

United Utilities PLC

Annual Report and Financial Statements

31 March 2026

Strategic report	
Directors, advisers and other information	2
Our purpose and core activities	3
Our planning horizons	4
How we manage our dependencies and impacts	5
The value we create for stakeholders	10
Materiality assessment	13
Risk management	16
Metrics and targets - Performance in 2025/26	31
S172(1) Statement	38
Financial performance	41
Directors' report	49
Statement of directors' responsibilities in respect of the annual report and the financial statements	53
Independent auditor's report to the members of United Utilities PLC	55
Consolidated income statement	64
Consolidated statement of comprehensive income	65
Consolidated and company statement of financial position	66
Consolidated and company statement of changes in equity	67
Consolidated statement of cash flows	69
Accounting policies	70
Notes to the financial statements	77

Strategic report

Directors

L Beardmore
PA Aspin
RJ Lee
BF Murphy

Secretary

SR Gardiner

Auditor

KPMG LLP
St Peter's Square
Manchester
M2 3AE

Registered office

Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

Terms used in this report:

United Utilities PLC's ultimate parent company is United Utilities Group PLC. 'UUG' means United Utilities Group PLC and 'United Utilities' or 'the UUG group' means United Utilities Group PLC and its subsidiary undertakings. 'UU' or 'the group' means United Utilities PLC and its subsidiary undertakings.

Cautionary statement:

This 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. The forward-looking statements include without limitation any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

References to TCFD, TNFD and other sustainability-related reporting:

Whilst mandatory reporting under the TCFD ('Task Force on Climate-related Financial Disclosures') framework is not applicable to United Utilities PLC, this annual report makes reference to TCFD, TNFD ('Taskforce on Nature-related Financial Disclosures') and certain other sustainability-related reporting. Such information contained herein should be read in conjunction with the detailed disclosures included within the UUG 2026 Integrated Annual Report and Financial Statements.

Strategic report

Our purpose

To provide great water for a stronger, greener and healthier North West.

Our purpose highlights how environmental, social and governance considerations are integral to everything we do.

Stronger

We deliver an essential service, help customers in vulnerable situations, invest in local communities across the region, and support thousands of jobs and the economy, giving the North West resilience in a changing world.

Greener

We protect and enhance urban and rural environments, and adapt to the challenges of climate change, allowing people, wildlife and nature to thrive, making the North West a better place to live now and for the future.

Healthier

We provide great-quality drinking water and safely remove and recycle used water for around eight million people in the North West, while providing excellent customer service and a great place to work.

Our core activities

Our core activities cover each stage of the water cycle for all customers, and associated retail activities for household customers. Business retail is undertaken through our joint venture, Water Plus, through a competitive market.

Water resources – sustainably sourcing water

We source raw water from lakes, rivers, boreholes and, mainly, open reservoirs. We manage over 56,000 hectares of land, mainly around these reservoirs to protect raw water quality.

Water network and treatment: supplying treated water 24/7

We treat water at 96 treatment works, store it in covered reservoirs, and distribute via 43,000 kilometres of pipes – longer than the circumference of the Earth. We deliver 1.8 billion litres of safe, clean drinking water to around 8 million people and businesses each day.

Wastewater network and treatment: cleaning and returning wastewater

We collect wastewater from homes and businesses via our wastewater network, 54% of which also carries rainwater. Over 79,000 kilometres of pipes take flows to 583 treatment works, where water is treated to a high standard and returned to the environment so the water cycle can begin again.

Bioresources – generating renewable energy

Sludge is a by-product of the wastewater treatment process. It is transported to our bioresources treatment facilities, which use digestion technologies to safely and compliantly treat more than 200,000 dry tonnes of sewage sludge each year. The digestion treatment process produces biogas, to generate renewable energy, and biosolids, used as a local fertiliser.

Customer services

We provide household customer services, including meter reading, billing, account management, and water-efficiency support. We offer multiple contact channels such as phone, social media, and online live chat, so customers can reach us in the way that suits them. We also involve customers in improving the experience, including bill design. Our affordability support is sector leading, and our Priority Services offering assists customers who would benefit from extra support.

Strategic report

Our planning horizons

We plan across multiple planning horizons to protect long-term resilience and sustainability

We look at key trends and developments in the external environment, strategic priorities to deliver our purpose and other things that are material to our stakeholders. We undertake long-term horizon scanning and use an adaptive planning approach to ensure we are delivering our commitments in the most efficient and effective way, whatever the future brings.

Short-term planning (1 year)

Short-term planning helps us work towards our medium- and long-term goals and provides us with measurable targets so that we can continually monitor and assess our progress.

We set annual, measurable targets but retain flexibility so we can respond to emerging challenges. Each year, we agree an internal company business plan with targets for service, environment and efficiency, approved by the board. These are designed to work towards the medium-term regulatory commitments, and to help us move closer to our longer-term goals.

Executive directors hold regular reviews with senior managers, and key measures are monitored in monthly performance reporting. We operate with flexibility, allowing us to adjust plans while still delivering resilient, cost-effective services, for example, by bringing forward enhancements, investing to maintain service or reprioritising spend to reflect unexpected issues. Recent extreme weather shows why this adaptability is essential, as climate change increases risks such as drought, flooding and freeze-thaw damage to pipes.

Performance against stretching annual targets underpins bonus outcomes for all colleagues, covering customers, the environment, health and safety, and financial performance. To keep focus on longer-term outcomes, executive directors and senior leaders also have a three-year long-term incentive plan (LTP) based on RoRE and customer and environmental measures.

Medium-term planning (up to 2035)

Our medium-term plans align with five-year regulatory asset management plan (AMP) periods and regulatory final determinations. The current period, AMP8, runs from 2025 to 2030. The period from 2030 to 2035 is referred to as AMP9. For each AMP, we develop a five-year plan, which sets out how we will deliver required service levels, incentives and returns, and support our long-term delivery strategy and resilience. We use extensive stakeholder research so plans reflect customer preferences and environmental priorities.

Following scrutiny and challenge from Ofwat, we receive the final determination, which sets the price (in terms of total expenditure recovered through customer bills) and the service-level package that we must deliver over the five-year period, including an expected return to meet financing costs and a series of performance targets and incentives. We create value by delivering or outperforming the final determination. Each July, we publish an annual performance report (APR), allowing stakeholders to compare sector performance on metrics such as RoRE.

Medium-term plans are developed and executed by our team of strategic asset managers, one for each of the five counties in our region, allowing for tailoring to the circumstances of each county. These strategic asset managers will incorporate factors such as asset health, performance, local stakeholder views and expenditure to feed into the company-wide business plans for each AMP, as well as provide alignment with our long-term activity.

Long-term planning (up to 2100)

We plan decades ahead, using adaptive pathways to manage uncertainty while maintaining reliable, high-quality services. We track asset health, technology, long-term customer and environmental commitments,

Strategic report

and risk indicators such as economic forecasts, population growth, climate projections and regulatory change. Depending on the context, 'long term' can mean 25 to 75+ years. This intelligence feeds our long-term planning and risk management, shaping how we respond to climate change, population growth, competition, water trading, tighter environmental standards and evolving customer expectations. Key long-term plans include our:

- Drainage and Wastewater Management Plan (flooding, pollution, storm overflows and treatment over 25 years);
- Water Resources Management Plan (investment to maintain supplies under climate change, considering forecasts out to 2080);
- Drought Plan (actions to manage drought risk); and
- Climate adaptation progress reports.

Our long-term delivery strategy to 2050 underpins AMP8 and beyond. We use whole-life cost modelling and a robust financing structure to invest efficiently, and we build a strong talent pipeline through training, graduate and apprenticeship programmes, and work with schools on STEM careers, ensuring we retain the skills needed to keep delivering for the North West.

How we manage our dependencies and impacts

Key resources

We strive to positively impact and manage our dependencies on each of the six capitals.

Natural capital

We depend/rely on it:

- to source clean water from reservoirs, rivers and boreholes, from which abstraction licenses permit us to take water to be treated and supplied to customers;
- to receive cleaned wastewater back into the environment;
- to recycle biosolids, citing engineered or nature-based interventions, and to attenuate water flows; and
- to provide resources, such as chemicals, cement, metals and energy.

We can impact on it:

- by improving the condition of land, including habitat health and biodiversity;
- by improving the condition of rivers and water bodies and reducing overflows and pollution incidents;
- by reducing greenhouse gas (GHG) emissions contributing to climate change; and
- by storing greenhouse gases in our land, e.g. in soils and woodland.

How we manage this resource:

Our approach to managing natural capital is underpinned by our strategic priorities to create a greener future and improve our rivers. We produce natural capital accounts of our land and region to understand the stocks and flows of natural capital in our region.

Intellectual capital

We depend/rely on it:

- to provide real-time monitoring and analytics that helps us provide our service efficiently and effectively;
- to provide innovative ways of doing things, which drive more value and better efficiency;
- to keep us safe from cyber attacks; and
- to give us a competitive advantage in how our processes and systems drive continuous improvement.

Strategic report

We can impact on it:

- by investing in research and development, and innovation;
- by improving our system monitoring and investing in smart assets;
- by investing in our digital capability and harnessing the power of artificial intelligence; and
- by collaborating with the supply chain and other partners.

How we manage this resource:

Our simpler, smarter, better approach dictates how we work to improve our intellectual capital. This includes embracing technological change by making better use of data and artificial intelligence (AI), investing in innovative ideas, or working across the sector on collaborative innovation projects to tackle long-term challenges such as process emissions or river health.

Human capital

We depend/rely on it:

- to deliver great services for customers through the skills, knowledge and experience of our workforce and supply chain;
- to provide diversity of thought and a range of perspectives; and
- to run a responsible business and deliver our services in an efficient and productive way.

We can impact on it:

- by creating a safe and great place to work;
- by prioritising health, safety and wellbeing;
- by bringing in new colleagues, including through graduate and apprentice programmes;
- by developing and training all of our people; and
- by creating a diverse workforce with fair opportunity for all.

How we manage this resource:

The importance of our colleagues to the success of our business is reflected in our strategic priority to provide a safe and great place to work. This means attracting and retaining a diverse and highly engaged team of people, continuously training and developing them, and looking after their health and wellbeing as well as their safety.

Social capital

We depend/rely on it:

- to build trust with all of our stakeholders (customers, environment, communities, colleagues, suppliers and investors);
- to understand the needs of customers and stakeholders to deliver the things that are important to them; and
- to collaborate with customers and stakeholders on shared challenges such as flooding and water efficiency.

We can impact on it:

- by providing high-quality water, wastewater and customer services;
- by making our services resilient now and for the future;
- by supporting customers who struggle to pay their bills and those in vulnerable circumstances;
- by creating spaces for access and recreation; and
- by communicating and collaborating with all stakeholders.

How we manage this resource:

Our strategic priorities to deliver a great service for all our customers and contribute to our communities underpin how we work to enhance social capital with our stakeholders. Our place-based approach helps us tailor our service to what matters most across the five counties we serve.

Strategic report

Manufactured capital

We depend/rely on it:

- to deliver reliable performance for customers;
- to secure resilience of our assets to extreme weather and other shocks;
- to keep operating costs low by operating efficiently;
- to keep our assets secure; and
- to meet regulatory obligations and stakeholder expectations.

We can impact on it:

- by maintaining, protecting and improving assets and infrastructure;
- by developing new assets and infrastructure;
- by maintaining our assets effectively;
- by performing well in capital delivery; and
- by following best practice approaches to asset management, such as ISO 55001.

How we manage this resource:

Our ISO 55001 accreditation demonstrates the wide range of activities we undertake to maximise the value from our assets for the long term. This includes balancing proactive and reactive maintenance, managing risk and value, and managing assets throughout their lifecycle, from planning to decommissioning.

Financial capital

We depend/rely on it:

- to finance our activities and smooth out cash flows;
- to pay our operating, financing, and capital delivery expenses;
- to demonstrate financial resilience to allow us to finance our activities in an affordable way; and
- to allow us to spread the cost to customers of infrastructure upgrades over the long term

We can impact on it:

- by being efficient in our operations;
- by investing in our assets, improving asset health and reducing the likelihood of asset failure;
- by working with long-term investors and demonstrating good governance for fair and sustainable returns; and
- by being a responsible business.

How we manage this resource:

Our strategic priority to spend customers' money wisely means that we consider efficiency in everything we do, from our day-to-day expenses to delivering our capital programme. Alongside this, we have robust financial controls and treasury policies designed to provide long-term financial resilience.

External environment

Regulatory environment

Regulatory framework

United Utilities Water Limited (UUW) is the regulated water and wastewater business. It is the second largest of 11 such businesses in England and Wales, and is subject to regulation of price, performance and compliance by various bodies, including Ofwat, the Environment Agency, the Drinking Water Inspectorate and the Consumer Council for Water. These bodies exist to help protect the interests of customers and the environment, and to assess whether companies are meeting their obligations.

Water companies are required to prepare and maintain long-term plans for managing water resources, resilience, drinking water quality, and drainage and wastewater. The majority of programmes set out in

Strategic report

these plans are statutory requirements and, as part of the optioneering process, we appraise and select best-value investments for customers and the environment.

The Water Industry National Environment Programme (WINEP) is developed by the Environment Agency, Defra, and Natural England, in consultation with water companies and other stakeholders. It sets out the environmental improvement actions that water companies are required to deliver. The Drinking Water Inspectorate similarly specifies programmes of work to improve drinking water quality.

These plans feed into business plans for the price review, where Ofwat evaluates our proposed solutions. Following its assessment, Ofwat then sets a final determination (FD) detailing allowed revenue, required service levels, and the incentive package for the five-year period. Companies may either accept the FD or appeal to the Competition and Markets Authority. Companies report on progress and performance against the FD through an annual performance report published each July.

Competitive retail market

Since April 2017, non-household retail activities have been open to competition, meaning businesses can choose who provides their retail services. Our non-household retail activities do not sit within U UW, but via a joint venture known as Water Plus.

Developments in the regulatory environment

This year, the Government published its white paper, 'A new vision for water', in response to the Independent Water Commission's final report. The white paper outlines the Government's commitment to reforming the water sector and the wider water system to deliver safe and secure water supplies, a protected and enhanced environment, fair outcomes for customers and investors, and create a more efficient and integrated planning system.

Defra plans to publish a transition plan in 2026, providing a roadmap for transformation of the water industry. During 2025/26, we engaged with Defra and regulators in the development of the plan through structured working groups.

The plan will be supported by the interim strategic policy statement for Ofwat and ministerial direction to the Environment Agency, ensuring regulators have the direction and clarity they need during the transition. In addition, Defra plans to introduce a new Water Reform Bill in 2026 or 2027 to implement its long-term vision for water.

Natural environment

Climate change

We are already experiencing more extreme rainfall events, freezing temperatures followed by rapid thawing, and prolonged dry periods. This increases the level of risk for water availability, flooding, and network damage. We have detailed plans for both adaptation (building resilience against these changes) and mitigation (reducing our emissions).

Population growth

The North West population is already increasing and is forecast to grow by around a million by 2050. We plan well into the future and continually adapt to strengthen our long-term operational resilience. Our Water Resources Management Plan, for instance, considers consumption forecasts out to 2080.

Protecting and restoring ecosystems

Much of the landscape in our region is legally protected for its environmental or cultural significance, including national parks and sites of special scientific interest (SSSI), and we play a role in conserving and restoring healthy, resilient ecosystems.

Strategic report

Economic environment

Market rate movements

The impacts on our business of movements, such as interest rates and inflation, are complex. Cost increases are partly offset by increased allowances under the regulatory mechanism. £4.5 billion of our debt is index-linked; therefore, it is impacted by inflation. Our regulatory capital value (RCV) also rises with inflation, and our £6.1 billion of fixed-rate debt increases in benefit as interest rates rise. Unlike many companies, our low dependency pension schemes are protected from market rate movements.

Customer affordability

The economic environment also impacts customers, with the most deprived, typically, hit the hardest. The North West has 47% of the most deprived neighbourhoods, more than any other region, making the industry-leading affordability support we provide even more critical. We have doubled our support in AMP8, helping one in six households in the region by 2030, and we remain strong supporters of the Consumer Council for Water's call for a national social tariff, pooling funds to help those in most need.

Political environment

Engagement and adaptability

Political decisions have the potential to impact on our operations, including changes to legislative obligations under environmental and competition law. We engage with regional and national politicians, and other policymakers, to understand developments and key issues, improving policy development where possible, and stay flexible to adapt as needed.

Environment Act 2021

The Government set out an ambitious plan for reducing spills from storm overflows, as well as obligations to reduce phosphorus and address nutrient imbalance. We have already invested significant amounts to improve the quality of rivers and seas in the North West, and AMP8 will see our biggest ever environmental investment programme.

Water (Special Measures) Act

Passed in 2025, this act strengthens the power of regulators to impose special measures on failing water companies, including blocking executive bonuses, imposing penalties and potential criminal charges for law breaking.

Technology and innovation

Developments

New technology and innovation can create opportunities for improvements in service and efficiency. The use of artificial intelligence and machine learning helps us to improve performance and is central to our dynamic network management approach. We work closely with suppliers and innovators from around the world to maximise the opportunities presented by new technology and ideas.

Customer interaction

In an increasingly digital world, we must evolve our services to ensure we meet changing customer expectations. We have modernised the methods and channels through which customers can get in touch to access their bills, update their information, and receive updates on services and support.

Cyber and data security

Technology can give rise to risks, such as the threat of cyber attacks, which has increased in recent years. Protecting infrastructure, customer information and commercial data from malicious activity is a key priority.

Strategic report

The value we create for stakeholders

Customers

Resilient and continually improving service

We provide a continuous, resilient and reliable service, ensuring clean water at the tap and wastewater taken away. Clean, safe drinking water and sanitation services support long-term health and wellbeing across the North West. We continually seek improvements, engaging customers on their priorities and setting ambitious targets to improve water quality, cut leakage and enhance the customer experience. We monitor performance against these commitments and report transparently.

Sharing the cost of investment

Through long-term financing and the regulatory framework, we deliver a multi-billion pound infrastructure that strengthens service and resilience. We pre-fund significant amounts so costs are shared fairly between current and future customers, helping to keep bills down.

Supporting customers

We operate efficiently to maintain value for money, while providing help for those struggling to pay and support for vulnerable customers. Our affordability and vulnerability summits share ideas and best practice, and the Hardship Hub helps debt advisers support more people and find cross-industry help in one place. When customers contact us, we listen and act quickly to resolve issues.

Environment

Reducing the environmental impact of our services

We meet increasingly stringent environmental consent levels, such as reducing the level of phosphorus in treated wastewater, and avoiding pollution incidents. We manage our land in a way that safeguards habitats and protects wildlife.

Reducing spills from storm overflows

We have made significant progress on our journey to achieve fewer than ten spills per overflow by 2050. Since 2020, we have reduced the level of spills by 47% versus our 2020 baseline, aiming to reduce the number of spills by 60% by 2030. As well as traditional solutions, we are ramping up the use of nature-based solutions, such as rainwater management and sustainable drainage solutions, to help us achieve lasting reductions.

Protecting the long-term resilience of water resources

Investment in infrastructure, such as our West-East Link Main, the West Cumbria pipeline and the Haweswater Aqueduct Resilience Programme (HARP), allows us to transfer water around the region more efficiently to avoid the depletion of individual water sources. We are dedicated to reducing the level of leakage in our network, and we support customers to use water efficiently.

Communities

Access and recreation

We look after beautiful rural landscapes and pockets of urban green space, and open much of our land to the public, supporting regional tourism and offering communities health and wellbeing benefits through access to relaxation and recreation in nature.

Giving back

We make direct community donations to support local groups, and the total taxes we pay – including business rates, employment taxes, and environmental taxes – contribute significant amounts to public finances, helping to fund essential public services.

Strategic report

Active engagement and collaborative partnership

Our operations and projects are often near homes and businesses, and we engage with these communities to build understanding and trust. We also work in partnerships, enabling us to accomplish more, such as engaging people with nature and river improvement.

Future generations

Our graduate and apprentice programmes provide skills development and opportunities across the region. We work with teachers and children to raise awareness about water and the natural environment, giving the next generation an understanding of the true value water brings and how we can all play our part in protecting the services that nature provides.

Colleagues

Health, safety and wellbeing

Our top priority is ensuring all colleagues go home safe and well every day, with a strong focus on both physical and mental health. We raise awareness of stress and other mental health issues and encourage long-term healthy lifestyles, helping to ease pressure on regional healthcare services. We support colleagues' financial wellbeing through pension offerings, and we encourage community involvement by providing up to three days of paid volunteering leave each year. We also match individual fundraising for any UK registered charity of up to £200 per person annually, and cover the administration fees for payroll giving.

Skilled and diverse workforce

We invest in training and development to help colleagues grow, stay motivated and ensure we have the skills needed for the future. Promoting opportunity for all helps us build a workforce that reflects the region we serve.

Communication and engagement

Listening to colleagues strengthens engagement and job satisfaction. Regular updates from leaders, team communications and colleague conferences keep everyone informed. We maintain open channels for feedback and have hosted all-colleague events to share our plans for the future.

Suppliers

Supporting the regional economy

We expect the step up in investment for AMP8 will support over 30,000 jobs across our business and supply chain. We spend significant amounts with suppliers each year, and, by paying invoices promptly, we help them maintain cash flow and strengthen their resilience. Supporting employment throughout our supply chain helps develop skills, create opportunities and stimulate long-term economic growth in the North West.

Partnership and innovation

We incentivise innovation within our supply chain and have a strong record of strategic partnerships that deliver more through collaboration. This has led to successful long-term partnerships and helped bring new technologies and approaches into our operations.

Responsible business

We act with integrity, transparency and fairness, giving suppliers confidence in how we work. Although our operations and suppliers are mainly based in the UK and Europe, we collaborate closely with them to address human rights risks, including modern slavery. Through our United Supply Chain approach, we treat suppliers as an extension of United Utilities and require them to follow our responsible sourcing principles.

Strategic report

Investors

Strong performance and sustainability credentials

Our focus on innovation drives continuous improvement and keeps us at the forefront of our industry. Our regulatory returns are linked to delivering customer and environmental commitments, and our sustainable finance framework connects debt investor returns to environmental and social projects.

Long-term resilience

We plan far ahead, invest to ensure the sustainability of our infrastructure, and manage risk prudently to maintain stability and resilience.

Robust governance and reporting

We uphold high standards of transparency, ethics and corporate governance, giving investors confidence in how we operate.

Our core values: how we work

Our culture is built on three core values that guide behaviour across the organisation, from the board to every colleague.

These values focus on responsible actions, delivering for customers and stakeholders, continuous improvement, and sustainable practices. They reflect what matters most in achieving our purpose and fostering a high-performing, innovative culture.

Do the right thing

We are committed to responsible business practices and expect our people to always do the right thing. This means prioritising safety, acting with integrity and courage, championing fairness, and speaking up when something feels wrong.

Doing the right thing builds trust and helps deliver our purpose. Protecting the environment creates a greener North West, while acting responsibly for customers, communities, colleagues and suppliers strengthens the region.

Make it happen

We work as a team to make things happen, taking accountability and valuing progress over perfection. We celebrate success, learn from setbacks and embrace new ways of working through initiatives like our graduate innovation competition – the Chadders Cup. Our ability to act quickly and seize opportunities enables us to accelerate investment and deliver improvements for customers and the environment faster.

Be better

Everything we do aims to create a better tomorrow. We encourage curiosity, ambition, and solution-focused thinking, seeking innovative ways to improve efficiency and effectiveness. We learn from the best by embracing diversity, collaboration, nature-based solutions, and best practice from across our sector and other industries.

Our strategic priorities: how we deliver our purpose

Each of our six strategic priorities is linked to the delivery of one of the key elements of our purpose – helping us to make the North West stronger, greener and healthier.

These priorities reflect the key long-term drivers of our business and how we create value. They align with our materiality assessment.

Strategic report

Improve our rivers

Reducing storm overflows, protecting bathing waters, and eliminating pollution. We are rethinking how we manage rainwater through our reduce, recycle, rethink approach to ease pressure on sewers, while pursuing the best environmental performance and enhancing wastewater treatment quality. Together, these actions will create cleaner, healthier rivers and support a more sustainable future.

Create a greener future

Delivering our net zero transition plan and using our land and resources to generate clean energy. We aim to create value from bioresources, reduce the use of diesel in vehicles, and reduce water consumption in homes and businesses. At the same time, we are committed to protecting and enhancing nature and biodiversity, ensuring our operations contribute to a more sustainable and resilient environment.

Provide a safe and great place to work

Continually improving health, safety and wellbeing, while attracting, developing, and engaging talented people. We are committed to our 12 life-saving rules to get our colleagues home safe and well. We are building a diverse and inclusive workforce, and empowering everyone to contribute through open feedback channels, from 'Tell Us' to 'Call it Out'. These actions create a workplace where colleagues feel valued, supported, and able to thrive.

Deliver great service for all customers

Reducing leakage, driving down sewer flooding, and improving water quality. We aim to minimise interruptions to supply while providing strong support for customers facing affordability challenges or living in vulnerable circumstances. These actions ensure reliable, high-quality services and a customer experience that meets the needs of every household and business.

Spend customers' money wisely

Improving asset management and maintenance, removing duplication and waste, and applying value engineering to capital delivery. We aim to work with the right partners to secure value for money across our supply chain, while driving digital and automation opportunities to enhance efficiency and deliver long-term benefits.

Contribute to our communities

Being actively involved in our communities through regional stakeholder managers and speaker panels, creating partnerships that deliver real value. By building trust and being recognised as a reliable partner, we aim to strengthen relationships and make a meaningful difference in the communities we serve.

Materiality assessment

Our strategic priorities reflect the areas of highest focus for our business and our stakeholders. To ensure our disclosures cover all areas of material interest, we regularly refresh our materiality assessment, which ranks material themes based on their potential impact on our ability to create value for the company and for our stakeholders.

Stakeholder views and priorities

There are many stakeholders who take an interest in the water industry, its role in society, and the North West. We actively engage with these stakeholders to help us understand their views and priorities.

Understanding what matters to our stakeholders helps us to prioritise areas for focus and investment, enabling us to factor their views into strategic decision-making at board level, as set out in our S172(1) Statement on pages 38 to 40.

This understanding feeds into our materiality assessment and materiality matrix, which drives the matters disclosed across this report, helping to ensure we are disclosing all material information.

Strategic report

Other considerations

In defining the strategic relevance of a theme to the company, we continue to adopt the integrated reporting <IR> framework definition of materiality and value creation. This means considering the impacts of the company on all of our stakeholders, alongside our dependencies, i.e. the impacts of the material themes on the company. This value may be financial or non-financial, and this approach is consistent with the concept of double materiality.

We consider the impact on value created for stakeholders (based on a balance of views from those who influence what we do and/or benefit from the value we create), in addition to the potential effect on our ability to create value as a company (based on the potential effect on our ability to create financial and non-financial value over the short, medium and long term).

Disclosure guidance from the ISSB suggests that material sustainability-related risks and opportunities are discussed using a four pillar approach. We have adopted this approach to report on our most material themes.

2025/26 assessment

We have carried out a thorough review of our material themes and materiality matrix. Striking the right balance between different interests and views is not easy, but our assessment process consolidated feedback based on a balance of views from across our stakeholders.

The applicability of industry-specific topics in the Sustainability Accounting Standards Board (SASB) standards were also considered as part of this assessment, as required by ISSB S1: General requirements for disclosure of sustainability-related financial information. We also considered the UN Sustainable Development Goals, which we contribute towards.

Our materiality assessment is aligned closely with our assessment of principal risks and uncertainties, with close linkage between the themes highest in terms of company value (horizontal axis) and our top principal risks and common causal and consequence themes identified.

Our assessment process this year identified 29 material themes.

Our materiality assessment process:

- **Define:** We reviewed current best practice in materiality reporting. The assessment criteria was confirmed as potential value creation for both the company and stakeholders. This assessment provides the basis for disclosures included in this report, with more detailed commentary on the most material themes.
- **Engage:** Views were obtained from across all our stakeholder groups. Insight from consultations and data was made available through the engagement processes described on page 20 of the UUG 2026 annual report. Key internal subject matter experts and stakeholder relationship managers provided further insight on themes.
- **Assess:** Comments and data were drawn together to form an initial view of the themes. The rationale for theme selection and its significance was reviewed and approved by the executive team. This included potential new themes, removal of themes, and movement of existing themes.
- **Align:** We cross-referenced and aligned identified themes with SASB industry-specific topics and our principal risks and uncertainties, as set out on pages 54 to 63 of the UUG 2026 annual report. Matrix visuals were then created to easily display the prioritisation of themes.

Strategic report

Materiality matrix

Themes are plotted on the matrix from higher (top right) to lower (bottom left) in terms of their potential to impact company value and impact on the value we create for stakeholders.

1 Trust, transparency and legitimacy

Our comprehensive disclosures and integrated reporting approach provide leading levels of transparency throughout this report.

2 Resilience

Resilience is a key consideration in our long-term planning, the way we manage our key resources, and the ultimate focus of our risk management approach.

3 Political and regulatory environment

The political and regulatory environment can have a material impact on company value and the value we create.



Greener	
5	Environmental river water quality and storm overflows
6	Climate change adaptation
11	Water resources and leakage
15	Climate change mitigation
18	Natural capital and biodiversity
22	Recycling biosolids
26	Energy management
29	Waste management

Healthier	
4	Customer service and operational performance
7	Health, safety and wellbeing
9	Affordability and vulnerability
10	Drinking water quality
12	Emerging contaminants
17	Diverse and skilled workforce
24	Colleague engagement
27	Competitive markets
28	Human rights

Stronger	
8	Cyber and data security
13	Financial risk management
14	Corporate governance and business conduct
16	Supporting communities
19	<u>North West</u> regional economy
20	Recreational land and waters
21	Land management
23	Innovation
25	Responsible supply chain

Strategic report

Our risk and resilience framework

We have a robust framework for the identification, assessment and mitigation of risk

Our approach to risk and resilience

Proactive management of uncertainties, variabilities and potential disruption enables us to deliver on our purpose to provide great water for a stronger, greener and healthier North West, and be more resilient across our corporate, financial and operational structures. A key objective of our approach to risk and resilience is to support the sustainable achievement of the strategic priorities that underpin our purpose.

Focused on creating and protecting value, our risk and resilience framework provides the foundation for the business to:

- anticipate threats and variability that could affect the delivery of an effective service in these challenging times;
- understand vulnerability, interrelationships and interdependencies for an integrated approach;
- apply preventative measures to limit impact, and have the capability to respond and recover when risks materialise;
- adapt to change, and absorb stresses and shocks; and
- apply enabling measures to optimise relevant opportunities.

Key components of the framework include:

- an enterprise-wide (ERM) approach covering all types of risk across the entire organisation and its wider business environment;
- a strong and well-established governance structure giving the board oversight of the nature and extent of risks the group faces;
- defined roles and responsibilities, with structured training programmes, and regular communication and consultation; and
- an embedded group-wide risk management process (which is aligned to ISO 31000:2018 risk management guidelines) along with a portfolio of policies, procedures and guidance to enable a consistent approach to risk management.

Continuous improvement is a key feature of the framework, which incorporates an annual maturity assessment against a defined model to identify areas to enhance. Based on risk management capabilities relative to five levels of maturity, we continue to enhance risk and resilience through:

- the implementation of a new enterprise-wide risk, opportunity and watching brief system with enhanced analysis and reporting functionality;
- reinforcing non-financial impact using the six capitals and consideration of stakeholders (representing the impact on trust);
- focusing on cross-business controls to improve integration;
- further development of tactical risk appetite and tolerance statements through key risk indicators; and
- improving our maturity on upside risk (opportunity management) while maintaining a primary focus on downside risk.

Governance and reporting process for risk management

We have a well-established governance and reporting structure for risk and resilience.

The UUG board undertakes a comprehensive review of the business risk profile twice a year in line with the full- and half-year reporting cycle. This review considers: the key features of the risk profile; the nature and extent of the group's principal risks relative to the most significant event-based group and operational risks;

Strategic report

risks relative to financial risk appetite limits; and new and emerging risks. The UUG board also regularly undertakes reviews and deep-dives of specific risks, also utilising principal board committees such as the UUG ESG committee, compliance committee and the treasury committee to consider specific risk and control factors. In combination, the UUG board's biannual risk profile review and specific risk reviews support decision-making, and enables it to:

- decide on the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives;
- ensure appropriate controls and mitigation are in place, and test the appropriateness of plans to manage risk and realise opportunities;
- report on the long-term viability of the company in an informed manner; and
- monitor and review the effectiveness of risk management and internal control systems.

Prior to the UUG board's half- and full-year reviews, the executive-led GARB provides initial oversight of the risk environment through a top-down assessment of the risk profile. This assessment is informed by consultation with professional advisers, national risk registers, and relevant trade associations to identify new and emerging risks and issues. Key points and themes are then fed into a series of director-led integrated risk reviews (IRRs) for the 'bottom-up' assessment of risks, controls and the determination of further mitigation actions. The IRRs include senior managers and subject matter experts to ensure a holistic consideration of correlating risks, the interdependency of controls, and new and emerging circumstances. The resulting risk profile and key messages are then collated by the corporate risk team and reviewed by the executive before escalation to the board.

The effectiveness of risk management and internal control systems is formally reviewed on an annual basis, in accordance with the corporate governance code. The assessment, which takes into account relevant governance, risk management processes, internal control systems and assurance factors, is undertaken by the GARB before escalation to the audit committee, which acts on behalf of the board on this matter. The internal audit team provides periodic independent assurance on the effectiveness of risk management. This was last undertaken in 2023 for both risk management and risk appetite and tolerance.

Risk appetite and tolerance

Focused on supporting decision-making, the risk appetite and tolerance framework consists of a package of measures.

Overarching strategic appetite statements emphasise the board's principal intent to comply with legal and regulatory requirements, with a strong commitment to prevent harm and protect people, critical assets, and the environment. Beyond this principal intent, the statements reflect a balanced approach that seeks not only to protect value but also to enable value creation for multiple stakeholders, particularly through transformation, innovation, and partner collaboration, where informed and proportionate risk taking is necessary to achieve strategic objectives.

Differing approaches, which determine the extent of control applied, are guided by the following four descriptors:

- Averse: a strong opposition to accept risk.
- Prudent: a careful and cautious acceptance of risk within tight boundaries.
- Moderate: willingness to accept risk provided this is within reasonable limits.
- Accepting: willingness to accept risk to optimise outcomes and value within defined tolerance levels.

Building on the strategic risk appetite statements, target risk exposures are defined for individual risks to enable comparison with the current risk position. As part of full- and half-year board risk reporting, the

Strategic report

extent to which risks are expected to move towards target levels based on planned mitigation is highlighted, and the potential range of impact of risks is compared with agreed financial risk appetite limits.

Key risk indicators are planned to be developed for event-based risks, with associated tolerance levels to support future decision-making and strengthen the overall approach.

How we assess and manage risk

In addition to the integrated risk reviews (IRRs), we have a number of mechanisms in place to identify risk, including: consideration of primary and supporting activities, which make up our inherent risk areas; the water cycle; cross-business horizon scanning forums; review of national and sector risk registers; and consultation with professional service firms and trade body risk forums.

Understanding the context of risk relative to our objectives and obligations is a fundamental part of the assessment. Assessment of risk takes into account new and emerging circumstances from the internal and external business environment and utilises both 'bottom-up' information from operational and project areas where appropriate, and 'top-down' assessments. This integrated 'top-down, bottom-up' approach ensures that reporting reflects the risk facing the company, serves to calibrate the assessments, and enables evaluation relative to our appetite.

Following evaluation of the context, the process then quantifies the risk for likelihood and impact by using a bow-tie tool as illustrated in the diagram above. The likelihood of the event occurring is determined by its causal factors. Financial and non-financial impacts represent the downside consequences should the event occur, aligned to the six capitals to ensure consistency and a holistic assessment of where value may be gained, lost, or preserved. Financial impact (financial capital) reflects downside effects on revenue and costs, including fines, penalties, and compensation. Non-financial impacts (the remaining five capitals) capture broader value effects across natural, human, social, intellectual, and manufactured capital, including impacts on stakeholder trust and reputation. The full range of financial and non-financial impact is considered from a minimum (best-case) to a maximum (worst-case) scenario. Out of this range, the most likely impact scenario is assessed.

Comparing the current risk position against the desired target state, in combination with the strengths, weaknesses and gaps of the control environment, supports the decisions for further mitigation. Further mitigating action will target either the likelihood of occurrence, the impact, or a combination of the two, through new or improved preventative or responsive controls. Each further mitigating action has a defined owner, specified 'resolve by' dates and progress status indicators to support monitoring.

Our risk profile

Our current focus and primary activity relates to downside risk; however, we are also maturing our approach to upside risk (opportunity management).

A key feature of the business risk profile is inherent risk areas. These are categories of risk that are based on the value chain of the company, reflecting the interrelationship of the primary (water service, wastewater service, bioresources and retail), and supportive activities or areas of responsibility (such as finance, supply chain, people, technology and data), where value can be gained, preserved, or lost. As a result, the inherent risk areas support the identification and/or gap analysis of all types of risks and opportunities, facilitate analysis of correlation and interdependency, and provide the platform for determining risk appetite and tolerance. This, in turn, helps us to articulate our direction and priorities to support decision-making around risk and resilience.

Underpinning the inherent risk areas are approximately 100 event-based risks, which are inherent to the company's objectives and statutory obligations, and cover core elements of the production lines, systems, networks and activities across the business. Each event-based risk remains dynamic by reflecting new and emerging circumstances relative to the ever-changing external threats and internal vulnerabilities.

Strategic report

Common risk themes

Recognising the value of an integrated approach to risk and resilience management, we consider common themes across the event-based risks.

We have identified a number of common causal and consequence themes that relate to multiple risks. This allows us to understand correlating risk enabling us to take a holistic view of the strengths, weaknesses and gaps in our controls, and to consider the short-, medium- and long-term implications of risks materialising. Categorisation indicates eight causal themes and five consequence themes as summarised below.

Common casual themes

- **Asset health:** Asset deterioration, technological obsolescence and operating assets beyond their optimal capacity to cope with increased demand (population growth and/or climate change) affect operational efficiency and resilience.
- **Climate change/extreme weather:** Climate change projections highlight increased temperatures, rainfall, wind and more frequent extreme weather events with the potential to affect our service delivery and the environment that we strive to protect and enhance.
- **Culture:** Social attitude, behaviour and expectations of both internal and external stakeholders can lead to increased threat and vulnerability as an organisation, relative to service delivery, capital programmes and reputation.
- **Demographic change:** Population growth/ shift, evolving age profiles, and industrial developments can impact the capacity and capability of water and wastewater treatment and network assets, can affect demand on water resources, and can increase uncertainty in relation to pension obligations.
- **Economic conditions:** Macroeconomic events can have multiple financial implications, including lower revenue, reduced cash collection, increased operational cost through inflationary pressures and scarcity of supply, and increased cost of borrowing.
- **Legislative and regulatory change:** Changes in, or the interpretation of, legislation and regulation can have implications for our business model, asset base and ways of working.
- **Technology and data:** Ageing technology assets, and poor-quality data can threaten efficiency and security. In addition, the pace of technological change (including artificial intelligence), and seeking opportunities through increased automation and system integration, can provide challenges in the adaptability of the workforce and increase security threats.
- **Third-party assets and service:** Failure or interruption of third-party assets, infrastructure or services, such as power supply and water resources, can directly or indirectly affect water and wastewater operations.

Common consequence themes:

- **Environmental impact:** The potential impact to air, soil, water and biodiversity in the short and long term, based on our assets, activities, carbon emissions and waste.
- **Investors:** The financial, ethical and environmental performance of our activity has implications for the value of investments and the market perception of the company.
- **Non-compliance:** The potential inadvertent breach of legislation or regulation when undertaking our activities.
- **People:** The diversity, skill set, engagement and wellbeing of our colleagues, and the health and safety of our people and the public relative to both our culture and activities.
- **Service delivery:** The quality of our service delivery, capital programmes and communication, and the effect on customer experience and trust with the wider community.

Our principal risks

Our principal risks represent those risks, which, in a remote but plausible scenario, could initiate corporate failure (material impact risks) and those risks that are likely to have a significant long-term impact on company value if they were to crystallise. As our definition of material impact risks highlights those risks

Strategic report

that have the most significant impact in the worst case, it naturally identifies risks which place significant reliance on mitigating controls. Therefore, our future material controls declaration will be in respect of the key controls which mitigate our material impact risks.

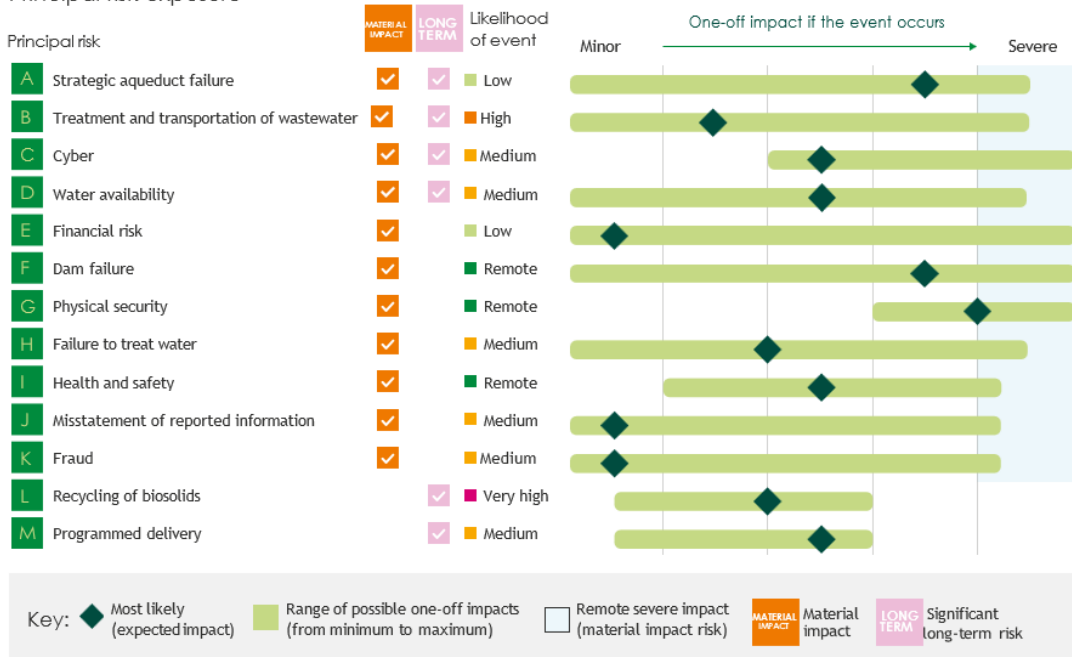
A declaration of the effectiveness of material controls as required by Provision 29 of 2024 revisions of the UK Corporate Governance Code (the code), will be made in the financial year 2026/27; however, in preparation for this declaration, material controls have been listed alongside the material impact risks on pages 58 to 61 of the UUG 2026 annual report, together with governance and assurance. The overlap between the material impact and significant long-term risks is represented in the diagram below.

The bar chart illustrates the likelihood of each event-based risk occurring (relative to its causal factors) and the indicative full range of potential one-off financial impacts (from minimum to maximum) should the risk materialise. Each of the multiple impacts in the range is subject to an individual post event probability, the most likely of which is illustrated by the diamond. Where the remote maximum impact is both financially and non-financially severe (as highlighted by the shaded blue box), it is regarded as being material, constituting a material impact risk.

Over the last twelve months, ten of the thirteen principal risks have remained relatively stable from an aggregate position, with three principal risks demonstrating a movement in exposure:

- Cyber: The risk has increased to reflect the increasing external threat despite steps taken to strengthen our internal preventative and responsive capability.
- Dam failure: There has been a reduction in the aggregate likelihood of dam failure following the completion of capital investment. The overall dam risk continues to evolve as dams are subject to periodic assessment along with further capital schemes to improve dam safety.
- Programme delivery: The capital programme has reduced to reflect increased confidence in the deliverability of the plan following a year in which the committed rate of spend is in line with schedules.

Principal risk exposure



Strategic report

Our principal risks

A. Strategic aqueduct failure

Risk exposure: We own and operate nine aqueducts, which transfer water from major treatment works and large service reservoirs to the wider network. Asset deterioration and damage (caused by third-party or natural events) are key risk factors to water supply and/or quality relative to large proportions of our customer base. The Haweswater Aqueduct is the most significant asset of this type and currently has the lowest level of resilience.

Control/mitigation: We are committed to delivering a resilient supply of water. Material controls are:

- Rehabilitation/restoration: The Large Diameter Trunk Mains (LDTM) inspections regime, along with existing asset maintenance programmes, are structured and reviewed periodically to identify where major rehabilitation or restoration programmes are required. The programmes are centrally governed and delivered to ensure the successful rehabilitation and restoration of strategic aqueducts, reducing the likelihood and impact of structural failure. Current initiatives include the Haweswater Aqueduct Resilience Programme and the Vyrnwy Aqueduct Modernisation Programme.
- Aqueduct loss contingency plans: Plans to outline response to total loss of supply (in the event of breach) or restrictions on use (in the event of a water-quality event) are developed, maintained and periodically exercised to enable the rapid deployment of resources and engagement with external agencies to maintain community function.
- Other controls include protective easements, inspections, and the monitoring of flow, pressure and turbidity via sensors and alarms.

Governance and assurance:

- Water quality first board
- Water price control
- Ofwat liaison committee (HARP)
- HARP delivery board
- Engineering team technical reviews
- Assurance team reviews
- Cyclical internal audits

B. Treatment and transportation of wastewater

Risk exposure: We own and operate network and treatment assets to collect and treat wastewater before it is safely returned to the environment. Risk factors to the hydraulic and operational capacity include: population growth; extreme weather (amplified by climate change); increased surface runoff due to residential and commercial developments; improper or harmful use of the sewer systems; and inherent asset health issues. Consequential failure, now subject to tightening legislation, can result in unpermitted storm or emergency overflow activations, sewer flooding and environmental damage.

Control/mitigation: We focus on providing reliable and resilient wastewater services. Material controls are:

- Maintenance: Proactive and reactive inspection, servicing, repair and replacement activities are planned, prioritised and completed across wastewater assets to maintain operational reliability and reduce the likelihood of asset failure and environmental impact.
- Licence to operate: Mandatory training, certification and competence requirements for wastewater operations are defined, delivered and routinely refreshed to ensure staff maintain the necessary skills and qualifications to safely and effectively operate the wastewater processes and assets.
- Power resilience: Power resilience plans and assets are maintained for critical wastewater sites to ensure continuity of treatment and transportation during power interruptions and outages.

Strategic report

- Other controls include customer awareness, trade effluent management, monitoring of sensors and alarms and emergency response. In addition, our better rivers programme focuses on improving river water quality and reducing spills from storm and emergency overflow operation.

Governance and assurance:

- Wastewater Price control
- Flood committee
- Pollution committee
- Assurance team reviews
- Cyclical internal audits

C. Cyber

Risk exposure: As we continue to develop our digital capability, we become more reliant on connected technology, not only in the way we operate, but also the way in which we communicate with our customers and the wider community. Cyber incidents continue to grow in all industries with a constantly changing threat landscape. The potential for data and technology assets to be compromised is a key risk to business processes and operations.

Control/mitigation: We employ a multi-layer control environment. Material controls are:

- Infrastructure access controls: Perimeter and internal firewalls, supported by intrusion detection systems, are centrally configured, monitored and routinely updated to restrict unauthorised access and detect malicious activity across the corporate and operational technology networks.
- System access controls: System, data and internet access is restricted through centrally managed authentication, authorisation and usage controls, ensuring users are granted only the permissions required for their role and preventing unauthorised or inappropriate access across information and operational technology (IT and OT) environments.
- Point protection: Anti-malware suite and mail gateway service, which includes malware detection, transmission protocols, and endpoint actions.
- Monitoring and response: The Security Operations Centre continuously monitors security events, analyses threat activity and coordinates timely incident response actions to detect, contain and mitigate cyber threats across the organisation's IT and OT environments. We also operate a comprehensive cyber security incident response plan with associated training and exercising.
- Other controls include security awareness training and business continuity plans.

Governance and assurance:

- Security steering group
- NIS governance board
- Group audit and risk board (GARB)
- Security team review
- Annual internal audit
- External reviews

D. Water availability

Risk exposure: Water availability is a long-term risk for the UK driven by a combination of changing climatic conditions and increasing demand from population growth and industrial use. Lower-than-average rainfall, shifting seasonal patterns extended periods of hot weather are reducing water resources through higher evaporation and demand. These pressures may affect both the natural environment and supply capacity, increasing the likelihood of water-use restrictions. Changes to environmental legislation on abstraction and compensation may further constrain available supplies.

Control/mitigation: We are committed to the sustainability and resilience of water resources. Material controls are:

Strategic report

- Strategy: A central water resources planning team develops, maintains and periodically reviews the Water Resources Management Plan to ensure long-term supply and demand strategy reflects climate and demographic changes and provides a resilient approach to water availability.
- Production planning: Production planning teams proactively balance water availability and treatment/production capacity against forecast demand by reviewing supply forecasts, operational constraints and risk indicators to ensure sustainable and resilient system operation.
- Contingency plan: The statutory Drought Plan is maintained, periodically reviewed and enacted when required to set out the operational and customer-facing actions the organization will take to manage water shortages and protect system resilience during drought conditions.
- Other controls include abstraction and leakage management, and water efficiency programmes.

Governance and assurance:

- Water quality first board
- Water price control
- Assurance team reviews
- Internal audits

E. Financial risk

Risk exposure: We are inherently exposed to liquidity, market, credit and capital risk due to our debt financing, cash and derivative holdings, defined benefit pension scheme and a significant annual commodity spend, notably energy. Risk factors include market fluctuations, cost or revenue shocks, process or system errors or failures (internal or counterparty), and company or sector poor performance. Impacts can be conflated and range significantly relating to: wholesale revenue; the group's Regulatory Capital Value; the cost of debt; the cost of goods and services, with the most material impact being insolvency associated with remote risks such as counterparty failures or a breach of covenants.

Control/mitigation: We have a robust and prudent approach to financial risk management. Material controls are:

- Approved limits: Approved parameters for funding, liquidity, interest rate, inflation and electricity price commodity exposures, along with credit rating and financial ratio tolerance levels, are centrally defined in Treasury policies, monitored and reported to ensure treasury and financing activities remain within the organisation's financial risk appetite.
- Control of work: Financial transactions are governed by an established control framework incorporating authorization limits, defined transaction parameters, segregation of duty and supervisory review to ensure activities are executed in line with approved financial and operational standards and limits.
- Licence to operate: Mandatory training, certification and competency requirements for financial and treasury activities are defined, delivered and routinely refreshed to ensure staff maintain the skills and authorisations necessary to operate within regulatory, market and internal control expectations.
- Other controls include company business planning and monitoring of both internal and counterparty performance. The banking resolution regime also provides protection in the event of bank failures.

Governance and assurance:

- Operational Compliance review
- Executive performance meeting
- Quarterly treasury MI pack
- Treasury committee
- External audit
- Cyclical internal audit

Strategic report

F. Dam failure

Risk exposure: We own and operate a fleet of over 100 dams and service reservoirs, many of which fall under statutory regulations due to their significant capacity. The integrity of all dams is fundamental to water availability, and the safety of society and property 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: We focus on maintaining extremely low probabilities of individual dam failure. Material controls are:

- Portfolio Risk Assessment (PRA): A Portfolio Risk Assessment is periodically undertaken to evaluate individual dams against societal risk criteria, enabling consistent prioritization of safety interventions across the dam portfolio.
- Inspections: Catchment teams and supervising engineers conduct the regular inspection and monitoring of dam structures and associated assets to identify emerging defects and compliance issues, ensuring timely escalation and intervention to maintain dam safety.
- Remedial work: Remedial works identified through Portfolio Risk Assessments or statutory 'In the Interest of Safety' requirements and prioritized, designed and delivered to address identified dam safety risks and ensured continued compliance with regulatory obligations.
- Other controls include ground maintenance to manage vegetation and erosion, and contingency plans.

Governance and assurance:

- Dam safety group
- Assurance team reviews
- Cyclical internal audits
- Panel engineer inspections

G. Physical security

Risk exposure: The water industry is classed as one of 13 'Critical National Infrastructure' (CNI) sectors, which are defined as facilities, systems, sites, information, people, networks and processes, necessary for a country to function and upon which daily life depends. Our assets, including dams and treatment works, are assigned a CNI or 'National Infrastructure' (NI) designation, which, in a remote, but significant security incident (such as a terrorist attack) could be compromised, leading to severe economic and social consequences.

Control/mitigation: We employ a multi-layered approach in accordance with the Security and Emergency Measures Direction (SEMD) of the Water Industry Act. Material controls are:

- Physical access controls: Physical access to sites is controlled through gates, fencing, security guards, CCTV and electronic access control systems to prevent unauthorised entry and protect critical assets.
- Monitoring and response: Security alarms and site alerts are continuously monitored by the Integrated Control Centre, which initiates timely investigation and response to any unauthorised access or security events.
- Other controls include the physical hardening of assets based on priority and operational site inspections.

Governance and assurance:

- Security steering group
- Security team reviews
- Assurance team reviews
- Cyclical internal audits
- External reviews

Strategic report

H. Failure to treat water

Risk exposure: Threats to water treatment include asset health, process failure and the contamination (natural, chemical or biological) of raw water. Climate change is a key factor in raw water contamination due to intensifying catchment erosion and runoff, more frequent wildfires and increasing algal bloom, which can produce taste and odour problems. Failure to treat water can lead to non-compliance with regulatory standards, rejection of water by consumers for aesthetics or, in extreme cases, public health issues.

Control/mitigation: We are committed to providing wholesome drinking water. Material controls are:

- Sampling and testing: Water quality teams perform scheduled sampling and accredited laboratory testing across the network, with results recorded and reviewed in the Water Quality Management System to ensure compliance and detect any treatment issues.
- Sensors and alarms: Automated sensors continuously monitor water quality and treatment parameters, triggering system-generated alarms for operational teams to investigate and address any deviations from acceptable limits.
- Maintenance: Operational and engineering teams carry out scheduled and reactive inspection, servicing, repair and replacement of treatment and network assets, ensuring issues are identified and resolved to maintain asset performance and regulatory compliance.
- Licence to operate: Mandatory training, certification and competence requirements for water operations are defined, delivered and routinely refreshed to ensure staff maintain the necessary skills and qualifications to safely and effectively operate the water processes and assets.
- Power resilience: Power resilience plans and assets are maintained for critical water sites to ensure continuity of water treatment during power interruptions and outages.
- Chemical resilience: Chemical resilience plans (including stock levels, alternative supply routes, and contingency actions) are maintained and periodically reviewed to ensure critical treatment sites can continue operating during chemical supply interruptions.
- Other controls include an end-to-end risk assessment process, contingency plans, and the monitoring of the regulatory position on emerging contaminants.

Governance and assurance:

- Water quality first board
- Water price control
- Scientific service team reviews
- Assurance team reviews
- Cyclical internal audits
- External evaluations

I. Health and safety

Risk exposure: Our activities inherently include exposure to chemical, biological and physical hazards, with the most material impact being a major incident at one of our process plants (two of which fall under the Control of Major Accident Hazard (COMAH) regulations). An unintentional release of chemicals, energy, or other potentially dangerous materials (including steam) could result in fire, explosion, and toxic releases, which, in the worst case, results in multiple casualties and serious damage to our assets, adjacent infrastructure/ buildings and the environment.

Control/mitigation: We continue to build a strong health and safety culture and are committed to improving health and safety performance, with process safety being a primary area of focus. Material controls are:

- Control of work and change: A management system to ensure activities are safely undertaken, with key components including the management of change through risk assessment, implementation of protections such as isolation, and authorisation and permit to work.

Strategic report

- Maintenance: Scheduled and reactive inspection, servicing, repair and replacement of safety-critical equipment and assets to ensure they remain fully functional and compliant with health and safety requirements.
- Licence to operate: Staff and contractors complete and maintain all required training, licences and competency assessments, with compliance tracked and evidenced through the corporate learning and authorisation systems to ensure safe and legally compliant operation.
- Other controls include monitoring through sensors and alarms and emergency/contingency plans.

Governance and assurance:

- Process safety board
- Executive health and safety committee
- Health and safety team reviews
- Assurance team reviews
- Cyclical internal audits

J. Misstatement of reported information

Risk exposure: We are bound by legislation and regulation to provide statutory financial accounts and regulatory reports to demonstrate financial health, performance, compliance with legal and regulatory requirements, and provide information to stakeholders for their ongoing interest and/or investment in the company. Failure to provide accurate and/or complete information is reputationally damaging and, depending on the nature of any misstatement or misreport, could accrue significant penalties.

Control/mitigation: We are committed to reporting in an open, compliant and transparent way. Material controls are:

- Financial controls: Financial control procedures (including journal processing controls, control accounts and analytical review) to ensure the accuracy, completeness and validity of reported financial information in accordance with accounting and reporting standards.
- Regulatory reporting framework: Application of a defined regulatory reporting framework that sets out reporting criteria, accountabilities, data capture requirements, governance, and assurance processes to ensure reported information is accurate, complete and compliant with reporting requirements.
- Other controls include accounting policies, schedules, risk assessment and management of queries.

Governance and assurance:

- Executive performance meetings
- Audit committee
- Compliance committee
- Financial control team review
- Regulation and compliance team review
- Internal audits
- External audit

K. Fraud

Risk exposure: The scale of our operations presents multiple opportunities for fraud to be perpetrated from inside and outside of the company, potentially impacting us, our stakeholders and third parties. Fraud can be committed by individuals or groups with examples including false representation, unauthorised disclosure of personal information, the supply of inferior products/ false invoices and misuse or theft of company property. The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduced a new corporate offence for failure to prevent fraud, which can carry an unlimited fine. The most material fraud risks relate to treasury operations, cyber crime and reporting.

Strategic report

Control/mitigation: We are committed to preventing fraud. Material controls are:

- Control of work: Financial transactions are governed by an established control framework incorporating authorisation limits, defined transaction parameters, segregation of duties and supervisory review to ensure activities are executed in line with approved financial and operational standards and limits.
- System access controls: System, data and internet access is restricted through centrally managed authentication, authorisation and usage controls, ensuring users are granted only the permissions required for their role and preventing unauthorised or inappropriate access across information and operational technology (IT and OT) environments.
- Financial controls: Financial control procedures (including journal processing controls, control accounts and analytical review) to ensure the accuracy, completeness and validity of reported financial information in accordance with accounting and reporting standards.
- Other controls include fraud awareness training, whistleblowing process for the confidential reporting and investigation of fraud, and fraud risk assessment.

Governance and assurance:

- Security steering group
- Whistleblowing committee
- Audit committee
- Group board
- Departmental review
- Cyclical internal audit
- External review

L. Recycling of biosolids

Risk exposure: Wastewater treatment generates significant quantities of sludge, which is subsequently treated to produce biosolids, the majority of which are recycled to agriculture as the most practical environmental option. A reduction in the landbank could have significant implications for strategy, operations, and cost, with a total loss of the land bank being the worst-case scenario. Threats include: the quality of biosolids; changes in public or political perception; changes in regulations associated with emerging contaminants and climate change; and/or the willingness of farmers or landowners to receive biosolids.

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 (notably the Biosolids Assurance Scheme (BAS)). We are also investing in our sludge treatment assets to ensure capacity, reliability and environmental compliance is upheld. In addition, we continue to work closely with regulators to influence policy. We are also developing contingency plans should regulation change in the near term, with a notified item included in the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative disposal outlets before 2030.

Governance/ assurance:

- Bioresource team review of BAS compliance
- Executive performance meetings
- Assurance team reviews
- Cyclical internal audit
- External BAS audits

M. Programme delivery

Risk exposure: The capital programme involves significant investment in the development and improvement of point and linear assets through a series of projects to improve water supply and wastewater services. Delivery to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards

Strategic report

and the capacity and capability of third parties, partners and internal resource. This risk is amplified by the significant scale of the capital programme across this and future asset management periods (AMPs) coupled with challenging cost allowances and performance commitments.

Control/mitigation: Our capital programme operating model involves multiple construction and design partners, and a large supplier base, providing both efficiency and resilience. With strong emphasis placed on safety and the environment, we adopt a supplier relationship management framework to manage contracts and performance, a runway approach for project allocation, and category management for the supply of products and materials. Performance is measured through our capital programme delivery incentive and monitoring the delivery of performance commitments. For operations, a transformation programme is in development with five clear areas of focus within an agreed prioritisation framework.

Governance and assurance:

- Project management office
- Capital investment committee
- Executive performance meetings
- Assurance team reviews
- Cyclical internal audit

New and emerging risks and opportunities

We define new and emerging risks and opportunities as those that have not previously been apparent or are undergoing unprecedented growth/development or prominence, with long-term implications for the group and/or sector.

Horizon scanning activity is a key feature of the risk and resilience framework. It is undertaken routinely as part of external research and benchmarking, the assessment of event-based risks, and through dedicated forums such as the new and emerging risk forum and the compliance working group.

Where there is more understanding, assumptions can be allocated to inform the development of strategies and applied to the assessment of existing, or the new development of, risk and opportunities.

Regulatory change

While our high-quality and ambitious business plan provides positive mitigation, there is a risk that poor sector performance has a disproportionate impact on regulatory change. In January 2026, the Government published its white paper, 'A new vision for water', confirming that many Independent Water Commission recommendations will be taken forward, with legislative changes to sector regulation expected. These reforms present both risks and opportunities in how we deliver our objectives and obligations.

The Water (Special Measures) Act is now in its second year of operation, introducing new legal and regulatory requirements, including enhanced environmental standards and increased transparency in pollution reporting. While essential to improving water quality and maintaining public confidence, these changes represent a material shift in how environmental risks are regulated and scrutinised, increasing potential reputational impact where performance falls short. We continue to closely monitor regulatory developments and engage actively as they evolve, while maintaining focus on service improvements and delivery against required targets.

Geopolitical issues

Geopolitical issues continue to evolve, with recent developments in the Middle East increasing uncertainty and complexity across global supply chains and economic conditions beyond the ongoing situation in Ukraine. We have reviewed and updated existing risks to reflect this new and emerging context, particularly in relation to price volatility and the potential scarcity of goods and services, including extended delivery

Strategic report

lead times. Fuel and energy remain key areas of exposure; however, we are well hedged for energy and retain priority allocation for fuel in the event of a national crisis.

Additional controls, including multiple suppliers, category management and framework agreements, provide resilience against inherent supply-chain volatility. We will continue to monitor the situation closely and are working with our partners and suppliers to ensure the continued efficient sourcing of critical goods and materials.

Technological innovation

We recognise technological innovation as a significant opportunity to improve efficiency, service levels and organisational resilience. Artificial intelligence and machine learning are central to our dynamic network management approach across the wastewater system, and we continue to prioritise AI use cases that are ethical, secure and impactful. These initiatives support productivity, knowledge management and improved decision-making, underpinned by strong governance and robust data controls.

Technological change also introduces new and emerging risks, particularly relating to information security, data integrity and operational resilience. Our expanding digital footprint increases exposure to advanced AI-enabled cyber threats capable of identifying and exploiting vulnerabilities in critical infrastructure. These risks are managed through enhanced cyber-security controls and continuous monitoring.

Wider technology trends, including hydrogen production and the growth of data centres driven by AI and cloud computing, are expected to accelerate. Both are highly water-intensive and may place unprecedented demand on water resources, requiring long-term planning and integration into our resilience strategy.

Emerging contaminants

Emerging contaminants are chemicals or materials that are present in the water cycle which may impact the environment and/or human health. The majority are human-made, e.g. poly or perfluoroalkyl substances (PFAS), plastics, pesticides, pharmaceuticals and personal care products, however, climate change may also facilitate the increased production of natural contaminants in previously non-impacted catchments.

There continues to be focus on understanding the sources of emerging contaminants, their pathways and potential impacts, along with developing effective detection, remediation, and prevention strategies. Uncertainty relates to the timescale and extent of any corresponding changes to specific water and wastewater regulations and the associated impact on existing operations, as well as the potential effect on recycling biosolids to land.

We have aligned our operational risk assessments to emerging contaminants and participate in multiple research and industry planning activities. In addition, we have developed biosolids contingency plans and there is a notified item as part of the final determination enabling an interim determination (IDOK) if significant investment is required to develop alternative biosolid disposal outlets.

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 two cases are worthy of note:

- 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

Strategic report

a 45% 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 claim has not advanced procedurally in the last year and the proceedings remain in the evidentiary stage. 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 (PCR), Professor Carolyn Roberts. The PCR alleges 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 providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) is at least £141 million. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT and Court of Appeal's decision not to certify the claims brought in respect of domestic customers. On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR was granted permission by the Court of Appeal to appeal this decision. The hearing took place in early 2026 where the Court of Appeal rejected the PCR's appeal and concluded that the CAT's original decision should not be overturned. Following this, the PCR has applied to the Supreme Court to appeal the decision made by the Court of Appeal. The outcome of this request is not yet known. UUW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal.

Strategic report

How we report our performance

Operational performance

In order to assess our operational performance, we look at a variety of metrics to measure how effectively we are delivering against our purpose and strategic priorities.

We provide performance data for the last three years to enable movements and trends to be observed, and we rank performance against our targets using a traffic light system – green, amber or red.

As this is the annual report and accounts for United Utilities PLC, the metrics we report relate to all activities undertaken by the group unless stated otherwise in the performance tables. Those that are not group metrics relate solely to the water and wastewater activities of our regulated entity, United Utilities Water Limited (UUW). In particular, we report against a number of regulatory performance measures, and these relate only to UUW as the regulated entity. UUW performance is, in most instances, the same as group performance for these metrics, as UUW makes up the vast majority of group activities, with only a small amount of non-regulated activity undertaken outside of UUW.

Financial KPIs

Financial KPIs are set out on page 41 and assess profitability and financial resilience. They include income statement, balance sheet and shareholder performance metrics and are unchanged from last year.

Financial framework and guidance

The UUG board sets our financial framework, including performance targets or forecasts for key financial measures. This covers our target gearing range, dividend policy and estimated asset growth based on the regulatory total expenditure allowance. We provide one-year forward guidance on key financials, including income statement measures, outcome delivery incentives (ODIs), and capital expenditure, on page 91 of the UUG 2026 annual report. All forward-looking information should be read in line with the cautionary statement on the inside back cover of this report.




Financial information contained in the APR

Financial performance information relates to the regulated company, UUW, and its appointed activities, and is prepared in accordance with the regulatory accounting framework. This differs from IFRS reporting, and a reconciliation is provided in the annual performance report (APR). For clarity, all financial metrics in this report relate to group-level performance and are calculated as per the definitions set out herein.

Strategic report

Key performance indicators - Greener

There are a broad range of performance indicators that help us to assess how we're delivering our purpose, working towards a greener future. The three 'greener' KPIs below have been selected due to their importance with stakeholders.

<p>Category 1 pollution incidents⁽¹⁾ Pollution incidents with a serious, extensive or persistent impact on the environment, people or property.</p>	<p>Spills reduction⁽¹⁾ Reducing the total number of activations at combined sewer overflows.</p>	<p>Scope 1 and 2 location-based GHG emissions target One of two near-term science-based targets (SBTs) to reduce emissions by 2030 from the level in the base year of 2019/20.</p>
<p>Target 0</p>	<p>Target 60% reduction by 2030</p>	<p>Target 42% reduction by 2030</p>
<p>Annual performance 0 We have had zero category 1 pollution incidents this year, meeting our target of 0. 2024/25: 1 2023/24: 1</p>	<p>Annual performance 47% reduction in spills against 2020 baseline The level of spills since our 2020 baseline has reduced by 47%, well on track to meet our target of 60% reduction by 2030. 2024/25: 32% reduction 2023/24: 14% reduction</p>	<p>Annual performance 13% reduction since 2019/20 in emissions, reporting on a like-for-like basis. However, this year we have updated how we calculate process emissions to align with recently adopted UK Government and IPCC guidance. The impact of this will trigger a recalculation and revalidation of the SBT baseline and this will be reflected next year's annual report. 2024/25: 9.1% reduction 2023/24: 7.3% reduction</p>
<p>Status  Met expectation/target</p>	<p>Status  Met expectation/target</p>	<p>Status  Close to meeting expectation/target</p>
<p>Key stakeholder Environment</p>	<p>Key stakeholder Environment</p>	<p>Key stakeholder Environment</p>
<p>Relevant material themes⁽²⁾</p> <ul style="list-style-type: none"> • Environmental river water quality and storm overflows • Natural capital and biodiversity • Political and regulatory environment • Trust, transparency and legitimacy 	<p>Relevant material themes⁽²⁾</p> <ul style="list-style-type: none"> • Environmental river water quality and storm overflows • Natural capital and biodiversity • Political and regulatory environment • Trust, transparency and legitimacy 	<p>Relevant material themes⁽²⁾</p> <ul style="list-style-type: none"> • Climate change mitigation • Energy management • Trust, transparency and legitimacy
<p>Link to remuneration⁽³⁾ LTP</p>	<p>Link to remuneration⁽³⁾ Bonus</p>	<p>Link to remuneration⁽³⁾ LTP</p>
<p>Assurance Regulatory reporting assurance</p>	<p>Assurance Regulatory reporting assurance</p>	<p>Assurance Independent third-party verification</p>

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read more about our materiality assessment on pages 13 to 15.

























(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 170 of the UUG 2026 Annual report.

Strategic report

Status key

Performance against target  Met expectation/target  Close to meeting expectation/target  Behind expectation/target

Stakeholder key  Customers  Environment  Communities  Colleagues  Suppliers  Investors

Measure	2030 target	Performance			Assurance ⁽⁵⁾	Link to remuneration ⁽²⁾	Key stakeholder	Status
		2025/26	2024/25	2023/24				
Pollution incidents per 10,000 km sewer network ⁽¹⁾	18.63	42.15	45.00	27.93	RRA	PC		
Spills per storm overflow monitored ⁽¹⁾	17.71	26.80	34.68	45.43	RRA	LTP		
Treatment works compliance ⁽¹⁾	99%	98.20%	98.20%	98.97%	RRA	PC		
Leakage reduction ⁽¹⁾	23.9% ⁽²⁾	9.4%	7.3%	7.1%	RRA	LTP		
Reduction in per capita consumption ⁽¹⁾	9.6% ⁽²⁾	6.2%	5.1%	2.5%	RRA	Bonus		
Reduction in business demand ⁽¹⁾	5.7% ⁽²⁾	1.0% increase	New	New	RRA	PC		
Internal flooding incidents per 10,000 sewer connections ⁽¹⁾	1.59	2.01	3.48	4.35	RRA	Bonus		
External flooding incidents per 10,000 sewer connections ⁽¹⁾	15.37	15.86	21.07	20.36	RRA	Bonus		
Biodiversity performance commitment ⁽¹⁾	230.21 Units by 2030	0 – on track	New	New	RRA	PC		
Wonderful Windermere ⁽¹⁾ (kg phosphorus removed)	77.4	12.57	New	New	RRA	PC		
Nature pledges	100% achievement	On track	New	New	IAT	n/a		
Scope 3 near-term SBT ⁽¹⁾ GHG emissions target	25% reduction by 2030 ⁽⁴⁾	36.8% increase	10.5%	7.3%	ITV	n/a		

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170 of the UUG 2026 annual report.. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here

(3) As measured against a 2019/20 baseline.




(4) As measured against a 2019/20 baseline. Methodology changes will trigger a recalculation and revalidation of SBT base year emissions. Figure here is an estimated like-for-like value calculated using current year activity data and previous method as noted on page 73 of the UUG 2026 annual report.

(5) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Strategic report

Key performance indicators – Healthier

There are a broad range of performance indicators that help us to assess how we’re delivering our purpose, working towards a healthier future. The three ‘healthier’ KPIs below have been selected due to their importance with stakeholders.

<p>Trustpilot An open, independent, online review platform for customer service.</p>	<p>Customers supported with affordability⁽¹⁾ Customers that have benefitted from our range of affordability support schemes.</p>	<p>Colleague engagement Level of colleague engagement as measured by our annual colleague opinion survey.</p>
<p>Target Excellent</p>	<p>Target One in six customers</p>	<p>Target At least as high as the utilities norm benchmark</p>
<p>Annual performance 4.5 Excellent Performance against this KPI fluctuates regularly, based on customer reviews, with the 4.5 score reflecting our performance as at the year end. 2024/25: New 2023/24: New</p>	<p>Annual performance 422,041 We have increased the number of customers on support tariffs by 180,000 through implementation of the new Low Income Discount; growing the number of customers supported this AMP to 422,041. 2024/25: New 2023/24: New</p>	<p>Annual performance 90% 86% of employees took part in our engagement survey, and we are proud to report an outstanding 90% engagement score - well above global utilities and UK high-performance benchmarks. 2024/25: 87% 2023/24: 81%</p>
<p>Status  Met expectation/target</p>	<p>Status  Met expectation/target</p>	<p>Status  Met expectation/target</p>
<p>Key stakeholder Customers</p>	<p>Key stakeholder Customers</p>	<p>Key stakeholder Colleagues</p>
<p>Relevant material themes⁽²⁾</p> <ul style="list-style-type: none"> • Customer service and operational performance • Trust, transparency and legitimacy 	<p>Relevant material themes⁽²⁾</p> <ul style="list-style-type: none"> • Affordability and vulnerability • Customer service and operational performance • North West regional economy 	<p>Relevant material issues⁽²⁾</p> <ul style="list-style-type: none"> • Colleague engagement • Diverse and skilled workforce • Health, safety and wellbeing
<p>Link to remuneration⁽³⁾ n/a</p>	<p>Link to remuneration⁽³⁾ n/a</p>	<p>Link to remuneration⁽³⁾ n/a</p>
<p>Assurance Independent third-party verification</p>	<p>Assurance Internal audit team</p>	<p>Assurance Independent third-party verification</p>

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read more about our materiality assessment on pages 13 to 15.

(3) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 170 of the UUG 2026 Annual report.



























Strategic report

Status key

Performance against target  Met expectation/target  Close to meeting expectation/target  Behind expectation/target

Stakeholder key

 Customers  Environment  Communities  Colleagues  Suppliers  Investors

Measure	2030 target	Performance			Assurance ⁽⁵⁾	Link to remuneration ⁽²⁾	Key stakeholder	Status
		2025/26	2024/25	2023/24				
Customer ODIs ⁽¹⁾	Net reward	c. -£35 million	£4.29 million	£34 million	RRA	PC		
Water quality customer contacts per 1,000 population ⁽¹⁾	0.80	1.33	1.28	1.32	RRA	Bonus		
Supply interruptions per property per year (hours:minutes:seconds) ⁽¹⁾	00:05:00	00:13:02	00:14:17	00:09:39	RRA	Bonus		
Unplanned outages of peak week production capacity ⁽¹⁾	2.14%	1.34%	1.85%	2.05%	RRA	PC		
Household written complaints compared to WaSCs ⁽¹⁾	Upper quartile	Third quartile ⁽³⁾	Third quartile	Third quartile	RRA	n/a		
Customer satisfaction score (C-MeX) ⁽¹⁾	Above industry median	Above industry median	Above industry median	Above industry median	RRA	Bonus		
Developer satisfaction score (D-MeX) ⁽¹⁾	Above industry median	Above industry median	Above industry median	Above industry median	RRA	PC		
Business and Retailer satisfaction score (BR-MeX) ⁽¹⁾	Above industry median	Above industry median	Above industry median	Above industry median	RRA	Bonus		
Households registered for Priority Services ⁽¹⁾	25%	18.26% (597,401)	16.51% (540,380)	12.35% (401,987)	RRA	LTP		
Compliance Risk Index ⁽¹⁾	0.00	2.20 ⁽⁴⁾	10.28	5.92	RRA	PC		
Accident frequency rate for colleagues (per 100,000 hours)	10% year-on-year improvement	0.054	0.078	0.092	IAT	n/a		
Accident frequency rate for contractors (per 100,000 hours)	Year-on-year improvement	0.122	0.078	0.043	IAT	n/a		
Smart meters installed	920,891	209,980	New	New	IAT	n/a		

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170 of the UUG 2026 annual report. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here.

(3) Latest comparative data available 2024/25.




(4) The DWI will confirm the final Compliance Risk Index score in July.

(5) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Strategic report

Key performance indicators - Stronger

There are a broad range of performance indicators that help us to assess how we're delivering our purpose, working towards a stronger future. The three 'stronger' KPIs below have been selected due to their importance with stakeholders.

<p>Capital programme delivery incentive (CPDI) Measures the extent to which we have delivered our capital projects efficiently, on time, and to the required quality standard.</p>	<p>Community investment Total community investment as measured by the Business for Societal Impact (B4SI) method.</p>	<p>Performance across a range of trusted investor indices Company performance relative to water and utilities sector participants in a selection of trusted investor ESG ratings and indices.</p>
<p>Target At least 85%</p>	<p>Target Average community investment in 2026 to be at least 10% higher than the average between 2015 and 2025 of £3.57 million per annum: £3.92m</p>	<p>Target Upper quartile</p>
<p>Annual performance 100% The scaling-up of our activity has not impacted its quality, with the Capital Programme Delivery Incentive (CPDI), our measure of effective, efficient and quality delivery of the capital programme, hitting 100%. 2024/25: 99.6% 2023/24: 98.0%</p>	<p>Annual performance £3.84m Our performance this year is very close to the target of £3.92m, and we expect to see this increase over the remainder of AMP8 with the delivery of our community SuDS programme. 2024/25: £9.80m 2023/24: £3.99m</p>	<p>Annual performance Upper quartile As at the year end, we maintained upper quartile performance across our selection of ESG ratings and indices. 2024/25: Upper quartile 2023/24: Upper quartile</p>
<p>Status  Met expectation/target</p>	<p>Status  Close to meeting expectation/target</p>	<p>Status  Met expectation/target</p>
<p>Key stakeholder Investors</p>	<p>Key stakeholder Community</p>	<p>Key stakeholder Investors</p>
<p>Relevant material themes⁽¹⁾</p> <ul style="list-style-type: none"> Customer service and operational performance Financial risk management Corporate governance and business conduct 	<p>Relevant material themes⁽¹⁾</p> <ul style="list-style-type: none"> Supporting communities Trust, transparency and legitimacy Recreational land and waters 	<p>Relevant material issues⁽¹⁾</p> <ul style="list-style-type: none"> Trust, transparency and legitimacy Corporate governance and business conduct Political and regulatory environment
<p>Link to remuneration⁽²⁾ Bonus</p>	<p>Link to remuneration⁽²⁾ n/a</p>	<p>Link to remuneration⁽²⁾ n/a</p>
<p>Assurance Internal audit team</p>	<p>Assurance Independent third-party verification</p>	<p>Assurance Independent third-party verification</p>

(1) Read more about our materiality assessment on pages 13 to 15.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 146 to 170 of the UUG 2026 Annual report.





















Strategic report

Status key

Performance against target  Met expectation/target  Close to meeting expectation/target  Behind expectation/target

Stakeholder key

 Customers  Environment  Communities  Colleagues  Suppliers  Investors

Measure	2030 target	Performance			Assurance ⁽¹⁾	Link to remuneration ⁽²⁾	Key stakeholder	Status
		2025/26	2024/25	2023/24				
Credit rating – UUV senior unsecured debt (Moody's, S&P, Fitch) ⁽¹⁾	Baa1, BBB+, A-	Baa1, BBB+, A-	A3, BBB+, A-	A3, BBB+, A-	ITV	n/a		
Anti-bribery: percentage of identified colleagues completing required training	100%	100%	100%	100%	IAT	n/a		
% of suppliers delivering 'strong' performance	95%	76%	n/a	n/a	IAT	n/a		
% of suppliers signed up to responsible sourcing principles	95%	76%	n/a	n/a	IAT	n/a		
% of suppliers subject to enhanced audit within contract lifecycle	10%	2%	n/a	n/a	IAT	n/a		
CIPS ethics mark	Retained	Retained	Retained	Retained	ITV	n/a		
Invoices paid within 60 days	At least 95%	97.7%	98.7%	99.6%	ITV	n/a		
Price control deliverables (PCDs) – timing incentive	£39.5m	On track	New	New	RRA	LTP		
Taxonomy aligned revenue	n/a	93%	87%	New	IAT	n/a		
Taxonomy aligned and eligible revenue	n/a	87%	93%	New	IAT	n/a		

(1) Measure relates to the water and wastewater activities of our regulated entity, United Utilities Water Limited.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170 of the UUG 2026 annual report. PC = Performance commitment subject to reward and/or penalty as part of customer outcome delivery incentives (ODIs). These feed LTP through return on regulated equity (RoRE). The measurement approach for the purpose of remuneration outcomes may differ from the exact approach shown here.

(3) ITV = Independent third-party verification. RRA = Regulatory reporting assurance. IAT = Internal audit team.

Strategic report

S172(1) Statement

Our key decisions during the year to 31 March 2026.

Throughout the United Utilities PLC Annual Report and Financial Statements, we provide examples of how we have thought about the likely consequences of long-term decisions and how we:

- build relationships with stakeholders and balance their needs and expectations with those of the business; understand the importance of engaging with our colleagues;
- understand the impact of our operations on the communities in our region and the environment we depend upon;
- are mindful of the interactions we have with our regulators; and
- understand the importance of behaving responsibly and being consistent with the company's purpose, values and strategic priorities.

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

The board of directors of United Utilities PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2026 including:

Implementation of the refreshed 'Home Safe and Well' programme

The decision

To explore ways to continually improve our health and safety performance and safety culture across the business.

Outcome

Since the first life-saving rule (Driving for Work) was launched in August 2025, there has been around 80% reduction in colleagues' involvement in road traffic accidents. During the year, three other life-saving rules have been launched: working at height, safe systems of work, and service with respect. In terms of process safety, we have developed a suite of process safety performance indicators, including statutory maintenance and management of change, ensuring that our major accident hazards are controlled. There has been a 50% increase in the number of leadership engagement visits, and a 20% increase in the number of safety observations raised by colleagues, resulting in a 30% reduction in our colleague lost time injury rate. The board is fully engaged in the health and safety improvement process as this would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

How we engaged with stakeholders

Our Home Safe and Well programme was re-launched at the all-colleague event held in March 2025 in Blackpool, and at a supply chain event in April 2025, with progress updates provided at the all-colleague engagement event held in Liverpool in February 2026 and at the supply chain update held in March 2026 in Blackpool. The size of the capital programme and complex nature of our activities, including process safety risk, reinforces the need to achieve industry-leading health and safety performance. The refreshed programme has introduced three core safety values and 12 life-saving rules, which we are launching as mini safety campaigns over the next 12 months.

The executive team has been fully engaged with the process, with the CEO chairing the monthly executive health and safety meetings. Extensive consultation and communication took place with colleagues across the business, with trade union safety representatives invited to attend health and safety meetings twice a year, and with our contracting partners to ensure it was a collaborative process – leaders across the business were asked to champion Home Safe and Well compliance and share best practice. Simplifying and

Strategic report

standardising processes and reporting were key enablers as well as fostering a culture that empowers colleagues to voice concerns. 12 life-saving rules are being rolled out, each one sponsored by a member of the executive team and supported by a series of working groups – comprising colleagues from across the business and trade union representatives to ensure processes are clear and workable. Resourcing in the health and safety and process safety teams has been strengthened, working to create a wider understanding of process safety risk across the business. Positive feedback has been received from the Health and Safety Executive and Environment Agency during routine visits to several sites during the year.

Cyber security

The decision

The board endorsed the industry-leading position of driving forward collaboration among its peers to support the protection of the group from cyber attacks.

Outcome

Cyber is an intensely fast-moving environment with nation states increasingly deploying cyber attacks to boost their economic position and bolster military activity. The board is fully supportive of management's actions to protect the group from cyber attacks and the need to react quickly to new threats as they develop, implementing new security controls quickly. Protection of our customers', colleagues' and organisation's data and systems is a priority for the board and would be most likely to promote the long-term success of the company for the benefit of its members as a whole.

How we engaged with stakeholders

The security team regularly engages with suppliers, appropriate agencies and other companies to keep up to date with developments in the field and knowledge sharing. Colleagues receive training and regular communication in the cyber security sphere of operations and regular cyber incident exercises are undertaken to ensure maximum preparedness to a major cyber attack. The board acknowledges the benefits of industry-wide engagement to protect against malicious cyber activity endorsing the leading position the group holds in driving forward industry collaboration, threat intelligence sharing and incident response.

Supply chain mobility

The decision

To devise new ways of working in conjunction with our supply chain partners to address the challenges of AMP8.

Outcome

Clear principles underpin our AMP8 contracting strategy and operating model, influenced by the complexity, size and the type of delivery model to be used with projects grouped into discrete packages. In addition to very large projects that will be developed in accordance with Ofwat's direct procurement for customers (DPC) framework, there are complex design and build (both infrastructure and non-infrastructure), detailed design and build projects, build-only projects and rainwater management projects. The different project types are suited to different contractor types. For the high volume, lower-value build-only projects, we are working with smaller local contractors using repeatable designs and helping to develop new workforce skills in the North West. Tier 1 contractors are involved with the more complex higher-value projects.

Given the fundamental changes to the ways of working, the board requested that an expert assurance panel review and challenge the new approach, and the panel commended the adoption of a standard approach to the design, delivery and procurement of assets. The board endorsed the fundamental change to the ways of working with our supply chain as being most likely to promote the long-term success of the company for the benefit of its members as a whole.

Strategic report

How we engaged with stakeholders

We have engaged with colleagues, contracting partners, regulators, non-governmental organisations, and customers, and have established closer community relations to support our AMP8 capital programme. We have implemented feedback from our engagement, including simplifying the procurement process and work allocation, simpler contractual documentation and longer-term agreements, greater flexibility in the use of company standards, and greater collaboration.

Strategic report

Financial performance

Key performance indicators - Financial

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our performance for the year.

Underlying operating profit

See note 1.

Target

Not externally disclosed

Annual performance

£1,059.1 million

Reported operating profit: £1,099 million

Underlying operating profit has increased £274 million compared with last year, reflecting the increase in revenue, partially offset by higher operating costs than the prior year. Operating costs have increased primarily due to expenditure associated with growth in our underlying asset base, as well as price increases across regulatory fees, power and chemicals.

2024/25: £785 million

2023/24: £518 million

Status

Met expectation/target

UUG Gearing

UUG Group net debt (plus loan receivable from our joint venture) divided by UUG's regulatory capital value.

Target

55–65%

Annual performance

60%

Gearing unchanged from previous year, and remains comfortably within our target range.

2024/25: 60%

2023/24: 59%

Status

Met expectation/target

Regulatory return

Base allowed return plus or minus any out or underperformance.

Target

Not externally disclosed

Annual performance

12.9%

Regulatory return ahead of guidance reflecting profiling of financing outperformance being weighted towards the start of the AMP.

2024/25: 4.4 %

2923.24L 15.0%

Status

Met expectation/target

⁽¹⁾Underlying operating profit is an alternative performance measure that excludes adjusted items from the reported equivalent. Underlying operating profit excludes any significant non-recurring items. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures can be found on pages 45 to 48.

We have delivered strong financial performance this year. Underlying revenue increased 20% in line with allowances set out in our PR24 Final Determination. This revenue increase, partially offset by higher operating costs reflecting growth in our asset base and price increases in the year, resulted in an underlying operating profit of £1,059 million, a 35% increase compared with the prior year.

Underlying net finance expense increased as a result of increased debt to fund the AMP8 capital programme, resulting in an underlying profit after tax of £810 million and reported profit after tax was at £667 million.

Adjusted items between underlying and reported are set out on page 46. Our balance sheet remains strong, with RCV gearing at 60%, in the middle of our target range of 55-65%, supporting robust credit ratings.

Revenue

Revenue was up £471 million at £2,616 million, with £447 million attributable to regulatory adjustments. Adjustments include a c.23% real increase in allowed wholesale revenues as set out in our PR24 final determination as well as a 3.5% CPIH-linked increase to the revenue cap.

Strategic report

Other revenue impacts largely reflect variances in consumption. Reported revenue included £40 million of revenue allowed by Ofwat for recovery in AMP8 related to diversions activity to accommodate the now-aborted northern leg of HS2, which will be returned to customers over the course of AMP9. The £40 million of revenue recognised in relation to this diversions activity has been adjusted for in arriving at underlying revenue.

Operating profit

Underlying operating profit at £1,059 million was £274 million higher than last year, reflecting the increase in revenue, partially offset by higher operating costs than the prior year. Operating costs have increased primarily due to expenditure associated with growth in our underlying asset base, as well as price increases across regulatory fees, power and chemicals.

Reported operating profit was higher than underlying operating profit, reflecting the adjustment to revenue detailed above.

Our comprehensive affordability schemes, combined with effective credit collection practices and utilisation of technology, have meant that current-year cash collection has been encouraging. Our bad debt position at 1.8% of statutory revenue is in line with management expectations.

Profit before tax

Underlying profit before tax is £845 million compared with £633 million underlying profit before tax last year. The £212 million increase reflects the £274 million increase in underlying operating profit and a £6 million reduction in the share of losses of joint ventures, partially offset by a £68 million increase in underlying net finance expense. Reported profit before tax is £41 million higher at £886million, reflecting adjustments outlined on page 46.

- Net finance expense

The underlying net finance expense of £210 million was £68 million higher than in the prior year mainly due to the increase in debt to fund the AMP8 capital programme, and a £16 million increase in non-cash interest expense on our debt and derivative portfolio, taking into account higher inflation incurred in the year and a rise in future indications of inflation. This is partially offset by an increase in capitalised interest and pension interest income.

Cash interest expense has increased by £67 million, primarily reflecting the increase in debt to fund the AMP8 capital programme.

Reported net finance expense is £1 million lower than underlying net finance expense, reflecting adjustments outlined on page 46.

Profit after tax

The underlying profit after tax of £810 million was £207 million higher than the prior year, reflecting the increase to underlying profit before tax, partially offset by £8 million increase to the current tax charge.

Reported profit after tax was lower at £667 million. Adjusted items between underlying and reported set out on page 46.

- 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 been accredited with the Fair Tax Mark again in 2025 for the seventh year running.

Strategic report

In addition, the group has made further contributions to the public finances of around £290 million, in the form of business rates, employer's national insurance contributions, environmental taxes, and other regulatory service fees such as water abstraction charges, as well as employment taxes on behalf of our 6,800 strong workforce.

The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment, these being deductions put in place by successive governments to encourage such investment and thus reflecting responsible corporate behaviour in relation to taxation.

The current tax charge of £8m reflects a £4m prior year adjustment to management's estimate of the most likely amount that will be received in relation to Research and Development allowances available on certain capital projects that remain under enquiry and consortium relief totalling £4 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture, Water Plus.

In the period, there were £4.3 million of tax adjustments taken to other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes and on hedge effectiveness.

An overall prior year net deferred tax credit of £6.5 million has been the most significant factor in reducing the effective tax rate below the standard rate of tax of 25% along with reductions of tax sensitive items.

Cash flow

Net cash generated from operating activities for the year was £1,342 million, £462 million higher than in the prior year, principally due to increased revenue. This is partially offset by higher net interest paid on debt and derivatives as a result of higher debt associated with the AMP8 capital programme. The net cash generated from continuing operating activities supports the dividends paid of £358 million and partially funds some of the group's net capital expenditure of £1,499 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated statements of cash flows can be found on page 69 of our consolidated financial statements.

Pensions

As at 31 March 2026, the group had an IAS 19 net pension surplus of £311 million, compared with a surplus of £302 million at 31 March 2025. This is driven largely by interest earned on the surplus and is partially offset by a remeasurement loss of £8 million due to updates to the mortality projections and actual inflation over the year being higher than assumed at the prior reporting period.

The remeasurement loss is more than offset by the net pension income credited to the income statement before tax of £11 million. Further detail on pensions is provided in note 11 ('Retirement benefit surplus') of the condensed consolidated financial statements.

Financing

Net debt at 31 March 2026 was £10,117 million, compared with £9,485 million at 31 March 2025. This comprises gross borrowings with a carrying value of £11,665 million, net derivative liabilities hedging specific debt instruments of £95 million and cumulative indexation on inflation swaps of £151 million and is net of cash and bank deposits of £1,794 million.

Gearing, measured as group net debt including a £50 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP8 ex-post adjustment mechanisms) of £16.5 billion, was 60% at 31 March 2026.

Strategic report

- Cost of debt

As at 31 March 2026, the group had approximately £3.3 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 £3.2 billion at an average real rate of 1.5%, and £1.4 billion of CPI or CPIH-linked debt exposure at an average real rate of -0.6%.

Debt issuances during the prior and current financial year contributed to the group's average effective interest rate of 4.2% being higher than the rate of 3.8% last year. More information on this can be found on page 48.

The group has fixed the interest rates on its non index-linked debt in line with its ten-year reducing balance basis at an average effective nominal interest rate of 4.1% for the current financial year.

- Credit ratings

UUW's senior unsecured debt obligations are rated Baa1 with Moody's Investors Service Ltd (Moody's), A- with Fitch Ratings Ltd (Fitch) and BBB+ with S&P Global Ratings UK Limited (S&P). United Utilities PLC's senior unsecured debt obligations are rated Baa2 with Moody's, BBB+ with Fitch and BBB- with S&P. All ratings are on a stable outlook.

- Debt financing

The group has access to the international debt capital markets through its £12 billion medium-term note (MTN) programme.

In the year to 31 March 2026, we raised c.£1.0 billion of term funding. This consisted of a £100m term loan from a relationship bank with a 5+1+1 year maturity and c.£900 million in the public bond markets, including a EUR500m ten-year green public bond issued in August, a EUR100m tap of our existing EUR 3.75% bond due 2034 in September, a £300m 14-year public bond issued in December and a EUR100m tap of our existing EUR 3.75% bond due 2035 in March. In addition, £400 million of committed facilities were executed, renewed and/or increased with relationship banks. Subsequent to the year end a EUR150m tap of our existing EUR 3.5% bond due 2033 was issued in April. The term debt raised in AMP8 so far has typically outperformed the Ofwat debt index mechanism by c80bps providing a sustained benefit across all five years of the AMP.

In March 2026, with the written consent of the noteholder, we amended three of our RPI-linked notes to adopt updated replacement 'fallback' provisions (which are applicable upon cessation of, or fundamental changes to RPI, and now effectively follow index-linked gilts) and we took the opportunity to shorten the maturity on two of those notes from 2056 to 2047. In addition, in March 2026 the group's sustainable finance framework was updated.

- Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2026, approximately 32% of the group's net debt was in RPI-linked form, representing around 19% of UUW's regulatory capital value (RCV), with an average real interest rate of 1.5%. A further 14% of the group's net debt was in CPI or CPIH-linked form, representing around 8% of UUW's RCV, with an average real rate of -0.6%. 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 14 years.

Strategic report

Across AMP8 we expect to move from having around half of our net debt in index-linked form to around a third. This reflects a balanced assessment across a range of factors, and will happen progressively over the period.

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.

- Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flows, cash and bank deposits primarily sourced from pre-funding in the debt capital markets, supported by committed but undrawn credit facilities. Our MTN programme and investment-grade credit ratings support our ability to replenish liquidity over time.

At 31 March 2026, we had liquidity to cover projected needs through to the second half of FY28, 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.

Guide to Alternative Performance Measures (APMs)

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 64. 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.

Strategic report

Adjusted item	Rationale
<i>Adjustments not expected to recur</i>	
Prior year comparatives (unaudited pro forma adjustments)	Prior year comparatives have been re-presented with unaudited pro forma adjustments to reflect the approximate impact of changes in accounting approach in 2025/26 based on estimates of their effect had they been applied in the prior year. In particular, it is estimated that the change in estimation technique for the measurement of inflation-linked debt would have had a positive impact on net finance expense of £23 million if applied in 2024/25, and that the adoption of a more granular approach to the capitalisation of IRE would have had a positive impact on operating profit of an estimated £152 million if applied in 2024/25 using assumptions derived from the more granular data available in 2025/26. While these accounting changes have been adopted prospectively from 1 April 2025, prior year figures have been re-presented as pro forma adjustments for ease of comparison to 2025/26 figures and forward-looking financial guidance on a like-for-like basis.
<i>Consistently applied presentational adjustments</i>	
High Speed Two (HS2) income	Management adjusts to exclude the revenue allowed by Ofwat for recovery in AMP8 related to diversions activity that will no longer take place following the cancellation of the northern leg of HS2. This adjustment will recur in each of the remaining years of AMP8. The revenue allowance to be recovered in AMP8 will be offset by negative adjustments to the revenue allowed by Ofwat for recovery in AMP9, resulting in a neutral position over time. Adjustments in arriving at underlying operating profit will therefore also be required during AMP9.
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.

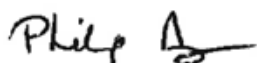
Strategic report

Underlying profit	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Operating profit per published results	1,099.0	630.9
HS2 revenue	(39.9)	-
Fleetwood outfall pipe fracture	-	2.3
More granular approach to IRE capitalisation	-	151.9
Underlying operating profit	1,059.1	785.1
Net finance expense		
Finance expense	(415.7)	(371.9)
Finance income	206.8	225.7
Net finance expense per published results	(208.9)	(146.2)
Fair value losses/(gains) on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(1.1)	(18.7)
Change in estimation technique for measuring index-linked debt	-	23.1
Underlying net finance expense	(210.0)	(141.8)
Share of losses of joint ventures	(4.6)	(10.8)
Profit before tax per published results	885.5	473.9
Adjustments in respect of:		
Operating profit	(39.9)	154.2
Net finance expense	(1.1)	4.4
Underlying profit before tax	844.5	632.5
Profit after tax per published results	666.7	353.9
Adjustments in respect of profit before tax	(41.0)	158.6
Deferred tax adjustment	184.2	89.9
Tax in respect of adjustments to underlying profit before tax	-	-
Underlying profit after tax	809.9	602.4

Strategic report

Average effective interest rate	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Underlying net finance expense	(210.0)	(141.8)
Adjustments:		
Net pension interest income	(17.5)	(12.9)
Adjustment for capitalised borrowing costs	(75.4)	(68.5)
Interest on loan receivable	(106.9)	(119.6)
Net finance expense for effective interest rate	(409.8)	(342.8)
Average notional net debt	(9,830)	(9,094)
Average effective interest rate	4.2%	3.8%

This strategic report was approved by the board on 23 June 2026 and signed on its behalf by:



Phil Aspin
Chief Financial Officer

Directors' report

The directors present their report and the audited financial statements of United Utilities PLC and its subsidiaries for the year ended 31 March 2026.

Business model

A description of the company's business model can be found within the strategic report on page 3. United Utilities PLC ("UUPLC") is a subsidiary of United Utilities Group PLC ("UUG"), which is the ultimate parent of the United Utilities group.

Profit and dividends

The results for the year, set out in the consolidated income statement on page 64 show that the profit for the year after tax was £666.7 million (2025: £353.9 million).

The directors have not recommended a final ordinary dividend (2025: £nil). Interim ordinary dividends of £357.6 million (2025: £344.1 million).

Principal activity and review of business

The company is a public limited company, limited by shares, and registered in England and Wales.

The company is the intermediate holding company of a group which owns and operates water and wastewater assets in the North West of England. There have not been any significant changes in the company's principal activity in the year under review and no changes are currently planned.

The company's principal subsidiary undertakings, and joint ventures in which the group participates, are listed in note A7 to the consolidated financial statements.

The ultimate parent company of United Utilities PLC is United Utilities Group PLC.

Share capital

At 31 March 2026, the issued ordinary share capital of the company was £881.8 million (2025: £881.8 million) divided into 881,787,478 ordinary shares of £1.00 each and one deferred A share of £1.00.

The company has one class of ordinary shares which carry no right to fixed income. The deferred A share carries no voting rights nor a right to fixed income.

Events after the reporting period

Details of events occurring after the reporting period are included in note 25 of the financial statements.

Going concern basis of accounting

The directors consider it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation paragraph on page 70.

Directors

The directors who held office during the year and to date are given below:

L Beardmore

PA Aspin

RJ Lee

BF Murphy

Directors' indemnities and insurance

We have in place contractual entitlements for the directors of the company and of its subsidiaries to claim indemnification by the company in respect of certain liabilities which might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the company or its subsidiaries. The company maintains an appropriate level of directors' and officers' liability insurance.

Directors' report

Political donations

It is the company's policy position that we do not support any political party and do not make what are commonly regarded as donations to any political party or other political organisations. The wide definition of donations in the Political Parties, Elections and Referendums Act 2000, however, covers activities that form part of the necessary relationship between the group and our political stakeholders. This can include promoting United Utilities' activities at the main political parties' annual conferences, as well as occasional stakeholder engagement in Westminster. The group incurred expenditure of £43,272 (2024/25: £11,450, 2023/24:£8,091) as part of this process. At the 2025 AGM, an authority was taken to cover such expenditure. A similar resolution will be put to shareholders at the 2026 AGM to authorise the company and its subsidiaries to make such expenditure.

Relationships with regional MPs are very important to United Utilities, and as the provider of an essential service to around eight million people across the North West, customers do raise issues with their constituency MP. In 2025/26, we received just over one thousand MP contacts covering a wide range of topics, particularly as we face challenging times from an economic, environmental and social perspective. Our approach is to always have an open door policy with our MPs and members of their offices, to meet with us and visit our sites or land at any time. We are readily available to discuss topics, whether that is about service, climate change, environmental performance, flooding or quality, and regularly meet our MPs face to face.

We engage regularly with the two devolved administrations in the North West – the Greater Manchester Combined Authority (GMCA) and the Liverpool City Region (LCR) – as well as the region's local authorities, on a range of topics of shared interest, such as tackling flooding risk, better managing rainfall, enhancing the North West's natural capital and helping customers who struggle to pay their bills. Our sponsorship of the All Party Political Groups for Greater Manchester and LCR helps bring MPs and peers of all parties together with key leaders to help maximise future investment in these areas for the benefit of local communities.

In addition, the company's activities to engage with political stakeholders on matters relevant to the water industry and its operating footprint of North West England extend to its membership of trade associations. This is described in the section below.

Trade associations

We are members of a small number of trade associations where we make a financial contribution. Some have a national focus, such as Water UK, the representative body of the UK water industry and others focus on specific professions such as the GC100, the voice of general counsel and company secretaries in FTSE 100 companies. The company is a member of regional bodies, such as the North West Business Leadership Team, which encourages engagement across the public and private sectors. Our total contribution to these associations in 2025/26 was £657,166 (2024/25: £521,706, 2023/24:£394,507).

Through Water UK, the company has supported efforts to interact with parliamentary bodies, such as Select Committees and chairs of specific committees, to provide information on a range of topics. In the past year, we have worked with Water UK on topics such as storm overflows, river water quality and the Government's white paper in response to the Independent Water Commission's final report.

Through our membership of the North West Business Leadership Team, we have engaged with regional MPs and political stakeholders, such as local authorities and metro mayors, to explore how the business community can work more effectively with the public sector to drive economic growth in the region and tackle some of the North West's pressing social issues.

Colleagues

Our policies on employee consultation and on equal opportunities for all colleagues can be found pages 14, 20 and 47 to 48 of the UUG 2026 Annual report and financial statements. Applicants with disabilities are given equal consideration in our application process, and disabled colleagues have equipment and working

Directors' report

practices modified for them as far as possible and where it is safe and practical to do so. Importance is placed on strengthening colleagues' engagement (see page 10 of UUG 2026 Annual report and financial statements). The effect of our regard towards colleagues in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 44 to 46.

Colleagues are encouraged to own shares in UUG through the operation of an all-employee share incentive plan (ShareBuy).

Information on our average number of employees during the year can be found in note 3.

Customers and suppliers and key stakeholders

Our approach to engagement with customers, suppliers, regulators and other key stakeholders can be found on page 26 of the UUG 2026 Annual report and financial statements. The effect of our regard towards customers, suppliers, regulators and other key stakeholders in relation to the decisions taken during the financial year is included in our S172(1) Statement on pages 38 to 40.

Our United Supply Chain approach sets out how we work with our suppliers, which can be found on our website at unitedutilities.com/corporate/about-us/governance/suppliers/delivering-value/united-supply-chain.

We are a signatory to the Prompt Payment Code. We publish key statistics and other information on our payment practices in line with the Duty to Report on Payment Practices and Performance on the Department for Business, Energy & Industrial Strategy's website. Information is published on a six-monthly basis. For the six months to 31 March 2026, our average time taken to pay invoices was 14 days; in the previous six months it was 13 days.

Energy and Carbon

Our energy and carbon report can be found on pages 72 to 74 of the UUG 2026 Annual report and is hereby incorporated by reference into this directors' report.

Approach to technology development

We are committed to using innovative, cost-effective and practical solutions for providing high-quality services. We recognise the importance of ensuring that we focus our investment on the development of technology, having the right skills to apply technology to achieve sustainable competitive advantage, and continuing to be alert to emerging technological opportunities.

Financial instruments

Our risk management objectives and policies in relation to the use of financial instruments can be found in note A3.

Risk management and internal control

A description of the main features of our risk management and internal control systems in relation to the financial reporting process which forms part of this directors' report are set out on page 127 of the UUG 2026 Annual report and financial statements.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and

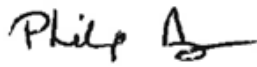
Directors' report

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

Our board is proposing that our shareholders reappoint KPMG LLP as our auditor at the forthcoming AGM and authorises the audit committee of the board to set the auditor's remuneration.

Approved by the board on 23 June 2026 and signed on its behalf by:



Phil Aspin
Chief Financial Officer

Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and, in respect of the parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.


Statement of directors' responsibilities in respect of the annual report and the financial statements

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of 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 and directors' reports include 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.

Approved by the board on 23 June 2026 and signed on its behalf by:



Phil Aspin
Chief Financial Officer

Independent auditor’s report

to the members of United Utilities PLC

1 Our opinion is unmodified

We have audited the Financial Statements of United Utilities PLC (“the Company”) for the year ended 31 March 2026 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Changes In Equity, the Company Statement of Changes In Equity, the Consolidated Statements of Cash Flows, and the related notes, including the accounting policies on pages 70 to 76 and 127 to 137.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 March 2026 and of the Group’s profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to those charged with governance.

We were first appointed as auditor by the Directors on 22 July 2011. The period of total uninterrupted engagement is for the 15 financial years ended 31 March 2026. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

<p>Allowances for expected credit losses relating to household customer debt (Group)</p> <p>Allowances for expected credit losses relating to household customer debt: £92.2m (2025: £81.4m).</p> <p><i>Refer to pages 127 - 137 (accounting policy) and pages 89 - 90 (financial disclosures).</i></p>	
<p>Subjective estimate:</p> <p>At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the allowances for expected credit losses relating to household customer debt. Key assumptions (as outlined in the accounting policies on page 74)</p>	<p>Our response</p> <p>We performed the tests below rather than seeking to rely on the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p>

Independent auditor’s report

to the members of United Utilities PLC

<p>include current and forecast cash collection rates.</p> <p>As part of our risk assessment for audit planning purposes, we determined that the recoverability of trade receivables had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole.</p> <p>Household customers’ bills have increased in the year, reflecting the tariffs agreed for the new five year regulatory cycle. Combined with economic uncertainty arising in the latter part of the year, this risks creating greater uncertainty of future customer affordability.</p> <p>In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality. There is also a risk of management bias in the selection of assumptions upon which estimates are based given the performance targets in remuneration schemes. The accounting policy note in the financial statements discloses the sensitivity estimated by the Group.</p>	<p>Our procedures to address the risk included:</p> <ul style="list-style-type: none"> – Our sector experience: challenging the Group on the appropriateness of the selection of provisioning rates in place for calculating the expected credit loss allowance and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses; – Reperformance: performing a recalculation of the provision, and verifying cash collections in the billing system; – Benchmarking assumptions: assessing and challenging the assumptions used by the Group in calculating the allowance for expected credit losses against externally derived publicly available data relating to other water companies; – Sensitivity analysis: considering the sensitivity of the expected credit loss allowance to changes in cash collection rates; and – Assessing transparency: assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the allowances for expected credit losses relating to household customer debt. <p>Our results</p> <p>Based on the risk identified and the procedures that we performed, we found the allowances for expected credit losses relating to household customer debt and the related disclosures to be acceptable (FY25: acceptable).</p>
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<p>Capitalisation of costs relating to the capital programme (Group)</p> <p>Property, plant & equipment additions: £1,675.8m (2025: £1,243.9m).</p> <p><i>Refer to page 129 (accounting policy) and page 86 (financial disclosures).</i></p>	
Accounting treatment:	Our response

Independent auditor’s report

to the members of United Utilities PLC

<p>The Group has agreed a substantial capital programme with the Water Services Regulation Authority (Ofwat) for the current Asset Management Plan (AMP) regulatory cycle (2025/26 to 2029/30), and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.</p> <p>Additionally, the Group has revised its approach to the capitalisation of infrastructure renewals expenditure ('IRE'). A significant portion of IRE is now capitalised, whereas in previous periods it was fully expensed (as outlined in the accounting policies on pages 70-71).</p> <p>The determination of in-year project costs as capital or operating expenditure is inherently judgemental, particularly for projects incorporating both capital and operating expenditure elements. Under IAS 16, expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised have a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.</p>	<p>We performed the tests below rather than seeking to rely on the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures to address the risk included:</p> <ul style="list-style-type: none"> – Accounting analysis: assessing the Group’s capitalisation policy and the change in approach to the capitalisation of IRE for compliance with relevant accounting standards; – Tests of details: critically assessing the capital nature of a sample of projects against the capitalisation policy focusing on high-risk projects which includes new projects approved, project overspends, projects with significant forecasted costs to complete and projects with changes to IRE; and – Assessing transparency: assessing the adequacy of the Group’s disclosures of its capitalisation policy, including the judgement involved in assessing expenditure as capital, including IRE. <p>Our results</p> <p>Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY25: acceptable).</p>
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<p>Contingent liabilities associated with certain environmental matters (Group)</p> <p>Financial statements disclosure in Note 23.</p> <p><i>Refer to pages 127 - 137 (accounting policy) and pages 98 - 99 (financial disclosures).</i></p>	
<p>Dispute outcome:</p> <p>The Group is subject to ongoing investigations by Ofwat and the Environment Agency (“EA”) (together, the “investigations”) with regards to whether the level of storm sewerage discharges are in compliance with environmental permits. If a company is found to have breached its legal obligations this could result in a financial penalty of up to 10 per cent of relevant wastewater turnover, along with a range of other potential commitments to Ofwat. The potential penalty for an environmental offence under the EA regulations is an unlimited fine.</p>	<p>Our response</p> <p>We performed the tests below rather than seeking to rely on the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures to address the risk included:</p>

Independent auditor’s report

to the members of United Utilities PLC

<p>The Group have concluded that no provision is required in respect of these matters, but they should be disclosed as contingent liabilities, based on the results of internal investigations and ongoing discussions with the Group’s legal team.</p> <p>The amounts involved in these matters are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective.</p>	<ul style="list-style-type: none"> – Enquiry of internal regulatory and legal teams: obtaining an understanding of the internal procedures undertaken by the Group to assess compliance with relevant laws and regulations and obtaining and understanding of the status of the investigations; – Inspection of correspondence with the regulators: assessing the correspondence with regulators and corroborating it to the Group’s assessment of the investigations; and – Assessing transparency: assessing the adequacy of the Group’s disclosures in relation to these environmental matters. <p>Our results</p> <p>Based on the risk identified and the procedures that we performed, we found the Group’s assessment that these environmental matters are treated as contingent liabilities and the related disclosures to be acceptable (FY25: acceptable).</p>
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<p>Recoverability of parent Company’s investment in United Utilities North West Limited (Parent company)</p> <p>Investment in United Utilities North West Limited – £3,943.6 (2025: £3,943.6m)</p> <p><i>Refer to pages 127 - 137 (accounting policy) and page 88 (financial disclosures).</i></p>	
<p>Low risk, high value:</p> <p>The carrying amount of the parent Company’s investment in United Utilities North West Limited represents 56% (FY25: 56%) of the Company’s total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>Our response</p> <p>We performed the tests below rather than seeking to rely on the Parent Company’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures to address the risk included:</p> <ul style="list-style-type: none"> – Tests of detail: compared the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry). <p>Our results</p> <p>Based on the risk identified and procedures performed, we concluded that the Parent Company’s conclusion that there was no impairment of its investment in United Utilities</p>

Independent auditor's report

to the members of United Utilities PLC

	North West Limited to be acceptable (FY25: acceptable).
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3 Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the Group financial statements as a whole was set at £22.0m (FY25: £19.0m). Consistent with FY25, we determined materiality with reference to a range of metrics, given volatility in profit before tax in recent years.

Materiality represents 0.8% of revenue, 0.1% of total assets and 2.5% of profit before tax (FY25: 0.9% of revenue, 0.1% of total assets and 3.0% of operating profit).

Materiality for the parent Company financial statements as a whole was set at £10.0m (2025: £9.0m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.1% (2025: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2025: 75%) of materiality for the financial statements as a whole, which equates to £16.5m (2025: £14.2m) for the group and £7.5m (2025: £6.75m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £1.10m (2025: £0.90m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 22 components (2025: 21), having considered our evaluation of the Group's legal structure, the existence of common information systems and our ability to perform audit procedures centrally.

Of those, we identified one (2025: 1) quantitatively significant component which contained the largest percentage of total revenue and total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected two additional components (2025: 2) with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on three components. The work on all components including the audit of the Parent Company, was performed by the Group team.

Our audit procedures covered 98% (2025: 98%) of Group revenue.

We performed audit procedures in relation to components that accounted for 99% (2025: 98%) of the total profits and losses that made up Group profit before tax and 100% (2025: 100%) of Group total assets.

We set the component materialities, which ranged from £10m to £21m, having regard to the mix of size and risk profile of the Group across the components. The work on all components including the audit of the Parent Company, was performed by the Group team.

Independent auditor's report

to the members of United Utilities PLC

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4 Going concern

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

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

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

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in the basis of preparation to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Inquiring of directors, the audit committee, internal audit and inspection of policy documentation relating to the ultimate parent, United Utilities Group PLC, as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Using analytical procedures to identify any unusual or unexpected relationships;
- Reading Board and Audit Committee minutes relating to the ultimate parent, United Utilities Group PLC; and
- Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent auditor's report

to the members of United Utilities PLC

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as allowances for expected credit losses relating to household customer debt.

On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity.

We did not identify any additional fraud risks.

Further detail in respect of the allowances for expected credit losses relating to household customer debt is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test based on AI transaction scoring which identifies journals with increased identifiers of fraud risks; and
- Assessing significant accounting estimates and judgements for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, the Environment Agency, and the Drinking Water Inspectorate, Competition law, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Further detail in respect of the contingent liabilities associated with certain environmental matters are set out in the key audit matter disclosures in section 2 of this report.

In relation to the Ofwat and the Environment Agency investigation launched in November 2021, as detailed in note 23, we assessed disclosures against our understanding from legal correspondence and inquiries performed.

We discussed with the Audit Committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Independent auditor's report

to the members of United Utilities PLC

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

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

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

7 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 53-54, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

to the members of United Utilities PLC

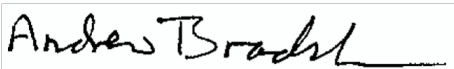
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Bradshaw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St. Peter's Square

Manchester

M2 3AE

23 June 2026

Consolidated income statement

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Revenue	2	2,616.3	2,145.2
Other income		22.9	16.9
Staff costs	3	(260.9)	(224.1)
Other operating costs	4	(707.4)	(630.6)
Allowance for expected credit losses – trade and other receivables		(33.3)	(20.5)
Depreciation of property, plant and equipment		(471.4)	(435.7)
Amortisation of intangible assets		(29.1)	(29.2)
Infrastructure renewals expenditure		(38.1)	(191.1)
Total operating expenses		(1,517.3)	(1,514.3)
Operating profit		1,099.0	630.9
Finance income	5	206.8	225.7
Finance expense	6	(415.7)	(371.9)
Finance income and expense		(208.9)	(146.2)
Share of losses of joint ventures	11	(4.6)	(10.8)
Profit before tax		885.5	473.9
Current tax charge	7	(34.6)	(30.1)
Deferred tax charge	7	(184.2)	(89.9)
Tax	7	(218.8)	(120.0)
Profit after tax		666.7	353.9

All of the results shown above relate to continuing operations.

The accompanying notes on pages 77 to 139 form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Profit after tax		666.7	353.9
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedge effectiveness - effective portion of fair value movements		4.0	8.7
Tax on items that may be reclassified to profit or loss	7	(1.0)	(2.2)
Reclassification of items taken directly to equity		21.8	(1.3)
Tax reclassified to income statement		(5.5)	0.3
Other comprehensive income that may be reclassified to profit or loss		19.3	5.5
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement (losses)/gains on defined benefit pension schemes	17	(7.9)	18.6
Change in credit assumptions for debt reported at fair value through profit or loss		(3.1)	1.9
Cost of hedging – cross-currency basis spread adjustment		2.7	3.6
Tax on items taken directly to equity	7	2.2	(6.0)
Other comprehensive income that will not be reclassified to profit or loss		(6.1)	18.1
Total comprehensive income		679.9	377.5

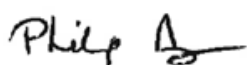
The accompanying notes on pages 77 to 139 form part of these financial statements

Consolidated and company statement of financial position

At 31 March 2026

		Group		Company	
	Note	2026 £m	2025 £m	2026 £m	2025 £m
ASSETS					
Non-current assets					
Property, plant and equipment	9	15,084.0	13,873.0	1.4	1.6
Intangible assets	10	119.9	105.8	-	-
Interests in joint ventures	11	-	1.6	-	1.6
Other investments	12	-	-	3,943.6	3,943.6
Trade and other receivables	13	54.6	73.6	50.4	73.5
Loans receivable	14	2,221.6	2,108.9	2,546.2	2,108.9
Retirement benefit surplus	17	310.9	302.3	81.2	75.8
Derivative financial instruments	A3	334.0	329.3	-	-
		<u>18,125.0</u>	<u>16,794.5</u>	<u>6,622.8</u>	<u>6,205.0</u>
Current assets					
Inventories – properties held for resale		2.9	2.7	-	-
Inventories – other		6.2	21.9	-	-
Trade and other receivables	13	332.9	281.2	17.1	600.6
Loans receivable	14	-	-	122.6	-
Current tax asset	7	73.2	93.3	8.3	-
Cash and short-term deposits	15	1,794.3	1,672.6	237.5	185.9
Derivative financial instruments	A3	13.7	11.4	-	-
		<u>2,223.2</u>	<u>2,083.1</u>	<u>385.5</u>	<u>786.5</u>
Total assets		<u>20,348.2</u>	<u>18,877.6</u>	<u>7,008.3</u>	<u>6,991.5</u>
LIABILITIES					
Non-current liabilities					
Trade and other payables	19	(1,168.5)	(1,063.8)	-	-
Borrowings	16	(11,490.7)	(10,401.5)	(565.5)	(385.8)
Deferred tax liabilities	7	(2,216.9)	(2,028.4)	(20.2)	(18.9)
Derivative financial instruments	A3	(302.4)	(275.0)	-	-
		<u>(15,178.5)</u>	<u>(13,768.7)</u>	<u>(585.7)</u>	<u>(404.7)</u>
Current liabilities					
Trade and other payables	19	(708.4)	(605.2)	(56.8)	(133.7)
Borrowings	16	(173.8)	(526.4)	(22.7)	(82.5)
Provisions	18	(17.5)	(19.0)	-	-
Derivative financial instruments	A3	(7.0)	(17.6)	-	-
		<u>(906.7)</u>	<u>(1,168.2)</u>	<u>(79.5)</u>	<u>(216.2)</u>
Total liabilities		<u>(16,085.2)</u>	<u>(14,936.9)</u>	<u>(665.2)</u>	<u>(620.9)</u>
Total net assets		<u>4,263.0</u>	<u>3,940.7</u>	<u>6,343.1</u>	<u>6,370.6</u>
EQUITY					
Capital and reserves attributable to equity holders of the company					
Share capital	22	881.8	881.8	881.8	881.8
Share premium account		1,430.0	1,430.0	1,430.0	1,430.0
Other reserves	21	10.9	(10.4)	-	-
Retained earnings		1,940.3	1,639.3	4,031.3	4,058.8
Shareholders' equity		<u>4,263.0</u>	<u>3,940.7</u>	<u>6,343.1</u>	<u>6,370.6</u>

These financial statements for the group and United Utilities PLC (company number: 2366616) were approved by the board of directors and authorised for issue on 23 June 2026, and signed on its behalf by:



Phil Aspin
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2026

	Share capital £m	Share premium account £m	Other reserves* £m	Retained earnings £m	Total £m
Group					
At 1 April 2025	881.8	1,430.0	(10.4)	1,639.3	3,940.7
Profit after tax	-	-	-	666.7	666.7
Other comprehensive income					
Remeasurement loss on defined benefit pension schemes (see note 17)	-	-	-	(7.9)	(7.9)
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	(3.1)	(3.1)
Cash flow hedge effectiveness - effective portion of fair value movements	-	-	4.0	-	4.0
Cost of hedging - cross currency basis spread Adjustment	-	-	2.7	-	2.7
Tax on items taken directly to equity (see note 7)	-	-	(1.7)	2.9	1.2
Reclassification of items taken directly to equity	-	-	21.8	-	21.8
Tax reclassified to income statement (see note 7)	-	-	(5.5)	-	(5.5)
Total comprehensive income	-	-	21.3	658.6	679.9
Dividends (see note 8)	-	-	-	(357.6)	(357.6)
At 31 March 2026	881.8	1,430.0	10.9	1,940.3	4,263.0

	Share capital £m	Share premium account £m	Other reserves* £m	Retained earnings £m	Total £m
Group					
At 1 April 2024	881.8	1,430.0	(18.6)	1,614.1	3,907.3
Profit after tax	-	-	-	353.9	353.9
Other comprehensive income					
Remeasurement gain on defined benefit pension schemes (see note 17)	-	-	-	18.6	18.6
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	1.9	1.9
Cash flow hedge effectiveness - effective portion of fair value movements	-	-	8.7	-	8.7
Cost of hedging - cross currency basis spread Adjustment	-	-	3.6	-	3.6
Tax on items taken directly to equity (see note 7)	-	-	(3.1)	(5.1)	(8.2)
Reclassification of items taken directly to equity	-	-	(1.3)	-	(1.3)
Tax reclassified to income statement (see note 7)	-	-	0.3	-	0.3
Total comprehensive income	-	-	8.2	369.3	377.5
Dividends (see note 8)	-	-	-	(344.1)	(344.1)
At 31 March 2025	881.8	1,430.0	(10.4)	1,639.3	3,940.7

*Other reserves comprise the group's cost of hedging reserve and cash flow hedging reserve. A reconciliation of movements in these reserves is included in note 21.

The accompanying notes on pages 77 to 139 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2026

	Share capital £m	Share premium account £m	Retained earnings £m	Total £m
Company				
At 1 April 2025	881.8	1,430.0	4,058.8	6,370.6
Profit after tax	-	-	329.1	329.1
Other comprehensive income				
Remeasurement gain on defined benefit pension schemes (see note 17)	-	-	1.3	1.3
Tax on items taken directly to equity (see note 7)	-	-	(0.3)	(0.3)
Total comprehensive income	-	-	330.1	330.1
Dividends (see note 8)	-	-	(357.6)	(357.6)
At 31 March 2026	881.8	1,430.0	4,031.3	6,343.1

As permitted by section 408 of the Companies Act 2006, the company has not presented its own income statement. The results of the company for the financial year was a profit after tax of £329.1 million (2025: £293.8 million).

	Share capital £m	Share premium account £m	Retained earnings £m	Total £m
Company				
At 1 April 2024	881.8	1,430.0	4,108.9	6,420.7
Profit after tax	-	-	293.8	293.8
Other comprehensive income				
Remeasurement loss on defined benefit pension schemes (see note 17)	-	-	0.3	0.3
Tax on items taken directly to equity (see note 7)	-	-	(0.1)	(0.1)
Total comprehensive income	-	-	294.0	294.0
Dividends (see note 8)	-	-	(344.1)	(344.1)
At 31 March 2025	881.8	1,430.0	4,058.8	6,370.6

The accompanying notes on pages 77 to 139 form part of these financial statements

Consolidated statement of cash flows

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Operating activities			
Cash generated from operations	A1	1,597.9	1,078.0
Interest paid		(328.1)	(269.3)
Interest received and similar income		85.7	92.5
Tax paid		(29.7)	(28.1)
Tax received		16.1	6.4
Net cash generated from operating activities		1,341.9	879.5
Investing activities			
Purchase of property, plant and equipment		(1,492.1)	(988.5)
Purchase of intangible assets		(42.9)	(9.5)
Grants and contributions received	19	35.2	9.2
Proceeds on disposal of property, plant and equipment		0.8	1.0
Repayment of loans to joint ventures	A5	21.0	0.5
Placement of deposits with maturity greater than three months		(504.0)	(768.7)
Receipt of deposits with maturity greater than three Months		504.0	768.7
Net cash used in investing activities		(1,478.0)	(987.3)
Financing activities			
Proceeds from borrowings net of issuance costs		1,052.2	1,373.0
Repayment of borrowings		(433.2)	(631.4)
Dividends paid to equity holders of the company	8	(357.6)	(344.1)
Net cash generated from financing activities		261.4	397.5
Net increase in cash and cash equivalents		125.3	289.7
Cash and cash equivalents at beginning of the year		1,669.0	1,379.3
Cash and cash equivalents at end of the year	15	1,794.3	1,669.0

The accompanying notes on pages 77 to 139 form part of these financial statements.

Notes to the financial statements

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

Basis of preparation

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

The parent company financial statements have been prepared in accordance with UK accounting standards as applied in accordance with the provisions of the Companies Act 2006. The company meets the definition of a qualifying entity as defined in FRS 100 'Application of Financial Reporting Requirements', and these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

As permitted by FRS 101, the parent company has taken advantage of the disclosure exemptions available in relation to financial instruments, fair value measurement, the statement of cash flows, capital management, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

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

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the group has adequate resources for a period of at least 12 months from the date of 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 and the group's capital adequacy in the context of a baseline plan. 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 to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. These scenarios consider the potential impacts of increased costs, including: a significant one-off totex impact of £400 million arising in the assessment period; debt being refinanced as it matures at 1% above the forward projections of interest rates; incurring significant outcome delivery incentive ('ODI') penalties; and the impact of various downside scenarios materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction or suspension of discretionary totex spend; the close out of derivative assets; 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 stress testing a number of severe but plausible downside scenarios indicates that the group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. The financial statements have, therefore, been prepared on a going concern basis.

Material changes to accounting estimates

Capitalisation of Infrastructure Renewals Expenditure ('IRE')

All Infrastructure Renewal Expenditure ('IRE'), being expenditure incurred in maintaining the operating capability of the group's water and wastewater infrastructure network assets in accordance with defined

Notes to the financial statements

standards of service, has historically been recognised as an expense in the income statement in the year in which the expenditure is incurred.

This historic treatment was based on such expenditure comprising repairs or servicing of the network infrastructure when considered as a small number of large components in the absence of information that could be used to account for replacement of individual smaller components within the network on a one-for-one basis. Developments in the availability and granularity of asset data, along with advances in data analytic capabilities, means that IRE activities can now be identified at the individual smaller component level. Therefore, to the extent that IRE includes expenditure on the replacement of assets and the recognition criteria of IAS 16 'Property, Plant and Equipment' are met at the component level, the cost of the replacement part is now capitalised as part of the cost of the infrastructure asset, with the carrying value of the component that has been replaced being simultaneously derecognised. IRE activities that do not result in an asset replacement continue to be expensed as incurred.

Following the change in approach to the capitalisation of IRE, management have also reviewed the useful economic lives of infrastructure assets. This resulted in the reduction of the useful lives for certain categories of infrastructure assets. However, given the long-lived nature of these assets, this did not materially affect the depreciation charge in the period.

This change in approach reflects a change in the application of judgement as to the level at which assets can be recognised and derecognised within the scope of the group's existing accounting policies for property, plant and equipment. It is not considered to be a change in accounting policy as defined within IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and, therefore, this change in accounting has been applied prospectively from 1 April 2025 with no restatement of prior year information.

This has resulted in IRE additions of £249.7 million within property, plant and equipment that would previously have been expensed in the period.

Application of the effective interest rate ('EIR') in accounting for floating-rate debt

Floating-rate financial liabilities are accounted for in accordance with IFRS 9 'Financial instruments' and the group measures these liabilities at amortised cost using the effective interest rate method. Expected future cash flows used in measuring these liabilities are subject to periodic re-estimation to reflect movements in market rates of interest, and the effective interest rate is adjusted to incorporate these movements

Judgement is required in determining the most appropriate method for estimating the effective interest rate. Historically, the group has adjusted the effective interest rate for floating-rate instruments for incurred changes in reference rates. Particularly for index-linked debt, given recent periods of unusually high and low inflation, this measurement technique has resulted in significant income statement volatility. During the year, the group has revised the measurement technique used, so that the effective interest rate is now determined with reference to both incurred market rates of interest and market expectations of future changes in these reference rates. The group considers that this technique provides more useful information regarding the effect of changes in market rates, particularly inflation, on the debt over time and presents a more faithful representation of expected future cash flows.

The group continues to apply its existing accounting policy of measuring these floating-rate financial liabilities at amortised cost, and the revised approach is a change in the estimation of the effective interest used by incorporating forward-looking information. This change is, therefore, a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and has been applied prospectively from 1 April 2025. This has resulted in a reduction of £23.4 million of finance expense in the period.

Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the year ended 31 March 2026, that were relevant to the group or would have a material impact on the group's financial statements, or that were not early adopted in previous years.

Notes to the financial statements

Future accounting developments

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 March 2026 reporting period. These standards, amendments or interpretations are not expected to have a material impact on the financial statements in the following reporting period and on foreseeable future transactions. The group monitors developments across financial reporting standards and the status of adoption in the UK in assessing the extent to which these developments are likely to impact the financial statements in future periods. Relevant future accounting developments are detailed below.

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB published amendments relating to the classification and measurement of financial instruments. These amendments are effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The amendments most relevant to the group allow for an accounting policy choice to derecognise certain financial liabilities settled using an electronic payment system before the settlement date, where the electronic payment system meets specific criteria.

The accounting policy choice has not been adopted within the group financial statements. Financial liabilities continue to be derecognised upon the settlement, rather than initiation, of electronic payments, which reflects the operational management of the group's liquidity position. Management has, however, amended the presentation of these financial liabilities, which had not settled at the reporting date. Previously, these balances were presented as 'book overdrafts' within current borrowings; however, these have been prospectively recognised within trade and other payables, reflecting that it is the financial liability to the creditor, rather than the clearing bank, that has not been extinguished at the reporting date. At £3.6 million, these book overdrafts were not material at 31 March 2025 and so, accordingly, prior year comparatives have not been re-presented.

IFRS 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual reporting periods beginning on or after 1 January 2027. The standard will replace IAS 1 'Presentation of Financial Statements' and does not change the measurement bases of the financial statements. There are three sets of new requirements relating to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information. Management have commenced an impact assessment in readiness for implementation

Critical accounting judgements and key sources of estimation uncertainty

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

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

Notes to the financial statements

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out on pages 75 to 76.

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

Retirement benefits

Accounting estimate* – The group operates two defined benefit pension schemes, which are independent of the group's finances. Actuarial valuations of the schemes are carried out as determined by the trustees at intervals of no more than three years. Profit before tax, OCI and net assets are affected by the actuarial assumptions used. The key assumptions include discount rates, pensionable salary growth, mortality and inflation. It should be noted that actual rates may differ from the assumptions used due to changing market and economic conditions and longer or shorter lives of participants and, as such, this represents a key source of estimation uncertainty. Sensitivities in respect of the assumptions used during the year are disclosed in note A4.

Accounting estimate* – Included within the group's defined benefit pension scheme assets are assets with a fair value estimated to be £1,485.3 million (2025: £1,555.0 million), which are categorised as 'level 3' within the IFRS 13 'Fair value measurement' hierarchy, meaning that their value is not observable at 31 March 2026. This includes assets with an estimated fair value of £1,381.0 million (2025: £1,405.8 million) relating to bulk annuity policies purchased as part of a partial buy-in transaction and £104.3 million of investments in private debt funds (2025: £149.2 million).

The fair value of the bulk annuity assets is directly pegged to the present value of the defined benefit obligations that they insure, and therefore estimation of their fair value is inherently linked to the assumptions used in valuing the schemes' liabilities as set out above. Estimates of the fair value of the remaining 'level 3' assets are based on valuations performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total asset balances, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Revenue recognition and allowance for doubtful receivables

Accounting judgement – The group recognises revenue generally at the time of delivery and when collection of the resulting receivable has been deemed probable. In estimating the amount of revenue to recognise, where the group considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is deemed probable. There are two criteria whereby management does not recognise revenue for amounts that have been billed to those customers on the basis that collectability is not probable. These are as follows:

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

This two-criteria approach resulted in a £49.5 million (2025: £41.1 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their

Notes to the financial statements

debt was deemed to be probable (i.e. the second criteria was disappplied), the required adjustment to revenue would have been £27.3 million (2025: £21.9 million) lower.

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

At 31 March 2026, an allowance for expected credit losses relating to household customer debt of £91.1 million (2025: £81.4 million) was supported by a six-year cash collection projection. Based on a five-year or seven-year cash collection projection, the allowance for doubtful receivables would have increased by £1.9 million (2025: £1.5 million) or reduced by £1.1 million (2025: £0.9 million), respectively.

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant expected credit loss allowance.

The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

We have considered the high level of uncertainty as to how economic conditions may impact the recoverability of household receivables for a significant proportion of the group's customer base. A range of scenarios has been used to inform a probability-based assessment of the allowance for expected credit losses. These take account of cash collection rates in the current year as well as recent years, incorporating the current economic uncertainty to provide a range of views as to how recoverability of household receivables may be impacted.

The provisioning rates support a charge equivalent to around 1.8% of household revenue recorded during the period, which is slightly higher than the position at 31 March 2025. A charge of 1.8% (2025: 1.5%) is considered to be appropriate given prevailing levels of uncertainty and recognising the level of estimation uncertainty associated with the assumptions made in forecasting the year-end debt position upon which the allowance for expected credit losses is based.

Accounting estimate** – United Utilities Water Limited ('UUW') raises bills in accordance with its entitlement to receive revenue in line with the limits established by the periodic regulatory price review processes. For household water and wastewater customers with water meters, the receivable billed is dependent on the volume supplied, including the sales value of an estimate of the units supplied between the dates of the last water meter reading and the billing date. Meters are read on a cyclical basis, and the group recognises revenue for unbilled amounts based on estimated usage from the last billing through to each reporting date.

The estimated usage is derived from historical data; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

Revenue recognised for unbilled amounts for these customers at 31 March 2026 was £233.3 million (2025: £172.9 million). Had actual consumption been 5% higher or lower than the estimate of units supplied, this would have resulted in revenue recognised for unbilled amounts being £8.2 million (2025: £5.9 million) higher or lower, respectively. For customers who do not have a meter, the receivable billed and revenue recognised is dependent on the rateable value of the property as assessed by an independent rating officer.

Property, plant and equipment

Accounting estimate* – The estimated useful economic lives of property, plant and equipment and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of property, plant and equipment, and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and

Notes to the financial statements

negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £500.5 million (2025: £464.9 million). A 10% increase in average asset lives would have resulted in a £45.5 million (2025: £42.3 million) reduction in this figure and a 10% decrease in average asset lives would have resulted in a £50.0 million (2025: £46.5 million) increase in this figure.

Derivative financial instruments

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

Floating-rate financial liabilities

Accounting estimate* – The group accounts for financial liabilities at amortised cost in accordance with IFRS 9 'Financial instruments'. For floating-rate financial liabilities, the periodic re-estimation of cash flows arising from expectation of future changes in market rates of interest requires adjustments to the effective interest rate. Adjustment of the effective interest rate affects the interest charge arising on, and carrying value of, these liabilities.

For the group's index-linked debt portfolio, an estimation of future changes in the inflation indices is used in determining the effective interest rate. A market-based expectation of future changes in inflation is derived from a breakeven measure implied by the difference between nominal yields on fixed-interest gilts and real yields on RPI-linked gilts. An inflation-risk premium is deducted from the breakeven measure to derive an assumption for RPI. The assumption for CPI inflation is then set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences between the indices.

The weighted average single equivalent inflation assumption derived from the breakeven inflation curve as at 31 March 2026 was 3.07%. Actual changes in inflation may differ from the assumptions used due to changing market and economic conditions and, as such, this represents a key source of estimation uncertainty. An increase/decrease in the inflation assumption of 1% would have resulted in a £30.6 million increase/decrease in the finance expense in the period.

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

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

Climate change

The group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements, along with assessing climate-related risks and opportunities and the impact these could have on the financial statements.

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

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the

Notes to the financial statements

assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's decarbonisation measures. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete, or for which no further use is planned, in part, as a result of the group's decarbonisation strategy. In recent years, this has resulted in material accelerations in respect of bioresources facilities impacted by changes in environmental legislative requirements. Although accelerated depreciation has been recognised in relation to a number of assets during the year as part of the group's broader environmental programme, there have been no further material accelerations required in the current financial year as a direct result of climate considerations, although this is subject to continuous assessment, particularly as environmental legislation continues to evolve.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which is expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year. In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase.

This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise, this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

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

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

While there are climate-related opportunities that may arise in association with how the group manages its asset base, these are generally incidental and not considered to be material compared with climate-related risks.

Notes to the financial statements

1. Segmental reporting

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

2. Revenue

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

	2026 £m	2025 £m
Wholesale water charges	1,073.9	897.7
Wholesale wastewater charges	1,362.6	1,113.7
Household retail charges	136.0	90.5
Other	43.8	43.3
	<u>2,616.3</u>	<u>2,145.2</u>

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

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

3. Directors and employees

Directors' remuneration

	2026 £m	2025 £m
Salaries	1.8	1.6
Benefits	0.2	0.2
Bonus	0.8	0.1
Share-based payment charge	2.1	1.1
	<u>4.9</u>	<u>3.0</u>

Included within the above are aggregate emoluments of £2.5 million (2025: £1.4 million) in respect of the highest paid director.

Annual bonuses were paid to four directors in respect of the year ended 31 March 2026 (2025: two directors).

No directors accrued benefits under defined benefit schemes during the current year (2025: no directors). One director opted for a cash allowance in lieu of their company pension scheme entitlement (2025: one director).

Four directors (2025: four directors) received shares in United Utilities Group PLC in respect of qualifying services. Four directors (2025: four directors) had long-term incentive plans which vested during the year.

Notes to the financial statements

3. Directors and employees (continued)

Aggregate amounts receivable relating to long-term incentive plans of £2.1 million (2025: £1.1 million) were recognised during the year. Details of the employee Sharebuy scheme and the executive share scheme operated by United Utilities Group PLC are given in the UUG 2026 Annual report and financial statements.

Remuneration of key management personnel

	2026 £m	2025 £m
Salaries and short-term employee benefits	7.9	6.3
Share-based payment charge	3.7	3.2
	<u>11.6</u>	<u>9.5</u>

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

Staff costs (including directors)

Group	2026 £m	2025 £m
Wages and salaries ⁽¹⁾	445.3	372.1
Employee related taxes and levies	51.2	36.0
Severance	0.6	0.2
Post-employment benefits:		
Defined benefit pension expense (see note 17)	6.5	6.5
Defined contribution pension expense (see note 17)	38.6	36.7
	<u>542.2</u>	<u>451.5</u>
Charged to other areas including regulatory capital schemes	(281.3)	(227.4)
Staff costs	<u>260.9</u>	<u>224.1</u>

Notes:

⁽¹⁾ Wages and salaries excluding non-permanent staff was £397.1 million (2025: £334.5 million).

Included within staff costs were £0.6 million net charges (2025: £0.2 million net charges) relating to restructuring costs.

Conditional share awards in relation to shares of the ultimate parent undertaking, United Utilities Group PLC, have been granted to employees of the group under various schemes. Details of the terms and conditions of each scheme are given in the UUG 2026 Annual Report and financial statements. Included within wages and salaries is an expense of £4.5 million (2025: £4.7 million) relating to a recharge of share-based payment costs from the ultimate parent undertaking.

Average number of employees during the year (full-time equivalent including directors)

Group	2026	2025
Average number of employees during the year	<u>6,807</u>	<u>6,203</u>

Company

The average number of employees during the year was 130 (2025: 143). These employees were mostly engaged in the provision of services to United Utilities Water Limited, and as such employee costs of £14.3million (2025: £15.0 million) in relation to these employees have been incurred directly by that company during the year. Costs of £4.0m (2025: £3.2 million) were recharged to the company.

Notes to the financial statements

4. Operating profit

	2026 £m	2025 £m
Other operating costs		
Power	182.7	154.5
Materials	160.3	144.1
Hired and contracted services	147.4	133.5
Property rates	93.3	89.9
Regulatory fees	53.4	44.8
Insurance	17.8	14.5
Accrued innovation and water efficiency scheme costs	14.3	8.0
Loss on disposal of property, plant and equipment	0.3	4.0
Other expenses	37.9	37.3
	707.4	630.6

The group's operating costs have increased by around £77 million compared with the prior year. This is due largely to inflationary pressures across the cost base (particularly impacting power and materials), higher regulatory fees and increased expenditure associated with the expansionary impact of delivering UUW's AMP8 business plan, which has resulted in increased headcount and staff costs. In addition, higher costs were incurred during the year in ensuring that the group's network has remained resilient and that supply has been safeguarded during what was a particularly dry spring and summer in 2025.

Research and Development ('R&D') expenditure for the year ended 31 March 2026, was £0.5 million (2025: £0.6 million). In addition, £11.3 million (2025: £8.0 million) of costs have been accrued during the year by UUW in relation to the Innovation in Water Challenge scheme operated by Ofwat, which has continued for AMP8. 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.

Similarly, Ofwat has introduced the industry-wide Water Efficiency Fund ('WEF') for AMP8, focused on improving and promoting water efficiency, including innovation in this space. This operates in a similar way to the Innovation in Water Challenge. £3.0 million in costs have been accrued in respect of this, which offsets amounts recognised in revenue to fund them.

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

	2026 £000	2025 £000
Audit services:		
Statutory audit - group and company	184	176
Statutory audit - subsidiaries	683	654
	867	830
Non-audit services:		
Regulatory audit services provided by the statutory auditor	83	80
Other non-audit services	221	115
	1,171	1,025

5. Finance income

	2026 £m	2025 £m
Interest receivable on short-term bank deposits held at amortised cost	77.7	87.3
Interest receivable on loan to joint ventures held at amortised cost (see note A5)	4.7	5.9
Net pension interest income (see note 17)	17.5	12.9
Interest receivable from ultimate parent undertaking	106.9	119.6
	206.8	225.7

Notes to the financial statements

6. Finance expense

	2026 £m	2025 £m
Interest payable		
Interest payable on borrowings held at amortised cost ⁽¹⁾	393.9	372.3
	<u>393.9</u>	<u>372.3</u>
Fair value (gains)/ losses on debt and derivative instruments		
Fair value hedge relationships:		
Borrowings ⁽²⁾	(14.5)	(60.1)
Designated swaps ^{(2) (3)(4)}	(12.2)	39.1
	<u>(26.7)</u>	<u>(21.0)</u>
Financial instruments at fair value through profit or loss:		
Borrowings designated at fair value through profit or loss ⁽⁵⁾	(12.7)	(6.8)
Associated swaps	11.9	5.6
	<u>(0.8)</u>	<u>(1.2)</u>
Fixed interest rate swaps ⁽⁶⁾	(5.4)	(4.1)
Net receipts on swaps and debt under fair value option	10.5	9.4
Inflation swaps ⁽⁶⁾	43.9	16.5
Other	0.3	-
	<u>49.3</u>	<u>21.8</u>
Net fair value gains/(losses) on debt and derivative instruments ⁽⁷⁾	21.8	(0.4)
	<u>415.7</u>	<u>371.9</u>

Notes:

- (1) Includes a £133.7 million (2025: £142.2 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £3.2 million (2025: £1.9 million) interest expense on lease liabilities (as disclosed in note 20), representing the unwinding of the discounting applied to future lease payments. This includes an accrual of interest payable of £144.2 million (2025: £122.7 million), as disclosed within note 19, which is a non-cash adjustment for interest paid within the consolidated statement of cash flows.
- (2) Includes foreign exchange gain of £45.1 million (2025: £13.2 million gain). These gains are largely offset by fair value losses on derivatives.
- (3) Under the provisions of IFRS 9 'Financial instruments', £2.7 million of fair value gains (2025: £3.6 million fair value gains) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.
- (4) The fair value movements of swaps designated in fair value hedge relationships includes an increase in interest receivable of £17.7 million (2025: £10.2 million increase in interest receivable). Excluding the impact of interest accrual movements, these swaps generated a fair value loss of £5.6 million (2025: £49.3 million fair value loss).
- (5) Under the provisions of IFRS 9 'Financial instruments', a £3.1 million loss (2025: £1.9 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.
- (6) These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.
- (7) Includes £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements, excluding this income, are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 45 to 48.

Interest payable is stated net of £75.4 million (2025: £68.5 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 5.1% (2025: 5.4%) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'. These borrowing costs are included within interest paid in the consolidated statement of cash flows.

Notes to the financial statements

6. Finance expense (continued)

Underlying finance expense, which forms part of the group's APMs set out on pages 45 to 48, is calculated by adjusting net finance expense and finance income of £208.9 million (2025: £146.2 million) reported in the income statement to exclude the £21.8 million of fair value losses (2025: £0.4 million of fair value gains) in the above table, but include £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives.

7. Tax

	2026 £m	2025 £m
Current tax		
UK corporation tax	26.7	29.7
Adjustments in respect of prior years	7.9	0.4
Total current tax charge for the year	<u>34.6</u>	<u>30.1</u>
Deferred tax		
Current year	194.7	92.3
Adjustments in respect of prior years	(10.5)	(2.4)
Total deferred tax charge for the year	<u>184.2</u>	<u>89.9</u>
Total tax charge for the year	<u><u>218.8</u></u>	<u><u>120.0</u></u>

The current 'UK corporation tax' charge for both the current and prior year relates to group relief payable to the parent undertaking of the group, United Utilities Group PLC ('UUG').

The current tax 'adjustments in respect of prior years' of £7.9 million mainly relates to a £4.0 million adjustment to the claims for research and development ('R&D') UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the prior year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims. There has also been a claim for consortium relief of £4.0 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture Water Plus Limited. A credit of £0.1 million has been recognised in respect of group relief payable to UUG in prior years.

The deferred tax 'adjustments in respect of prior years' of £10.5 million is mainly due to the adjustment to the capital allowance pools as a result of the research and development allowances adjustment and the movement between qualifying and non-qualifying fixed asset additions between the tax provision and submitted corporation tax computation.

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

	2026 £m	2026 %	2025 £m	2025 %
Profit before tax	<u>885.5</u>		<u>473.9</u>	
Tax at the UK corporation tax rate	221.4	25.0	118.5	25.0
Adjustments in respect of prior years	(2.6)	(0.3)	(2.0)	(0.4)
Net expenses not deductible	<u>-</u>	<u>-</u>	<u>3.5</u>	<u>0.7</u>
Total tax charge and effective tax rate for the year	<u><u>218.8</u></u>	<u><u>24.7</u></u>	<u><u>120.0</u></u>	<u><u>25.3</u></u>

Notes to the financial statements

7. Tax (continued)

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

	2026	2025
	£m	£m
Profit before tax	885.5	473.9
Profit before tax multiplied by the standard rate of UK corporation tax of 25%	221.4	118.5
Relief for capital allowances in place of depreciation	(311.6)	(278.1)
Disallowance of depreciation charged in the accounts	107.9	99.8
Financial transactions timing differences	1.5	(2.5)
Retirement benefit timing differences	(4.4)	(4.0)
Relief for capitalised interest	(18.8)	(17.1)
Other timing differences	3.6	3.9
Adjustments to tax charge in respect of prior years	7.9	0.4
Joint venture losses not taxed	1.2	2.6
Expenses not deductible for tax purposes	(5.2)	(3.0)
Depreciation charged on non-qualifying assets	3.9	3.9
Current year tax losses carry forward	27.2	105.7
Current tax charge for the year	<u>34.6</u>	<u>30.1</u>

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

The group has historically invested in capital expenditure on projects involving R&D upon which claims for accelerated capital allowances have been made. The extent to which R&D allowances are available on any given asset is dependent upon the specific fact pattern of the project to which it relates. Reaching agreement with tax authorities as to the amount of R&D allowances available can take a number of years, and judgement is required in estimating the amount of R&D allowances likely to be received following conclusion of these processes. The group believes it has made appropriate provision for periods that remain under enquiry and are yet to be agreed with tax authorities (financial years ended 31 March 2019 to 31 March 2022 inclusive), and that the carrying amount of the relevant tax assets reflect management's estimate of the most likely amount that will be received. Should it ultimately be the case that the tax receivable is unable to be recovered in full, the group is expected to instead be able to claim standard capital allowances. As a result, in the event that the in fully agreeing the R&D claims with the tax authorities, any reduction in the associated current tax receivable will be offset by an adjustment to the group's deferred tax position. There is a rate differential between the applicable current and deferred tax rates for the claim.

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

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

Notes to the financial statements

7. Tax (continued)

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

Joint venture net losses relate to losses incurred by the group's joint venture, Water Plus, in which it has a 50% shareholding.

Expenses not deductible includes non-taxable grant amortisation, share-based payment deductions, and a profit on disposal of fixed assets not eligible for capital allowances.

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

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

Pillar Two

Pillar Two legislation mandates a top-up tax for entities with an effective rate below the 15% threshold. As of 31 March 2026, the only jurisdiction in which the group has a potential Pillar Two exposure is the UK. The entire UK profits of the group are within the scope of Pillar Two. The group will be able to take advantage of the Transitional Safe Harbour rules for this and the subsequent three accounting periods, and then following the new side-by-side rules implemented in March 2026 the permanent safe harbour rules will take effect such that the current tax expense in relation to Pillar Two income taxes is nil.

It is unclear if the Pillar Two model rules create additional temporary differences, whether deferred taxes should be remeasured for the Pillar Two model rules, or which tax rate to use to measure deferred taxes. The International Accounting Standards Board ('IASB') issued amendments to IAS 12 'Income Taxes' in 2023 introducing a mandatory temporary exception to the requirements of IAS12, under which a company does not recognise or disclose information about deferred tax assets and liabilities in relation to the OECD/G20 BEPS Pillar Two model rules. The group applied the temporary exception at 31 March 2026.

Tax on items taken directly to equity

	2026	2025
	£m	£m
Group		
Deferred tax		
On remeasurement (losses)/gains on defined benefit pension schemes	(2.0)	4.7
On net fair value losses on credit assumptions for debt reported at fair value through profit and loss and cost of hedging	6.4	0.1
Share-based payments	(0.1)	3.1
Total tax charge on items taken directly to equity	<u>4.3</u>	<u>7.9</u>

	2026	2025
	£m	£m
Company		
Deferred tax		
On remeasurement gains on defined benefit pension schemes	<u>0.3</u>	<u>0.1</u>
Total tax charge on items taken directly to equity	<u>0.3</u>	<u>0.1</u>

The tax adjustments taken to other comprehensive income primarily relate to remeasurement movements on the group's defined benefit pension schemes. Management considers that the most likely method of realisation would be through a refund, which would be taxed at the rate applicable to refunds from a trust.

Notes to the financial statements

7. Tax (continued)

Current tax asset

Group	Total £m
At 1 April 2024	100.1
Adjustments in respect of prior years	(0.4)
Receipts	(6.4)
	<hr/>
At 31 March 2025	93.3
Adjustments in respect of prior years	(8.0)
Amounts payable to related parties for consortium relief (see notes 18 and A5)	4.0
Receipts	(16.1)
	<hr/>
At 31 March 2026	73.2

The reconciliation of the current tax asset comprises amounts owed by, and transactions with, HMRC in relation to the corporation tax position of the group. This excludes balances and transactions with UUG in relation to group relief which are included within Trade and Other Payables. Transactions relating to group relief include amounts charged to the income statement comprise a charge of £26.7 million (2025: £29.7 million) in respect of current year, a credit of £0.1 million (2025: £nil) in respect of prior year adjustments and payments of £29.7 million (2025: £28.1 million).

Amounts payable to related parties for consortium relief of £4.0 million reflects the amount of the 'adjustments in respect of prior years' relating to the claim for consortium relief losses from Water Plus Limited, a joint venture of the group.

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable in the next 12 months, based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities. A significant part of the receivable relates to the R&D claims made in prior years.

Deferred tax liabilities

The deferred tax liabilities and assets recognised by the group, and the movements thereon during the current and prior years, were as follows:

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Tax losses £m	Total £m
At 1 April 2024	2,008.8	67.0	66.0	(211.2)	1,930.6
(Credited)/charged to the income statement- adjustments in respect of prior years	(192.1)	-	-	189.7	(2.4)
Charged/(credited) to the income statement – current year	192.1	3.8	2.2	(105.8)	92.3
Charged to other comprehensive income	-	4.7	3.2	-	7.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2025	2,008.8	75.5	71.4	(127.3)	2,028.4
(Credited)/charged to the income statement- adjustments in respect of prior years	(10.0)	-	0.8	(1.3)	(10.5)
Charged/(credited) to the income statement – current year	219.6	4.2	(1.9)	(27.2)	194.7
Credited/(charged) to other comprehensive income	-	(2.0)	6.3	-	4.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2026	2,218.4	77.7	76.6	(155.8)	2,216.9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

7. Tax (continued)

Company	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
At 1 April 2024	(0.1)	18.2	18.1
Charged to the income statement	-	0.7	0.7
Credited to other comprehensive income	-	0.1	0.1
At 31 March 2025	(0.1)	19.0	18.9
Charged to the income statement	-	1.0	1.0
Charged to other comprehensive income	-	0.3	0.3
At 31 March 2026	(0.1)	20.3	20.2

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

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

Changes to the UK capital allowance regime were substantively enacted prior to the balance sheet date. From 1 April 2026, the main pool writing-down allowance rate will reduce from 18% to 14%. As this change takes effect for periods commencing after the balance sheet date, deferred tax has been measured using the rates applicable at 31 March 2026. This change is expected to increase the duration over which the company's deferred tax liability will reverse in future periods, but does not impact the measurement of the liability at the reporting date.

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

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

Deferred tax on losses carried forward has been recognised as offsetting against the deferred tax on accelerated tax depreciation. These losses are generated predominantly as a result of tax relief available on our capital expenditure in the form of capital allowances. These losses will be carried forward to offset against future taxable profits.

The 'Other' deferred tax consists of timing differences arising from the difference between the accounting and tax treatment of various transactions including in relation to provisions, unrealised profits or losses in relation to financing and related treasury derivatives, and share-based payments.

Notes to the financial statements

8. Dividends

Amounts recognised as distributions to equity holders of the company in the year comprise:

	2026 £m	2025 £m
Ordinary shares		
Final dividend for the year ended 31 March 2025 at 34.57 pence per share (2024: 33.19 pence)	235.7	226.3
Interim dividend for the year ended 31 March 2026 at 17.88 pence per share (2025: 17.28 pence)	121.9	117.8
	<u>357.6</u>	<u>344.1</u>

9. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2026 £m	2025 £m
Property, plant and equipment – owned	14,998.4	13,791.9
Right-of-use assets – leased (see note 20)	85.6	81.1
Net book value	<u>15,084.0</u>	<u>13,873.0</u>

Property, plant and equipment – owned

Group	Land and buildings £m	Infra- structure assets £m	Operational assets £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2024	379.3	6,787.7	9,093.4	445.3	1,590.2	18,295.9
Additions	2.3	134.9	208.8	6.4	891.5	1,243.9
Transfers	(0.3)	185.8	450.2	43.7	(679.4)	-
Disposals	(1.5)	-	(63.3)	(16.9)	-	(81.7)
At 31 March 2025	379.8	7,108.4	9,689.1	478.5	1,802.3	19,458.1
Additions	27.5	381.5	397.8	6.2	862.8	1,675.8
Transfers	22.9	(8.1)	562.8	(23.7)	(553.9)	-
Disposals	(0.1)	(0.3)	(36.6)	(4.7)	-	(41.7)
At 31 March 2026	<u>430.1</u>	<u>7,481.5</u>	<u>10,613.1</u>	<u>456.3</u>	<u>2,111.2</u>	<u>21,092.2</u>
Accumulated depreciation						
At 1 April 2024	144.0	609.1	4,204.9	351.2	-	5,309.2
Charge for the year	8.9	51.3	355.1	18.7	-	434.0
Transfers	-	(0.3)	0.3	-	-	-
Disposals	(1.0)	-	(59.5)	(16.5)	-	(77.0)
At 31 March 2025	151.9	660.1	4,500.8	353.4	-	5,666.2
Charge for the year	7.9	60.8	379.9	19.5	-	468.1
Disposals	(0.1)	(0.3)	(36.1)	(4.0)	-	(40.5)
At 31 March 2026	<u>159.7</u>	<u>720.6</u>	<u>4,844.6</u>	<u>368.9</u>	<u>-</u>	<u>6,093.8</u>
Net book value						
At 31 March 2025	<u>227.9</u>	<u>6,448.3</u>	<u>5,188.3</u>	<u>125.1</u>	<u>1,802.3</u>	<u>13,791.9</u>
At 31 March 2026	<u>270.4</u>	<u>6,760.9</u>	<u>5,768.5</u>	<u>87.4</u>	<u>2,111.2</u>	<u>14,998.4</u>

Notes to the financial statements

9. Property, plant and equipment (continued)

At 31 March 2026, the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £467.5 million (2025: £112.0 million). In addition to these commitments, the group has long-term expenditure plans, which include investments to achieve improvements in performance required by regulators and to provide for future growth.

Following the change in approach to capitalising infrastructure renewals expenditure, as explained in more detail within the basis of preparation note, additions of £249.7 million have been recognised within 'Infrastructure assets' which would have otherwise been expensed as incurred.

During the year ended 31 March 2026, government grants of £2.2 million (2025: £0.9 million) related to assets were received. These have been reflected in the 'additions' line as a deduction in arriving at the carrying value of the related assets.

During the year, United Utilities Water Limited acquired 100% of the share capital of Trafford Property Limited, a special purpose vehicle holding land adjacent to the group's Davyhulme Wastewater Treatment Works site, for £20.0 million. This transaction was accounted for as an asset acquisition rather than a business combination, as the transaction falls outside the scope of IFRS 3 'Business Combinations'. The cost of the acquisition was recognised as an addition to the company's land and buildings with the acquisition cost approximating the land's fair value at the date of acquisition.

Company

The company had no contractual commitments for the acquisition of property, plant and equipment at 31 March 2026 or 31 March 2025.

10. Intangible assets

Group	Total £m
Cost	
At 1 April 2024	389.1
Additions	10.6
Transfers	(0.1)
Disposals	(0.2)
	399.4
At 31 March 2025	399.4
Additions	43.2
	442.6
Accumulated amortisation	
At 1 April 20234	264.6
Charge for the year	29.2
Disposals	(0.2)
	293.6
At 31 March 2025	293.6
Charge for the year	29.1
	322.7
At 31 March 2026	322.7
Net book value at 31 March 2025	105.8
At 31 March 2026	119.9

The group's intangible assets relate mainly to computer software. At 31 March 2026, the group had entered into contractual commitments for the acquisition of intangible assets amounting to £9.9 million (2025: £0.7 million).

Company

The company had no intangible assets or contractual commitments for the acquisition of intangible assets at 31 March 2026 or 31 March 2025.

Notes to the financial statements

11. Interests in joint ventures

Group and Company	Total £m
At 1 April 2024	12.4
Share of losses of joint ventures	(10.8)
At 31 March 2025	1.6
Add: Zero-coupon loan notes converted into equity	12.5
Less: Historic share of losses of joint ventures allocated to zero-coupon loan notes	(9.5)
Less: Share of losses of joint ventures	(4.6)
At 31 March 2026	-

The group's interests in joint ventures comprises its 50% 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.

In March 2026, the group redeemed the entirety of the outstanding balance of zero-coupon loan notes issued to Water Plus, which were due to mature in March 2027 and had previously been recorded as a related party receivable. This redemption was in the form of a subscription of additional share capital in the joint venture resulting in a net addition of £3.0 million comprising the redemption of the face value of the loan notes of £12.5 million less historic losses of £9.5 million allocated against the zero-coupon loan notes extended to Water Plus, which were deemed to be a long-term interest that, in substance, formed part of the group's net investment in Water Plus. Following the allocation of the group's recognised share of Water Plus losses of £4.6 million for the year ended 31 March 2026, the carrying value of the group's net investment in the joint venture, as at 31 March 2026, was reduced to £nil.

The group's total share of Water Plus losses for the year ended 31 March 2026 was £5.2 million, of which £4.6 million has been recognised in the income statement and £0.6 million is unrecognised due to the carrying amount of the group's investment in the joint venture being reduced to nil during the year through the application of the equity method. Any future share of Water Plus profits will be recognised in the income statement only after being allocated against any accumulated unrecognised share of losses such that the accumulated unrecognised share of losses is reduced to nil.

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

12. Other investments

Company	Shares in subsidiary undertakings £m
Net book value at 1 April 2024, 1 April 2025 and 31 March 2026	3,943.6

13. Trade and other receivables

	2026	Group 2025	2026	Company 2025
	£m	£m	£m	£m
Trade receivables	113.9	90.8	4.2	5.6
Amounts owed by subsidiary undertakings	-	-	12.9	595.1
Amounts owed by other related parties (see note A5)	86.0	101.0	50.4	73.5
Other debtors and prepayments	96.9	84.1	-	-
Accrued income	90.7	79.1	-	-
	<u>387.5</u>	<u>355.0</u>	<u>67.5</u>	<u>674.2</u>

Notes to the financial statements

13. Trade and other receivables (continued)

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

At 31 March 2026, the group had £54.6 million (2025: £73.6 million) of trade and other receivables classified as non-current, £50.4 million (2025: £73.5 million) of which was owed by related parties.

Amounts owed by subsidiary undertakings, all of which are expected to be settled within 12 months, represents the sum of all subsidiary balances where the total of intercompany tax, debt, interest and trade balances is in a net receivable position.

The carrying amount of trade and other receivables approximates to their fair value at 31 March 2026 and 31 March 2025.

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

Group	2026 £m	2025 £m
At the start of the year	82.4	84.4
Amounts charged to operating expenses	33.3	20.5
Trade receivables written off	(23.6)	(22.3)
Amounts credited/(charged) to deferred grants and contributions	0.1	(0.2)
At the end of the year	<u>92.2</u>	<u>82.4</u>

Amounts credited/(charged) to deferred grants and contributions relate to amounts invoiced for which revenue has not yet been recognised in the income statement.

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

At 31 March 2026 and 31 March 2025, the group had no trade receivables that were past due and not individually impaired.

In the company, gross amounts owed by subsidiary undertakings are stated net of allowances for doubtful receivables, an analysis of which is as follows:

Company	2026 £m	2025 £m
At the start of the year	0.9	5.7
Amounts charged to operating expenses	0.5	0.6
Trade receivables written off	-	(5.4)
At the end of the year	<u>1.4</u>	<u>0.9</u>

Notes to the financial statements

13. Trade and other receivables (continued)

Group	Aged	Aged	Aged	Carrying value
	less than one year	between one year and two years	greater than two years	
At 31 March 2026	£m	£m	£m	£m
Gross trade receivables	120.0	26.2	59.6	205.8
Allowance for expected credit losses	(24.2)	(14.0)	(54.0)	(92.2)
Net trade receivables	95.8	12.2	5.6	113.6
At 31 March 2025	Aged	Aged	Aged	Carrying value
	less than one year	between one year and two years	greater than two years	
Gross trade receivables	88.8	30.9	53.4	173.1
Allowance for expected credit losses	(16.2)	(13.5)	(52.7)	(82.4)
Net trade receivables	72.6	17.4	0.7	90.7

At 31 March 2026, the group had £0.3 million (2025: £0.1 million) of trade receivables that were not past due.

At 31 March 2026 and 31 March 2025, the group had no accrued income that was past due. In instances where the collection of consideration is not considered probable at the point services are delivered, no accrued income is recognised, as the criteria to recognise revenue in accordance with IFRS 15 has not been met.

14. Loans receivable

	2026	Group 2025	2026	Company 2025
Amounts owed by ultimate parent (see note A5)	2,221.6	2,108.9	2,221.6	2,108.9
Amounts owed by subsidiary undertakings	-	-	447.2	-
	2,221.6	2,108.9	2,668.8	2,108.9

Loans receivable owed by the ultimate parent undertaking, United Utilities Group PLC, are classified as non-current and bear a floating interest rate of the Bank of England base rate plus a credit adjusted spread and a credit margin and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

Loans receivable from subsidiary undertakings bear a floating interest rate of the Bank of England base rate plus a credit adjusted spread and a credit margin. Of the amounts owed by subsidiary undertakings, £122.6 million (2025: nil) is classified as current. The remaining amounts are payable in March 2031, subject to an extension clause of a further two years beyond this date.

The carrying amount of loans receivable approximate to their fair value at 31 March 2026 and 31 March 2025.

Notes to the financial statements

15. Cash and cash equivalents

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Cash at bank and in hand	2.6	4.2	-	-
Short-term bank deposits	1,791.7	1,668.4	237.5	185.9
Cash and short-term deposits	1,794.3	1,672.6	237.5	185.9
Book overdrafts	-	(3.6)	-	-
Cash and cash equivalents in the statement of cash flows	1,794.3	1,669.0	237.5	185.9

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

Book overdrafts in prior periods comprised the value of cheques issued and payments initiated before the reporting date but which had not yet settled through the bank statement as at the reporting date. In accordance with the change in the accounting presentation, as explained further in the Basis of Preparation on page 72, these balances are instead reclassified to trade and other payables and are therefore not a deduction from cash at bank and in hand at the reporting date. This change is made on a prospective basis and hence prior periods have not been re-presented.

16. Borrowings

Group	2026 £m	2025 £m
Non-current liabilities		
Bonds	9,805.3	8,807.1
Bank and other term borrowings	1,430.1	1,441.4
Lease obligations (see note 20)	82.0	78.0
DPC financing liability	8.3	-
Amounts owed to ultimate parent undertaking	165.0	75.0
	<u>11,490.7</u>	<u>10,401.5</u>
Current liabilities		
Bonds	-	143.7
Bank and other term borrowings	157.1	309.6
Book overdrafts (see note 15)	-	3.6
Lease obligations (see note 20)	6.5	5.2
DPC financing liability	1.3	-
Amounts owed to ultimate parent undertaking	8.9	64.3
	<u>173.8</u>	<u>526.4</u>
	<u>11,664.5</u>	<u>10,927.9</u>

Borrowings at 31 March 2026 include £9.6 million (2025: £nil), of which £8.3 million was classified as non-current and £1.3 million was classified as current, in relation to the reimbursement by Cascade Infrastructure Limited ('Cascade') for an amount paid for land purchased by U UW in respect of the Haweswater Aqueduct Resilience Programme ('HARP'). Cascade is the project company selected during the year to deliver HARP under a Direct Procurement for Customers ('DPC') arrangement. U UW will retain title of, and control over, the land purchased and has recognised this as an asset within property, plant and equipment, with Cascade granted a licence to use the land for construction activities associated with HARP, which is expected to commence during the year ending 31 March 2027. The reimbursement will be repaid to Cascade over the duration of the long-term HARP DPC arrangement and is treated as a financing arrangement measured at amortised cost in accordance with IFRS 9 'Financial Instruments'.

Notes to the financial statements

16. Borrowings (continued)

During the year, the terms and conditions of three RPI-linked notes were amended to revise certain RPI fallback provisions and shorten the maturity dates of two of the notes. The modifications are classified as non-substantial based on application of IFRS 9 'Financial Instruments'. Borrowings amended during the year ended 31 March 2026 were as follows:

- £50 million 1.397% index-linked notes due February 2046
- £35 million 1.3805% index-linked notes originally due November 2056, now due November 2047
- £25 million 1.591% index-linked notes originally due September 2056, now due September 2047.

There were no modifications during the year ended 31 March 2025.

As at 31 March 2026, there were £761.9 million of borrowings with a single counterparty that are subject to compliance with financial covenants in respect of the level of gearing and interest cover of U UW, a subsidiary of the group. Compliance with these covenants is monitored by the group on a quarterly basis and is reported to the counterparty annually. The group was compliant with these financial covenants at the reporting date.

During the year, the group issued £606.6 million (2025: £1,036.0 million) of debt under its Sustainable Finance Framework. These instruments are structured as 'use of proceeds' bonds and do not include pricing mechanisms or covenants linked to financial or ESG performance. As a result, the accounting follows that of other conventional debt issuances.

Further details of the group's outstanding borrowings as at the reporting date, including the nature and extent of associated risks and how these risks are managed, along with hedge accounting (where applicable) and the determination of fair value, are provided in note A3.

The maturity profile of lease liabilities recognised as at the reporting date is provided in note 20.

Company	2026	2025
	£m	£m
Non-current liabilities		
Bonds	302.3	309.2
Lease obligations (see note 20)	1.4	1.6
Amounts owed to ultimate parent undertaking	165.0	75.0
Amounts owed to subsidiary undertakings	96.8	-
	565.5	385.8
Current liabilities		
Lease obligations (see note 20)	0.3	0.3
Amounts owed to ultimate parent undertaking	8.9	64.3
Amounts owed to subsidiary undertakings	13.5	17.9
	22.7	82.5
	588.2	468.3

Amounts owed to other group companies bear interest calculated with reference to the Bank of England base rate plus a credit margin.

17. Retirement benefits

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

Notes to the financial statements

17. Retirement benefits (continued)

The Principal Employer for both the UUPS and ESPS is United Utilities PLC ('UU PLC'), with United Utilities Water Limited ('Uuw') being a Participating Employer. The defined benefit obligations in the two schemes are split, in accordance with IAS19 'Employee Benefits', by employer, between UU PLC and Uuw.

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

Information about the pension arrangements for UUG executive directors is contained in the UUG 2026 directors' remuneration report.

Defined benefit schemes

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

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

	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
Current service cost	2.5	2.5	0.3	0.3
Past service cost	0.1	-	-	-
Administrative expenses	3.9	4.0	1.3	1.7
Pension expense charged to operating profit	6.5	6.5	1.6	2.0
Net pension interest income credited to finance income (see note 5)	(17.5)	(12.9)	(4.4)	(3.5)
Net pension income credited to the income statement before tax	(11.0)	(6.4)	(2.8)	(1.5)

Defined benefit pension costs included within employee benefit expense were £6.5 million (2025: £6.5 million) for the group comprising current service costs, past service costs and administrative expenses and £1.6 million (2025: £2.0 million) for the company comprising current service costs and administrative expenses.

Total post-employment benefits expense charged to operating profit of £45.1 million (2025: £43.2 million) for the group and £1.6 million (2025: £2.0 million) for the company comprise the defined benefit costs described above of £6.5 million (2025: £6.5 million) for the group and £1.6 million (2025: £2.0 million) for the company and defined contribution costs of £38.6 million (2025: £36.7 million) for the group and £nil (2025: £nil) for the company (see note 3).

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

	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
At the start of the year	302.3	268.0	75.8	72.7
Income recognised in the income statement	11.0	6.4	2.8	1.5
Contributions	5.5	9.3	1.3	1.3
Remeasurement (losses)/gains gross of tax	(7.9)	18.6	1.3	0.3
At the end of the year	310.9	302.3	81.2	75.8

Notes to the financial statements

17. Retirement benefits (continued)

Included in the group contributions paid of £5.5 million (2025: £9.3 million) and company contributions paid of £1.2 million (2025: £1.4 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2025: £0.7 million) for the group and £nil (2025: £nil) for the company, and administrative expenses of £3.9 million (2025: £4.0 million) for the group and £1.3 million (2025: £1.0 million) for the company. Contributions in relation to current service cost were £2.5 million (2025: £2.5 million) for the group and £0.3 million (2025: £0.3 million) for the company.

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

	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
The return on plan assets, excluding amounts included in interest	(23.3)	(240.9)	(1.2)	(67.2)
Actuarial gains arising from changes in financial assumptions	44.9	259.3	11.8	71.6
Actuarial (losses)/gains arising from changes in demographic assumptions	(19.0)	6.1	(5.9)	1.9
Actuarial losses arising from experience	(10.5)	(5.9)	(3.4)	(6.0)
Remeasurement (losses)/ gains on defined benefit pension schemes	(7.9)	18.6	1.3	0.3

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

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

Defined contribution schemes

During the year, the group made £38.6 million (2025: £36.7 million) of contributions and the company made £nil (2025: £nil) of contributions to defined contribution schemes which are included in employee benefits expense in the consolidated income statement (see note 3), and as cash outflows in arriving at net cash generated from operating activities in the consolidated statement of cash flows.

18. Provisions

Group	Severance £m	Other £m	Total £m
At 1 April 2024	0.5	13.0	13.5
Charged to the income statement	0.3	20.0	20.3
Credited to the income statement	-	(7.8)	(7.8)
Utilised in the year	(0.7)	(6.3)	(7.0)
At 31 March 2025	0.1	18.9	19.0
Charged to the income statement	0.6	11.2	11.8
Credited to the income statement	-	(7.4)	(7.4)
Utilised in the year	(0.4)	(5.5)	(5.9)
At 31 March 2026	0.3	17.2	17.5

Notes to the financial statements

18. Provisions (continued)

The group had no provisions classed as non-current at 31 March 2026 or 31 March 2025. The severance provision as at 31 March 2026 and 31 March 2025 relates to severance costs as a result of group reorganisation.

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

Company

The company had no provisions at 31 March 2026 or 31 March 2025.

19. Trade and other payables

	2026	Group	2026	Company
	£m	2025	£m	2025
		£m		£m
Non-current				
Deferred grants and contributions	1,148.6	1,045.9	-	-
Other creditors	19.9	17.9	-	-
	<u>1,168.5</u>	<u>1,063.8</u>	<u>-</u>	<u>-</u>
	2026	Group	2026	Company
	£m	2025	£m	2025
		£m		£m
Current				
Trade payables	57.7	29.9	-	0.1
Amounts owed to ultimate parent undertaking	30.0	32.3	28.0	31.0
Amounts owed to subsidiary undertakings	-	-	19.9	97.9
Amounts owed to related parties	4.0	-	4.0	-
Other tax and social security	11.5	8.8	-	-
Deferred grants and contributions	21.5	19.7	-	-
Accruals and other creditors	501.1	449.1	4.9	4.7
Deferred income	82.6	65.4	-	-
	<u>708.4</u>	<u>605.2</u>	<u>56.8</u>	<u>133.7</u>

The average credit period taken for trade purchases for the group is 13 days (2025: 11 days) and for the company is nil days (2025: nil days).

The carrying amounts of trade and other payables approximate their fair value at 31 March 2026 and 31 March 2025.

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

Accruals and other creditors includes capital accruals of £180.3 million (2025: £162.3 million) and interest accruals of £144.2 million (2025: £122.7 million). The remainder of the balance mainly consists of accruals for other operating costs.

Notes to the financial statements

19. Trade and other payables (continued)

Deferred grants and contributions

	2026 £m	2025 £m
Group		
At the start of the year	1,065.6	955.5
Amounts capitalised during the year	33.0	8.3
Transfers of assets from customers	92.4	121.4
Credited to income statement – revenue	(20.9)	(19.8)
(Charged)/credited to allowance for bad and doubtful receivables	(0.1)	0.2
At the end of the year	1,170.0	1,065.6

20. Leases

Group

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

During the year, the group has entered into leases of computer equipment for which the underlying assets are of low value and, therefore, qualify for the recognition exemption available under IFRS 16 'Leases', which the group has elected to apply. The expense related to these low-value assets incurred in the year totals £2.0 million (2025: £2.0 million).

As at 31 March 2026, the group's statement of financial position included right-of-use assets with a net book value of £85.6 million (2025: £81.1 million) and lease liabilities with a total value of £88.5 million (2025: £83.2 million). These balances are analysed further below.

Right-of-use assets

The carrying amount of right-of-use assets at the year ended 31 March 2026 is presented in the following asset classes.

	2026 £m	2025 £m
Land and buildings	62.0	59.9
Operational assets	23.6	21.2
Total carrying amount of right-of-use assets	85.6	81.1

Additions to right-of-use assets were £7.5 million (2025: £25.4 million). Disposals were £nil (2025: £0.5 million).

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

	2026 £m	2025 £m
Land and buildings	0.9	1.3
Operational assets	2.4	0.4
Total depreciation of right-of-use assets	3.3	1.7

Company

The company had right-of-use assets at the year ended 31 March 2026 with a carrying amount of £1.4 million (2025: £1.6 million) within the land and buildings asset class.

Notes to the financial statements

20. Leases (continued)

Lease liabilities

Group

As set out in note 16, lease liabilities at the year ended 31 March 2026 of £88.5 million (2025: £83.2 million) is split between £82.0 million (2025: £78.0 million) presented as non-current liabilities and £6.5 million (2025: £5.2 million) presented as current liabilities.

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

	2026 £m	2025 £m
Less than 1 year	6.6	2.9
1 to 5 years	24.5	10.6
5 to 10 years	12.4	24.8
10 to 25 years	33.6	33.4
25 to 50 years	55.7	55.3
50 to 100 years	104.3	103.7
100 to 500 years	125.1	123.8
Longer than 500 years	3.5	3.5
Total undiscounted cash payments	365.7	358.0
Effect of discounting	(277.2)	(274.8)
Present value of cash payments	88.5	83.2

Interest recognised in relation to lease liabilities for the year ended 31 March 2026, and included within the group's finance expenses, was £3.2 million (2025: £1.9 million).

The total cash outflow for leases for the year ended 31 March 2026 was £5.9 million (2025: £3.3 million); of this, £3.2 million was payment of interest (2025: £1.9 million) and £2.7 million payment of principal (2025: £1.4 million). Payment of interest forms part of cash flows from operating activities and payment of principal is included within repayment of borrowings, which forms part of cash flows from financing activities in the group's statement of cash flows.

Company

The company had lease liabilities at the year ended 31 March 2026 of £1.7 million (2025: £2.0 million) with a maturity profile of 5 to 10 years.

21. Other reserves

	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2025	11.4	(21.8)	(10.4)
Other comprehensive income			
Change in fair value recognised in other comprehensive income	2.7	4.0	6.7
Amounts reclassified from other comprehensive income to profit or loss	-	21.8	21.8
Tax on hedge effectiveness taken directly to equity	(0.7)	(1.0)	(1.7)
Tax on reclassification to consolidated income Statement	-	(5.5)	(5.5)
At 31 March 2026	13.4	(2.5)	10.9

Notes to the financial statements

21. Other reserves (continued)

	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2024	8.7	(27.3)	(18.6)
Other comprehensive income			
Change in fair value recognised in other comprehensive income	3.6	8.7	12.3
Amounts reclassified from other comprehensive income to profit or loss	-	(1.3)	(1.3)
Tax on hedge effectiveness taken directly to equity	(0.9)	(2.2)	(3.1)
Tax on reclassification to consolidated income Statement	-	0.3	0.3
At 31 March 2025	11.4	(21.8)	(10.4)

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

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships 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.

Company

The company had no other reserves at 31 March 2026 or 31 March 2025.

22. Share capital

	2026 number	2026 £	2025 number	2025 £
Group and Company				
Issued, called up and fully paid				
Ordinary shares of 100.0 pence each	881,787,478	881,787,478	881,787,478	881,787,478
Deferred A shares of 100.0 pence each	1	1	1	1
	<u>881,787,479</u>	<u>881,787,479</u>	<u>881,787,479</u>	<u>881,787,479</u>

The company has one class of ordinary shares which carry no right to fixed income. The deferred A share carries no voting rights nor a right to fixed income.

23. Contingent liabilities

As at 31 March 2026, U UW remains subject to the enforcement case opened by Ofwat in 2024, along with the other water and wastewater companies in England and Wales that have not yet had their investigations concluded. If a company is found to have breached its legal obligations, this could result in a financial penalty of up to 10% of relevant wastewater turnover (which in U UW's case, would be around £140 million based on 2025/26 wastewater turnover), and/or a requirement to rectify any obligations deemed to be required as a consequence of those findings. To date, Ofwat has issued penalties to one company and agreed enforcement packages with six companies, with values ranging from 5% to 9% of relevant wastewater turnover. U UW has received and responded to notices under s203 of the Water Industry Act 1991 and continues to fully co-operate with Ofwat through the investigation process. Ofwat has stated that, while it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow.

Notes to the financial statements

23. Contingent liabilities (continued)

Accordingly, the group considers that there was only a possible obligation as at the reporting date and so no provision has been recognised in the statement of financial position in respect of this matter. U UW has not been given a firm indication of the expected timeframe for the conclusion of Ofwat's ongoing investigation, or any subsequent action.

Similarly, the Environment Agency has made a number of data requests and undertaken site visits as part of its ongoing industry-wide investigation, with which the group continues to fully comply. This investigation is focused on environmental permit compliance at wastewater treatment works and wastewater networks, with the Environment Agency having a number of enforcement options open to it if it concludes that companies have breached their permit conditions and/or illegally polluted the environment. These include the potential for criminal prosecution and unlimited fines. As with the Ofwat investigation, this remains ongoing. It is currently unclear when this matter will be resolved.

As disclosed in the group's financial results for the year ended 31 March 2025, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against U UW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. The PCR alleges that customers have collectively paid an overcharge for sewerage services during the claim period as a result of U UW allegedly abusing a dominant position by providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against U UW (including interest) for household customers is at least £141 million. Separate letters before action were issued on 20 December 2024 in relation to similar claims in respect of non-household customers; however, it is not clear how these will proceed following the CAT and Court of Appeal's decision not to certify the claims brought in respect of domestic customers.

On 7 March 2025, the CAT unanimously concluded that claims could not proceed on the basis that the claims brought forward are excluded by section 18(8) of the Water Industry Act 1991. Subsequently, the PCR was granted permission by the Court of Appeal to appeal this decision. The hearing took place in early 2026 where the Court of Appeal rejected the PCR's appeal and concluded that the CAT's original decision should not be overturned. Following this, the PCR has applied to the Supreme Court to appeal the decision made by the Court of Appeal. The outcome of this request is not yet known. U UW believes the claim is without merit and will robustly defend it, should the certification decision be overturned on appeal.

24. Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no material financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments' (2025: none).

At 31 March 2026, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £481.1 million (2025: £125.3 million).

	2026 £m	2025 £m
Property, plant and equipment	467.5	112.0
Intangible assets	9.9	0.7
Infrastructure renewals expenditure	3.7	12.6
Total commitments contracted but not provided for	481.1	125.3

Notes to the financial statements

25. Events after the reporting period

On 30 April 2026, the ultimate parent undertaking of the group, United Utilities Group PLC, issued 60,975,610 new ordinary shares generating gross proceeds of £800.0 million. The proceeds will be used to fund incremental investment for the AMP8 regulatory cycle.

These funds were subsequently lent onwards to the company in the form of an £800.0 million term loan, of which £788.0 million was drawn by the company in May 2026. The loan is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request. The effect of this draw-down is to increase the borrowings of the company with an equivalent increase to cash and short-term deposits.

This represents a non-adjusting event after the reporting period, and accordingly no amounts in relation to the term loan have been recognised in the financial statements as at 31 March 2026.

26. Ultimate parent undertaking

The company's immediate and ultimate parent undertaking and controlling party is United Utilities Group PLC, a company incorporated and registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by United Utilities PLC.

The largest group in which the results of the company are consolidated is that headed by United Utilities Group PLC. The consolidated accounts of this group are available to the public and may be obtained from: The Company Secretary, United Utilities Group PLC, Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.

Notes to the financial statements

A1. Cash generated from operations

	Group	
	2026	2025
	£m	£m
Profit before tax	885.5	473.9
Adjustments for :		
Finance income and finance expense (see notes 5, 6 and A5)	208.9	146.2
Share of losses of joint ventures (see note 11)	4.6	10.8
Operating profit	<u>1,099.0</u>	<u>630.9</u>
Adjustments for:		
Depreciation of property, plant and equipment (see notes 9 and 20)	471.4	435.7
Amortisation of intangible assets (see note 10)	29.1	29.2
Loss on disposal of property, plant and equipment (see note 4)	0.3	4.0
Amortisation of deferred grants and contributions (see note 19)	(20.9)	(19.8)
Pension contributions paid less pension expense charged to operating profit	1.0	(3.0)
Changes in working capital:		
Decrease/(Increase) in inventories	15.5	(3.1)
Increase in trade and other receivables	(58.9)	(54.1)
Increase in trade and other payables	62.9	52.7
(Decrease)/Increase in provisions (see note 18)	(1.5)	5.5
Cash generated from operations	<u><u>1,597.9</u></u>	<u><u>1,078.0</u></u>

Reconciliation of fixed asset purchases to fixed asset additions

Owned property, plant and equipment⁽¹⁾

	2026	2025
	£m	£m
Purchase of property, plant and equipment in statement of cash flows	1,492.1	988.5
Non-cash additions:		
Transfers of assets from customers (see note 19) ⁽²⁾	92.4	121.4
IAS 23 capitalised borrowing costs (see note 6)	75.1	67.5
Receipt of government grants related to assets	(2.2)	(0.9)
Net book value transfers to intangible assets	-	(0.1)
Timing differences on cash paid ⁽³⁾	18.4	67.5
Property, plant and equipment additions	<u><u>1,675.8</u></u>	<u><u>1,243.9</u></u>

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

(2) The group has received property, plant and equipment of £92.4 million (2025: £121.4 million) in exchange for the provision of future goods and services (see notes 19 and A6).

(3) Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (note 19).

Notes to the financial statements

A1. Cash generated from operations (continued)

Reconciliation of intangible asset purchases to intangible asset additions

	2026	2025
	£m	£m
Purchase of intangibles assets in statement of cash flows	42.9	9.5
IAS 23 capitalised borrowing costs (see note 6)	0.3	1.0
Net book value transfers from property, plant and equipment	-	0.1
Intangible asset additions	<u>43.2</u>	<u>10.6</u>

The company had no property, plant and equipment or intangible asset additions during the years ended 31 March 2026 and 31 March 2025.

A2. Net Debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2026, the group had net derivative liabilities of £1.9 million (2025: net derivative liabilities of £27.4 million) to hedge electricity prices. See note A3 for further details.

In the below tables, where derivatives are in an economic hedge of borrowings, derivative cash flows are shown netted with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

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

Fair value movements include the indexation expense of £20.5 million (2025: £19.6 million) due to the non-cash inflation uplift on index-linked derivatives. 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.

Notes to the financial statements

A2. Net Debt (continued)

	Borrowings					Derivatives			Cash and cash equivalents	Adjustments in calculating net debt	Net debt
	Bonds	Bank and other term borrowings	Lease liabilities	Amounts owed to ultimate parent undertaking	DPC financing liability	In a fair value hedge	At fair value through profit or loss	Total liabilities from financing activities			
	£m	£m	£m	£m	£m	£m	£m	£m			
At 1 April 2025	(8,950.8)	(1,750.9)	(83.2)	(139.3)	-	(196.8)	272.4	(10,848.6)	1,669.0	(305.0)	(9,484.6)
Non-cash movements											
Inflation uplift on index-linked debt	(105.6)	(28.1)	-	-	-	-	-	(133.7)	-	-	(133.7)
Fair value movements	68.9	3.4	-	-	-	22.9	(55.5)	39.7	-	17.9	57.6
Foreign exchange	(49.2)	4.1	-	-	-	-	-	(45.1)	-	-	(45.1)
Other	(8.8)	(0.3)	(11.2)	(0.1)	(0.4)	-	-	(20.8)	-	-	(20.8)
Cash flows used in financing activities:											
Receipts in respect of borrowings and derivatives	(903.3)	(102.0)	-	(34.5)	(9.2)	(3.2)	-	(1,052.2)	1,052.2	-	-
Payments in respect of borrowings and derivatives	143.5	286.6	2.7	-	-	0.4	-	433.2	(433.2)	-	-
Dividends paid	-	-	-	-	-	-	-	-	(357.6)	-	(357.6)
Changes arising from financing activities	(854.5)	163.7	(8.5)	(34.6)	(9.6)	20.1	(55.5)	(778.9)	261.4	17.9	(499.6)
Cash flows used in investing activities	-	-	-	-	-	-	-	-	(1,478.0)	-	(1,478.0)
Cash flows generated from operating activities	-	-	3.2	-	-	-	-	3.2	1,341.9	-	1,345.1
At 31 March 2026	(9,805.3)	(1,587.2)	(88.5)	(173.9)	(9.6)	(176.7)	216.9	(11,624.3)	1,794.3	(287.1)	(10,117.1)

Notes to the financial statements

A2. Net Debt (continued)

	Borrowings					Derivatives	Total liabilities from financing activities	Cash and cash equivalents	Adjustments in calculating net debt	Net debt
	Bonds	Bank and other term borrowings	Lease liabilities	Amounts owed to ultimate parent undertaking	In a fair value hedge	At fair value through profit or loss				
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2024	(7,926.6)	(1,995.5)	(59.2)	(105.6)	(158.0)	295.1	(9,949.8)	1,379.3	(297.5)	(8,868.0)
Non-cash movements										
Inflation uplift on index-linked debt	(108.3)	(33.9)	-	-	-	-	(142.2)	-	-	(142.2)
Fair value movements	50.2	3.5	-	-	(29.7)	(22.7)	1.3	-	(7.5)	(6.2)
Foreign exchange	12.6	0.6	-	-	-	-	13.2	-	-	13.2
Other	(4.2)	-	(27.2)	-	-	-	(31.4)	-	-	(31.4)
Cash flows used in financing activities:										
Receipts in respect of borrowings and derivatives	(1,318.5)	(7.6)	-	(33.7)	(13.2)	-	(1,373.0)	1,373.0	-	-
Payments in respect of borrowings and derivatives	344.0	282.0	1.3	-	4.1	-	631.4	(631.4)	-	-
Dividends paid	-	-	-	-	-	-	-	(344.1)	-	(344.1)
Changes arising from financing activities	(1,024.2)	244.6	(25.9)	(33.7)	(38.8)	(22.7)	(900.7)	397.5	(7.5)	(510.7)
Cash flows used in investing activities	-	-	-	-	-	-	-	(987.3)	-	(987.3)
Cash flows generated from operating activities	-	-	1.9	-	-	-	1.9	879.5	-	881.4
At 31 March 2025	(8,950.8)	(1,750.9)	(83.2)	(139.3)	(196.8)	272.4	(10,848.6)	1,669.0	(305.0)	(9,484.6)

Notes to the financial statements

A3. Financial risk management

Risk management

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

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

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

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

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

Liquidity risk

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

At 31 March 2026, the group had £3,069.3 million (2025: £2,822.7 million) of available liquidity, which comprised £1,794.3 million (2025: £1,672.7 million) of cash and short-term deposits and £1,275.0 million (2025: £1,150.0 million) of undrawn committed borrowing facilities.

The group had available committed borrowing facilities as follows:

	2026	Group 2025
	£m	£m
Expiring within one year	225.0	200.0
Expiring after one year but in less than two years	75.0	225.0
Expiring after more than two years	975.0	725.0
Total borrowing facilities	<u>1,275.0</u>	<u>1,150</u>
Facilities drawn	-	-
Undrawn borrowing facilities	<u><u>1,275.0</u></u>	<u><u>1,150</u></u>

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

Notes to the financial statements

A3. Financial risk management (continued)

Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to group and company's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile has been disclosed in note 20.

Group	Total ⁽¹⁾ £m	Adjust- ment ⁽²⁾ £m	1 year or less £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
At 31 March 2026								
Bonds	18,703.5	-	484.6	915.2	897.6	920.1	1,292.4	14,193.6
Bank and other term borrowings	1,882.1	-	206.7	172.8	171.4	342.9	441.9	546.4
Amounts owed to ultimate parent undertaking	173.9	-	8.9	-	-	-	165.0	-
Adjustment to carrying value ⁽²⁾	(9,183.5)	(9,183.5)	-	-	-	-	-	-
Borrowings	11,576.0	(9,183.5)	700.2	1,088.0	1,069.0	1,263.0	1,899.3	14,740.0
Derivatives:								
Payable	4,348.2	-	190.2	303.2	395.2	373.5	304.0	2,782.1
Receivable	(4,577.5)	-	(206.8)	(326.6)	(480.2)	(268.5)	(218.3)	(3,077.1)
Adjustment to carrying value ⁽²⁾	191.0	191.0	-	-	-	-	-	-
Derivatives – net assets	(38.3)	191.0	(16.6)	(23.4)	(85.0)	105.0	85.7	(295.0)
Group	Total ⁽¹⁾ £m	Adjust- ment ⁽²⁾ £m	1 year or less £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
At 31 March 2025								
Bonds	16,603.5	-	415.7	270.8	702.9	691.6	535.7	13,986.8
Bank and other term borrowings	2,121.6	-	372.0	172.7	172.0	172.5	350.8	881.6
Amounts owed to ultimate parent undertaking	139.3	-	139.3	-	-	-	-	-
Adjustment to carrying value ⁽²⁾	(8,020.2)	(8,020.2)	-	-	-	-	-	-
Borrowings	10,844.2	(8,020.2)	927.0	443.5	874.9	864.1	886.5	14,868.4
Derivatives:								
Payable	4,283.3	-	363.0	239.2	339.1	424.5	391.2	2,526.3
Receivable	(4,426.0)	-	(363.1)	(253.3)	(369.1)	(523.4)	(306.3)	(2,610.8)
Adjustment to carrying value ⁽²⁾	93.3	93.3	-	-	-	-	-	-
Derivatives – net assets⁽³⁾	(49.4)	93.3	(0.1)	(14.1)	(30.0)	(98.9)	84.9	(84.5)

Notes to the financial statements

A3. Financial risk management (continued)

Notes:

- ⁽¹⁾ Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at the reporting date and are, therefore, susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 2.4% and CPI will be 2% over the life of each instrument.
- ⁽²⁾ The carrying value of debt is calculated using various methods in accordance with IFRS 9 'Financial Instruments' and so this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £88.5 million (2025: £83.2 million) of lease liabilities.
- ⁽³⁾ The derivative balance includes swaps with a carrying value of £nil (2025: £7.6 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £2.9 million (2025: £0.1 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

Credit risk

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

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

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

As at 31 March 2026, Water Plus was the group's single largest debtor, with amounts outstanding in relation to wholesale services of £35.6 million (2025: £27.4 million). During the year, sales to Water Plus in relation to wholesale services were £378.7 million (2025: £338.8 million). Details of transactions with Water Plus can be found in note A5.

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

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

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

Notes to the financial statements

A3. Financial risk management (continued)

At 31 March 2026 and 31 March 2025, the maximum exposure to credit risk for the group is represented by the carrying amount of each financial asset in the statement of financial position:

	2026	Group 2025
	£m	£m
Cash and short-term deposits (see note 15)	1,794.3	1,672.6
Trade and other receivables (see note 13)	387.5	355.0
Loans receivable (see note 14)	2,221.6	2,108.9
Derivative financial instruments	347.7	340.7
	<u>4,751.1</u>	<u>4,477.2</u>

Included within trade and other receivables for the group and company was £50.4 million (2025: £73.6 million) of amounts owed by joint ventures in respect of borrowings, further details of which can be found in note A5.

The credit exposure on derivatives is disclosed gross of any collateral held. At 31 March 2026 the group held £33.1 million (2025: £37.1 million) as collateral in relation to derivative financial instruments (included within short-term bank borrowings).

The group generally restricts the provision of credit support guarantees to external parties other than where these are commercially beneficial to, or improve the terms enjoyed by, the group.

To enable Water Plus, a joint venture of the group, to enjoy credit terms for the payment of wholesale charges, United Utilities PLC has provided joint and several parent company guarantees ('PCGs') on behalf of Water Plus Limited. The aggregate limit of these guarantees was £50.7 million of which £27.0 million related to guarantees provided to United Utilities Water Limited.

United Utilities PLC guarantees certain borrowings owed by United Utilities Water Limited, all of which are owed to a single counterparty. As at 31 March 2026, there were £761.9 million of borrowings subject to this guarantee.

As disclosed within Note 23, 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 material financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments'

Market risk

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

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

Inflation risk

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

For the 2025 to 2030 regulatory period, from 1 April 2025 the group's RCV is 100% linked to CPIH inflation. This compares to the 2020 to 2025 regulatory period where the group's RCV was 50% linked to RPI inflation and 50% linked to CPIH inflation, with any new additions being added to the CPIH portion of the RCV.

The group's inflation hedging policy in place for AMP8 aims to have around 33% of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of

Notes to the financial statements

A3. Financial risk management (continued)

nominal debt. This is currently weighted towards RPI-linked form, with circa 70% of the hedge linked to RPI and circa 30% linked to CPI and/or CPIH. These weightings are consistent with the prior financial year. Across the 2025 to 2030 regulatory period, the group intends to progressively reduce the proportion of index-linked debt from the previous target of around 50%. The new target of 33% is consistent with Ofwat's proportion of index-linked debt in the notional company and should position the group well in respect of any potential future changes in the regulatory model under which U UW operates, while recognising the benefits of maintaining index-linked debt in the group's overall capital structure, in being a good match to the RCV and strengthening the group's cash interest-based cover ratios.

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

The carrying value of index-linked debt held by the group, including the carrying value of the nominal debt swapped to CPI, was £4,346.0 million at 31 March 2026 (2025: £4,478.3 million).

Sensitivity analysis

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

Group	2026 £m	2025 £m
Increase/(decrease) in profit before tax and equity		
1 per cent increase in RPI/CPI	(30.6)	(41.5)
1 per cent decrease in RPI/CPI	30.4	41.5

From 1 April 2025, the carrying value of index-linked debt incorporates actual inflation to date and expected future inflation. The sensitivity analysis reflects the impact of a 1% parallel shift in expected future inflation at the reporting date. As the change is prospective, the prior year has not been restated, with the effective interest rate applied to index-linked debt not considering future changes in inflation. The prior year sensitivity assumes a 1% change in current RPI and CPI having a corresponding 1% impact on this position over a 12-month period.

Interest rate risk

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

For the 2020 to 2025 regulatory period, Ofwat set a fixed real cost of debt in relation to embedded debt (80% of net debt) but introduced a debt indexation mechanism in relation to new debt (20% of net debt), where the allowed rate on new debt will vary in line with specific debt indices. The debt indexation mechanism will be settled as an end of regulatory period adjustment. For the 2025 to 2030 regulatory period, Ofwat has set a fixed real cost of debt in relation to embedded debt based on the median of the sector AMP8 projected cost of debt in existence at 31 March 2026, and continues to apply the debt indexation mechanism in relation to new debt. Where conventional long-term debt is raised in a fixed-rate form, to manage exposure to long-term interest rates, the debt is generally swapped at inception to create a floating rate liability for the term of the liability through the use of interest rate swaps. These instruments are typically designated within a fair value accounting hedge.

Notes to the financial statements

A3. Financial risk management (continued)

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

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

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

Sensitivity analysis

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

	2026	Group 2025
	£m	£m
Increase/(decrease) in profit before tax and equity		
1 per cent increase in interest rate	168.8	146.3
1 per cent decrease in interest rate	(179.1)	(216.5)

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

Hedge accounting

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

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional principal amount £m	-	300.0	825.0	950.0
Average contracted fixed interest rate %	-	4.7	0.9	3.7

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

Risk exposure

Interest rate risk on borrowings

	£m
Nominal amount of hedging instruments	2,075.0
Carrying amount of hedging instruments	(169.8)
Accumulated fair value (gains)/losses on hedged items	(171.0)

Notes to the financial statements

A3. Financial risk management (continued)

Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026 ⁽¹⁾ :	
Hedged items	(6.3)
Hedged instrument	7.1
Hedge ineffectiveness recognised in the income statement	0.8

Note:

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

Currency risk

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

Hedge accounting

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

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional principal amount £m	-	116.3	236.4	2,183.2
Average contracted fixed interest rate %	-	0.9	1.0	2.1

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

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

Risk exposure	Foreign currency and interest rate risk on borrowings
	£m
Nominal amount of hedging instruments	2,536.0
Carrying amount of hedging instruments	(39.2)
Accumulated fair value (gains)/losses on hedged items	(50.0)
Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026 ⁽¹⁾ :	
Hedged items	(8.2)
Hedged instruments	(2.4)
Hedge ineffectiveness recognised in the income statement	(10.6)

Note:

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

Repricing analysis

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

Notes to the financial statements

A3. Financial risk management (continued)

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

Group	Total £m	1 year or less £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
At 31 March 2026							
Borrowings in fair value hedge relationships							
Fixed rate instruments	4,288.1	-	425.1	147.3	263.8	441.2	3,010.7
Effect of swaps	-	4,288.1	(425.1)	(147.3)	(263.8)	(441.2)	(3,010.7)
	<u>4,288.1</u>	<u>4,288.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	320.6	-	-	320.6	-	-	-
Effect of swaps	-	320.6	-	(320.6)	-	-	-
	<u>320.6</u>	<u>320.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowings measured at amortised cost							
Fixed rate instruments	2,133.6	35.4	2.4	2.6	2.3	3.9	2,087.0
Floating rate instruments	903.0	903.0	-	-	-	-	-
Index-linked instruments	3,845.3	3,845.3	-	-	-	-	-
	<u>6,881.9</u>	<u>4,783.7</u>	<u>2.4</u>	<u>2.6</u>	<u>2.3</u>	<u>3.9</u>	<u>2,087.0</u>
Effect of fixed interest rate swaps	-	(3,811.4)	250.6	653.5	250.0	932.9	1,724.4
Total external borrowings	<u>11,490.6</u>	<u>5,581.0</u>	<u>253.0</u>	<u>656.1</u>	<u>252.3</u>	<u>936.8</u>	<u>3,811.4</u>
Amounts owed to ultimate parent undertaking	173.9	8.9	-	-	-	165.0	-
Total borrowings	<u>11,664.5</u>	<u>5,589.9</u>	<u>253.0</u>	<u>656.1</u>	<u>252.3</u>	<u>1,101.8</u>	<u>3,811.4</u>
Cash and short-term deposits	(1,794.3)	(1,794.3)	-	-	-	-	-
Net borrowings	<u>9,870.2</u>	<u>3,795.6</u>	<u>253.0</u>	<u>656.1</u>	<u>252.3</u>	<u>1,101.8</u>	<u>3,811.4</u>

Notes to the financial statements

A3. Financial risk management (continued)

Group	Total £m	1 year or less £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m
At 31 March 2025							
Fixed rate instruments	3,797.2	105.5	-	426.5	152.6	256.9	2,855.7
Effect of swaps	-	3,691.7	-	(426.5)	(152.6)	(256.9)	(2,855.7)
	<u>3,797.2</u>	<u>3,797.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowings designated at fair value through profit or loss							
Fixed rate instruments	330.2	-	-	-	-	-	330.2
Effect of swaps	-	330.2	-	-	-	-	(330.2)
	<u>330.2</u>	<u>330.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowings measured at amortised cost							
Fixed rate instruments	1,823.4	38.4	1.3	1.7	1.5	1.6	1,778.9
Floating rate instruments	848.8	848.8	-	-	-	-	-
Index-linked instruments	3,989.0	3,989.0	-	-	-	-	-
	<u>6,661.2</u>	<u>4,876.2</u>	<u>1.3</u>	<u>1.7</u>	<u>1.5</u>	<u>1.6</u>	<u>1,778.9</u>
Effect of fixed interest rate swaps	-	(2,328.9)	200.0	389.8	250.6	653.5	835.0
Total external borrowings	<u>10,788.6</u>	<u>6,674.7</u>	<u>201.3</u>	<u>391.5</u>	<u>252.1</u>	<u>655.1</u>	<u>2,613.9</u>
Amounts owed to subsidiary undertakings	17.9	17.9	-	-	-	-	-
Amounts owed to ultimate parent undertaking	139.3	139.3	-	-	-	-	-
Total borrowings	<u>10,945.8</u>	<u>6,831.9</u>	<u>201.3</u>	<u>391.5</u>	<u>252.1</u>	<u>655.1</u>	<u>2,613.9</u>
Cash and short-term deposits	(1,672.6)	(1,672.6)	-	-	-	-	-
Net borrowings	<u>9,273.2</u>	<u>5,159.3</u>	<u>201.3</u>	<u>391.5</u>	<u>252.1</u>	<u>655.1</u>	<u>2,613.9</u>

Electricity price risk

The group is typically allowed a fixed amount of revenue by the regulator, in real terms, to cover electricity costs for each five-year regulatory pricing period. For the 2025 to 2030 regulatory period, energy costs will be subject to an end of regulatory period adjustment based on the Department for Energy Security and Net Zero ('DESNZ') industrial users' energy price index. To the extent that electricity prices remain floating over this period, this exposes the group to volatility in its operating cash flows. The group's policy, therefore, is to manage this risk by fixing a proportion of electricity commodity prices in a cost-effective manner. The group has fixed the price on a proportion of its anticipated net electricity usage on a rolling four-year basis, partially through entering into electricity swap contracts.

Hedge accounting

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

Notes to the financial statements

A3. Financial risk management (continued)

Details of electricity swaps that have been designated in cash flow hedging relationships are summarised below:

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional amount MWh	284,760	131,760	262,800	-
Average contracted fixed interest rate %	112.4	73.9	68.8	-

Risk exposure	Electricity price risk
Nominal amount of hedging instruments	59.8
Carrying amount of hedging instruments	(1.9)
Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026 ⁽¹⁾ :	(4.1)
Hedge ineffectiveness recognised in the income statement	-
Cash flow hedge reserve excluding effects of tax	(16.1)
Amount reclassified from the cash flow hedge reserve to the income statement	21.8

Note:

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

Capital risk management

The group's objective when managing capital is to maintain efficient access to debt capital markets throughout the economic cycle. The board, therefore, believes that it is appropriate to maintain RCV gearing, measured as group consolidated net debt (including certain derivatives) to regulatory capital value ('RCV') of UUW, within a target range of 55% to 65%. As at 31 March 2026, RCV gearing was within the range at 60% (2025: 60%).

Assuming no significant changes to existing rating agencies' methodologies or sector risk assessments, the group aims to maintain UUW long-term issuer credit ratings for UUW of at least Baa1 with Moody's Investors Service ('Moody's'), and BBB+ with S&P Global Ratings ('S&P') and an issuer default rating of at least BBB+ with Fitch Ratings ('Fitch') (a senior unsecured debt rating for UUW of at least A-). Debt issued by UUW's financing subsidiary, United Utilities Water Finance PLC, is guaranteed by UUW and is, therefore, rated in line with UUW. The group's gearing and credit rating targets are subject to periodic review.

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

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

Notes to the financial statements

A3. Financial risk management (continued)

Fair values

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

Group 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	-	59.9	-	59.9
Derivative financial assets – held for trading ⁽¹⁾	-	282.6	-	282.6
Derivative financial assets – cash flow hedge	-	5.2	-	5.2
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	-	(245.4)	-	(245.4)
Derivative financial liabilities – held for trading ⁽¹⁾	-	(57.0)	-	(57.0)
Derivative financial assets – cash flow hedge	-	(7.0)	-	(7.0)
Financial liabilities designated as fair value through profit or loss	-	(320.6)	-	(320.6)
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	(4,010.9)	(365.9)	-	(4,376.8)
Other financial liabilities at amortised cost	(2,881.8)	(3,227.0)	-	(6,108.8)
	(6,892.7)	(3,875.2)	-	(10,767.9)

Group 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Derivative financial assets – fair value hedge	-	43.3	-	43.3
Derivative financial assets – held for trading ⁽¹⁾	-	295.7	-	295.7
Derivative financial assets – cash flow hedge	-	1.7	-	1.7
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – fair value hedge	-	(245.9)	-	(245.9)
Derivative financial liabilities – held for trading ⁽¹⁾	-	(17.6)	-	(17.6)
Derivative financial assets – cash flow hedge	-	(29.1)	-	(29.1)
Financial liabilities designated as fair value through profit or loss	-	(330.2)	-	(330.2)
Financial instruments for which fair value has been disclosed				
Financial liabilities in fair value hedge relationships	(3,447.9)	(368.9)	-	(3,816.8)
Other financial liabilities at amortised cost	(2,171.1)	(3,662.6)	-	(5,833.7)
	(5,619.0)	(4,313.6)	-	(9,932.6)

Note:

⁽¹⁾ These derivatives form economic hedges and, as such, management intends to hold these through to maturity. Derivatives forming an economic hedge of the currency exposure on borrowings included in these balances were £90.0 million (2025: £105.0 million).

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

Notes to the financial statements

A3. Financial risk management (continued)

The group has calculated fair values using quoted prices where an active market exists, which has resulted in £6,892.7 million (2025: £5,619.0 million) of 'Level 1' fair value measurements. In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data to arrive at 'Level 2' fair value measurements, in line with prior years. The £1,273.6 million increase (2025: £112.9 million increase) in Level 1 fair value measurements primarily reflects debt issuances in the year.

During the year, changes in the fair value of financial liabilities designated at fair value through profit or loss resulted in a £8.6 million loss (2025: £6.3 million loss). Included within this was a £3.1 million loss (2025: £1.9 million gain) attributable to changes in own credit risk, recognised in other comprehensive income. The cumulative amount due to changes in credit spread was £34.7 million profit (2025: £37.8 million profit). The carrying amount is £94.5 million (2025: £104.1 million) higher than the amount contracted to settle on maturity.

A4. Retirement benefits

Defined benefit schemes

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

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

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

	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
Total fair value of schemes' assets	2,288.5	2,308.6	652.4	655.9
Present value of defined benefit obligations	(1,977.6)	(2,006.3)	(571.2)	(580.0)
Net retirement benefit surplus	310.9	302.3	81.2	75.9

Estimated future benefits payable

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

Notes to the financial statements

A4. Retirement benefits (continued)

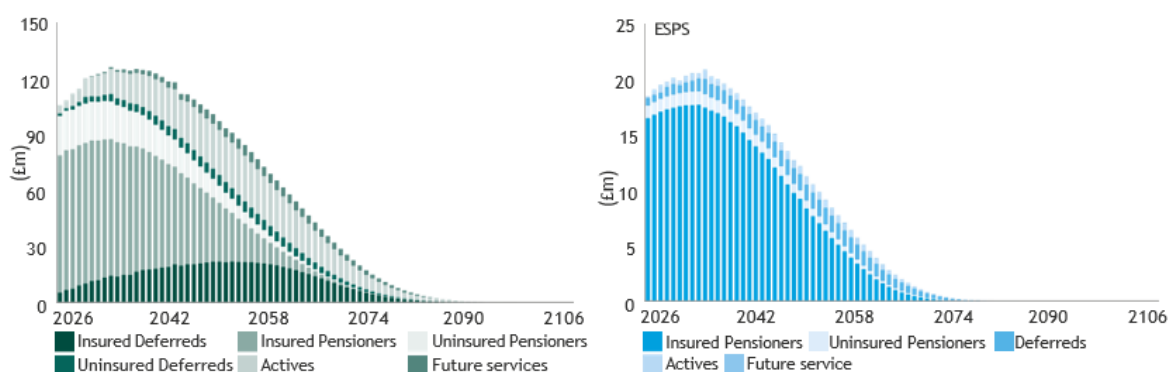
	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
Total value of current employees benefits	239.5	238.5	20.3	20.2
Deferred members benefits	309.9	309.5	137.3	137.1
Pensioner members benefits	1,428.2	1,458.3	413.6	422.7
Total defined benefit obligation	1,977.6	2,006.3	571.2	580.0

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

	Group		Company	
	2026	2025	2026	2025
	£m	£m	£m	£m
At the start of the year	(2,006.3)	(2,284.4)	(580.0)	(656.2)
Interest cost on schemes' obligations	(110.8)	(106.1)	(32.0)	(30.5)
Actuarial gains arising from changes in financial assumptions	44.9	259.3	11.8	71.6
Actuarial (losses)/gains arising from changes in demographic assumptions	(19.0)	6.1	(5.9)	1.9
Actuarial losses arising from experience	(10.5)	(5.9)	(3.4)	(6.0)
Past service cost	(0.1)	-	-	-
Member contributions	(1.0)	(2.2)	-	(0.1)
Benefits paid	127.7	129.4	38.6	39.6
Current service cost	(2.5)	(2.5)	(0.3)	(0.3)
At the end of the year	(1,977.6)	(2,006.3)	(571.2)	(580.0)

The duration of the combined schemes is around 12 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

The estimated profile of cash flows out of the schemes as retirement benefits are paid, on a scheme rather than employer basis, is as follows:



Notes to the financial statements

A4. Retirement benefits (continued)

Estimated future benefits payable

Under UK legislation, there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and, therefore, that benefits can be paid. The latest finalised funding valuation was carried out during the prior year, as at 31 March 2024, which determined that the schemes were fully funded on a low-dependency basis and do not require additional contributions from the group over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. The group expects to make further contributions of £5.2 million in the year ending 31 March 2027, £4.2 million in respect of current service contributions and £1.0 million in respect of expenses.

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

While longevity risk has reduced as a result of a partial buy-in transaction during the year ended 31 March 2024, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future. Based on the results of the latest triennial valuation as at 31 March 2024, for ESPS the buy-in was estimated to cover circa 85% of liabilities, and for UUPS circa 70% of liabilities, on a technical provisions basis, with the split on an IAS 19 basis expected to be broadly consistent.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding positions vary significantly from company to company, but none of the position, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. However, scheme liabilities are valued on a consistent accounting basis between companies applying IAS 19, and are subject to assumptions and sensitivities that are required to be disclosed in accordance with that accounting standard. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to the normalisation of assumptions used between companies.

Included within the present value of the defined benefit obligation of the UUPS scheme are liabilities of £7.0 million (2025: £7.2 million) in respect of unregistered pension promises made to certain former employees, which are paid directly from the group as opposed to through one of the group's registered pension schemes. Liabilities in respect of these promises are not considered to be material in the context of the group's overall defined benefit obligations or the financial statements taken as a whole.

Notes to the financial statements

A4. Retirement benefits (continued)

Virgin Media High Court decision

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited vs. NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill, which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. This legislation received Royal Assent in April 2026 and became an Act of Parliament (law).

The Directors do not expect the Virgin Media ruling to give rise to any additional liabilities. The present value of defined benefit obligations has not been adjusted and continues to reflect the benefits currently being administered.

Impact of scheme risk management on IAS 19 disclosures

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

As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets, net of associated derivative liabilities.

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

Pension benefits under the defined benefit element of the UUPS hybrid section are linked to CPI rather than RPI.

In the year ended 31 March 2026, the discount rate increased by 0.35% (2025: 0.9% increase), which includes a 0.30% increase in gilt yields over the year and a 0.05% increase in credit spreads. The IAS 19 remeasurement loss of £7.9 million (2025: £18.6 million gain), reported in note 14, has largely resulted from changes in financial and demographic assumptions, predominantly due to actual inflation over the year being higher than assumed and updates to the mortality projections.

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

The increase in credit spreads during the year is partially offset by an RPI inflation increase of 0.15% (2025: 0.05% reduction). In the shorter term, recent high inflation has resulted in greater-than-expected pension increases, and longer-term expectations for inflation have increased versus the prior reporting date.

Notes to the financial statements

A4. Retirement benefits (continued)

Reporting and assumptions

The results of the latest funding valuation as at 31 March 2024 have been used to inform the group's best estimate assumptions used in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2026. 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.

In accordance with IAS 19, the fair value of the buy-in insurance 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.

Member data used in arriving at the liability figure included within the defined benefit surplus has been based on the finalised actuarial valuations as at 31 March 2024 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.

Financial assumptions

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

	2026	2025
Group and Company	% p.a.	% p.a.
Discount rate	6.05	5.70
Pension increases	3.35	3.20
Pensionable salary growth (pre-2018 service):		
ESPS	3.35	3.20
UUPS	3.35	3.20
Pensionable salary growth (post-2018 service):		
ESPS	3.35	3.20
UUPS	2.90	2.75
Price inflation - RPI	3.35	3.20
Price inflation - CPI ⁽¹⁾	2.90	2.75

⁽¹⁾ The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.45% pre-2030 and 3.15% post-2030 (2025: 2.30% pre-2030 and 3.00% post-2030).

The discount rate is consistent with a high-quality corporate bond rate, with 6.05% being equivalent to gilts of 5.40% plus 65 basis points in respect of credit spread (2025: 5.70% being equivalent to gilts of 5.10% plus 60 basis points in respect of credit spread). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

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

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

Notes to the financial statements

A4. Retirement benefits (continued)

In accordance with plans put forward by the UK Statistics Authority ('UKSA'), the Retail Prices Index ('RPI') and the Consumer Prices Index, including owner occupier's housing costs ('CPIH'), are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 0.5% below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could, therefore, have a significant impact on many pension schemes.

Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's (CMI) mortality tables. As at 31 March 2026, mortality assumptions are based on adjusted SAPS 4 CMI2025 base tables, inclusive of a 1.25% p.a. rate of improvement, initial adjustment (A) parameter of 0.25%, a 'half-life' (H) parameter of 1, and an adjustment to the 'advanced parameters' to model lower improvements in life expectancy at older ages than the core model. A scaling factor of 109% (2025: 109%) and 111% (2025: 111%) for male pensioners and non-pensioners, respectively, and 109% (2025: 109%) and 105% (2025: 105%) for female pensioners and non-pensioners, respectively, is applied, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI 2023 S4PA), the Core CMI2025 model sees a small increase in life expectancies. It should be noted, however, that post buy-in, any changes in the life expectancy assumptions for insured members are offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. At 31 March 2026, future improvements in mortality are based on the extended CMI 2025 (2025: CMI 2023) projection model, with a long-term annual rate of improvement of 1.25% (2025: 1.25%).

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

	2026	2025
Group and Company	years	years
Retired member - male	25.8	25.3
Non-retired member - male	26.8	26.4
Retired member - female	28.0	27.7
Non-retired member - female	29.4	29.2

Financial and demographic assumptions – further analysis

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

Given that changes in the insured liabilities are offset by an equal change in the value of the buy-in insurance assets, the IAS 19 surplus will be predominantly driven by changes in the uninsured liabilities and residual invested assets going forward. Sensitivity calculations allow for the specified movement in the relevant key assumption on total scheme liabilities, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted; however, it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

Notes to the financial statements

A4. Retirement benefits (continued)

- **Asset volatility** – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS 19, the value of the buy-in assets is equal to the IAS 19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of the scheme's assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities. For the uninsured liabilities, the intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation on a scheme funding basis.
- **Discount rate** – An increase/decrease in the discount rate of 0.25% would have resulted in a £52.6 million / £55.1 million (2025: £56.2 million / £59.0 million) decrease/increase in the schemes' liabilities at 31 March 2026, although, as long as credit spreads remain stable this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High-quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher, by at least two rating agencies, are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high-quality corporate bonds that are aligned to the schemes' liabilities and, therefore, provides a more robust estimate.
- **Price inflation** – An increase/decrease in the RPI inflation assumption of 0.25% would have resulted in a £49.7 million / £47.5 million (2025: £52.8 million / £50.4 million) increase/decrease in the schemes' liabilities at 31 March 2026, as a significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2026, meaning that this sensitivity is likely to be insignificant as a result, on a combined basis. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation may be volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.
- Consistent with market practice, in arriving at the group's best estimate for RPI an inflation risk premium of 0.3% (2025: 0.2%) has been deducted from the breakeven inflation rate for the year ended 31 March 2026. The impact of this is a decrease in the uninsured defined benefit obligation of around £24.0 million (2025: £17.0 million) and, therefore, an increase in the net-defined benefit surplus compared with no inflation risk premium being deducted. The change to the inflation risk premium of 0.3% resulted in a circa £8 million reduction in the uninsured defined benefit obligation and a corresponding increase in the net defined benefit surplus compared to a deduction of 0.2% as applied in the prior year. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation, this wedge has been estimated at 0.9% per annum, reducing to 0.2% per annum post-2030 given that RPI and CPI are expected to converge. The impact of this reduction in the post-2030 wedge, as a result of RPI reform, is a circa £3.0 million increase to the uninsured defined benefit obligation and, therefore, a decrease in the net-defined benefit surplus compared with the wedge remaining at 0.9% per annum after 2030.
- **Mortality long-term improvement rate** – An increase in the mortality long-term improvement rate from 1.25% to 1.50% would have resulted in a £9.8 million increase in the schemes' liabilities at 31 March 2026 (2025: £12.7 million increase in the schemes' liabilities).

Notes to the financial statements

A4. Retirement benefits (continued)

• Life expectancy – An increase in life expectancy of one year would have resulted in a £72.5 million (2025: £77.3 million) increase in the schemes' liabilities at 31 March 2026. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

Further reporting analysis

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

	Group				Company			
	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %
At 31 March 2026								
Gilts	532.0	(204.3)	327.7	14.3	129.5	(38.8)	90.7	13.9
Bonds	356.0	(16.7)	339.3	14.8	91.7	(3.2)	88.5	13.6
Bulk annuity policies	1,381.0	-	1,381.0	60.4	426.7	-	426.7	65.4
Other	265.3	(24.8)	240.5	10.5	51.3	(4.8)	46.5	7.1
Total fair value of schemes' assets	2,534.3	(245.8)	2,288.5	100.0	699.2	(46.8)	652.4	100.0
At 31 March 2025								
Gilts	537.2	(202.0)	335.2	14.5	127.4	(38.4)	89.0	13.6
Bonds	313.1	0.6	313.7	13.6	83.7	0.1	83.8	12.8
Bulk annuity policies	1,405.8	-	1,405.8	60.9	433.2	-	433.2	66.0
Other	279.1	(25.2)	253.9	11.0	54.7	(4.8)	49.9	7.6
Total fair value of schemes' assets	2,535.2	(226.6)	2,308.6	100.0	699.0	(43.1)	655.9	100.0

Included within the scheme's assets are assets with a fair value estimated to be £1,485.3 million that are categorised as 'Level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2026. Of these, £1,381.0 million relates to bulk annuity policies purchased as part of the buy-in transaction and £104.3 million relates to unquoted senior private debt assets. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total Level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Of the remaining balance of scheme assets, there are assets with a fair value estimated to be £785.7 million, which are categorised as 'Level 2' assets, meaning that valuations include observable inputs other than quoted prices in active markets, and £17.5 million of 'Level 1' assets, meaning that there is a quoted price in an active market for identical assets or liabilities at the measurement date.

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

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2026, no liquidity support or facilities were required by the group as a result of collateral calls.

Notes to the financial statements

A4. Retirement benefits (continued)

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

	Group	Company	2026 £m	2025 £m	2026 £m	2025 £m
Gilts						
Repurchase agreements			(204.3)	(202.0)	(38.8)	(38.4)
			<u>(204.3)</u>	<u>(202.0)</u>	<u>(38.8)</u>	<u>(38.4)</u>
Bond – hedging non-sterling exposure back to sterling						
Currency forwards			(1.6)	0.6	(0.3)	0.1
Gilt futures			(15.1)	-	(2.9)	-
			<u>(16.7)</u>	<u>0.6</u>	<u>(3.2)</u>	<u>0.1</u>
Other – managing liability risks targeting a high level of interest rate and inflation hedging						
Interest rate swaps			(25.2)	(25.7)	(4.8)	(4.9)
RPI inflation swaps			0.4	0.5	-	0.1
			<u>(24.8)</u>	<u>(25.2)</u>	<u>(4.8)</u>	<u>(4.8)</u>
Total fair value of derivatives			<u>(245.8)</u>	<u>(226.6)</u>	<u>(46.8)</u>	<u>(43.1)</u>

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability-driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The fair value of pooled funds held within the schemes' assets was £175.1 million (2025: £162.4 million).

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

	2026 £m	Group 2025 £m	2026 £m	Company 2025 £m
At the start of the year	2,308.6	2,552.4	655.9	728.9
Interest income on schemes' assets	128.3	119.0	36.4	34.0
The loss on plan assets, excluding amounts included in interest	(23.3)	(240.9)	(1.2)	(67.2)
Member contributions	1.0	2.2	-	0.1
Benefits paid	(127.7)	(129.4)	(38.7)	(39.6)
Administrative expenses	(3.9)	(4.0)	(1.3)	(1.7)
Company contributions	5.5	9.3	1.3	1.4
At the end of the year	<u>2,288.5</u>	<u>2,308.6</u>	<u>652.4</u>	<u>655.9</u>

Notes to the financial statements

A4. Retirement benefits (continued)

The group's actual return on the schemes' assets was a gain of £105.0 million (2025: £121.9 million loss). In line with IAS 19, the fair values of the buy-in assets have been set equal to the IAS 19 present values of the insured liabilities. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions and are therefore more than 100% hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS published its latest TCFD report in October 2025, which is available on the corporate website. For ESPS, while the group does not meet the size threshold that requires full TCFD reporting, the trustee has provided information for the wider scheme's report. The wider scheme's most recent TCFD report was published in October 2025 and is available from the ESPS website.

A5. Related party transactions

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

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

	2026 £m	2025 £m
Sales of services	378.7	338.8
Charitable contributions advanced to related parties	0.2	0.2
Purchase of goods and services	0.9	1.5
Interest income and fees recognised on loans to joint ventures	4.7	5.9
Amounts owed by related parties (see note 13)	86.0	101.0
Amounts owed to related parties (see note 19)	4.0	-

With the exception of charitable contributions advanced by the group, all of the above related party transactions and balances relate to Water Plus, which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

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

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

At 31 March 2026, amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £86.0 million (2025: £101.0 million), comprising £35.6 million (2025: £27.4 million) of trade balances, which are unsecured and represent the amounts that are expected to be settled in accordance with normal credit terms, and £50.4 million (2025: £73.5 million) relating to loans.

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

- £50.4 million (2025: £71.4 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2029 with the option for a further 2 years of extension, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £54.0 million outstanding, net of a £3.6 million allowance for expected credit losses (2025: £75.0 million net of a £3.6 million allowance for expected credit losses).

Notes to the financial statements

A5. Related party transactions (continued)

• £nil (2025: £2.2 million) receivable in relation to a £12.5 million unsecured zero-coupon loan note held by United Utilities PLC, which had a maturity date of 28 March 2027 but was redeemed on 19 March 2026 in the form of a subscription for £12.5 million of additional share capital in Water Plus (see note 12). As at 31 March 2025, the £2.2 million carrying value of the receivable comprised £11.7 million fair value of amounts owed in relation to the loan note, net of £9.5 million of the group's share of joint venture losses relating to historic periods that were allocated against the loan note as it was deemed to be part of the group's long-term interest in Water Plus. The £11.7 million fair value of the receivable represented 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 £0.8 million recorded as an equity contribution to Water plus recognised within interests in joint ventures.

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 £50.7 million of which £27.0 million related to guarantees to UUW.

At 31 March 2026, amounts owed to related parties were £4.0 million (2025: £nil) being amounts due to Water Plus for the surrender of consortium relief tax losses (see note 7).

The following transactions were carried out with the group's ultimate parent undertaking, United Utilities Group PLC:

	Interest receivable	
	2026	2025
	£m	£m
Ultimate parent undertaking	106.9	119.6

	Intercompany group tax relief payable	
	2026	2025
	£m	£m
Ultimate parent undertaking	26.6	29.8

	Borrowings owed by related parties		Amounts owed to related parties	
	2026	2025	2026	2025
	£m	£m	£m	£m
Ultimate parent undertaking	2,221.6	2,108.9	175.4	141.9

Details of transactions with key management are disclosed in note 3.

Notes to the financial statements

A6. Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 72 to 75.

Basis of consolidation

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

Subsidiaries

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

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

Joint ventures

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

Revenue recognition

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

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

- the provision of core water and wastewater services, accounting for more than 98 per cent of the group's revenue; and
- capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through which properties can obtain water and wastewater services.

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

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

Any gross debt that is not expected to be recovered through future cash collection is provided against through either an allowance for expected credit losses (non-collection, where revenue had been previously recognised due to recovery being considered probable at the point services were rendered) or credit note provision

Notes to the financial statements

A6. Accounting policies (continued)

(incorrectly billed, and therefore reducing the amount of revenue that should have been recognised). The group recognises a credit note provision typically in relation to non-household customers who can claim allowances against amounts previously billed, in accordance with non-household market codes. Future allowances for which a credit note provision is recognised are estimated based on historic information derived from market operating systems. Credit note provisions held in relation to household customers relate to bill adjustments made after the reporting date.

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

Operating profit

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

Borrowing costs and finance income

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

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income. Assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a tax authority.

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

Current tax

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

Taxable profit differs from the net profit as reported in the income statement, because it excludes items of income or expense that are non-taxable or non-deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary

Notes to the financial statements

A6. Accounting policies (continued)

differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

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

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

Property, plant and equipment

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

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

- Water and wastewater infrastructure assets:
 - Impounding reservoirs 200 years;
 - Mains and raw water aqueducts 30 to 150 years;
 - Sewers and sludge pipelines 60 to 180 years;
 - Sea outfalls 60 years;
- Buildings 10 to 60 years;
- Operational assets 5 to 80 years; and
- Fixtures, fittings, tools and equipment 3 to 40 years.

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised. This includes an allocation of estimated time and resources incurred by the group's support functions in supporting capital programmes.

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

Notes to the financial statements

A6. Accounting policies (continued)

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

Water and wastewater infrastructure assets

Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Similarly, amounts incurred on replacement of assets to maintain the operating capability of the network in accordance with defined standards of service are also treated as an addition. Infrastructure maintenance expenditure that does not result in an asset replacement is expensed as incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

Other assets

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

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

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

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

Transfer of assets from customers and developers

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

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

Government grants

Government grants (including those receivable from government agencies and local authorities) are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant

Notes to the financial statements

A6. Accounting policies (continued)

and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

Intangible assets

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

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

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

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

Impairment of assets

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

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

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

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

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Notes to the financial statements

A6. Accounting policies (continued)

Financial instruments

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

Cash and cash equivalents

Cash and short-term deposits include cash at bank and in hand, deposits and other short-term highly liquid investments which are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition and which are subject to an insignificant risk of change in value

From time to time the group places cash on deposits that have a maturity greater than three months but less than 12 months, typically for the purpose of reducing the cost of carrying cash that is not required for the purpose of meeting short-term commitments. These deposits do not meet the group's definition of cash and cash equivalents, and so are not included in the group's cash and cash equivalents balance in the statement of financial position. In the consolidated statement of cash flows, the placement and receipt of these funds are reported as investing activities.

Financial investments

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

Trade and other receivables

Trade and other receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows that comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection, which is considered to be a good predictor of future collection, as well as the incorporation of other forward-looking information.

Amounts owed by related parties are assessed for credit risk based on the facts and circumstances of the balances receivable. The group assesses the lifetime expected credit losses of loans receivable from its joint venture, Water Plus, based on Water Plus's financial projections and a probability-weighted assessment of scenarios that could impact these. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

Other receivables are assessed for credit risk and, where this is material, an allowance for expected credit losses is determined based on historic credit losses adjusted for expected changes in future collection.

Trade payables

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

Notes to the financial statements

A6. Accounting policies (continued)

Financial liabilities and equity

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

Equity instruments

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

Borrowings

The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing. For floating-rate financial liabilities, consisting of the group's SONIA-linked loans and the inflation-linked debt, periodic re-estimation of cash flows reflects the movements in the market rates of interest, and the effective interest rate is adjusted to incorporate these movements. In determining the adjusted effective interest rate, the group incorporates both incurred changes in market rates of interest and expectations of future changes in these rates at the reporting date over the remaining life of the liability.

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

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

Borrowings designated within a fair value hedge relationship

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

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

Borrowings designated at fair value through profit or loss

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

Notes to the financial statements

A6. Accounting policies (continued)

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

Derivative financial instruments

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

Derivative financial instruments designated within a cash flow hedge relationship

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

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

Derivatives and borrowings – valuation

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

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

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

Equity instruments

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

Inventories

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

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

Notes to the financial statements

A6. Accounting policies (continued)

Employee benefits

Retirement benefit obligations

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

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

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

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

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

The Principal Employer for both the UUPS and ESPS is United Utilities PLC (UU PLC), with United Utilities Water Limited (UUW) being a Participating Employer. The defined benefit obligations in the two schemes are split, in accordance with IAS19, by employer, between UU PLC and UUW.

For accounting purposes, the schemes' assets and liabilities are split by employer based on information taken from the results of the funding valuations for the schemes as at 31 March 2021 and checked against the results of the funding valuation as at 31 March 2024. A full review of the schemes' employer split for assets and liabilities is carried out every ten years, with the next such review expected to be completed by 31 March 2034.

For each member, an estimate is made of the proportion of pensionable service spent working for non-regulated (allocated to UU PLC) and regulated businesses (allocated to UUW) respectively, based on the member's employee records. This split is then used to divide the DBO between employers: for UUPS, 81% is allocated to UUW and 19% to UU PLC; for ESPS, 7% to UUW and 93% to UU PLC. It is assumed that the relative liabilities for each employer would be similar on an IAS19 basis as on a funding basis. Historic analysis, based on previous triennial valuations and rolled forward for changes in members' status, has shown that the split remains reasonably stable. The splits detailed above are consistently applied and reviewed annually on a roll-forward basis to check the reasonableness of continuing to apply these allocations.

Notes to the financial statements

A6. Accounting policies (continued)

Share-based compensation arrangements

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

Provisions and contingent liabilities

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

In cases where there is a possible obligation whose existence will be confirmed by uncertain future events not wholly within the group's control, this gives rise to a contingent liability that will be disclosed, if material, unless the possibility of any economic outflow is deemed to be remote. Contingent liabilities may evolve such that at a subsequent date the recognition criteria for a provision could be met once the uncertainty that previously existed is resolved. If this is the case, a provision is recognised in the period in which the uncertainty is resolved.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable on that date. Gains and losses arising on retranslation are included in net profit or loss for the period.

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

Leases

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

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

Notes to the financial statements

A6. Accounting policies (continued)

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

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

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

Statement of cash flows

Grants and contributions received

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

Interest payments and receipts

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

Cash flows from derivatives

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

Taxes paid

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

Changes in working capital

The movement in trade and other payables excludes movements in capital accruals, interest accruals and deferred grants and contributions. These movements are instead incorporated as adjustments in other areas of the statement of cash flows.

Notes to the financial statements

A7. Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates at 31 March 2026 are set out below. Unless otherwise specified, the registered address for each entity is the same as that of United Utilities PLC: Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom.

	Class of share capital held	Proportion of share capital owned/voting rights %	Nature of business
Subsidiary undertakings			
Great Britain			
Castleshaw Developments Limited	Ordinary	100.0	Energy generation
Dunnockshaw Developments Limited	Ordinary	100.0	Energy generation
Halkyn District Mines Drainage Company Limited*	Ordinary	99.9	Dormant
Lingley Mere Management Company Limited*	Ordinary	90.0	Property management
North West Water Limited*	Ordinary	100.0	Dormant
Ramsden Clough Developments Limited	Ordinary	100.0	Energy generation
Trafford Property Limited	Ordinary	100.0	Property management
United Utilities (Overseas Holdings) Limited*	Ordinary	100.0	Dormant
United Utilities Bioresources Limited	Ordinary	100.0	Dormant
United Utilities Energy Limited	Ordinary	100.0	Energy generation
United Utilities Healthcare Trustee Limited	Ordinary	100.0	Corporate trustee
United Utilities International Limited	Ordinary	100.0	Non-trading
United Utilities North West Limited	Ordinary	100.0	Holding company
United Utilities Pensions Trustees Limited	Ordinary	100.0	Corporate trustee
United Utilities Property Services Limited	Ordinary	100.0	Property management
United Utilities Utility Solutions (Industrial) Limited	Ordinary	100.0	Holding company
United Utilities Water Finance PLC*	Ordinary	100.0	Financing company
United Utilities Water Limited*	Ordinary	100.0	Water and wastewater services
UU (ESPS) Pensions Trustee Limited	Ordinary	100.0	Corporate trustee
UU Group Limited	Ordinary	100.0	Dormant
UU Secretariat Limited	Ordinary	100.0	Dormant
YCL Transport Limited	Ordinary	100.0	Non-trading
Joint ventures			
Lingley Mere Business Park Development Company Limited*	Ordinary	50.0	Development company
Selectusonline Limited	Ordinary	16.7	Dormant
Water Plus Group Limited ⁽¹⁾	Ordinary	50.0	Holding company
Water Plus Limited ⁽¹⁾	Ordinary	50.0	Water and wastewater retail services
Water Plus Select Limited ⁽¹⁾	Ordinary	50.0	Water and wastewater retail services

*Shares are held by subsidiary undertakings rather than directly by United Utilities PLC.

(1) Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: Two Smithfield, Leonard Coates Way, Stoke-on-Trent, United Kingdom, ST1 4FD

Notes to the financial statements

A7. Subsidiaries and other group undertakings (continued)

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act:

Name of undertaking	Registered company number
United Utilities Utility Solutions (Industrial) Limited	4204293
United Utilities Energy Limited	08641719