £m	Lease liabilities £m	in a fair value hedge £m	at fair value through profit or loss £m				
At 31 March 2022	(6,168.4)	(1,729.9)	(60.9)	68.9	140.3	(7,750.0)	220.1	(40.1)	(7,570.0)
<b>Non-cash movements:</b>									
Inflation uplift on index-linked debt	(325.4)	(138.0)	–	–	–	(463.4)	–	–	(463.4)
Fair value movements	239.2	3.3	–	(220.1)	209.5	231.9	–	(264.2)	(32.3)
Foreign exchange	(22.3)	1.7	–	–	–	(20.6)	–	–	(20.6)
Other	1.1	0.3	(2.2)	–	–	(0.8)	–	–	(0.8)
<b>Cash flows used in financing activities:</b>									
Receipts in respect of borrowing and derivatives <sup>(1)</sup>	(103.1)	(398.0)	–	–	–	(501.1)	501.1	–	–
Payments in respect of borrowings and derivatives <sup>(1)</sup>	–	274.7	3.3	0.1	–	278.1	(278.1)	–	–
Dividends paid	–	–	–	–	–	–	(301.2)	–	(301.2)
Exercise of share options – purchase of shares	–	–	–	–	–	–	(6.8)	–	(6.8)
<b>Changes arising from financing activities</b>	<b>(210.5)</b>	<b>(256.0)</b>	<b>1.1</b>	<b>(220.0)</b>	<b>209.5</b>	<b>(475.9)</b>	<b>(85.0)</b>	<b>(264.2)</b>	<b>(825.1)</b>
Cash flows used in investing activities	–	–	–	–	–	–	(593.4)	–	(593.4)
Cash flows generated from operating activities	–	–	1.5	–	–	1.5	787.5	–	789.0
Effects of exchange rate changes	–	–	–	–	–	–	(1.3)	–	(1.3)
<b>At 31 March 2023</b>	<b>(6,378.9)</b>	<b>(1,985.9)</b>	<b>(58.3)</b>	<b>(151.1)</b>	<b>349.8</b>	<b>(8,224.4)</b>	<b>327.9</b>	<b>(304.3)</b>	<b>(8,200.8)</b>

## Notes:

- <sup>(1)</sup> Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown netted with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.
- <sup>(2)</sup> The fair value of the derivatives reported in financing liabilities that are not hedging specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives that are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships) are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

# Notes to the financial statements – appendices

## A3 Financial risk management

### Risk management

The board is responsible for treasury strategy and governance, which is reviewed on an annual basis.

The treasury committee, a subcommittee of the board, has responsibility for setting and monitoring the group's adherence to treasury policies, along with oversight in relation to the activities of the treasury function.

Treasury policies cover the key financial risks: liquidity risk, credit risk, market risk (inflation, interest rate, electricity price and currency) and capital risk. As well as managing our exposure to these risks, these policies help the group maintain compliance with relevant financial covenants, which are in place primarily in relation to borrowings from the European Investment Bank ('EIB') and include interest cover and gearing metrics. These policies are reviewed by the treasury committee for approval on at least an annual basis, or following any major changes in treasury operations and/or financial market conditions.

Day-to-day responsibility for operational compliance with the treasury policies rests with the treasurer. An operational compliance report is provided monthly to the treasury committee, which details the status of the group's compliance with the treasury policies and highlights the level of risk against the appropriate risk limits in place.

The group's treasury function does not act as a profit centre and does not undertake any speculative trading activity.

### Liquidity risk

The group looks to manage its liquidity risk by maintaining liquidity within a board-approved duration range. Liquidity is actively monitored by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

At 31 March 2024, the group had £2,199.3 million (2023: £1,190.4 million) of available liquidity, which comprised £1,399.3 million (2023: £340.4 million) of cash and short-term deposits and £800.0 million (2023: £850.0 million) of undrawn committed borrowing facilities.

The group had available committed borrowing facilities as follows:

Group	2024 £m	2023 £m
Expiring within one year	50.0	150.0
Expiring after one year but in less than two years	200.0	50.0
Expiring after more than two years	550.0	650.0
Total borrowing facilities	800.0	850.0
Facilities drawn	–	–
Total borrowing facilities	800.0	850.0

These facilities are arranged on a bilateral rather than a syndicated basis, which spreads the maturities more evenly over a longer time period, thereby reducing the refinancing risk by providing several renewal points rather than a large single refinancing point.

### Company

The company did not have any committed facilities available at 31 March 2024 or 31 March 2023.

### Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to the group's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile has been disclosed in note 19.

Group	Total <sup>(1)</sup> £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
<b>At 31 March 2024</b>								
Bonds	15,285.6	–	571.3	383.6	233.6	665.4	651.3	12,780.4
Bank and other term borrowings	1,779.6	–	363.2	299.7	143.0	146.1	146.1	681.5
Adjustment to carrying value <sup>(2)</sup>	(7,123.1)	(7,123.1)	–	–	–	–	–	–
Borrowings	9,942.1	(7,123.1)	934.5	683.3	376.6	811.5	797.4	13,461.9
Derivatives:								
Payable	3,521.4	–	189.7	272.1	153.1	260.6	346.2	2,299.7
Receivable	(3,093.9)	–	(192.4)	(290.3)	(178.1)	(305.6)	(455.0)	(1,672.5)
Adjustment to carrying value <sup>(2)</sup>	(529.7)	(529.7)	–	–	–	–	–	–
Derivatives – net assets <sup>(3)</sup>	(102.2)	(529.7)	(2.7)	(18.2)	(25.0)	(45.0)	(108.8)	627.2



### A3 Financial risk management continued

Group At 31 March 2023	Total <sup>(1)</sup> £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	12,650.3	–	166.7	617.9	306.7	155.8	591.3	10,811.9
Bank and other term borrowings	1,923.1	–	208.0	298.1	297.7	144.8	144.3	830.2
Adjustment to carrying value <sup>(2)</sup>	(6,196.4)	(6,196.4)	–	–	–	–	–	–
Borrowings	8,377.0	(6,196.4)	374.7	916.0	604.4	300.6	735.6	11,642.1
Derivatives:								
Payable	2,404.4	–	111.2	112.9	205.0	92.1	198.3	1,684.9
Receivable	(2,120.5)	–	(182.4)	(170.0)	(249.2)	(126.3)	(249.5)	(1,143.1)
Adjustment to carrying value <sup>(2)</sup>	(508.2)	(508.2)	–	–	–	–	–	–
Derivatives – net assets <sup>(3)</sup>	(224.3)	(508.2)	(71.2)	(57.1)	(44.2)	(34.2)	(51.2)	541.8

#### Notes:

- <sup>(1)</sup> Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at year-end and are therefore susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 3 per cent and CPI will be 2 per cent over the life of each instrument.
- <sup>(2)</sup> The carrying value of debt is calculated following various methods in accordance with IFRS 9 'Financial Instruments' and therefore this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £59.2 million (2023: £58.3 million) of lease liabilities.
- <sup>(3)</sup> The derivative balance includes swaps with a carrying value of £4.3 million (2023: £4.3 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £24.7 million (2023: £39.6 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

#### Company

The company has total borrowings of £1,982.3 million (2023: £1,864.8 million), all of which are payable in greater than one year.

#### Credit risk

Credit risk arises principally from trading (the supply of services to customers) and treasury activities (the depositing of cash and holding of derivative instruments). While the opening of the non-household retail market to competition from 1 April 2017 has impacted on the profile of the group's concentration of credit risk, as discussed further below, the group does not believe it is exposed to any material concentrations that could have an impact on its ability to continue as a going concern or its longer-term viability.

The group manages its risk from trading through the effective management of customer relationships. Concentrations of credit risk with respect to trade receivables from household customers are limited due to the customer base being comprised of a large number of unrelated households. However, collection can be challenging as the Water Industry Act 1991 (as amended by the Water Industry Act 1999) prohibits the disconnection of a water supply and the limiting of supply with the intention of enforcing payment for certain premises, including domestic dwellings.

Credit risk from trading is concentrated in a small number of retailers to whom the group provides wholesale water and wastewater services. Retailers are licensed and monitored by Ofwat and as part of the regulations they must demonstrate that they have adequate resources available to supply services. The credit terms for the group's retail customers are set out in market codes.

As at 31 March 2024, Water Plus was the group's single largest debtor, with amounts outstanding in relation to wholesale services of £27.1 million (2023: £26.7 million). During the year, sales to Water Plus in relation to wholesale services were £334.4 million (2023: £335.1 million). Details of transactions with Water Plus can be found in note A5.

Under the group's revenue recognition policy, revenue is only recognised when collection of the resulting receivable is reasonably assured. Considering the above, the directors believe there is no further credit risk provision required in excess of the allowance for doubtful receivables (see note 13).

The group manages its credit risk from treasury activities by establishing a total credit limit by counterparty, which comprises a counterparty credit limit and an additional settlement limit to cover intra-day gross settlement of cash flows. In addition, potential derivative exposure limits are established to take account of potential future exposure that may arise under derivative transactions. These limits are calculated by reference to a measure of capital and credit ratings of the individual counterparties and are subject to a maximum single counterparty limit.

Credit limits are refreshed annually and reviewed in the event of any credit rating action. Additionally, a control mechanism to trigger a review of specific counterparty limits, irrespective of credit rating action, is in place. This entails daily monitoring of counterparty credit default swap levels and/or share price volatility. Credit exposure is monitored daily by the group's treasury function and is reported monthly to the treasury committee through the operational compliance report.

# Notes to the financial statements – appendices

## A3 Financial risk management continued

At 31 March 2024 and 31 March 2023, the maximum exposure to credit risk for the group and company is represented by the carrying amount of each financial asset in the statement of financial position:

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash and short-term deposits (see note 15)	1,399.3	340.4	–	–
Trade and other receivables (see note 13)	300.5	266.2	136.0	105.1
Derivative financial instruments	382.8	477.1	–	–
	<b>2,082.6</b>	1,083.7	<b>136.0</b>	105.1

The credit exposure on derivatives is disclosed gross of any collateral held. At 31 March 2024, the group held £37.8 million (2023: £45.8 million) as collateral in relation to derivative financial instruments.

### Market risk

The group's exposure to market risk primarily results from its financing arrangements and the economic return that it is allowed on the regulatory capital value ('RCV').

The group uses a variety of financial instruments, including derivatives, to manage the exposure to these risks.

### Inflation risk

The group earns an economic return on its RCV, comprising a real return through revenues and an inflation return as an uplift to its RCV.

For the 2020–2025 regulatory period, from 1 April 2020 the group's RCV is 50 per cent linked to RPI inflation and 50 per cent linked to CPIH inflation, with any new additions being added to the CPIH portion of the RCV.

The group's inflation hedging policy aims to have around half of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of nominal debt. This is currently weighted towards RPI-linked form, with circa 75 per cent of the hedge linked to RPI and circa 25 per cent linked to CPI and/or CPIH. These weightings are consistent with the prior financial year.

The group believes this is an appropriate inflation hedging policy, taking into account a balanced assessment of the following factors: economic hedge of United Utilities Water Limited's RCV and revenues; cash flow timing mismatch between allowed cost of debt and the group's incurred cost of debt; the inflation risk premium that is generally incorporated into nominal debt costs; income statement volatility; hedging costs; debt maturity profile mismatch risk; and index-linked hedging positioning relative to the water sector.

Inflation risk is reported monthly to the treasury committee in the operational compliance report.

The carrying value of index-linked debt held by the group, including the carrying value of the nominal debt swapped to CPI, was £4,564.4 million at 31 March 2024 (2023: £4,407.1 million).

### Sensitivity analysis

The following table details the sensitivity of profit before tax to changes in the RPI and CPI on the group's index-linked borrowings. The sensitivity analysis has been based on the amount of index-linked debt held at the reporting date and, as such, is not indicative of the years then ended. In addition, it excludes the impact of inflation on revenues and other income statement costs as well as the hedging aspect of the group's regulatory assets and post-retirement obligations.

Group	2024 £m	2023 £m
<b>Increase/(decrease) in profit before taxation and equity</b>		
1% increase in RPI/CPI	(42.0)	(40.1)
1% decrease in RPI/CPI	42.0	40.1

The sensitivity analysis assumes a 1 per cent change in RPI and CPI having a corresponding 1 per cent impact on this position over a 12-month period. It should be noted, however, that there is a time lag by which current RPI and CPI changes impact on the income statement, and the analysis does not incorporate this factor. The portfolio of index-linked debt is calculated on either a three- or eight-month lag basis. Therefore, at the reporting date, the index-linked interest and principal adjustments impacting the income statement are fixed and based on the annual RPI or CPI change either three or eight months earlier.

### A3 Financial risk management continued

#### Company

The company had no material exposure to inflation risk at 31 March 2024 or 31 March 2023.

#### Interest rate risk

The group's policy is to structure debt in a way that best matches its underlying assets and cash flows. The group currently earns an economic return on its RCV, comprising a real return through revenues, determined by the real cost of capital fixed by the regulator for each five-year regulatory pricing period, and an inflation return as an uplift to its RCV.

From 1 April 2020, for the regulatory period to 2025, Ofwat has continued to set a fixed real cost of debt in relation to embedded debt (80 per cent of net debt), but has introduced a debt indexation mechanism in relation to new debt (20 per cent of net debt), where the allowed rate on new debt will vary in line with specific debt indices. The debt indexation mechanism will be settled as an end of regulatory period adjustment.

Where conventional long-term debt is raised in a fixed-rate form, to manage exposure to long-term interest rates, the debt is generally swapped at inception to create a floating rate liability for the term of the liability through the use of interest rate swaps. These instruments are typically designated within a fair value accounting hedge.

To manage the exposure to medium-term interest rates, the group fixes underlying interest rates on nominal debt out to ten years in advance on a reducing balance basis. As such, at the start of each regulatory period, a proportion of the projected nominal net debt representing new debt for that regulatory period, will remain floating until it is fixed via the above ten-year reducing balance basis, which should approximate Ofwat's new debt indexation mechanism.

This interest rate hedging policy dovetails with our inflation hedging policy should we need to swap a portion of nominal debt to real rate form to maintain our desired mix of nominal and index-linked debt.

The group seeks to manage its risk by maintaining its interest rate exposure within a board-approved range. Interest rate risk is reported to the treasury committee through the operational compliance report.

#### Sensitivity analysis

The following table details the sensitivity of the group's profit before tax and equity to changes in interest rates. The sensitivity analysis has been based on the amount of net debt and the interest rate hedge positions in place at the reporting date and, as such, is not indicative of the years then ended.

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Increase/(decrease) in profit before tax and equity</b>				
1% increase in interest rate	87.2	91.0	(19.8)	(18.6)
1% decrease in interest rate	(150.7)	(120.1)	19.8	18.6

The sensitivity analysis assumes that both fair value hedges and borrowings designated at fair value through profit or loss are effectively hedged and it excludes the impact on post-retirement obligations. The exposure largely relates to fair value movements on the group's fixed interest rate swaps, which manage the exposure to medium-term interest rates. Those swaps are not included in hedge relationships.

#### Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage interest rate risk are summarised below:

<b>At 31 March 2024</b>	<b>1 year or less</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>
Notional principal amount £m	339.9	–	400.0	1,675.0
Average contracted fixed interest rate %	1.0	–	3.7	2.5

This table represents the derivatives that are held in fair value hedging relationships, with the weighted average net fixed rate receivable across both legs to the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate element of the payable leg, which is to be netted off against the fixed rate receivable leg for the purposes of the rates shown here.

# Notes to the financial statements – appendices

## A3 Financial risk management continued

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/losses on hedged items £m	Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2024 <sup>(1)</sup>		Hedge ineffectiveness recognised in the income statement £m
				Hedged items £m	Hedged instruments £m	
Interest rate risk on borrowings	1,764.9	(137.2)	(134.9)	28.3	(33.8)	(5.5)

Note:

<sup>(1)</sup> The change in fair value of the hedging instruments used to measure hedge ineffectiveness exclude interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

### Currency risk

Currency exposure principally arises in respect of funding raised in foreign currencies. To manage exposure to currency rates, foreign currency debt is hedged into sterling through the use of cross-currency swaps and these are often designated within a fair value accounting hedge. The group seeks to manage its risk by maintaining currency exposure within board-approved limits. Currency risk in relation to foreign currency denominated financial instruments is reported monthly to the treasury committee through the operational compliance report. The group and company have no material net exposure to movements in currency rates.

### Hedge accounting

Details regarding the interest rate swaps designated as hedging instruments to manage currency risk and interest rate risk are summarised below:

At 31 March 2024	1 year or less	1–2 years	2–5 years	Over 5 years
Notional principal amount £m	–	99.9	116.3	1,020.7
Average contracted fixed interest rate %	–	1.9	0.9	1.7

This table represents the derivatives that are held in fair value hedging relationships, with only the weighted average net receivable for the fixed interest rate elements of the swap disclosed. The SONIA/LIBOR credit adjustment spread has been assumed to form part of the fixed rate payable, which is to be netted off against the fixed rate receivable for the purposes of the rates shown here.

Further detail on the fair value hedging relationships is provided below:

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/losses on hedged items £m	Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2024 <sup>(1)</sup>		Hedge ineffectiveness recognised in the income statement £m
				Hedged items £m	Hedged instruments £m	
Foreign currency and interest rate risk on borrowings	1,149.1	(37.9)	(14.7)	(30.4)	27.6	(2.8)

<sup>(1)</sup> The change in fair value of the hedging instruments used to measure hedge ineffectiveness exclude interest accruals and credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

### A3 Financial risk management continued

#### Repricing analysis

The following tables categorise the group's borrowings, derivatives and cash deposits on the basis of when they reprice or, if earlier, mature. The repricing analysis demonstrates the group's exposure to floating interest rate risk.

Our largest concentration of floating interest rate risk is with index-linked instruments. This has been classified as repricing in one year or less due to the refixing of the interest charge with changes in RPI and CPI.

Group	Total	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
At 31 March 2024	£m	£m	£m	£m	£m	£m	£m
<b>Borrowings in fair value hedge relationships</b>							
Fixed rate instruments	3,414.6	328.4	105.2	–	426.5	154.5	2,400.0
Effect of swaps	–	3,086.2	(105.2)	–	(426.5)	(154.5)	(2,400.0)
	3,414.6	3,414.6	–	–	–	–	–
<b>Borrowings designated at fair value through profit or loss</b>							
Fixed rate instruments	338.9	–	–	–	–	–	338.9
Effect of swaps	–	338.9	–	–	–	–	(338.9)
	338.9	338.9	–	–	–	–	–
<b>Borrowings measured at amortised cost</b>							
Fixed rate instruments	1,261.4	38.9	2.0	1.5	1.3	1.5	1,216.2
Floating rate instruments	907.0	907.0	–	–	–	–	–
Index-linked instruments	4,079.5	4,079.5	–	–	–	–	–
	6,247.9	5,025.4	2.0	1.5	1.3	1.5	1,216.2
Effect of fixed hedge for the term of the regulatory period	–	(2,328.9)	200.0	389.8	250.6	653.5	835.0
<b>Total borrowings</b>	<b>10,001.4</b>	<b>6,450.0</b>	<b>202.0</b>	<b>391.3</b>	<b>251.9</b>	<b>655.0</b>	<b>2,051.2</b>
Cash and short-term deposits	(1,399.3)	(1,399.3)	–	–	–	–	–
<b>Net borrowings</b>	<b>8,602.1</b>	<b>5,050.7</b>	<b>202.0</b>	<b>391.3</b>	<b>251.9</b>	<b>655.0</b>	<b>2,051.2</b>

Group	Total	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years
At 31 March 2023	£m	£m	£m	£m	£m	£m	£m
<b>Borrowings in fair value hedge relationships</b>							
Fixed rate instruments	2,332.3	–	427.8	108.0	–	431.9	1,364.6
Effect of swaps	–	2,332.3	(427.8)	(108.0)	–	(431.9)	(1,364.6)
	2,332.3	2,332.3	–	–	–	–	–
<b>Borrowings designated at fair value through profit or loss</b>							
Fixed rate instruments	361.0	–	–	–	–	–	361.0
Effect of swaps	–	361.0	–	–	–	–	(361.0)
	361.0	361.0	–	–	–	–	–
<b>Borrowings measured at amortised cost</b>							
Fixed rate instruments	970.4	46.8	1.2	1.5	2.7	1.7	916.5
Floating rate instruments	842.0	842.0	–	–	–	–	–
Index-linked instruments	3,929.7	3,929.7	–	–	–	–	–
	5,742.1	4,818.5	1.2	1.5	2.7	1.7	916.5
Effect of fixed hedge for the term of the regulatory period	–	(2,027.8)	200.0	200.0	389.8	99.5	1,138.5
<b>Total borrowings</b>	<b>8,435.4</b>	<b>5,484.0</b>	<b>201.2</b>	<b>201.5</b>	<b>392.5</b>	<b>101.2</b>	<b>2,055.0</b>
Cash and short-term deposits	(340.4)	(340.4)	–	–	–	–	–
<b>Net borrowings</b>	<b>8,095.0</b>	<b>5,143.6</b>	<b>201.2</b>	<b>201.5</b>	<b>392.5</b>	<b>101.2</b>	<b>2,055.0</b>

# Notes to the financial statements – appendices

## A3 Financial risk management continued

Company	2024		2023	
	Total £m	1 year or less £m	Total £m	1 year or less £m
<b>Borrowings measured at amortised cost</b>				
Floating rate instruments	1,982.3	1,982.3	1,864.8	1,864.8
<b>Total borrowings</b>	<b>1,982.3</b>	<b>1,982.3</b>	<b>1,864.8</b>	<b>1,864.8</b>

### Electricity price risk

The group is allowed a fixed amount of revenue by the regulator, in real terms, to cover electricity costs for each five-year regulatory pricing period. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flows. The group's policy, therefore, is to manage this risk by fixing a proportion of electricity commodity prices in a cost-effective manner. The group has fixed the price on a proportion of its anticipated net electricity usage out on a rolling four-year basis, partially through entering into electricity swap contracts.

### Hedge accounting

Details of electricity swaps designated as hedging instruments to manage electricity price risk are summarised below:

	1 year or less	1–2 years	2–5 years	Over 5 years
Notional amount MWh	394,080	350,400	262,920	–
Average contracted fixed price £/MWh	80.80	138.24	115.87	–

Electricity swaps have been designated in cash flow hedge relationships. This means that only the impact of any hedging ineffectiveness is recognised through fair value in the income statement, with movements in the effective portion of the hedge being recognised in other comprehensive income.

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Fair value (gains)/ losses used for calculating hedge ineffectiveness for the year ended 31 March 2024 <sup>(1)</sup>	Hedge ineffectiveness recognised in the income statement	Cash flow hedge reserve excluding effects of tax	Amount reclassified from the cash flow hedge reserve to the income statement
			£m	£m	£m	£m
Electricity price risk	102.2	(34.8)	63.1	–	(60.0)	1.8

<sup>(1)</sup> The change in fair value of the hedging instruments used to measure hedge ineffectiveness excludes credit spread adjustments. The full impact of fair value movements on the income statement is disclosed in note 6.

### Capital risk management

The group's objective when managing capital is to maintain efficient access to debt capital markets throughout the economic cycle. The board therefore believes that it is appropriate to maintain RCV gearing, measured as group consolidated net debt (including certain derivatives) to regulatory capital value ('RCV') of UUW, within a target range of 55 per cent to 65 per cent. As at 31 March 2024, RCV gearing was within the range at 59 per cent (2023: 58 per cent).

Assuming no significant changes to existing rating agencies' methodologies or sector risk assessments, the group aims to maintain long-term issuer credit ratings for UUW of at least A3 with Moody's Investors Service (Moody's) and BBB+ with S&P Global Ratings (S&P) and a senior unsecured debt rating for UUW of at least A- with Fitch Ratings (Fitch). Debt issued by UUW's financing subsidiary, United Utilities Water Finance PLC, is guaranteed by UUW and is therefore rated in line with UUW. The group's gearing and credit rating targets are subject to periodic review.

To maintain its targeted credit ratings, the group needs to manage its capital structure with reference to the ratings methodology and measures used by Moody's, S&P and Fitch. The ratings methodology is normally based on a number of key ratios (such as RCV gearing, adjusted interest cover, post maintenance interest cover ('PMICR'), Funds from Operations ('FFO') to debt, and debt to EBITDA) and threshold levels as updated and published from time to time by Moody's, S&P and Fitch. The group looks to manage its risk by maintaining the relevant key financial ratios used by the credit ratings agencies to determine a corporate's credit rating, within the thresholds approved by the board. Capital risk is reported monthly to the treasury committee through the operational compliance report.

Further detail on the precise measures and methodologies used to assess water companies' credit ratings can be found in the methodology papers published by the rating agencies.

### A3 Financial risk management continued

#### Fair values

The table below sets out the valuation basis of financial instruments held at fair value and financial instruments where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

Group	Level 1	Level 2	Level 3	Total
2024	£m	£m	£m	£m
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets – fair value hedge	–	74.7	–	74.7
Derivative financial assets – held for trading <sup>(1)</sup>	–	298.9	–	298.9
Derivative financial assets – cash flow hedge	–	9.2	–	9.2
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities – fair value hedge	–	(232.2)	–	(232.2)
Derivative financial liabilities – held for trading <sup>(1)</sup>	–	(4.5)	–	(4.5)
Derivative financial assets – cash flow hedge	–	(43.9)	–	(43.9)
Financial liabilities designated as fair value through profit or loss	–	(338.9)	–	(338.9)
<b>Financial instruments for which fair value has been disclosed</b>				
Financial liabilities in fair value hedge relationships	(3,158.5)	(300.5)	–	(3,459.0)
Other financial liabilities	(2,573.4)	(3,212.1)	–	(5,785.5)
	<b>(5,731.9)</b>	<b>(3,749.3)</b>	<b>–</b>	<b>(9,481.2)</b>

Group	Level 1	Level 2	Level 3	Total
2023	£m	£m	£m	£m
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets – fair value hedge	–	65.4	–	65.4
Derivative financial assets – held for trading <sup>(1)</sup>	–	352.0	–	352.0
Derivative financial assets – cash flow hedge	–	59.7	–	59.7
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative financial liabilities – fair value hedge	–	(215.3)	–	(215.3)
Derivative financial liabilities – held for trading <sup>(1)</sup>	–	(3.4)	–	(3.4)
Derivative financial assets – cash flow hedge	–	(34.1)	–	(34.1)
Financial liabilities designated as fair value through profit or loss	–	(361.0)	–	(361.0)
<b>Financial instruments for which fair value has been disclosed</b>				
Financial liabilities in fair value hedge relationships	(1,936.1)	(374.0)	–	(2,310.1)
Other financial liabilities	(2,541.3)	(2,858.5)	–	(5,399.8)
	<b>(4,477.4)</b>	<b>(3,369.2)</b>	<b>–</b>	<b>(7,846.6)</b>

<sup>(1)</sup> These derivatives form economic hedges and, as such, management intends to hold these through to maturity. Derivatives forming an economic hedge of the currency exposure on borrowings included in these balances were £110.9 million (2023: £133.9 million).

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

The group has calculated fair values using quoted prices where an active market exists, which has resulted in £5,731.9 million (2023: £4,477.4 million) of 'Level 1' fair value measurements. In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data in line with prior years. The £1,254.5 million increase (2023: £113.0 million decrease) in Level 1 fair value measurements primarily reflects the debt issuances in the year.

During the year, changes in the fair value of financial liabilities designated at fair value through profit or loss resulted in a £22.0 million loss (2023: £20.6 million loss). Included within this was a £0.7 million gain (2023: £4.7 million gain) attributable to changes in own credit risk, recognised in other comprehensive income. The cumulative amount due to changes in credit spread was £35.9 million profit (2023: £35.2 million profit). The carrying amount is £112.8 million (2023: £134.9 million) higher than the amount contracted to settle on maturity.

#### Company

The company does not hold any financial instruments that are measured subsequent to initial recognition at fair value or where fair value has been separately disclosed in the notes as the carrying value is not a reasonable approximation of fair value.

# Notes to the financial statements – appendices

## A4 Retirement benefits

### Defined benefit schemes

Under the group's defined benefit pension schemes – the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC group of the Electricity Supply Pension Scheme ('ESPS') – members are entitled to annual pensions on retirement. Benefits are payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these members.

The assets of these schemes are held in trust funds independent of the group's finances. The trustees are composed of representatives of both the employer and employees, who are required by law to act in the interests of all relevant beneficiaries and are responsible for the investment policy with regards to the assets plus the day-to-day administration of the benefits.

On 5 July 2023, the group supported the trustees of the two pension schemes in completing a circa £1.8 billion bulk annuity purchase, representing an insurance policy partial 'buy-in'. Under a partial 'buy-in', an insurance company covers a portion of a scheme's liabilities with an insurance policy held by the scheme. This insurance asset is held by the pension scheme and matches a portion of the scheme's liabilities with an insurer and hedges risks associated with those liabilities. A 'partial' buy-in covers a portion of a scheme's liabilities and works as a near-perfect economic hedge, removing interest rate, inflation and longevity risks for the portion of members' liabilities that are secured with the insurer. For ESPS, the buy-in was estimated to cover circa 93 per cent of pensioner liabilities, and for UUPS circa 80 per cent of deferred and pensioner members, as at the date of the transaction on a technical provisions basis – the split on an IAS 19 basis is expected to be broadly consistent. A buy-in is not a settlement and the liability is not derecognised as the group retains ultimate responsibility for funding the schemes. As the purchase of bulk annuity policies reflects an investment decision by the schemes' trustees, the impact of this transaction was to reduce the schemes' assets and record a re-measurement loss of circa £220 million, which is included in the overall £368.5 million remeasurement losses recognised in other comprehensive income in accordance with IAS 19; there was no impact on profit before tax.

As at 31 March, the total fair value of the schemes' assets, and the present value of the defined benefit obligations, and therefore the value of the net retirement benefit surplus included in the consolidated statement of financial position, was as follows:

Group	2024 £m	2023 £m
Total fair value of schemes' assets	2,552.4	2,931.3
Present value of defined benefit obligation	(2,284.4)	(2,330.5)
<b>Net retirement benefit surplus</b>	<b>268.0</b>	<b>600.8</b>

### Estimated future benefits payable

The defined benefit obligation includes benefits for current employees, former employees and current pensioners as analysed in the table below:

Group	2024 £m	2023 £m
Total value of current employees' benefits	272.1	362.7
Deferred members' benefits	441.4	436.4
Pensioner members' benefits	1,570.9	1,531.4
<b>Total defined benefit obligation</b>	<b>2,284.4</b>	<b>2,330.5</b>

Movements in the present value of the defined benefit obligations are as follows:

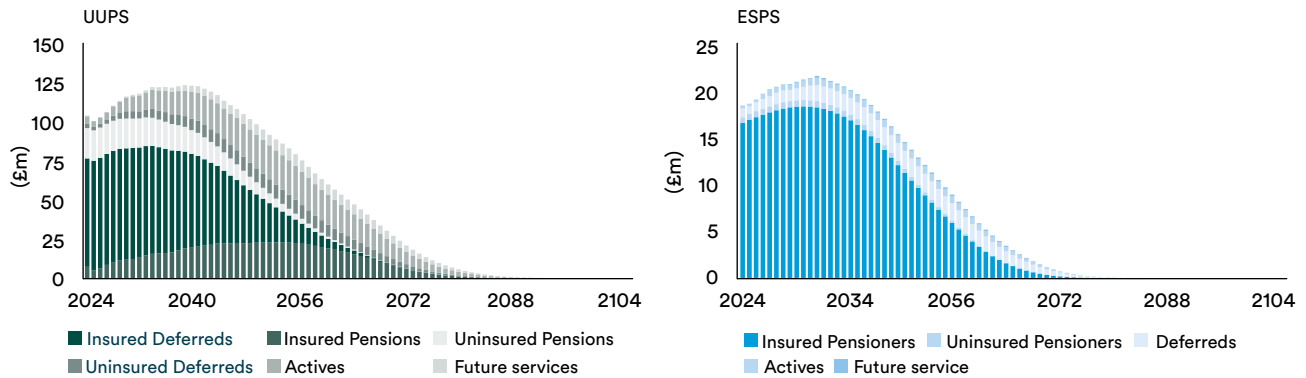
Group	2024 £m	2023 £m
At the start of the year	(2,330.5)	(3,018.9)
Interest cost on schemes' obligation	(107.1)	(82.7)
Actuarial gains arising from changes in financial assumptions	52.7	950.0
Actuarial gains/(losses) arising from changes in demographic assumptions	49.2	(60.7)
Actuarial losses arising from experience	(67.7)	(246.8)
Curtailments/settlements arising on reorganisation	4.6	–
Member contributions	(2.4)	(2.3)
Benefits paid	119.6	136.9
Current service cost	(2.8)	(6.0)
<b>At the end of the year</b>	<b>(2,284.4)</b>	<b>(2,330.5)</b>

The duration of the combined schemes is around 14 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.



## A4 Retirement benefits continued

The estimated profile of cash flows out of the schemes as retirement benefits are paid is as follows:



### Estimated future benefits payable

Under UK legislation there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and therefore that benefits can be paid. The latest finalised funding valuation was carried out as at 31 March 2021, and determined that the schemes were fully funded on a low-dependency basis without any funding deficit that requires additional contributions from the company over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. The group expects to make further contributions of £9.6 million in the year ending 31 March 2025, £8.5 million in respect of current service contributions and £1.1 million in respect of expenses. Annual contributions are expected to be broadly similar to this until at least the point at which the next triennial valuation (as at 31 March 2024), is finalised, which is expected to be towards the end of the year ending 31 March 2025. At this point, a detailed re-evaluation of the level of annual contributions, and the basis on which these are made, will take place.

The group and trustees have agreed long-term strategies for reducing investment risk in each scheme. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the pension plan by investing in assets, such as corporate bonds and gilts, supplemented by swap and gilt long-term hedges of interest and inflation rates, which perform in line with the liabilities to hedge against changes in interest and inflation rates. Both the UUPS and ESPS schemes are fully hedged for inflation exposure through external market swaps and gilts. Further details of the derivatives used in reducing investment risk are disclosed in the 'Schemes' assets' section of this appendix.

While longevity risk has reduced as a result of the partial buy-in transaction during the year, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding deficits vary significantly from company to company, but neither the deficits, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. Conversely, scheme liabilities are valued on a consistent basis between companies under IAS 19 and are subject to assumptions and sensitivities that are required to be disclosed. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to normalisation of assumptions used between companies.

A retirement benefit surplus was recognised as an asset in the consolidated statement of financial position at both 31 March 2024 and 31 March 2023 as, under both the UUPS and ESPS scheme rules, the group has an unconditional right to a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members have left the plans.

### Impact on scheme risk management on IAS 19 disclosures

Under the prescribed IAS 19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and CPI and the current member mortality assumptions. These projected cash flows are then discounted using a high-quality corporate bond rate, which comprises an underlying interest rate and a credit spread.

In July 2023, the trustees of the schemes entered into partial buy-in insurance contracts with L&G covering the liabilities for a significant proportion of the membership. The buy-in policies have been designed to match the benefits the schemes are required to pay in respect of the members covered under the contracts, and as a result have significantly reduced the schemes' exposure to changes in interest rates, inflation and demographic risks, although these risks remain given the buy-ins did not cover all the schemes' membership. As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets (net of associated derivative liabilities).

# Notes to the financial statements – appendices

## A4 Retirement benefits continued

Consequently, the reported statement of financial position under IAS 19 for the uninsured portion of the schemes' liabilities remains volatile due to changes in credit spread and changes in mortality, neither of which have been hedged at the current time. Changes in credit spreads have not been hedged primarily due to difficulties in doing so over long durations. In contrast, the schemes' specific funding bases are unlikely to suffer from significant volatility due to credit spread, because a prudent, fixed credit spread assumption is applied. Changes in mortality have not been hedged due to this exposure being subject to lower volatility in the short term, though the group and scheme trustees are committed to exploring options to de-risk changes in mortality, or pension longevity, in future periods for the uninsured liabilities, as outlined above.

Pension benefits under the defined benefit element of the UUPS hybrid section, which represents a relatively small proportion of total defined benefit obligations, are linked to CPI rather than RPI.

In the year ended 31 March 2024, the discount rate increased by 0.1 per cent (2023: 1.9 per cent increase), which includes a 0.55 per cent increase in gilt yields over the year, offset by a 0.45 per cent reduction in credit spreads. The IAS 19 remeasurement loss of £368.5 million (2023: £445.3 million loss) reported in note 14 has largely resulted from the purchase of buy-in policies: a premium of circa £220 million was paid in excess of the present value of liabilities covered, which is reflective of the reduction in the schemes' risk profile. Further, as the schemes are more than 100 per cent hedged on an IAS 19 basis, this has resulted in a greater reduction of the schemes' assets than the defined benefit obligations as a result of yield rises.

The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The narrowing in credit spreads during the year is accompanied by an RPI inflation assumption reduction of 0.15 per cent (2023: 0.35 per cent reduction). The impact of movements in credit spreads is less pronounced on a scheme funding basis compared with the remeasurement loss recognised on an IAS 19 accounting basis as the discount rate used for valuing obligations utilises a fixed credit spread assumption.

In the shorter term, recent high inflation has resulted in greater than expected pension increases, but longer-term expectations for inflation have fallen over the last 18 months.

### Reporting and assumptions

The results of the latest funding valuation at 31 March 2021 have been used to inform the group's best estimate assumptions to use in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2024. The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

Under IAS 19, the fair value of the buy-in assets at the date of the transaction was considered to be equal to the IAS 19 value of the insured liabilities, and subsequently the fair value of the insurance assets is pegged to the present value of the liabilities being insured. The defined benefit obligation reflects cashflows calculated on a funding basis as at the buy-in transaction date split by insured and uninsured members for UUPS; for ESPS, existing cashflows based on the most recent funding valuation have been used, making broad allowance for the purchase of the buy-in policies at 5 July 2023 based on high-level information provided by the scheme actuary.

Member data used in arriving at the liability figure included within the overall IAS 19 surplus has been based on the finalised actuarial valuations as at 31 March 2021 for ESPS. For UUPS, as part of the approach for valuing insured liabilities, membership data has been updated as at 31 August 2022 for deferred and pensioner members (i.e. the same effective date as the membership data underlying the buy-in contract) and 31 August 2023 for active members (not included in the buy-in). As part of each actuarial valuation and, more frequently, as required by the trustees, member data is reassessed for completeness and accuracy and to ensure it reflects any relevant changes to benefits entitled by each member.

### Financial assumptions

The main financial and demographic assumptions used by the actuary to calculate the defined benefit surplus of UUPS and ESPS are outlined below:

Group	2024 % p.a.	2023 % p.a.
Discount rate	4.80	4.70
Pension increases	3.25	3.40
Pensionable salary growth (pre-2018 service):		
ESPS	3.25	3.40
UUPS	3.25	3.40
Pensionable salary growth (post-2018 service):		
ESPS	3.25	3.40
UUPS	2.80	2.85
Price inflation – RPI	3.25	3.40
Price inflation – CPI	2.80	2.85

<sup>(1)</sup> The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.35 per cent pre-2030 and 3.05 per cent post-2030 (31 March 2023: 2.50 per cent pre-2030 and 3.30 per cent post-2030).

#### A4 Retirement benefits continued

The discount rate is consistent with a high-quality corporate bond rate, with 4.30 per cent being equivalent to gilts plus 50 basis points (2023: 4.70 per cent being equivalent to gilts plus 95 basis points). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

In accordance with the scheme rules, pensionable salary growth is linked to RPI for UUPS for service pre-2018 and CPI for service post-2018, for ESPS the growth is linked to RPI.

Assumed pension increases are aligned to the RPI price inflation assumption as the vast majority of benefits across the schemes have a direct RPI linkage.

In accordance with plans put forward by the UK Statistics Authority ('UKSA') and backed by the Chancellor of the Exchequer, the Retail Prices Index ('RPI') and the Consumer Prices Index including owner occupier's housing costs ('CPIH') are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 1 per cent below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could therefore have a significant impact on many pension schemes.

#### Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's ('CMI') mortality tables. As at 31 March 2024, these assumptions are based on the CMI2022 base tables with a 1.25% per annum rate of improvement (2023: 1.25 per cent), and factoring in a w2022 weighting of 40 per cent (2023: w2021 weighting of 10 per cent) to take account of the continued increased mortality rates following the impact of the Covid-19 pandemic in the medium term, including pressures on the NHS and the high flu rate in 2022. A scaling factor of 109 per cent (2023: 109 per cent) and 115 per cent (2023: 115 per cent) for male pensioners and non-pensioners respectively and 110 per cent (2023: 110 per cent) and 111 per cent (2023: 111 per cent) for female pensioners and non-pensioners respectively, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI S3PA), the Core CMI2022 model sees a reduction in life expectancies resulting in a reduction in the defined benefit obligation of around 1-1.5 per cent. It should be noted, however, that post buy-in any changes in the life expectancy assumptions for insured members will be offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. As such, relative to prior years the statement of financial position is expected to be less sensitive to mortality assumptions going forward.

The current life expectancies at age 60 underlying the value of the accrued liabilities for the schemes are:

Group	2024 years	2023 years
Retired member – male	25.5	25.9
Non-retired member – male	26.2	26.6
Retired member – female	27.6	28.0
Non-retired member – female	28.6	29.1

#### Financial and demographic assumptions – further analysis

The assumptions used in measuring the group's defined benefit surplus reflect management's best estimates as at the reporting date. These estimates inherently involve judgement, and the measurement of the defined benefit surplus is sensitive to changes in these key assumptions.

Given the offsetting nature of the buy-in assets, the IAS19 surplus will be predominantly driven by the uninsured liabilities and residual invested assets going forward. As a result, sensitivities relative to the uninsured defined benefit obligation are provided alongside those applicable to the full defined benefit obligation in accordance with IAS 19. Sensitivity calculations allow for the specified movement in the relevant key assumption, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted, however it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

- **Asset volatility** – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS19 the value of the buy-in assets is equal to the IAS19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of total scheme assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities.
- **Discount rate** – At 31 March 2024, an increase/decrease in the discount rate of 0.25 per cent would have resulted in a £27.5/£29.0 million decrease/increase in the schemes' uninsured liabilities, and a £72.3/£76.2 million (2023: £78.2/£82.7 million) decrease/increase to the schemes' total liabilities. As long as credit spreads remain stable, however, this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher by at least two rating agencies are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high quality corporate bonds that are aligned to the schemes' liabilities, and therefore provides a more robust estimate.

# Notes to the financial statements – appendices

## A4 Retirement benefits continued

- Price inflation – At 31 March 2024, an increase/decrease in the inflation assumption of 0.25 per cent would have resulted in a £26.1/24.9 million increase/decrease in the schemes' uninsured liabilities, and a £67.1/£63.9 million (2023: £72.3/£69.5 million) increase/decrease to the schemes' total liabilities. A significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2024, meaning that this sensitivity is likely to be insignificant as a result. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation has been volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.
- Consistent with market practice, and reflecting the possibility that inflation may rise or fall more than expected in the future, in arriving at the company's best estimate for RPI, an inflation risk premium of 0.2 per cent (2023: 0.2 per cent) has been deducted from the breakeven inflation rate for the year ended 31 March 2024. The impact of this is a decrease in the defined benefit obligation of around £22.0 million and therefore an increase in the net defined benefit surplus compared with no inflation risk premium being deducted. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation this wedge has been estimated at 0.9 per cent per annum, reducing to 0.2 per cent per annum post-2030 given that RPI and CPI are expected to converge (2023: 0.1 per cent per annum). The impact of this reduction in the post-2030 wedge as a result of RPI reform is a circa £4.0 million increase to the defined benefit obligation and therefore a decrease in the net defined benefit surplus compared with the wedge remaining at 0.9 per cent per annum after 2030. The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation this wedge has been estimated at 0.9 per cent per annum, reducing to 0.2 per cent per annum post-2030 given that RPI and CPI are expected to converge.
- Mortality long-term improvement rate – At 31 March 2024, an increase in the mortality long-term improvement rate from 1.25 per cent to 1.50 per cent would have resulted in a £6.1 million increase in the schemes' uninsured liabilities, and a £15.7 million (2023: £16.5 million) increase to the schemes' total liabilities.
- Life expectancy – At 31 March 2024, an increase in the life expectancy assumption of one year would have resulted in a £23.7 million increase in the schemes' uninsured liabilities, and a £85.8 million (2023: £83.9 million) increase to the schemes' total liabilities. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

### Schemes' assets

At 31 March, the fair values of the schemes' assets recognised in the statement of financial position were as follows:

Group	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %
<b>At 31 March 2024</b>				
Gilts	623.4	(200.9)	422.5	16.6
Bonds	285.8	0.5	286.3	11.2
Bulk annuity policies	1,564.8	–	1,564.8	61.3
Other	314.0	(35.2)	278.8	10.9
<b>Total fair value of schemes' assets</b>	<b>2,788.0</b>	<b>(235.6)</b>	<b>2,552.4</b>	<b>100.0</b>
<b>At 31 March 2023</b>				
Non-equity growth assets	278.2	–	278.2	9.5
Gilts	1,822.3	(886.9)	935.4	31.9
Bonds	1,211.2	(2.5)	1,208.7	41.2
Other	422.8	86.2	509.0	17.4
<b>Total fair value of schemes' assets</b>	<b>3,734.5</b>	<b>(803.2)</b>	<b>2,931.3</b>	<b>100.0</b>

Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,772.0 million that are categorised as 'Level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2024. Of these, £1,564.8 million relates to bulk annuity policies purchased as part of the buy-in transaction and £207.2 million relates to unquoted senior private debt assets. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total Level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

The UUPS has entered into a variety of derivative transactions to change the return characteristics of the assets held to reduce undesirable market and liability risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2024, no liquidity support or facilities were required by the company as a result of collateral calls.

#### A4 Retirement benefits continued

The derivative values in the table above represent the net market value of derivatives held within each of these asset categories as follows:

Group	2024 £m	2023 £m
<b>Gilts</b>		
Repurchase agreements	(200.9)	(886.9)
	<b>(200.9)</b>	<b>(886.9)</b>
<b>Bonds – hedging non-sterling exposure back to sterling</b>		
Currency forwards	0.5	13.8
Interest rate swaps	–	(16.3)
	<b>0.5</b>	<b>(2.5)</b>
<b>Other – managing liability risks targeting a high level of interest rate and inflation hedging</b>		
Interest rate swaps	(35.6)	(17.2)
RPI inflation swaps	0.4	(13.2)
Total return swaps	–	116.6
	<b>(35.2)</b>	<b>86.2</b>
<b>Total fair value of derivatives</b>	<b>(235.6)</b>	<b>(803.2)</b>

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The total fair value of pooled funds held within the schemes' assets was £147.0 million (2023: £371.2 million).

The intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation of the schemes' liabilities on a scheme funding basis. As the scheme funding basis is more prudent than the IAS 19 measurement basis for the defined benefit obligation, the schemes are more than 100 per cent hedged on an accounting basis. Movements in the fair value of the schemes' assets were as follows:

Group	2024 £m	2023 £m
At the start of the year	<b>2,931.3</b>	4,035.7
Interest income on schemes' assets	<b>135.7</b>	111.4
The return on plan assets, excluding amounts included in interest	<b>(402.7)</b>	(1,087.8)
Member contributions	<b>2.4</b>	2.3
Benefits paid	<b>(119.6)</b>	(136.9)
Administrative expenses	<b>(4.0)</b>	(2.5)
Company contributions	<b>9.3</b>	9.1
<b>At the end of the year</b>	<b>2,552.4</b>	2,931.3

The group's actual return on the schemes' assets was a loss of £267.0 million (2023: £976.4 million loss). In line with IAS19, the fair values of the buy-in assets have been set equal to the IAS19 present values of the insured liabilities. This is significantly less than the buy-in premium paid, which has led to a material loss on the schemes' assets. As at the risk transfer date (5 July 2023), we estimate that this reduced the IAS19 surplus by around £220 million. In addition, changes in financial conditions over the period have seen a fall in value of the Schemes' assets. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100 per cent hedged on an IAS19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS also published its first TCFD report in October 2023 and ESPS has published a climate change report for 2023, both of which are available on the corporate website.

# Notes to the financial statements – appendices

## A5 Related party transactions

### Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The related party transactions with the group's joint ventures and other related parties during the period, and amounts outstanding at the period-end date, were as follows:

	2024 £m	2023 £m
Sales of services	334.4	335.1
Charitable contributions advanced to related parties	0.2	0.2
Purchases of goods and services	–	1.3
Interest income and fees recognised on loans to related parties	5.6	4.7
Amounts owed by related parties	100.8	102.2
Amounts owed to related parties	–	–

Sales of services to related parties mainly represent non-household wholesale charges to Water Plus that were billed and accrued during the period. These transactions were on market credit terms in respect of non-household wholesale charges, which are governed by the wholesale charging rules issued by Ofwat.

Charitable contributions advanced to related parties during the year relate to amounts paid to Rivington Heritage Trust, a charitable company limited by guarantee for which United Utilities Water Limited is one of three guarantors.

Amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £100.8 million (2023: £102.2 million), comprising £27.1 million (2023: £26.7 million) of trade balances, which are unsecured and will be settled in accordance with normal credit terms, and £73.7 million (2023: £75.5 million) relating to loans.

Included within these loans receivable were the following amounts owed by Water Plus:

- £72.3 million (2023: £74.4 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2026, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £75.5 million outstanding, net of a £3.2 million allowance for expected credit losses (2023: £75.5 million net of a £1.1 million allowance for expected credit losses); and
- £1.4 million (2023: £1.4 million) receivable being the £11.3 million (2023: £11.0 million) fair value of amounts owed in relation to a £12.5 million unsecured loan note held by United Utilities PLC, with a maturity date of 28 March 2027, net of a £0.4 million (2023: £0.1 million) allowance for expected credit losses and £9.5 million of the group's share of joint venture losses relating to historic periods as the loan note is deemed to be part of the group's long-term interest in Water Plus. This is a zero coupon shareholder loan with a total amount outstanding at 31 March 2024 and 31 March 2023 of £12.5 million, comprising a £11.3 million (2023: £11.0 million) receivable representing the present value of the £12.5 million payable at maturity discounted using an appropriate market rate of interest at the inception of the loan, and £1.2 million (2023: £1.5 million) recorded as an equity contribution to Water Plus recognised within interests in joint ventures.

A further £0.1 million (2023: £0.1 million) of non-current receivables was owed by other related parties at 31 March 2024.

During the year, United Utilities PLC provided guarantees in support of Water Plus in respect of certain amounts owed to wholesalers. The aggregate limit of these guarantees was £48.9 million, of which £26.0 million related to guarantees to United Utilities Water Limited.

At 31 March 2024, amounts owed to related parties were £nil (2023: £nil).

### Company

The parent company receives dividend income and pays and receives interest to and from subsidiary undertakings in the normal course of business. Total dividend income received during the year amounted to £320.0 million (2023: £301.2 million) and total net interest payable during the year was £112.9 million (2023: £55.8 million). Amounts outstanding at 31 March 2024 and 31 March 2023 between the parent company and subsidiary undertakings are disclosed in notes 13, 16 and 18.

At 31 March 2024 and 31 March 2023, no related party receivables and payables were secured and no guarantees were issued in respect thereof. Balances will be settled in accordance with normal credit terms. No allowance for doubtful receivables has been made for amounts owed by subsidiary undertakings as at 31 March 2024 and 31 March 2023.

## A6 Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 186 to 188.

### Basis of consolidation

The group financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiaries) and incorporate the results of its share of joint ventures using the equity method of accounting. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or until the date that control ceases, as appropriate.

### Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group is exposed to, or has the rights to, variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. In the parent company accounts, investments are held at cost less provision for impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Joint ventures

Joint ventures are entities in which the group holds an interest on a long-term basis and which are jointly controlled with one or more parties under a contractual arrangement. The group's share of joint venture results is incorporated using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss of the joint venture.

### Revenue recognition

Revenue from the sale of water, wastewater and other services represents the fair value of the consideration receivable in the ordinary course of business for the goods and services provided, exclusive of value added tax. Where relevant, this includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end.

There are two main areas of the group's activities considered to result in revenue being recognised:

- the provision of core water and wastewater services, accounting for more than 97 per cent of the group's revenue; and

- capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

The provision of core water and wastewater services, which are deemed to be distinct performance obligations of the contract with customers, follow the same pattern of transfer to the customer who simultaneously receives and consumes both of these services over time.

Revenue is generally recognised at the time of delivery, with consideration given as to whether collection of the full amount under the contract is considered probable. Should the group consider that the criteria for revenue recognition have not been met for a transaction, revenue recognition would be delayed until such time as collectability is reasonably assured.

Payments received in advance of revenue recognition are recorded as deferred income. This includes revenue in respect of connection activities, which itself reflects a distinct performance obligation. The revenue recognised in respect of these activities is released to the income statement over a period of 60 years, which is deemed to be the time over which the performance obligation for providing the connection is satisfied.

### Operating profit

Operating profit is stated after charging operational expenses but before investment income and finance expense and before the share of profits or losses of joint ventures.

### Borrowing costs and finance income

Except as noted below, all borrowing costs and finance income are recognised in the income statement on an accruals basis. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial fair value of that instrument. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset in accordance with IAS 23 'Borrowing Costs'.

### Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law

and the result of negotiations with, and enquiries from, tax authorities. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a taxing authority.

The amount of current tax provisions or assets are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

### Current tax

Current tax is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at each reporting date, and also includes any adjustment to tax payable in respect of previous years.

Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the tax is charged or credited within equity.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at each reporting date.

# Notes to the financial statements – appendices

## A6 Accounting policies

### continued

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is charged or credited within equity.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets that will reverse in the same periods.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

### Property, plant and equipment

Property, plant and equipment comprises water and wastewater infrastructure assets and overground assets.

The useful economic lives of these assets are primarily as follows:

- Water and wastewater infrastructure assets:
  - Impounding reservoirs 200 years;
  - Mains and raw water aqueducts 30 to 300 years;
  - Sewers and sludge pipelines 60 to 300 years;
  - Sea outfalls 75 years;
- Buildings 10 to 60 years;
- Operational assets 5 to 80 years; and
- Fixtures, fittings, tools and equipment 3 to 40 years.

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised.

The group is required to evaluate the carrying values of property, plant and equipment for impairment whenever circumstances indicate, in management's view, that the carrying value of such assets may not be recoverable. An impairment review requires management to make uncertain estimates concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Costs associated with a major inspection or overhaul of an asset or group of assets are capitalised within property, plant and equipment and depreciated over the period of time expected to elapse between major inspections or overhauls.

### Water and wastewater infrastructure assets

Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Amounts incurred in maintaining the operating capability of the network in accordance with defined standards of service are expensed in the year in which the expenditure is incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

### Other assets

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including relevant borrowing costs, where applicable, for qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, based on management's judgement and experience.

Depreciation methods, residual values and useful economic lives are reassessed annually and, if necessary, changes are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

### Transfer of assets from customers and developers

Where the group receives from a customer or developer an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the group must then use either to connect the customer to the network or to provide the customer with ongoing access to a supply of goods or services, or to do both, such items are capitalised at their fair value and included within property, plant and equipment, with a liability of the same amount credited to deferred grants and contributions. The assets are depreciated over their useful economic lives and the deferred contributions released to revenue over the 60 years, which is the estimated period over which an average connection through which the group provides water and wastewater services is expected to be operational. Where the receipt of property, plant and equipment is solely to connect the customer to the network, the deferred contribution is released immediately to revenue.

Assets transferred from customers or developers are accounted for at fair value. If no market exists for the assets, then incremental cash flows are used to arrive at fair value.

### Government grants

Government grants (including those receivable from government agencies and local authorities) are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

### Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful economic lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets'.

Intangible assets, which relate primarily to computer software, are generally amortised over a period of three to ten years.



## A6 Accounting policies continued

The group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' (SaaS) basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally three to ten years.

### Impairment of assets

Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

The recoverable amount of investments in subsidiary companies is assessed using Level 2 fair value hierarchy techniques, with reference to the regulatory capital value ('RCV') of the regulated water and wastewater business where appropriate. This is used as a proxy in estimating the subsidiary's market value, with the RCV being a regulatory measure determined by Ofwat, based on the company's historic market value plus the value of accumulated capital investment assumed at each price review. The RCV used in this assessment is adjusted for actual spend.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses in respect of assets are recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to

the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

### Capitalisation of costs associated with regulatory price review programmes

As a regulated business, the group's principal subsidiary, United Utilities Water Limited, is required to submit business plans to its regulator, Ofwat, on a cyclical basis and covering a five-year period. The costs to develop these business plans, which can be significant, largely relate to the development of material capital programmes to be delivered over the next five-year price control period. As such, the majority of these costs are considered to be directly attributable to bringing capital solutions into working condition, giving rise to future economic benefit in the form of reduced project costs as the capital programme is delivered, and supporting the enhancement of the company's network as a whole. Such costs are therefore capitalised within property, plant and equipment where appropriate, and depreciated over a period of five years as the economic benefit is realised through the delivery of the capital programme.

### Financial instruments

Financial assets and financial liabilities are recognised and derecognised in the group's statement of financial position on the trade date when the group becomes/ ceases to be a party to the contractual provisions of the instrument.

### Cash and short-term deposits

Cash and short-term deposits include cash at bank and in hand, deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition and which are subject to an insignificant risk of change in value. In the consolidated statement of cash flows and related notes, cash and cash equivalents include cash and short-term deposits, net of book overdrafts.

### Financial investments

Investments (other than interests in subsidiaries, joint ventures and fixed deposits) are initially measured at fair value, including transaction costs. Investments classified as financial assets measured at fair value through profit or loss ('FVPL') in accordance with IFRS 9 'Financial Instruments' are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised in the net profit or loss for the period. The business model employed in respect of financial assets is that of a hold-to-collect model.

### Trade receivables

Trade receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows which comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses. An allowance is recognised where there is objective evidence the group will be unable to collect all of the amount due. The receivable is recognised at the recoverable amount and the difference between the amortised cost and the recoverable amount is recorded as an expense within the profit and loss account.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection and the incorporation of forward-looking information.

### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

### Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

### Borrowings

The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing.

# Notes to the financial statements – appendices

## A6 Accounting policies continued

The default treatment of measuring at amortised cost, while associated hedging derivatives are recognised at fair value, presents an accounting measurement mismatch that has the potential to introduce considerable volatility to both the income statement and the statement of financial position. Therefore, where feasible, the group takes advantage of the provisions under IFRS 9 'Financial Instruments' to make fair value adjustments to its borrowing instruments to reduce this volatility and better represent the economic hedges that exist between the group's borrowings and associated derivative contracts.

Where feasible, the group designates its financial instruments within fair value hedge relationships. To apply fair value hedge accounting, it must be demonstrated that there is an economic relationship between the borrowing instrument and the hedging derivative and that the designated hedge ratio is consistent with the group's risk management strategy.

### **Borrowings designated within a fair value hedge relationship**

Where designated, bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently adjusted for any change in fair value attributable to the risk being hedged at each reporting date, with the change being charged or credited to finance expense in the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument is sold, terminated or exercised, or where the hedge relationship no longer qualifies for hedge accounting.

### **Borrowings designated at fair value through profit or loss**

Designation is made where the requirements to designate within a fair value hedge cannot be met at inception despite there being significant fair value offset between the borrowing and the hedging derivative. Where designated, bonds and loans are initially measured at fair value being the cash proceeds received and are subsequently measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement.

Under the provisions of IFRS 9 'Financial Instruments', changes in the group's own credit risk are recognised in other comprehensive income.

### **Derivative financial instruments**

The group's default treatment is that derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement. The group enters into financial derivatives contracts to manage its financial exposure to changes in market rates (see note A3)

### **Derivative financial instruments designated within a cash flow hedge relationship**

Gains or losses resulting from the effective portion of the hedging instrument are recognised in other comprehensive income and in the cash flow hedge reserve with any remaining gains or losses recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item. At the maturity date, amounts paid/received are recognised against operating expenses in the income statement.

Upon discontinuation of a cash flow hedge, the amount accumulated in other comprehensive income remains in the cash flow hedge reserve if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to the income statement.

### **Derivatives and borrowings – valuation**

Where an active market exists, designated borrowings and derivatives recorded at fair value are valued using quoted market prices. Otherwise, they are valued using a net present value valuation model. The model uses applicable interest rate curve data at each reporting date to determine any floating cash flows. Projected future cash flows associated with each financial instrument are discounted to the reporting date using discount factors derived from the applicable interest curves adjusted for counterparty credit risk where appropriate. Discounted foreign currency cash flows are converted into sterling at the spot exchange rate at each reporting date. Assumptions are made with regard to credit spreads based on indicative pricing data.

The valuation of debt designated in a fair value hedge relationship is calculated based on the risk being hedged as prescribed by IFRS 9 'Financial Instruments'. The group's policy is to hedge its exposure to changes in the applicable underlying interest rate and it is this portion of the cash flows that is included in the valuation model (excluding any applicable company credit risk spread).

The valuation of debt designated at fair value through the profit or loss incorporates an assumed credit risk spread in the applicable discount factor. Credit spreads are determined based on indicative pricing data.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, cost includes the cost of acquiring and developing the sites, including borrowing costs where applicable.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **Employee benefits**

#### **Retirement benefit obligations**

The group operates two defined benefit pension schemes, which are independent of the group's finances, for its employees. Actuarial valuations to determine the funding of the schemes, along with future contribution rates, are carried out by the pension scheme actuary as directed by the trustees at intervals of not more than three years. In any intervening years, the trustees review the continuing appropriateness of the funding and contribution rates.

From a financial reporting perspective and in accordance with IAS 19 'Employee Benefits', defined benefit assets are measured at fair value, while liabilities are measured at present value using the projected unit credit method. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the group has an unconditional right to a refund of any surplus that may exist following the full settlement of plan liabilities in a single event.

The pension cost under IAS 19 is assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions determined by the actuary, which are used to estimate the present value of defined benefit obligations. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. The assumptions are disclosed in note A4.

## A6 Accounting policies

### continued

The cost of providing pension benefits to employees relating to the current years' service (including curtailment gains and losses) is included within employee benefits expense, while the interest on the schemes' assets and liabilities is included within investment income and finance expense respectively. Remeasurement gains/losses on scheme assets and liabilities are presented in other comprehensive income.

In addition, the group operates a defined contribution pension section within the United Utilities Pension Scheme. Payments are charged as employee costs as they fall due. The group has no further payment obligations once the contributions have been paid.

#### Share-based compensation arrangements

The group operates equity-settled, share-based compensation plans, issued to certain employees. The equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a pro-rated basis over the vesting period, based on estimates of the number of options that are expected to vest and according to relevant measures of performance determining the number of shares awarded. The initial fair value of each award scheme is updated for each reporting period to account for lapsed shares and updated estimates of the performance measures. The group has the option to settle some of these equity-settled share-based payments in cash. At each reporting date, the group revises its estimate of the number of options that are expected to become exercisable, with the impact of any revision being recognised in the income statement and a corresponding adjustment to equity over the remaining vesting period.

#### Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

#### Foreign currency translation

##### Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable

on that date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Exchange differences arising on investments in equity instruments classified as fair value through other comprehensive income are included in the gains or losses arising from changes in fair value, which are recognised directly in equity. To hedge its exposure to certain foreign exchange risks, the group enters into contracts for derivative instruments (see note A3).

#### Leases

At inception of a contract the group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability is recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of-use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the group's incremental rate of borrowing if the interest rate implicit in the lease cannot be readily determined. For materially all of the group's leases, the group's incremental rate of borrowing is used. This rate is calculated using a number of inputs, being observable risk-free gilt rates, specific data based on bonds already in circulation for the relevant group company, as well as data from the wider utility sector. Further adjustments for payment profile and the term of the lease are made.

After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases, a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease.

Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the group applies the short-term lease recognition exemption available under IFRS 16. The group applies the low value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are

instead charged to operating costs on a straight-line basis over the period of the lease.

#### Statement of cash flows

##### Grants and contributions received

Where government grants are received as a contribution against qualifying fixed assets, and where transactions with customers – typically property developers – result in the expansion of the group's water and wastewater network (and therefore its fixed asset base), the relevant cash inflows are classified within investing activities in the period.

##### Interest payments and receipts

IFRS allows interest payments and interest receipts to be classified within operating activities or financing activities/investing activities. The group classifies interest payments and interest receipts within operating activities, with management viewing these in conjunction with other operating cash flows in assessing the ability of the group to maintain its operating capability.

##### Cash flows from derivatives

The cash flows from derivatives as a result of the group's hedging activities are presented together with the cash flows relating to the underlying hedged item to provide a more faithful representation of the substance of the transaction.

##### Taxes paid

Taxes paid by the group are presented as cash flows from operating activities. The group deems it impracticable to identify the tax cash flows with respect to individual transactions, which may themselves be presented in investing activities or financing activities, and instead present total tax cash flows as operating activities.

# Notes to the financial statements – appendices

## A7 Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates are set out below. Unless otherwise specified, the registered address for each entity is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom. For further details of joint ventures, see note 12.

	Class of share capital held	Proportion of share capital owned/voting rights % <sup>(1)</sup>	Nature of business
<b>Subsidiary undertakings</b>			
<b>Great Britain</b>			
Halkyn District Mines Drainage Company Limited	Ordinary	99.9	Dormant
Lingley Mere Management Company Limited	Ordinary	90.0	Property management
North West Water Limited	Ordinary	100	Dormant
United Utilities (Overseas Holdings) Limited	Ordinary	100	Dormant
United Utilities Energy Limited	Ordinary	100	Energy generation
United Utilities Healthcare Trustee Limited	Ordinary	100	Corporate trustee
United Utilities International Limited	Ordinary	100	Non-trading
United Utilities North West Limited	Ordinary	100	Holding company
United Utilities Pensions Trustees Limited	Ordinary	100	Corporate trustee
United Utilities PLC	Ordinary	100	Holding company
United Utilities Property Services Limited	Ordinary	100	Property management
United Utilities Total Solutions Limited	Ordinary	100	Non-trading
United Utilities Utility Solutions (Industrial) Limited	Ordinary	100	Holding company
United Utilities Water Finance PLC	Ordinary	100	Financing company
United Utilities Water Limited	Ordinary	100	Water and wastewater services
UU (ESPS) Pension Trustee Limited	Ordinary	100	Corporate trustee
UU Group Limited	Ordinary	100	Dormant
UU Secretariat Limited	Ordinary	100	Dormant
YCL Transport Limited	Ordinary	100	Non-trading
United Utilities Bioresources Limited	Ordinary	100	Wastewater services
<b>Joint ventures</b>			
All joint ventures are accounted for using the equity method and are strategic to the group's activities to varying degrees.			
<b>Great Britain</b>			
Lingley Mere Business Park Development Company Limited	Ordinary	50	Development company
Selectusonline Limited	Ordinary	16.7	Dormant
Water Plus Group Limited <sup>(2)</sup>	Ordinary	50	Holding company
Water Plus Limited <sup>(2)</sup>	Ordinary	50	Water and wastewater retail services
Water Plus Select Limited <sup>(2)</sup>	Ordinary	50	Water and wastewater retail services

<sup>(1)</sup> With the exception of United Utilities PLC, shares are held by subsidiary undertakings rather than directly by United Utilities Group PLC.

<sup>(2)</sup> Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: South Court Riverside Park, Campbell Road, Stoke-on-Trent ST4 4DA, United Kingdom.

# Five-year summary – unaudited

## Five-year summary – unaudited

The financial summary (unaudited) set out below has been derived from the audited consolidated financial statements of United Utilities Group PLC for the five years ended 31 March 2024. Revenue has been re-presented for the years ended 31 March 2020 to 31 March 2023 so that they are presented on a consistent basis to the revenue presented for the year ended 31 March 2024. Further detail of the changes to how revenue has been re-presented can be found on page 189.

Year ended 31 March	2024	2023	2022	2021	2020
Continuing operations	£m	£m	£m	£m	£m
Revenue	<b>1,949.5</b>	1,804.2	1,844.3	1,794.6	1,846.8
Reported operating profit	<b>480.2</b>	440.8	610.0	602.1	630.3
Underlying operating profit	<b>517.8</b>	440.8	610.0	602.1	732.1
Reported profit before tax	<b>170.0</b>	256.3	439.9	551.0	303.2
Underlying profit/(loss) before tax	<b>220.5</b>	(34.3)	301.9	460.0	534.8
Reported profit/(loss) after tax	<b>126.9</b>	204.9	(56.8)	453.4	106.8
Underlying profit/(loss) after tax	<b>227.3</b>	(8.7)	367.0	383.0	486.3
Reported earnings per share (basic)	<b>18.6p</b>	30.0p	(8.3)p	66.5p	15.7p
Underlying earnings per share	<b>33.3p</b>	(1.3)p	53.8p	56.2p	71.3p
Dividend per ordinary share	<b>49.78p</b>	45.51p	43.50p	43.24p	42.60p
Non-current assets	<b>13,884.4</b>	13,835.8	13,823.2	13,166.2	13,215.7
Current assets	<b>1,769.0</b>	691.4	613.8	1,012.9	828.4
Total assets	<b>15,653.4</b>	14,527.2	14,437.0	14,179.1	14,044.1
Non-current liabilities	<b>(12,489.5)</b>	(11,442.6)	(10,791.0)	(10,152.6)	(9,877.3)
Current liabilities	<b>(1,107.8)</b>	(575.9)	(688.6)	(995.5)	(1,204.7)
Total liabilities	<b>(13,597.3)</b>	(12,018.5)	(11,479.6)	(11,148.1)	(11,082.0)
Total net assets and shareholders' equity	<b>2,056.1</b>	2,508.7	2,957.4	3,031.0	2,962.1
Net cash generated from operating activities	<b>745.1</b>	787.5	934.4	859.4	810.3
Net cash used in investing activities	<b>(731.4)</b>	(593.4)	(639.7)	(549.3)	(593.9)
Net cash generated from/(used in) financing activities	<b>1,037.7</b>	(85.0)	(809.7)	(89.7)	(27.8)
Effects of exchange rates	<b>–</b>	(1.3)	1.5	–	–
Net increase/(decrease) in cash and cash equivalents	<b>1,051.4</b>	107.8	(513.5)	220.4	188.6
Net debt	<b>8,762.7</b>	8,200.8	7,570.0	7,305.8	7,227.5
RCV gearing <sup>(1)</sup> (%)	<b>59%</b>	58%	59%	63%	61%

<sup>(1)</sup> Regulatory Capital Value ('RCV') gearing is calculated as group net debt (see note A2) adjusted for loan receivables from joint ventures, divided by the RCV (as adjusted for actual spend and timing difference) of United Utilities Water Limited, including the expected value of AMP7 ex-post adjustment mechanisms.

# Shareholder information

## Key dates

### 20 June 2024

Ex-dividend date for 2023/24 final dividend

### 21 June 2024

Record date for 2023/24 final dividend

### 11 July 2024

DRIP election date for 2023/24 final dividend

### 19 July 2024

Annual general meeting

### 1 August 2024

Payment of 2023/24 final dividend to shareholders

### 14 November 2024

Announcement of half year results for the six months ending 30 September 2024

### 19 December 2024

Ex-dividend date for 2024/25 interim dividend

### 20 December 2024

Record date for 2024/25 interim dividend

### 13 January 2025

DRIP election date for 2024/25 interim dividend

### 3 February 2025

Payment of 2024/25 interim dividend to shareholders

### May 2025

Announce the final results for the 2024/25 financial year

### June 2025

Publish the integrated annual report and financial statements for the year 2024/25

## Make life easier and have your dividends paid straight into your bank account

- The dividend goes directly into your bank account and is available immediately;
- No need to pay dividend cheques into your bank account;
- No risk of losing cheques in the post;
- No risk of having to replace spoiled or out-of-date cheques; and
- It's cost-effective for your company.

To take advantage of this, please contact Equiniti via [shareview.co.uk](https://www.shareview.co.uk) or complete the dividend mandate form you receive with your next dividend cheque.

When you have your dividend paid directly into your bank account, you'll receive one tax voucher each year. This will be issued with the interim dividend normally paid in February and will contain details of all the dividends paid in that tax year. If you'd like to receive a tax voucher with each dividend payment, please contact Equiniti.

## Electronic communications

We're encouraging our shareholders to receive their shareholder information by email and via our website. Not only is this a quicker way for you to receive information, it helps us to be more sustainable by reducing paper and printing materials and lowering postage costs.

Registering for electronic shareholder communications is very straightforward, and is done online via [shareview.co.uk](https://www.shareview.co.uk) which is a website provided by our registrar, Equiniti.

Log on to [shareview.co.uk](https://www.shareview.co.uk) and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your details if you change your address; and
- get your dividends paid directly into your bank account.

Please do not use any electronic address provided in this integrated annual report or in any related document to communicate with the company for any purposes other than those expressly stated.

## Online annual report

Our integrated annual report is available online. View or download the full integrated annual report and financial statements from: [unitedutilities.com/annualreport2024.com](https://www.unitedutilities.com/annualreport2024.com)

## Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: [unitedutilities.com/corporate](https://www.unitedutilities.com/corporate). Here, the integrated annual and financial statements, responsible business performance, company announcements, the half-year and final results and presentations are published.

## Registrar

The group's registrar, Equiniti, can be contacted on:

**+44 (0)371 384 2041** (please use the code when calling from outside the UK) or for deaf and speech impaired customers, we welcome calls via Relay UK. Please see [www.relayuk.bt.com](https://www.relayuk.bt.com) for more information. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Equiniti's address is:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti offers a share dealing service by telephone: **0345 603 7037** and online: [shareview.co.uk/dealing](https://www.shareview.co.uk/dealing)

Equiniti also offers a stocks and shares ISA for United Utilities shares: call **0345 300 0430** or go to: [shareview.co.uk/dealing](https://www.shareview.co.uk/dealing)

## Dividend history – pence per share

	2020	2021	2022	2023	2024
Interim	14.20	14.41	14.50	15.17	<b>16.59</b>
Final	28.40	28.83	29.00	30.34	<b>33.19</b>
Total ordinary	42.60	43.24	43.50	45.51	<b>49.78</b>

## Warning to shareholders

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high-risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: [fca.org.uk/consumers/unauthorised-firms-individuals](https://www.fca.org.uk/consumers/unauthorised-firms-individuals)

## Important information

### Cautionary statement:

The integrated annual report and financial statements (the annual report) contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include, without limitation, any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Certain regulatory performance data contained in this annual report is subject to regulatory audit.

### Terms used in this report:

Unless expressly stated otherwise, the 'group', 'United Utilities', 'UU' or 'the company' means United Utilities Group PLC and its subsidiary undertakings; the 'regulated business', 'regulated activities' or 'UW' means the licensed water and wastewater activities undertaken by United Utilities Water Limited (formerly United Utilities Water PLC) in the North West of England.



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Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO<sub>2</sub> and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.



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