2023/24 Full Year Results Statement

United Utilities
Water for the North West

16 May 2024: United Utilities today announces full year results for the year to 31 March 2024.

Louise Beardmore, Chief Executive Officer, said:

"Colleagues have worked exceptionally hard throughout the year to deliver for our customers, communities and the environment. As a result, operational performance has been strong, and I am pleased to report that we have met or exceeded around 80% of our regulatory targets, and we have also been ranked as the number one water and sewerage company for customer service in the independent UK Customer Service Index. In addition, we are providing over 375,000 customers with affordability support against the backdrop of significant increases in the cost of living.

We take our role in protecting the environment very seriously; our ambitious business plan would see us investing more than ever before to improve services across the five counties of the North West. This would deliver a genuine step-change in infrastructure for the benefit of customers and the environment, and support 30,000 jobs.

Our finances are robust with one of the lowest levels of gearing in the sector. We are readying our supply chain, and bringing forward around £400 million of AMP8 investment to reduce spills at more than 150 storm overflows, and to accelerate environmental schemes in communities such as Windermere, where we are fast-tracking investment to drive improvements earlier. This is on top of the river health improvements we are already delivering through our Better Rivers programme and accelerated environmental improvements funded through reinvestment of our AMP7 outperformance."

Key financials – year ended 31 March

	Reported			Underlying[1]		
£m	**2024**	**2023**	**% change**	**2024**	**2023**	**% change**
Revenue[2]	**1,949.5**	1,804.2	+8.1%	**1,949.5**	1,804.2	+8.1%
Operating profit	**480.2**	440.8	+8.9%	**517.8**	440.8	+17.5%
Profit/(loss) before tax	**170.0**	256.3	-33.7%	**220.5**	(34.3)	n/a
Profit/(loss) after tax	**126.9**	204.9	-38.1%	**227.3**	(8.7)	n/a
EPS (pence)	**18.6**	30.0	-38.0%	**33.3**	(1.3)	n/a

	2024	**2023**	**% change**
DPS (pence)	**49.78**	45.51	+9.4%
Net regulatory capex (£m)	**737.1**	693.9	+6.2%
RCV[3] (£m),	**14,664**	14,000	+4.7%
Net debt (£m)	**8,763**	8,201	+6.9%
RCV gearing[4] (%)	**59%**	58%	+1%
RoRE[5] (%)	**8.5%**	10.9%	-2.4%

Operational highlights

- **Accelerating c.£400m[6] of AMP8 investment,** which includes prioritising work on more than 150 storm overflows; implementing accelerated solutions to achieve spill reductions faster
- **ODI reward for FY24 of £34m,** our highest ever reward despite the impact of exceptionally high rainfall
- **Ranked as the top water and sewerage company,** and retained top five position out of 31 utilities in the UK Customer Satisfaction Index[7]

- **Helped more than 375,000 customers with affordability support so far this AMP,** and over 400,000 households on Priority Services register
- **Strong leakage performance,** meeting regulatory target for the 18th year and fixing six leaks every 30 mins
- **Achieved 3 or 4 star EPA rating since records began,** our 2023 performance will be confirmed in July but we believe we are on track for 4 star in the EA's Environmental Performance Assessment

Financial highlights

- **Underlying operating profit of £518m**, reported operating profit of £480m
- **Underlying EPS of 33.3p**, up from -1.3p, and reported EPS of 18.6p
- **Low level of gearing at 59% and solid credit ratings**
- **Re-entered the Euro bond market, pricing a €650m 10.25yr green bond –** 3.8x oversubscribed
- **Liquidity extending into 2026;** AMP8 funding underway
- **Recommended final dividend of 33.19p**, in line with policy

Financial framework guidance for current AMP7 regulatory period

- Targeting to achieve an **FY25 net ODI reward at least in line with FY24**
- Continue to forecast **average real RoRE of 6-8%**
- **Unchanged RCV growth guidance of 4-5%** nominal compound annual growth rate
- Targeting **dividend growth in line with CPIH**
- Maintain **gearing within target range** of 55-65%

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Notes

[1] Underlying measures are defined in the tables on pages 19 to 20

[2] Revenue for the year to 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 relates to amounts receivable under government renewable energy schemes and the sale of energy generated to the grid.

[3] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms)

[4] RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms)

[5] Return on regulated equity

[6] Comprising c.£200m through Accelerated Infrastructure Delivery Project and c.£200m of transitional investment submitted in our PR24 business plan

[7] UKCSI is an Institute of Customer Service measure

OPERATIONAL REVIEW

It has been an extremely busy year, in which we have submitted a high-quality and ambitious business plan for the 2025-30 period (AMP8) while continuing to deliver for customers and the environment in the face of challenging weather conditions.

The water industry continues to find itself in the spotlight and we recognise that there is significant work to do in restoring public confidence and trust, and improving services for the benefit of customers, communities and the environment. We have put forward an ambitious plan to enrich services across the five diverse counties that make up the North West. This would see us invest significantly over the 2020-25 period to deliver the step change we all want to see.

Our AMP8 plan targets the largest reduction in spills from storm overflows of any company, and we aren't waiting. We have got to work already, bringing forward around £400 million of AMP8 investment to reduce spills at more than 150 overflows and accelerate other environmental programmes. We have started work on some rapid solutions to achieve spill reductions faster. These initiatives have been extremely successful, and we are now rolling them out to a further 29 locations.

At the same time, we are accelerating a groundbreaking Integrated Water Management Plan. This initiative sees us working closely with the Greater Manchester Combined Authority and the Environment Agency (EA) to establish a new partnership and new way of working to ensure the best management of water resources across Greater Manchester.

We have delivered strong performance across a number of our commitments for customers in areas such as customer service, affordability support, leakage and water quality. At the same time, we rank highly in a range of ESG indices – rated World Class in the Dow Jones Sustainability Index, maintaining our Fair Tax Mark accreditation and CDP Climate disclosures score at A- (environmental leadership), and we were categorised as having the highest financial resilience status in Ofwat's latest Monitoring Financial Resilience assessment.

Any service is underpinned by the people who deliver it and we are pleased to have achieved UK High Performance levels of employee engagement and were awarded the Water Industry Skills Employer of the Year 2023 award in recognition of our commitment and dedication to training and development.

Delivering great service for all our customers

We continue to focus on delivering great service. In the summer we completed a rigorous eight-year programme of inspecting and cleaning every storage reservoir as part of our Water Quality First programme, with our efforts to improve water quality being recognised by the Drinking Water Inspectorate (DWI) and leading to the award for the Drinking Water Initiative of the Year in the 2023 Water Industry Awards. We have met our regulatory leakage target for the 18th consecutive year, now fixing on average six leaks every 30 minutes. Building on the strong overall level of service we have delivered this year, we are reorganising our water and wastewater services to align with our county-based approach to drive further improvements for customers.

In the latest Customer Service Index (an independent survey from the Institute of Customer Service that benchmarks over 280 organisations across many sectors), we were ranked as the top water and sewerage company and retained our top five position amongst the 31 utility companies.

Supporting customers with affordability and vulnerability continues to be an area of important focus, particularly against a backdrop of rising household costs. We have helped around 375,000 customers with affordability support so far this AMP, and our proposals for AMP8 include our biggest ever support package, which would see us provide over £500 million of support, helping one in six customers. We also support over 400,000 vulnerable customers on the Priority Service Register, and will publish our new vulnerability strategy this year.

Weather during the year has brought challenges, with dry weather in the early summer triggering actions under our drought plan, and then shifting suddenly to a prolonged period of heavy rainfall over autumn and winter, followed by a sharp freeze-thaw event in January. Annual rainfall in 2023 was exceptionally high across the North West – it was the wettest for the last 69 years, with parts of our region experiencing rainfall up to a third higher than the long-run average – and this had an adverse impact on service for customers, with increased instances of flooding and spills from storm overflows.

In June, we experienced a fractured outlet pipe at our Fleetwood wastewater treatment works that required a complex engineering solution. We worked quickly and safely to construct a two-kilometre five-lane bypass around the damaged pipe in two weeks to minimise the environmental impact and allow us to then safely replace the damaged pipe. Despite our significant efforts and commitment to recover services to the area, pending a permanent solution, the loss of amenity caused disruption to the community and its visitors. We worked hard to keep residents up to date through a variety of communication channels – from social media to drop-in centres and we have made contributions to local communities after the event, as well as successfully repairing the pipe and returning the site to full service. The bypass and repair resulted in £38 million of additional operating and infrastructure renewals expenditure in the period.

Improving rivers across the North West

We continue to drive forward with improvements to protect and enhance the North West's waterways and natural habitats. We met our target of monitoring 100 per cent of our overflows before the end of 2023, and we have made some great inroads, thanks to the dedicated effort that our team has delivered, including our interventions at Cargo, one of our highest spilling sites, where we have reduced spills from 343 in 2022 to just nine between September 2023 and the year-end.

With significantly higher rainfall in 2023 than the previous year, and with more monitoring providing increased visibility of overflow activations, despite the underlying improvements we have delivered spills increased to 97,537, which was 41 per cent higher than the much drier 2022. Our investment in wastewater treatment and networks, alongside improvements in data and operational processes, has reduced average spills per monitored overflow to 45, down by 24 per cent compared to our baseline year of 2020, which was also a comparably wet year. We remain on track to meet our target of a one-third reduction by 2025.

There is still a lot to do, and our business plan includes £3.1 billion of proposed investment dedicated to tackling storm overflows in AMP8 – the UK's biggest spill reduction plan, targeting a 60 per cent reduction across the decade to 2030. As part of Defra's Accelerated Infrastructure Delivery project, Ofwat gave approval for us to progress with more than 150 priority projects during 2023–25. This early investment, alongside our Better Rivers programme, is helping us to deliver the step change that we and our stakeholders want to see – replumbing the wastewater network to suit the modern world we live in.

We are focused on agile solutions that enable us to make meaningful progress quickly, while our longer-term plans look at 'blue-green' nature-based solutions as well as the traditional 'grey' options like storm tanks. We have appointed a dedicated Better Rivers Director and established a new storm overflow integrated delivery team to accelerate our improvement plan and reduce spills from storm overflows as quickly as possible.

Creating a greener future

We take our environmental commitments very seriously and are proud to have a sector-leading track record on minimising pollution for over a decade.

We have achieved the upper ratings (3-star 'good' and 4-star 'industry leading') in the EA's Environmental Performance Assessment in every year since it began in 2011. This includes the top 4-star rating secured in five of the last eight years, representing a strong environmental performance against increasingly challenging criteria. We were rated 3-star in the latest assessment for 2022, but were pleased that our performance across a number of measures improved. Our rating for 2023 will be confirmed in July, and we are on track to return to 4-star.

We also continue to deliver our Water Industry National Environment Programme (WINEP), having met all our commitments for environmental improvements in 2023. We are an early adopter of the Task force for Nature-related Financial Disclosures (TNFD) recommendations, and published our Corporate Natural Capital Account during the year setting out the value our land provides to the North West.

Climate change is already affecting our business, with increasingly volatile weather. We are dedicated to both adaptation and mitigation activities, increasing our resilience to a changing climate and playing our part in the UK's plans for net zero by 2050. For the third year running, we have performed strongly in the Financial Times Climate Leaders' Report on 500 European companies; with United Utilities leading the utility sector.

We will submit our fourth climate change risk assessment (Adaptation Report) in the next 12 months. We continue to work with customers to help drive a reduction in water consumption, including testing a new rising block tariff - as well as a non-household demand reduction programme that includes direct messages to those businesses with a continuous flow, business visits and self-help training guides for leak identification and resolution.

We continue to make good progress against our carbon pledges and science-based targets to reduce greenhouse gas emissions. Over the next five years we will continue to focus on opportunities for biodiversity net gain, peatland restoration and tree planting, and best use of our land including for renewable energy generation. We are also progressing plans for a pioneering carbon-capture facility that will be hosted at our head office in Warrington – an innovative project funded by the UK's Department for Energy Security and Net Zero. The vision for the site is that nothing will go to waste and the heat and power generated by the process will be redirected to heat our on-site buildings as part of our long-term sustainability goals.

AMP7 regulatory performance

We have delivered improved performance for customers and the environment, meeting or beating 80 per cent of our performance commitments, resulting in a significant uplift in outcome delivery incentives (ODIs), with our highest ever net ODI reward of £34 million. This includes strong

performance on water quality improvements through a programme of cleaning and re-lining of our Vyrnwy Aqueduct, improving hydraulic flood risk resilience, enhanced water service resilience, reducing sewer blockages, reducing voids, and reducing lead risk. Exceptionally high rainfall has adversely impacted performance on our flooding and pollution performance commitments.

While this net reward reflects strong delivery for customers, it is lower than previously anticipated as the extreme weather (with 14 named storms since the beginning of 2023) has had a £30 million adverse impact on what we otherwise expected. We have earned a cumulative net ODI reward of £103 million so far in AMP7, already significantly higher than our AMP6 reward of £44 million, and we are guiding to a net reward in FY25 at least in line with FY24.

Return on regulated equity (RoRE) for 2023/24 was 8.5 per cent on a real, RPI/CPIH blended basis, outperforming the base return of 4.0 per cent (including our 11 basis point fast track reward). More details on our RoRE performance can be found on page 14.

Submitted a high-quality and ambitious business plan

In October 2023, we submitted our AMP8 business plan to Ofwat. It is a plan that delivers benefits for customers, communities and the environment, and was shaped by county-based engagement with customers and other stakeholders. This proposed plan demonstrates extensive ambition and would see us deliver the largest investment in water and wastewater infrastructure in more than a century, investing in assets and delivering improved services for customers and the environment. If approved, it will deliver a step change in tackling those issues that matter the most – from reliable water supplies to cleaner rivers and bathing waters – helping to make the North West greener, healthier and stronger.

We are proposing to:

- Safeguard supplies for three million people – as we improve water quality and the security of future water supplies, increasing resilience and halving the chance of a hosepipe ban in the future;
- Protect and enhance more than 500km of rivers and bathing waters – delivering the largest spill reduction programme in the UK, reducing storm overflow spills by 60 per cent from the 2020 baseline;
- Reduce leakage – building a more resilient water network, fixing leaks and replacing old pipes, targeting a reduction in leakage of 25 per cent over the decade to 2030; and
- Respond to the challenges of climate change – strengthening our network to reduce flooding of homes and businesses, improving services for customers, protecting the environment and reducing greenhouse gas emissions.

The plan would support 30,000 jobs, of which 7,000 would be new jobs within the company and wider supply chain, bringing investment in skills and opportunities to the heart of our local communities and giving a boost to the regional economy, contributing £35 billion of economic value to the North West, and our proposed investment would lead to 50 per cent growth in nominal RCV across the five-year period. Importantly, we have taken robust action to make bills as affordable as possible despite delivering record levels of investment. Our plan would see average bill increases of £22 per year, and we are proposing to provide more support for hard-pressed households than ever before, with £525 million of support so we can help more than one in six customers. Our engagement has been robust – we have spoken with 95,000 customers, securing strong advocacy

with 74 per cent support for the plan. We have also conducted 79 research projects driving innovation and opportunity.

Following submission of our business plan, Ofwat is now reviewing our proposals. It is expected to publish a draft determination on 12 June 2024 and, having taken account of representations, a final determination in December 2024. Our strong balance sheet and liquidity puts us in a great position to deliver our plan, and at the same time as building the plan we have been building capability. In addition to our existing strong team, we have recruited some fantastic new talent. Our in-house rainwater management and modelling team, new regulatory and compliance function, and county-level stakeholder managers are mobilising ahead of the start of AMP8. Our accelerated investment has enabled us to press ahead with our storm overflow reduction programme.

Spending customers' money wisely

Our capital programme performance is measured through our capital delivery programme incentive (CDPi) KPI, which places strong emphasis on efficiency as well as reducing the carbon impact of our enhancement projects. We have improved our performance, delivering a strong score of 98 per cent this year, demonstrating that we are spending money wisely. This has been achieved in part through the application of value engineering techniques, innovation and supply chain opportunities.

We have revolutionised our supply chain approach leading into AMP8, and have expanded our number of delivery partners tenfold to underpin deliverability of our significant capital programme and ensure we are able to secure the best value for money for customers. We have awarded two strategic optimisation partnerships with mobilisation underway, and we are in the process of appointing capital delivery partners for AMP8. Other workstreams have been mobilised ready to start on our AMP8 plans, including the development of standard products and designs to secure maximum efficiency of designs and optimise our capital programme.

Contributing to our communities

We are proud to be the longest serving FTSE100 company in the region, and we continue to play a key role in the North West economy. Our AMP8 plan would see this increase further, with our investment plans supporting 30,000 jobs within the company and our supply chain.

We invest in local communities with financial investment in environmental and community partnerships, delivery of education in schools, and time volunteered by colleagues across the business. We have directly invested £11.8 million in communities so far in AMP7, as well as additional contributions to our UU Trust Fund to help those struggling to pay.

The Lake District is a special place in our region, with Windermere at the heart of the National Park. Over the summer, we opened an information centre on Windermere High Street, increasing engagement and visibility of the important work we are delivering in this community.

Each of our five counties has very different challenges and needs, and our AMP8 business plan reflects these differences. Customer and stakeholder engagement in each of our diverse counties has helped us to build and adapt five targeted county-based plans that deliver what matters to each of them.

This five counties engagement has not just actively informed the development, engagement and support for our plan, it is also at the heart of how we intend to deliver the step change that we all want to see. We are organising ourselves into 'county delivery squads' so we are ready to deliver our county plans at pace and with purpose, and we have already moved to this new team structure.

Providing a safe and great place to work

Our colleagues are key to delivering great service for customers and, following submission of our business plan this year, we hosted an event in Blackpool open to everyone across the organisation to hear about our plans and ask questions. We also launched a new 'Call it Out' initiative this year to encourage colleagues to raise ideas for improving efficiency and performance, and this is already delivering improvements. Our engagement was very positively received, and helpful in bringing all our people along on the transformation journey as we enter AMP8.

The most important thing is that every colleague goes home safe and well, and we continue to have a strong focus on health, safety and wellbeing. We have introduced additional benefits for all colleagues this year, including a virtual GP service and menopause support app, and we continue to focus on mental as well as physical health.

We are focused on training and development opportunities, and were awarded Water Industry Skills Employer of the Year 2023, with the judge recognising United Utilities as a company that visibly attracts, develops and retains talent, and as an employer of choice. We continue to recruit and train new talent through our graduate and apprentice programmes. We welcomed more than 80 new graduates and apprentices in our September 2023 intake and we have launched our largest ever apprenticeship recruitment process with more than 90 new opportunities available in 2024.

We have been recognised for our focus on wellbeing and awarded the National Workplace Wellbeing Charter, demonstrating our commitment to proactively championing a healthy workplace. We continue to perform well in ShareAction's Workforce Disclosure Initiative, with our score of 89 per cent exceeding the UK and utilities averages, and our continued dedication to equity, diversity and inclusion was reflected in us being ranked highest in the Inclusive Top 50 UK Employers List 2022/23.

Service is underpinned by the people who deliver it, and it's encouraging to see that we have achieved 81 per cent employee engagement in our annual survey, which is in line with the UK High Performance Norm.

AMP7 FINANCIAL FRAMEWORK

Our five-year financial framework captures anticipated performance in the five years to 31 March 2025. This period aligns with the AMP7 regulatory period.

Investment and regulated asset growth

We expect to deliver a number of capital programmes in AMP7 in addition to our base totex (total expenditure) programme. These include the £765 million additional investment programme announced in May 2022, the Accelerated Infrastructure Delivery Project spend and AMP8 transitional investment. Combined with the impact of inflation, our regulated assets are expected to grow at a compound annual growth rate of 4 to 5 per cent across the five years to March 2025.

Return on regulated equity

The return on regulatory equity (RoRE) metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, operating efficiency, financing and tax efficiency and customer service. We currently expect to deliver average returns of between 6 and 8 per cent in AMP7, on a real RPI/CPIH blended basis.

Balance sheet

The board has set a target gearing range for the AMP7 regulatory period of 55 to 65 per cent net debt to regulated capital value. As at 31 March 2024, our gearing is in the lower half of this range at 59 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year through to 2025. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated as using the CPIH annual rate from the November prior (i.e. the 2023/24 dividend is equal to the 2022/23 dividend indexed for the movement in CPIH between November 2021 and November 2022).

United Utilities
Water for the North West

OUTLOOK AND GUIDANCE

ODI rewards

We are forecasting to achieve a net customer ODI reward for 2024/25 at least in line with FY24.

Revenue

Revenue is expected to increase by around 10 per cent in 2024/25, with around 3 per cent due to inflation offset by k factor, and 7 per cent due to timing.

Underlying operating costs

Operating costs including IRE are expected to increase by more than inflation due to business rates, regulatory charges and IRE.

Depreciation

With continued growth in our asset base and accelerated investments ahead of AMP8, depreciation is expected to increase by £30 million to £40 million.

Underlying net finance expense

Underlying net finance expense is expected to be broadly unchanged year on year. As at 31 March 2024, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2024/25, reflecting expected benefits in relation to 'full expensing' and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2024/25 is expected to be in the range of £850 million to £1.1 billion. In addition to our AMP7 base programme, this reflects capital expenditure for the year in relation to the c.£400 million of investment brought forward from AMP8 (including Accelerated Infrastructure Delivery Project and AMP8 transitional investment) as well as our additional investment (including supporting our Better Rivers programme).

FINANCIAL REVIEW

Key financials (£m) – year ended 31 March

	Reported			Underlying[1]		
	2024	2023	% change	**2024**	2023	% change
Revenue[2]	**1,949.5**	1,804.2	+8.1%	**1,949.5**	1,804.2	+8.1%
Operating expenses[2]	**(810.7)**	(746.3)	+8.6%	**(787.1)**	(746.3)	+5.5%
Infrastructure renewals expenditure	**(219.8)**	(193.5)	+13.6%	**(205.8)**	(193.5)	+6.4%
Depreciation and amortisation	**(438.8)**	(423.6)	+3.6%	**(438.8)**	(423.6)	+3.6%
Operating profit	**480.2**	440.8	+8.9%	**517.8**	440.8	+17.5%
Net finance expense	**(306.1)**	(215.7)	+41.9%	**(293.2)**	(475.1)	-38.3%
Share of losses of JVs	**(4.1)**	-	n/a	**(4.1)**	-	n/a
Profit on disposal of subsidiary	**-**	31.2	n/a	**-**	-	-
Profit/(loss) before tax	**170.0**	256.3	-33.7%	**220.5**	(34.3)	n/a
Tax (charge)/credit	**(43.1)**	(51.4)	-16.1%	**6.8**	25.6	-73.4%
Profit/(loss) after tax	**126.9**	204.9	-38.1%	**227.3**	(8.7)	n/a
EPS (pence)	**18.6**	30.0	-38.0%	**33.3**	(1.3)	n/a

	2024	2023	% change
DPS (pence)	**49.78**	45.51	+9.4%
Net regulatory capex (£m)	**737.1**	693.9	+6.2%
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RCV gearing[4] (%)	**59%**	58%	+1%
RoRE[5] (%)	**8.5%**	10.9%	-2.4%

[1] Underlying measures are defined in the tables on pages 19 to 20
[2] Revenue and operating costs for the year ended 31 March 2023 have been re-presented to reflect £20.2m of income not derived from the output of the group's ordinary activity in Other income rather than Revenue. These balances were previously reported as £4.8m and £1,824.4m respectively.
[3] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).
[4] RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).
[5] Return on regulated equity

We delivered robust underlying financial performance this year. Revenue increased 8 per cent, mainly driven by the inflation increase allowed as part of our revenue cap. This revenue increase, partly offset by inflationary increases to costs resulted in underlying operating profit increasing by £77 million to £518 million. Reported operating profit was £38 million lower than underlying, at £480 million, reflecting an adjusting item in respect of costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit of £227 million and an underlying earnings per share of 33.3 pence. Reported profit after tax was lower at £127 million, with reported earnings per share of 18.6 pence per share. Adjusted items between underlying and reported are set out on pages 19 to 20.

We have one of the strongest balance sheets in the sector, providing us with future flexibility. During the year, we completed a pension scheme buy-in transaction with Legal & General, covering two-thirds of scheme liabilities and representing a significant milestone in our de-risking journey. Our AMP7 investment requirements are fully pre-funded, and with gearing of 59 per cent and solid credit ratings we approach AMP8 in a strong position.

Revenue

	£m
Year to 31 March 2023*	1,804.2
Regulatory revenue impact	102.6
Other impacts	42.7
Year to 31 March 2024	**1,949.5**

* Revenue for the year to 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 relates to amounts receivable under government renewable energy schemes and the sale of energy generated to the grid.

Revenue was up £145 million, at £1,950 million, largely reflecting the inflation increase allowed as part of our revenue cap.

In 2023/24, we had a £103 million increase in the revenue cap due to regulatory adjustments, largely driven by a 9.4 per cent CPIH-linked increase partly offset by 1.4 per cent real reduction in allowed wholesale revenues as set out in our PR19 Final Determination.

Other revenue impacts largely reflects increases in consumption.

Operating profit

	£m
Underlying – year to 31 March 2023	440.8
Revenue increase	145.3
Operating cost increases	(40.8)
IRE increase	(12.3)
Depreciation increase	(15.2)
Underlying operating profit - year to 31 March 2024	**517.8**
Adjusted items*	(37.6)
Reported – year to 31 March 2024	**480.2**

* Adjusted items are set out on pages 19 to 20.

Underlying operating profit at £518 million was £77 million higher than last year, largely reflecting the increase in revenue, offset by inflationary pressures on our core costs.

Inflationary pressures on our operating costs have resulted in a £41 million increase. The largest increases have been to power and labour costs, where we incurred an additional £34 million and £13 million respectively. Other costs have been tightly controlled, partly mitigating the inflationary increases and leading to a £6 million cost reduction.

As our asset base continues to grow, IRE increased by £12 million and our depreciation charge for the year increased by £15 million.

Reported operating profit increased by £39 million compared to last year, reflecting the £77 million increase in underlying operating profit offset by £38 million of costs associated with responding to a fractured outlet pipe at our Fleetwood Wastewater Treatment Works. The specific nature, and the activity involved in remediating this failure was unlike anything that would typically be experienced. As such, the associated costs were not representative of normal business activity and were excluded in arriving at underlying operating profit.

Current year cash collection has been strong, supported by our industry-leading affordability schemes, effective credit collection practices and utilisation of technology. As a result, our bad debt position has reduced to 1.6 per cent of statutory revenue.

Profit/(loss) before tax

	£m
Underlying loss before tax – year to 31 March 2023	(34.3)
Underlying operating profit increase	77.0
Underlying net finance expense decrease	181.9
Share of JVs losses increase	(4.1)
Underlying profit before tax – year to 31 March 2024	**220.5**
Adjusted items *	(50.5)
Reported – year to 31 March 2024	**170.0**

* Adjusted items are set out on pages 19 to 20.

Underlying profit before tax of £221 million compared to a £34 million underlying loss before tax last year. The £255 million difference reflects the £77 million increase in underlying operating profit and a £182 million decrease in underlying net finance expense, partly offset by a small increase in the share of losses of joint ventures of £4 million. Underlying profit before tax reflects presentational adjustments as outlined on pages 19 to 20.

Reported profit before tax decreased by £86 million to £170 million reflecting a £90 million increase in reported net finance expense, a £31 million profit on disposal of our subsidiary United Utilities Renewable Energy Limited recognised in the prior year, and a small increase in the share of losses of joint ventures of £4 million, partly offset by an £39 million increase in reported operating profit.

- Net finance expense
  Underlying net finance expense of £293 million was £182 million lower than last year mainly due to significantly lower inflation resulting in a £268 million decrease in the non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest of £47 million, and rising interest rates resulting in higher net interest payable on debt, derivatives and cash of £39 million.

  Cash interest of £125 million was £23 million higher than last year. Cash interest excludes non-cash items mainly comprising the indexation on our debt and derivative portfolio, capitalised interest and net pension interest income.

  Reported net finance expense of £306 million was £90 million higher than last year, reflecting a £272 million reduction in net fair value gains on debt and derivatives (excluding interest on debt and derivatives under fair value option) from £259 million net fair value gain last year to £13 million net fair value loss this year, partly offset by the £182 million decrease in underlying net finance expense.

- Joint ventures
  The group incurred a share of the losses of Water Plus for the year ended 31 March 2024 of £4 million, all of which has been recognised in the income statement. This compares to a share of the profits of Water Plus of nil for the year ended 31 March 2023, with the deterioration this year largely as a result of the impact of higher interest rates.

Profit/(loss) after tax and earnings per share

	PAT £m	Earnings per share Pence/share
Underlying loss after tax – year to 31 March 2023	(8.7)	*(1.3)*
Underlying profit before tax increase	254.8	
Reduction in underlying tax credit	(18.8)	
Underlying profit after tax – year to 31 March 2024	**227.3**	***33.3***
Adjusted items *	(100.4)	
Reported – year to 31 March 2024	**126.9**	***18.6***

* Adjusted items are set out on pages 19 to 20.

The underlying profit after tax of £227 million was £236 million higher than the £9 million underlying loss last year, reflecting the £255 million increase in underlying profit before tax and a £19 million reduction in underlying tax credit.

Reported profit after tax was lower at £127 million and reported earnings per share at 18.6 pence per share with the adjusted items between underlying and reported set out on pages 19 to 20.

- Tax

  We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs, and are delighted to have retained the Fair Tax Mark independent certification for a fifth year.

  The group makes significant contributions to the public finances on its own behalf as well as collecting and paying over further amounts for its over 6,000 strong workforce. The total payments for 2023/24 were around £240 million and included business rates, employment taxes, environmental taxes and other regulatory service fees such as water abstraction charges.

  In the current year, we received a net corporation tax repayment of £5 million which represents an effective cash tax rate of 0 per cent. The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment including full expensing introduced in 2023.

  The group recognised a current tax credit of £6 million, mainly due to prior year adjustment in relation to optimising the available research and development tax allowances on our innovation-related expenditure, for multiple prior years.

  For the year to 31 March 2024, we recognised a deferred tax charge of £49 million, compared with £77 million last year.

  The total effective tax rate, excluding prior year adjustments was 26 per cent for the year to 31 March 2024 compared with the headline rate of 25 per cent.

  There are £166 million of tax adjustments recorded within other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent (2023: 35 per cent), being the rate applicable to refunds from a trust.

Dividend per share

The Board has proposed a final dividend of 33.19 pence per ordinary share in respect of the year ended 31 March 2024. This is an increase of 9.4 per cent compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year through to 2025. The 9.4 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2023/24 financial year (i.e. the movement in CPIH between November 2021 and November 2022).

The final dividend is expected to be paid on 1 August 2024 to shareholders on the register at the close of business on 21 June 2024. The ex-dividend date for the final dividend is 20 June 2024. The election date for the dividend reinvestment plan is 11 July 2024. A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at www.shareview.co.uk/info/drip

Cash flow

Net cash generated from operating activities for the year to 31 March 2024 was £745 million, £43 million lower than £788 million last year, principally due to higher net interest paid resulting from the rise in interest rates, and changes in working capital decreasing cash generated from operations. The net cash generated from continuing operating activities supports the dividends paid of £320 million and partially funds some of the group's net capital expenditure of £731 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated statement of cash flows can be found on page 33 of these condensed consolidated financial statements.

Pensions

As at 31 March 2024, the group had an IAS 19 net pension surplus of £268 million, compared with a surplus of £601 million at 31 March 2023. This £333 million decrease principally reflects the impact of the purchase of bulk annuities as part of a buy-in transaction completed in July 2023 with Legal & General leading to around a £220 million reduction in the surplus. The partial buy-in represents a significant milestone in our de-risking journey for the benefit of the pension schemes, their members, and the group, by working as a near-perfect economic hedge, removing interest rate, inflation and longevity risks for the portion of liabilities secured. The remaining reduction materially relates to changes in financial conditions over the period, which have seen a fall in the value of the schemes' assets and the impact of inflation remaining above the assumption made at 31 March 2023.

Further detail on pensions is provided in note 11 ('Retirement benefit surplus') of these condensed consolidated financial statements.

Financing

Net debt	**£m**
At 31 March 2023	8,200.8
Cash generated from operations	(865.4)
Net capital expenditure	731.4
Dividends	320.0
Indexation	251.9
Interest	124.8
Fair value movements	35.1
Exchange rate movements on bonds and term borrowings	(35.2)
Other	(0.7)
At 31 March 2024	**8,762.7**

Net debt at 31 March 2024 was £8,763 million, compared with £8,201 million at 31 March 2023. This comprises gross borrowings with a carrying value of £10,001 million, net derivative liabilities hedging specific debt instruments of £50 million and total indexation on inflation swaps of £111 million, and is net of cash and bank deposits of £1,399 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £14.7 billion, was 59 per cent at 31 March 2024, slightly higher than the 58 per cent at 31 March 2023 but remaining within our target range of 55 to 65 per cent.

- Cost of debt
  As at 31 March 2024, the group had approximately £3.6 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of –0.6 per cent.

  A significantly lower RPI inflation charge compared with last year contributed to the group's average effective interest rate of 4.7 per cent being lower than the rate of 8.0 per cent last year. More information on this can be found on page 21.

  The group has fixed the interest rates on its non index-linked debt in line with its 10-year reducing balance basis at a net effective nominal interest rate of 2.7 to 3.1 per cent for the remainder of the AMP7 regulatory period.

- Credit ratings
  UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa1 with Moody's, A- with Fitch and BBB- with S&P, all on stable outlook.

- Debt financing
  The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme. The group has fully pre-funded its AMP7 investment requirements, and has begun funding its AMP8 (2025-30) investment programme.

In the year to March 2024, we raised c.£1.6 billion of term funding. A 15.5 year £300 million sustainable public bond in April, a 9 year £100 million bilateral loan with a relationship bank in April, a 13 year £350 million sustainable public bond in June, a 22 year £250 million public bond in January, a £50m tap of 12.3 year sustainable public bond in February and a EUR650 million sustainable public bond in February. In addition, we renewed £100 million of relationship bank revolving credit facilities with an initial 5-year term. Further in March we repurchased and cancelled c.£110 million of bonds that had an original maturity date of February 2025.

- <u>Interest rate management</u>
  Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2024, approximately 39 per cent of the group's net debt was in RPI-linked form, representing around 23 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 15 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of –0.6 per cent. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is around 16 years.

  Our inflation hedging policy is to target around 50 per cent of net debt to be maintained in index-linked form. This reflects a balanced assessment across a range of factors.

  Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

- <u>Liquidity</u>
  Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. Our MTN programme provides further support.

  At 31 March 2024, we had liquidity out to March 2026, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

United Utilities
Water for the North West

Return on Regulated Equity (RoRE)

RoRE for 2023/24 was 8.5 per cent on a real, RPI/CPIH blended basis. In addition to the base return of 4.0 per cent (including our 11 basis point fast track reward that we receive in each of the five years of the AMP), we delivered net outperformance of 4.5 per cent comprising:

- Financing outperformance
  We earned financing outperformance this year of 4.3 per cent. We have consistently issued debt at efficient rates that compare favourably with the industry average, thanks to our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise. As in the prior year, our financing outperformance this year has been supplemented by higher levels of inflation, which increases the benefit of the roughly £4 billion fixed rate debt we have locked in.

- Tax outperformance[1]
  The 2.1 per cent outperformance on tax reflects the small current year underlying tax credit, and includes allowable tax deductions on capital investment including full expensing introduced in 2023.

- Customer outcome delivery incentives (ODIs)
  Customer ODI outperformance of 0.7 per cent reflects a net reward of £34 million[2]. Our overall performance was strong this year, meeting or exceeding 80 per cent of our performance commitments. However, exceptionally high rainfall during the year adversely impacted performance such as flooding and we expect to receive penalties against these commitments for FY24. The extreme weather we experienced meant that while our net reward reflects strong delivery for customers, it is around £30 million lower than we previously anticipated.

  Customer ODI rewards and penalties are applied to revenues with a two-year lag. As we are approaching the end of the AMP7 regulatory period, the payments earned in 2023/24 and 2024/25 reporting year will be considered during the determination processes for the next regulatory period and will be reflected in adjustments to revenues during AMP8.

- Totex performance[1]
  The totex impact on RoRE of -2.2 per cent reflects the combined impact of the in-year portion of the £765 million investment programme announced in May 2022, accelerated investment brought forward from AMP8 and inflationary pressures, partly offset by the inflationary uplift within the totex mechanism. We continue to robustly challenge our costs to help us deliver our investment as efficiently as possible.

- Retail performance
  The retail impact on RoRE of -0.4 per cent reflects a small underperformance in household retail resulting from the impacts of cost of living and inflationary cost pressures.

1 Tax benefits directly attributable to £765m additional investments netted against totex performance.
2 Excluding per capita consumption, which Ofwat is considering as part of its final determination process in the context of a full understanding of the enduring impact of COVID-19 effects.

Underlying profit

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated income statement, which can be found on page 29. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework that considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Adjusted item	Rationale
Adjustments not expected to recur	
Fleetwood outfall pipe fracture	In June 2023, the group suffered a large-scale outfall pipe fracture at a major wastewater treatment works at Fleetwood. The specific nature of this incident, and the activity involved in remediating this failure was unlike anything that would be typically experienced. As such, the associated costs, which were incurred across both operating expenditure and infrastructure renewals expenditure, were not representative of normal business activity and, therefore, the costs are excluded in arriving at underlying operating profit.
Profit on disposal of subsidiary	This relates to the disposal of the group's subsidiary United Utilities Renewable Energy Limited during the prior year, which represents a significant, atypical event and as such is not considered to be part of the normal course of business.
Consistently applied presentational adjustments	
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance.
Deferred tax adjustment	Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences.
Tax in respect of adjustments to underlying profit/ (loss) before tax	Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current year performance.

Underlying profit

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Operating profit per published results	**480.2**	**440.8**
Fleetwood outfall pipe fracture	37.6	-
Underlying operating profit	**517.8**	**440.8**

Net finance expense

	£m	£m
Finance (expense)/income	(389.3)	(262.7)
Allowance for expected credit losses – loans to joint ventures	(2.4)	-
Investment income	85.6	47.0
Net finance expense per published results	**(306.1)**	**(215.7)**
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	12.9	(259.4)
Underlying net finance expense	**(293.2)**	**(475.1)**

	£m	£m
Share of (losses) of joint ventures	**(4.1)**	**-**
Profit on disposal of business	**-**	**31.2**
Adjustments:		
Profit on disposal of subsidiary	-	(31.2)
Underlying profit on disposal of subsidiary	**-**	**-**
Profit before tax per published results	**170.0**	**256.3**
Adjustments:		
In respect of operating profit	37.6	-
In respect of net finance expense	12.9	(259.4)
In respect of profit on disposal of subsidiary	-	(31.2)
Underlying profit/(loss) before tax	**220.5**	**(34.3)**
Profit after tax per published results	**126.9**	**204.9**
Adjustments:		
In respect of profit before tax	50.5	(290.6)
Deferred tax adjustment	48.9	76.6
Tax in respect of adjustments to underlying profit before tax	1.0	0.4
Underlying profit/(loss) after tax	**227.3**	**(8.7)**

Earnings per share

	£m	£m
Profit after tax per published results (a)	126.9	204.9
Underlying profit / (loss) after tax (b)	227.3	(8.7)
Weighted average number of shares in issue, in millions (c)	681.9m	681.9m
Earnings per share per published results, in pence (a/c)	18.6	30.0
Underlying earnings per share, in pence (b/c)	**33.3**	**(1.3)**
Dividend per share, in pence	49.78p	45.51p

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Average effective interest rate	**Year ended 31 March 2024 £m**	**Year ended 31 March 2023 £m**
Underlying net finance expense	(293.2)	(475.1)
Adjustments:		
Net pension interest income	(28.6)	(28.7)
Adjustment for capitalised borrowing costs	(81.0)	(127.5)
Net finance expense for effective interest rate	**(402.8)**	**(631.3)**
Average notional net debt[3]	**(8,504)**	**(7,849)**
Average effective interest rate	**4.7%**	**8.0%**
Effective interest rate on index-linked debt	6.2%	12.4%
Effective interest rate on other debt	2.9%	2.2%

The table below provides a reconciliation between group underlying operating profit and United Utilities Water Limited (UUW) historical cost regulatory underlying operating profit (non-GAAP measures) as follows:

	Year ended 31 March 2024 £m	**Year ended 31 March 2023 £m**
Group underlying operating profit	**517.8**	**440.8**
Underlying operating profit not relating to UUW	6.1	3.1
UUW statutory underlying operating profit (unaudited)	**523.9**	**443.9**
Revenue recognition	(1.1)	9.3
Capitalised borrowing costs	11.2	7.5
Reclassification of regulatory other income (not included in UUW operating profit)	(32.2)	(32.8)
Reversal of the innovation fund	6.5	6.4
Other differences (including non-appointed business)	(1.0)	(0.2)
UUW regulatory underlying operating profit (unaudited)	**507.3**	**434.1**

Return on Regulated Equity (RoRE)

UUW's RoRE, presented on a real return basis:

	Year ended 31 March 2024	**AMP7 To date**
Base return	4.0%	4.0%
Financing performance	4.3%	3.0%
Tax performance[4]	2.1%	1.3%
Customer ODI performance	0.7%	0.5%
Totex performance[4]	(2.2)%	(0.6)%
Retail performance	(0.4)%	(0.3)%
RoRE	8.5%	7.9%

3 Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking: the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.
4 Tax benefits directly attributable to £765m additional investments netted against totex performance.

PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk management

Our approach to risk management, including how we identify and assess risk, the oversight and governance process, and focus on continual improvement remains largely unchanged from that detailed in our Annual Report.

Risk profile

The business risk profile is based on the value chain of the company, with the ten inherent risk areas (primary and supportive) where value can be gained, preserved or lost relative to the performance, future prospects or reputation of the company. Underpinning these inherent risk areas, the profile consists of approximately 100 event-based risks, each of which is allocated based on the context of the event, enabling the company to consider interdependency and correlation of common themes and control effectiveness. Although the profile remains relatively static in terms of its headline inherent risk factors, risk assessments remain dynamic by reflecting new and emerging circumstances.
The common themes are under continuous review, however at present they are:

- **Causal factor themes**: Extreme weather / climate change; Asset health; Economic conditions; Legislative and regulatory change; Demographic change; Culture; and Technology and Data.
- **Consequence themes relate directly to stakeholders**: Service delivery; Non-compliance; Environmental impact; People; Supply chain; and Investors.

The company's principal risks

Our principal risks represent the ten highest-ranked risks by exposure (likelihood of occurrence of the event multiplied by the most likely financial impact over the long-term) and those risks which have been assessed as having a significantly high impact, but low likelihood. Depending on the circumstances, financial impacts will include loss of revenue, additional, fines, regulatory penalties and compensation. Reputational impact relative to our multiple stakeholders is also assessed, reported and considered as part of the mitigation.

Summarised below are the top ten ranking risks (1 – 10), and those assessed as having high impact, but low likelihood (A – D):

1. Price Review 2024 outcome

Risk exposure: Following submission of our business plan to Ofwat, the risk relates to our expenditure allowance, performance incentives and penalties, and the allowable return on investment at the final determination. Risk factors include Ofwat's assessment of the quality and ambition of our plan, including cross company comparisons of stretching performance and delivery targets alongside efficient costs and alignment to customers' interests.

Control/mitigation: We believe we have presented an ambitious and high quality business plan with comprehensive supporting evidence and justification, and continue to liaise and work closely with Ofwat and other stakeholders.

Assurance: Second line assurance has been provided through a dedicated price review team and a PR24 programme board. There was a blend of internal audit and external assurance focused on the quality of the PR24 business plan and related submissions.

2. Failure of the Haweswater Aqueduct

Risk exposure: The Haweswater Aqueduct is a key asset with current low resilience due to deterioration, with failure potentially resulting in water quality issues and/or supply interruptions to a large proportion of our customer base.

Control/mitigation: A capital project to replace the tunnel sections of the aqueduct has already commenced with the completion in November 2020 of one section. The remaining sections are due to be replaced as part of Haweswater Aqueduct Resilience Programme (HARP).

Assurance: Technical and geological advice and modelling have been sought throughout the programme development, with second line assurance including engineering technical governance. Independent assurance is provided by internal audits and external assurance over the HARP procurement process.

3. Recycling of biosolids to agriculture

Risk exposure: We believe that recycling of biosolids to agriculture is the most practical environmental option, however a reduction in the agricultural landbank could have significant implications to operations and expenditure into the long-term, with a total ban being the worst case scenario. Threats include the quality of biosolids, and changes in, or the interpretation of, regulations.

Control/mitigation: Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations. In addition, we work closely with regulators and lawmakers to influence policy from an informed position.

Assurance: The bioresources team ensures compliance with the UK Biosolids Assurance Scheme (BAS) and other codes of practice. Second line assurance is undertaken by the assurance team, with third line assurance provided by internal audit, and external auditors certifying our BAS accreditation.

4. Credit rating

Risk exposure: Credit ratings are important for access to capital, meeting regulatory requirements and to give confidence to investors of our financial health. A potential downgrade in credit rating, leading to increased cost of funding, can occur due to external factors (such as inflation and/or a change in sector risk assessment by a ratings agency), financial and/or operational performance; and a large capital programme which is not matched by equity support where necessary.

Control/mitigation: We continuously monitor financial markets, manage key financial and treasury risks within defined policy parameters, and we will review the capital structure once we have clarity following Ofwat's Final Determination for Price Review 2024.

Assurance: Second line assurance is provided by financial control and monthly executive performance review meetings, with oversight provided by the treasury committee. The treasury function is subject to regular internal audits.

5. Wastewater network failure

Risk exposure: Our sewer network can fail to operate effectively, resulting in unpermitted storm overflow activations, sewer flooding and environmental damage. Causes include blockages, operational failures or inadequate hydraulic capacity relative to population growth, extreme weather, asset health, and legal / regulatory change.

Control/mitigation: Key preventative measures include proactive maintenance and inspection regimes, customer campaigns and a sewer rehabilitation programme. Sewer network performance is subject to dynamic monitoring, and the Better Rivers programme is improving the capacity of the network.

Assurance: Second line assurance is provided by wholesale assurance, engineering technical governance and the flood review panel. The risk is subject to regular internal audits and external assurance of regulatory reporting.

6. Failure to treat sludge

Risk exposure: Treating sludge to the appropriate quality relates to the capacity of our assets to cope with increasing volume relative to changing demographics, asset health and legislative / regulatory change, such as the Industrial Emissions Directive (IED).

Control/mitigation: We adopt a Throughput, Reliability, Availability and Maintainability (T-RAM) approach for our facilities, balance capacity and demand, undertake regular testing and analysis of sludge, and operate a programme of asset cleaning.

Assurance: Bioresources production planning team provides first line assurance on managing sludge treatment plant performance and capacity. Second line assurance is provided through our internal environmental, regulatory and technical advisers, and assurance team. Third line assurance is undertaken by the internal audit team.

7. Cyber

Risk exposure: There is an increasing and constantly changing cyber threat landscape, with the potential for data and technology assets to be compromised, leading to a major impact to key business processes and operations.

Control/mitigation: Multiple layers of control exist including a secure perimeter, segmented internal network zones, training and access controls. Constant monitoring and forensic response capability also exists.

Assurance: Second line assurance is provided by the security team who monitor multiple sources of threat intelligence, and the security steering group provides oversight. Independent assurance is provided by annual internal audits and various technical audits, including penetration testing, is regularly undertaken by external specialist.

8. Failure to meet the totex efficiency challenge

Risk exposure: AMP7 totex efficiencies are challenged through a combination of factors including supply chain issues, inflationary pressures, and additional investment to deliver performance improvements.

Control/mitigation: Strategic Portfolio Board (SPB) planning, risk-based investment prioritisation, and the company business planning process all contribute to efficient delivery of services and the capital programme. In addition, there are number of executive led initiatives to realise efficiency opportunities.

Assurance: First line assurance is undertaken through executive led meetings, with the strategic portfolio board, and monthly executive performance review meetings providing second line governance and assurance. Third line assurance is undertaken through cyclical internal audits.

9. Water availability

Risk exposure: The availability of raw water is one of the most sensitive risks to climate change. Extended periods of low rainfall and exceptionally hot weather, with accompanying increased customer demand, impacts our water resources which can result in the need to implement water use restrictions.

Control/mitigation: We produce a Water Resources Management Plan (WRMP) every five years which, based on in-house information and regulatory guidelines, forecasts future demand and water availability under repeats of historic droughts, adjusted for climate change. A statutory Drought Plan is also developed every five years setting out the actions we will take in a drought situation.

Assurance: The WRMP and Drought Plan are subject to various second and third line assurance activities prior to publication.

10. Capital Delivery programme

Risk exposure: The delivery of the capital programme to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards, and the capacity and capability of third parties and internal resource. This risk will be amplified with the proposed increased size and scale of the capital programme in subsequent AMPs.

Control/mitigation: All projects are subject to planning and project management within a managed programme of capital works. There is a transformation programme in place to ensure readiness of the significant increased capital programme in the AMP8.

Assurance: The engineering team provide technical governance and the Programme Management Office (PMO) assures against delivery obligations. The assurance team undertake health, safety, environmental and quality inspections, and internal audit undertake third line assurance against performance metrics as well as audits of specific projects and programme management.

A. Dam failure

Risk exposure: The integrity of dams is fundamental to water storage and the safety of society downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications.

Control/mitigation: Each reservoir is regularly inspected by engineers. Where appropriate, risk management activities are applied and risk reduction interventions are implemented through a prioritised investment programme.

Assurance: There are various sources of second line assurance, including supervising engineers, dam safety group, assurance team and regular board reviews. Independent assurance is provided by panel engineers and internal audit.

B. Financial Outperformance

Risk exposure: Inflation is fundamental to the economic regulation of the water sector affecting wholesale revenues, regulatory asset values, return on investment, and indexed link debt. Periods of low inflation impact the value of the company and its profitability.

Control/mitigation: The impact of interest rates and inflation is mitigated through hedging and forward buying of commodities such as energy. Business planning, including sensitivity analysis, takes into account ongoing monitoring of markets and regulatory developments.

Assurance: Second line assurance and oversight is provided by the board and treasury committee in addition to monthly executive performance meetings. The risk is also subject to cyclical internal audit reviews.

C. Terrorism

Risk exposure: Terrorism is a threat to our business with terrorist groups looking to advance their political agendas by causing harm and destruction. Although deemed remote, there is a risk to our assets leading to the subsequent loss or contamination of supply and/ or pollution of the environment.

Control/mitigation: Assets are protected in accordance with the Security and Emergency Measures Direction (SEMD), and we liaise with the Protective Security Authority (NPSA), regional counter terrorist units, local agencies, and emergency services.

Assurance: Second line assurance is provided by the security steering group. In addition, internal audit undertake cyclical audits with external technical assurance being delivered by specialists.

D. Process Safety

Risk exposure: Our activities include processes that are inherently hazardous with the storage of toxic and explosive gases across multiple sites (two of which fall under the Control of Major Accident Hazard (COMAH) regulations).

Control/mitigation: Multi layers of protection are in place including: design standards; maintenance and operating regimes; work authorisation procedures; and emergency planning and training.

Assurance: Second line assurance is undertaken by both the assurance and health and safety teams, with third line assurance being undertaken through periodic internal audits. The Health and Safety Executive also carries out regulatory inspections.

Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our financial statements, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, a hearing was held in the Court of Appeal in 2022 and the main additional points raised by MSCC were dismissed, although MSCC were granted leave to appeal to the Supreme Court. The final appeal was heard in early March 2023 and the Court's decision is awaited. This may provide further clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges by water companies into the canal and other watercourses.

- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multiparty 'class action' in Argentina related to the issuance and payment default of a US$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks that was privatised in 1997. UUIL had a 45 per cent shareholding in IEBA, which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. The Argentine Court has scheduled various hearings to receive the testimony of fact witnesses and experts (starting in May 2023 and ongoing). UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.

- Collective proceedings in the Competition Appeal Tribunal (CAT) were issued on 8 December 2023 against UUW 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 PR24 period) as a result of UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. A hearing is currently scheduled in late September 2024 to deal with certification of the claim and any possible preliminary issue or strike out arguments in respect of the claim. UUW 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This financial 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 financial report and the company undertakes no obligation to update these forward-looking statements. Nothing in this financial report should be construed as a profit forecast.

Certain regulatory performance data contained in this financial report is subject to regulatory audit.

This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.

LEI 2138002IEYQAOC88ZJ59
Classification – Full Year Results

Consolidated income statement

	Year ended 31 March 2024 £m	Re-presented* Year ended 31 March 2023 £m
Revenue (note 3)	**1,949.5**	1,804.2
Other income	**18.8**	25.0
Staff costs	**(205.1)**	(192.2)
Other operating costs (note 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)
Total operating expenses	**(1,469.3)**	(1,363.4)
Operating profit	**480.2**	440.8
Investment income (note 5)	**85.6**	47.0
Finance expense (note 6)	**(389.3)**	(262.7)
Allowance for expected credit losses - loans to joint ventures	**(2.4)**	-
Investment income and finance expense	**(306.1)**	(215.7)
Share of losses of joint venture (note 10)	**(4.1)**	-
Profit on disposal of business	**-**	31.2
Profit before tax	**170.0**	256.3
Current tax credit	**5.8**	25.2
Deferred tax charge	**(48.9)**	(76.6)
Tax (note 7)	**(43.1)**	(51.4)
Profit after tax	**126.9**	204.9
Earnings per share (note 8)		
Basic	**18.6p**	30.0p
Diluted	**18.6p**	30.0p
Dividend per ordinary share (note 9)	**49.78p**	45.51p

All of the results shown above relate to continuing operations.

*The consolidated income statement 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 balances were previously reported as £4.8 million and £1,824.4 million respectively. See note 3 for further details.

Consolidated statement of comprehensive income

	Year ended 31 March 2024 £m	Re-presented* Year ended 31 March 2023 £m
Profit after tax	**126.9**	**204.9**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of fair value movements	**(63.0)**	(50.6)
Tax on items recorded within other comprehensive income	**15.8**	12.7
Reclassification of cash flow hedge effectiveness to consolidated income statement	**1.8**	(36.6)
Tax on reclassification to consolidated income statement	**(0.5)**	7.0
	(45.9)	(67.5)
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on defined benefit pension schemes (note 11)	**(368.5)**	(445.3)
Change in credit assumption for debt reported at fair value through profit and loss	**0.7**	4.8
Cost of hedging - cross currency basis spread adjustment	**4.8**	6.3
Tax on items recorded within other comprehensive income	**151.1**	151.5
	(211.9)	(282.7)
Total comprehensive income	**(130.9)**	(145.3)

Consolidated statement of financial position

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
ASSETS		
Non-current assets		
Property, plant and equipment	**13,044.3**	12,570.7
Intangible assets	**124.5**	142.3
Interests in joint ventures (note 10)	**12.4**	16.5
Inventories – other	**-**	1.2
Trade and other receivables	**73.7**	75.7
Retirement benefit surplus (note 11)	**268.0**	600.8
Derivative financial instruments	**361.5**	428.6
	13,884.4	13,835.8
Current assets		
Inventories – properties held for resale	**3.0**	4.2
Inventories – other	**18.5**	8.9
Trade and other receivables	**226.8**	190.5
Current tax asset	**100.1**	98.9
Cash and cash equivalents	**1,399.3**	340.4
Derivative financial instruments	**21.3**	48.5
	1,769.0	691.4
Total assets	**15,653.4**	14,527.2
LIABILITIES		
Non-current liabilities		
Trade and other payables	**(957.9)**	(892.4)
Borrowings (note 12)	**(9,345.8)**	(8,259.0)
Deferred tax liabilities	**(1,930.6)**	(2,048.1)
Derivative financial instruments	**(255.2)**	(243.1)
	(12,489.5)	(11,442.6)
Current liabilities		
Trade and other payables	**(413.3)**	(376.7)
Borrowings (note 12)	**(655.6)**	(176.4)
Provisions	**(13.5)**	(13.1)
Derivative financial instruments	**(25.4)**	(9.7)
	(1,107.8)	(575.9)
Total liabilities	**(13,597.3)**	(12,018.5)
Total net assets	**2,056.1**	2,508.7
EQUITY		
Share capital	**499.8**	499.8
Share premium account	**2.9**	2.9
Other reserves (note 16)	**311.1**	353.4
Retained earnings	**1,242.3**	1,652.6
Shareholders' equity	**2,056.1**	2,508.7

Consolidated statement of changes in equity

Year ended 31 March 2024

	Share capital £m	Share premium account £m	[(1)]Other reserves £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
Other comprehensive income					
Remeasurement gains on defined benefit pension schemes (note 11)	-	-	-	(368.5)	(368.5)
Change in credit assumption 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 adjustment	-	-	4.8	-	4.8
Tax on items recorded within other comprehensive income (note 7)	-	-	14.6	152.3	166.9
Reclassification of items recorded directly in equity	-	-	1.8	-	1.8
Tax on reclassification to income statement	-	-	(0.5)	-	(0.5)
Total comprehensive income	-	-	(42.3)	(88.6)	(130.9)
Dividends (note 9)	-	-	-	(320.0)	(320.0)
Equity-settled share-based payments	-	-	-	2.1	2.1
Exercise of share options - purchase of shares	-	-	-	(3.8)	(3.8)
At 31 March 2024	499.8	2.9	311.1	1,242.3	2,056.1

Year ended 31 March 2023

	Share capital £m	Share premium account £m	[(1)]Other reserves £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
Other comprehensive income					
Remeasurement losses on defined benefit pension schemes (note 11)	-	-	-	(445.3)	(445.3)
Change in credit assumption 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 adjustment	-	-	6.3	-	6.3
Tax on items recorded within other comprehensive income (note 7)	-	-	11.1	153.1	164.2
Reclassification of items recorded directly in equity	-	-	(36.6)	-	(36.6)
Tax on reclassification to income statement	-	-	7.0	-	7.0
Total comprehensive income	**-**	**-**	**(62.8)**	**(82.5)**	**(145.3)**
Dividends (note 9)	-	-	-	(301.2)	(301.2)
Equity-settled share-based payments	-	-	-	4.6	4.6
Purchase of shares to satisfy exercise of share options	-	-	-	(6.8)	(6.8)
At 31 March 2023	**499.8**	**2.9**	**353.4**	**1,652.6**	**2,508.7**

[(1)]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 16.

Consolidated statement of cash flows

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Operating activities		
Cash generated from operations (note 14)	**865.4**	883.1
Interest paid	**(175.6)**	(118.2)
Interest received and similar income	**50.7**	15.8
Tax paid	**-**	(10.8)
Tax received	**4.6**	17.6
Net cash generated from operating activities	**745.1**	787.5
Investing activities		
Purchase of property, plant and equipment	**(749.5)**	(675.9)
Purchase of intangible assets	**(14.6)**	(18.1)
Grants and contributions received	**27.9**	5.1
Proceeds from disposal of property, plant and equipment	**4.8**	-
Repayment of loans to joint ventures (note 18)	**-**	5.0
Proceeds from disposal of subsidiary	**-**	90.5
Net cash used in investing activities	**(731.4)**	(593.4)
Financing activities		
Proceeds from borrowings net of issuance costs	**1,610.0**	501.0
Repayment of borrowings	**(248.5)**	(278.0)
Dividends paid to equity holders of the company (note 9)	**(320.0)**	(301.2)
Exercise of share options – purchase of shares	**(3.8)**	(6.8)
Net cash generated from/(used in) financing activities	**1,037.7**	(85.0)
Effects of exchange rate changes	**-**	(1.3)
Net increase in cash and cash equivalents	**1,051.4**	107.8
Cash and cash equivalents at beginning of the year	**327.9**	220.1
Cash and cash equivalents at end of the year	**1,379.3**	327.9

NOTES

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the year ended 31 March 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The condensed consolidated financial statements do not include all of the information and disclosures required for full annual financial statements and do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006, but are derived from the audited financial statements of United Utilities Group PLC for the year ended 31 March 2024, for which the auditors have given an unqualified opinion.

The comparative figures for the year ended 31 March 2023 do not comprise the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and with UK-adopted international accounting standards. They have been prepared on the going concern basis under the historical cost convention, 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 accounting policies, presentation and methods of computation are prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom, and are consistent with those applied in the audited financial statement of United Utilities Group PLC for the year ended 31 March 2024.

Going concern

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.

Update on critical accounting judgements and key sources of estimation uncertainty

The group discloses a number of critical accounting judgements and key sources of estimation uncertainty in its annual reports and financial statements for the year ended 31 March 2024. The area most impacted by developments during the year relates to the group's allowance for expected credit losses in respect of receivables.

Judgements and estimates have been kept under review during the year to 31 March 2024 in order to ensure that they reflect the most up-to-date information available, including changes in the broader economic outlook, particularly the inflationary pressures across most industries and sectors which have increased the cost of living. An update on these judgements and estimates is as follows:

Accounting estimate – allowance for expected credit losses in respect of household trade receivables: Recent years have seen a 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. We are mindful that increased energy prices, higher interest rates and other inflationary pressures may adversely impact some customers' affordability.

A range of collection scenarios have been used to inform the allowance for expected credit losses and the charge to the income statement during the period. These take account of cash collection rates in the current year as well as in recent years, incorporating periods which include the impacts of Covid-19 recovery and more recent cost of living pressures, to provide a range of views as to how recoverability of household receivables may be impacted.

The group continues to use the average cash collection over the preceding three years as a basis for estimating future collection, which is consistent with the prior year. This look-back period includes periods of relatively strong cash collection but also periods where cash collection has been more challenging, particularly due to recent cost of living pressures, and thus incorporates the variability of factors that can impact collection over the life of the receivable. Recognising the current levels of economic uncertainty and that it is reasonably possible that cash collection could become more challenging in the near future, this three year look-back period is considered to give a reasonable view of what cash collection on a forward-looking basis could look like.

The forward-looking assessment resulted in the release of a significant portion of the management overlay which had previously been recognised in light of the uncertainty arising initially from the onset of the Covid-19 pandemic, as described within the Annual Report for the year ended 31 March 2020, and subsequently maintained to address the collection risk arising from recent cost of living pressures and the associated 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 as this data is incorporated within the model. We continue to monitor the impact of cost of living pressures on the recoverability of household receivables.

Together, this 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.

2. 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 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.

3. Revenue

	2024	Re-presented* 2023
	£m	£m
Wholesale water charges	**819.9**	758.1
Wholesale wastewater charges	**990.8**	914.7
Household retail charges	**93.1**	83.0
Other	**45.7**	48.4
	1,949.5	1,804.2

*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.

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
	602.4	556.4

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.

3. Other operating costs (continued)

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 to 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 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.

5. Investment income

	2024 £m	**2023 £m**
Interest receivable	**57.0**	18.3
Net pension interest income (note 11)	**28.6**	28.7
	85.6	47.0

6. Finance expense

	2024 £m	**2023 £m**
Interest payable	**379.8**	497.7
Net fair value losses/(gains) on debt and derivative instruments	**9.5**	(235.0)
	389.3	262.7

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'.

Interest payable includes a £225.9 million (2023: £463.5 million) non-cash inflation expense in relation to the group's index-linked debt.

In addition to the £389.3 million finance expense, the allowance for expected credit losses in relation to loans extended to the group's joint venture, Water Plus, has increased by £2.4 million during the current year (2023: £nil).

Net fair value losses on debt and derivative instruments includes £29.3 million income (2023: £31.8 million income) due to net interest on derivatives and debt under fair value option, and £25.9 million expense (2023: £56.2 million expense) due to non-cash inflation uplift on the group's index-linked derivatives.

Underlying finance expense, which forms part of the group's alternative performance measures ('APMs') is calculated by adjusting net finance expense and investment income of £306.1 million (2023: £215.7 million) reported in the Consolidated Income Statement to exclude the £9.5 million of fair value losses in the above table, but include £29.3 million income due to net interest on derivatives and debt under fair value option, and £25.9 million expense due to non-cash inflation uplift on index-linked derivatives.

7. Tax

During the year ended 31 March 2024 there was a current tax credit of £5.8 million (2023: £25.2 million) and a deferred tax charge of £4.6 million (2023: £32.5 million) relating to prior years. The current year figure mainly relates to optimising the available tax incentives on our innovation related expenditure, for multiple earlier years. The prior year mainly relates to the utilisation of tax losses.

The split of the total tax charge between current and deferred tax was due to ongoing timing differences in relation to deductions on capital investment, and unrealised gains and losses on treasury derivatives. Going forward, we expect the total effective tax rate, ignoring non-recurring items such as the current year rate change adjustment, to remain broadly in line with the headline rate.

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 status of negotiations with, and enquiries from, tax authorities.

The tax adjustments taken to equity primarily relate to remeasurement movements on the group's defined benefit pension schemes. The rate at which the deferred tax liabilities are measured on the group's defined benefit pension scheme is 25 per cent (2023: 35 per cent), being the rate applicable to refunds from a trust.

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit/(loss) after tax by the weighted average number of shares in issue during the year.

	2024 **£m**	**2023** **£m**
Profit after tax attributable to equity holders of the company	126.9	204.9
Weighted average number of shares in issue in millions		
Basic	681.9	681.9
Diluted	683.5	684.1
Earnings per share in pence		
Basic	**18.6**	30.0
Diluted	**18.6**	30.0

9. Dividends

	2024 **£m**	**2023** **£m**
Dividends relating to the year comprise:		
Interim dividend	**113.1**	103.4
Final dividend	**226.3**	206.9
	339.4	310.3
Dividends deducted from shareholders' equity comprise:		
Interim dividend	**113.1**	103.4
Final dividend	**206.9**	197.8
	320.0	301.2

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 therefore have not been included as liabilities in the consolidated financial statements as at 31 March 2024 and 31 March 2023 respectively.

8. Earnings per share (continued)

The final dividend of 33.19 pence per ordinary share (2023: 30.34 pence per ordinary share) is expected to be paid on 1 August 2024 to shareholders on the register at the close of business on 21 June 2024. The ex-dividend date for the final dividend is 20 June 2024.

The interim dividend of 16.59 pence per ordinary share (2023: 15.17 pence per ordinary share) was paid on 1 February 2024 to shareholders on the register at the close of business on 22 December 2023.

10. Interests in joint ventures

	2024 £m	2023 £m
Joint ventures at the start of the year	**16.5**	16.5
Share of losses of joint ventures	**(4.1)**	-
Joint ventures at the end of the year	**12.4**	16.5

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), all of which is recognised in the income statement.

Details of transactions between the group and its joint ventures are disclosed in note 18.

11. Retirement benefit surplus

The main financial assumptions used by the company's actuary to calculate the defined benefit surplus of the United Utilities Pension Scheme ('UUPS') and the United Utilities PLC Group of the Electricity Supply Pension Scheme ('ESPS') were as follows:

	2024 %pa	2023 %pa
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(1)	2.80	2.85

Note:
(1)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 (2023: 2.50 per cent pre-2030 and 3.30 per cent post-2030).

11. Retirement benefit surplus (continued)

As part of the group's and trustees' ongoing de-risking activities, a partial buy-in took place on 3 July 2023. This was a £1.8 billion transaction between an insurer and the trustees of two pension schemes sponsored by United Utilities, UUPS and ESPS. The transaction provides the schemes with secure income that covers around two thirds of their liabilities through the purchase of bulk annuity policies, thus providing a greater degree of certainty for the group, the trustees, and members of the schemes. For ESPS, the buy-in was estimated to cover c.93% of pensioner liabilities, and for UUPS c.80% 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.

The £1.8 billion paid for the bulk annuity policies reflects a Trustee investment. The amount includes a premium equivalent to c.£220 million paid in excess of the present value of the liabilities covered, which reflects a reduction in the schemes' risk profile. This has resulted in an overall decrease in the defined benefit pension surplus recorded on the statement of financial position because scheme assets were used to purchase the policies. 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. As the fair value of the buy-in assets is significantly less than the buy-in premium paid to the insurer, this results in an asset loss for accounting purposes, which is recorded in Other Comprehensive Income ('OCI'). This is because the transaction has not resulted in a settlement or a change in benefits payable to scheme members.

The discount rate is consistent with a high quality corporate bond rate, with 4.80 per cent being equivalent to gilts + 50bps (2023: 4.70 per cent being equivalent to gilts + 95bps).

Corporate bond yields have increased relative to 31 March 2023, leading to a higher IAS 19 discount rate. As the schemes are more than 100% hedged on an IAS 19 basis, the assets have fallen more than the Defined Benefit Obligation ('DBO'). Further, credit spreads have narrowed since the year end, which, all else being equal, increases the DBO by more than the value of the assets. Inflation has also remained above the assumption made at the previous year end. This has been partially offset by updates to the demographic assumptions to reflect shorter life expectancies under the latest future mortality projections.

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% p.a. rate of improvement (2023: 1.25% p.a.), and factoring in a w2022 weighting of 40% (2023: w2021 weighting of 10%) 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. Compared against the prior year mortality assumptions, the Core CMI2022 model sees a reduction in life expectancies resulting in a reduction in the DBO of around 1-1.5%. 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 the 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 net pension income before tax in the income statement in respect of the defined benefit schemes is summarised as follows:

	2024 **£m**	**2023** **£m**
Current service cost	**2.8**	6.0
Past service cost	**(4.6)**	-
Administrative expenses	**4.0**	2.5
Pension expense charged to operating profit	**2.2**	8.5
Net pension interest credited to investment income (note 5)	**(28.6)**	(28.7)
Net pension income credited before tax	**(26.4)**	(20.2)

11. Retirement benefit surplus (continued)

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

	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)
At the end of the year	**268.0**	600.8

The closing surplus at each reporting date is analysed as follows:

	2024 £m	2023 £m
Fair value of schemes' assets	**2,552.4**	2,931.3
Present value of defined benefit obligations	**(2,284.4)**	(2,330.5)
Net retirement benefit surplus	**268.0**	600.8

The overall reduction in the net retirement benefit surplus has been driven mainly by the £368.5 million of remeasurement losses, of which c.£220 million relates to the IAS 19 impact of the buy-in transaction. The remaining reduction of the IAS 19 surplus is largely attributable to changes in financial conditions over the period, which have seen a fall in the value of the schemes' assets, which fully hedged against the schemes' technical provisions funding positions, and are therefore more than 100% hedged on an IAS 19 basis meaning that increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities. These remeasurement losses are partially offset by actuarial gains from changes in demographic assumptions, which have seen overall life expectancies lower than assumed at the previous year-end.

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 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 position 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.

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 both UUPS and ESPS. 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.

Defined contribution schemes

During the period the group made £32.4 million (2023: £29.2 million) of contributions to defined contribution schemes, which are included in employee benefits expense.

12. Borrowings

New borrowings raised during the year ended 31 March 2024 were as follows:

- On 6 April 2023, the group issued £300 million fixed rate notes, due October 2038.
- On 27 April 2023, the group executed and drew down on a £100 million loan facility, due April 2032.
- On 26 June 2023, the group issued £350 million fixed rate notes, and on 7 February 2024, the group issued £50 million as a fungible increase to these notes, due June 2036.
- On 22 January 2024, the group issued £250 million fixed rate notes, due January 2046.
- On 23 February 2024, the group issued EUR650 million fixed rate notes, due May 2034. On issue, the EUR bond was immediately swapped to £556.2 million of principal outstanding.

Notes were issued under the Euro Medium-Term Note Programme.

During the year, the group underwent a liability management exercise, and £110.1 million of the £450 million fixed rate notes due 2025 were re-paid ahead of maturity in February 2025.

The group entered into two undrawn committed borrowing facilities in the period totalling £100 million, and extensions to existing facilities were approved on a further eight (totalling £200 million).

Borrowings at 31 March 2024 include £59.2 million in relation to lease liabilities (2023: £58.3 million), of which £56.2 million (2023: £55.2 million) was classified as non-current and £3.0 million (2023: £3.1 million) was classified as current.

13. Fair values of financial instruments

The fair values of financial instruments are shown in the table below.

		2024		2023
	Fair value	Carrying value	Fair value	Carrying value
	£m	£m	£m	£m
Financial assets at fair value through profit or loss				
Derivative financial assets - fair value hedge	74.7	74.7	65.4	65.4
Derivative financial assets - held for trading	298.9	298.9	352.0	352.0
Derivative financial assets - cash flow hedge	9.2	9.2	59.7	59.7
Investments	-	-	0.1	0.1
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities - fair value hedge	(232.2)	(232.2)	(215.3)	(215.3)
Derivative financial liabilities - held for trading	(4.5)	(4.5)	(3.4)	(3.4)
Derivative financial liabilities - cash flow hedge	(43.9)	(43.9)	(34.1)	(34.1)
Financial liabilities designated as fair value through profit or loss	(338.9)	(338.9)	(361.0)	(361.0)
Financial instruments for which fair value does not approximate carrying value				
Financial liabilities in fair value hedge relationships	(3,459.0)	(3,414.6)	(2,310.1)	(2,332.3)
Other financial liabilities at amortised cost	(5,785.5)	(6,247.9)	(5,400.0)	(5,742.1)
	(9,481.2)	(9,899.2)	(7,846.7)	(8,211.0)

13. Fair values of financial instruments (continued)

The group has calculated fair values using quoted prices where an active market exists, which has resulted in 'level 1' fair value liability measurements under the IFRS 13 *'Fair Value Measurement'* hierarchy of £3,158.5 million (2023: £1,936.1 million) for financial liabilities in fair value hedge relationships, and £2,573.4 million (2023: £2,541.3 million) for other financial liabilities at amortised cost.

The £1,254.5 million increase (2023: £113.0 million decrease) in 'level 1' fair value liability measurements primarily reflects the debt issuances in the year.

In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data, which are classified as 'level 2' valuations. More information in relation to the valuation techniques used by the group and the IFRS 13 hierarchy can be found in the audited financial statements of United Utilities Group PLC for the year ended 31 March 2024.

The reason for the increase in the difference between the fair value and carrying value of the group's borrowings at 31 March 2024 compared with the position at 31 March 2023 is due to an increase in risk free rates.

14. Cash generated from operations

	2024 £m	**2023 £m**
Operating profit	**480.2**	440.8
Adjustments for:		
Depreciation of property, plant and equipment	**406.1**	385.5
Amortisation of intangible assets	**32.7**	38.1
Loss on disposal of property, plant and equipment	**6.7**	4.2
Amortisation of deferred grants and contributions	**(17.4)**	(16.2)
Equity-settled share-based payments charge	**2.1**	5.1
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
Decrease in trade and other payables	**(4.2)**	(5.5)
Increase/(Decrease) in provisions	**0.4**	(0.4)
Cash generated from operations	**865.4**	883.1

15. Net debt

	2024 £m	**2023 £m**
At the start of the year	**8,200.8**	7,570.0
Net capital expenditure	**731.4**	688.9
Dividends (note 9)	**320.0**	301.2
Interest	**124.8**	102.4
Inflation expense on index-linked debt and swaps (note 6)	**251.9**	519.6
Exchange rate movement on bonds and term borrowings	**(35.2)**	20.6
Tax	**(4.6)**	(6.8)
Non-cash movements in lease liabilities	**3.8**	(1.1)
Repayment of loans to joint ventures	**-**	(5.0)
Proceeds from disposal of subsidiary	**-**	(90.5)
Other	**0.1**	8.5
Fair value movements	**35.1**	(23.9)
Cash generated from operations (note 14)	**(865.4)**	(883.1)
At the end of the year	**8,762.7**	8,200.8

15. Net debt (continued)

Fair value movements include the indexation credit 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.

Notional net debt totals £8,727.4 million as at 31 March 2024 (2023: £8,193.3 million). Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and short-term deposits, taking: the face value issued of any nominal sterling debt; the inflation accreted principal of the group's index-linked debt; and the sterling principal amount of the cross-currency swaps relating to the group's foreign currency debt.

16. Other reserves

Year ended 31 March 2024

	Capital redemption reserve	Merger reserve	Cost of hedging reserve	Cash flow hedge reserve	Total
	£m	£m	£m	£m	£m
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 and loss	-	-	-	1.8	1.8
Tax on items recorded within other comprehensive income	-	-	(1.2)	15.3	14.1
At 31 March 2024	**1,033.3**	**(703.6)**	**8.7**	**(27.3)**	**311.1**

Year ended 31 March 2023

	Capital redemption reserve	Merger reserve	Cost of hedging reserve	Cash flow hedge reserve	Total
	£m	£m	£m	£m	£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 and loss	-	-	-	(36.6)	(36.6)
Tax on items recorded within other comprehensive income	-	-	(1.6)	19.7	18.1
At 31 March 2023	**1,033.3**	**(703.6)**	**5.1**	**18.6**	**353.4**

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 separate 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 in order 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.

17. Commitments and contingent liabilities

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).

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 contingent liabilities to be disclosed in this regard (2023: none).

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 UUW, 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 UUW 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 UUW 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 UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. There will be a hearing in late September 2024 to deal with certification of the claim and any possible preliminary issue or strike out arguments in respect of the claim. UUW 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.

18. Related party transactions

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

	2024	2023
	£m	£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.

18. Related party transactions (continued)

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 is one of three guarantors.

At 31 March 2024, 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 (March 2023: £nil).

19. 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility statement below has been prepared in connection with the group's full annual report for the year ended 31 March 2024. Certain parts thereof are not included within this announcement.

Responsibilities Statement

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with UK-adopted international accounting standards; give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report, 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 directors of United Utilities Group PLC at the date of this announcement are listed below:

Sir David Higgins
Louise Beardmore
Phil Aspin
Alison Goligher
Liam Butterworth
Kath Cates
Clare Hayward
Michael Lewis
Paulette Rowe
Doug Webb

This responsibility statement was approved by the board and signed on its behalf by:

………………………..	……………………….
Louise Beardmore	Phil Aspin
15 May 2024	15 May 2024
Chief Executive Officer	Chief Financial Officer