

United Utilities Water Finance PLC

Report and Financial Statements

31 March 2026

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Registered No: 9227416

Directors, advisers and other information

Directors

PA Aspin
SR Gardiner
BF Murphy

Secretary

UU Secretariat Limited

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Registered office

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

Strategic report

Principal activity and review of business

The company is a wholly owned subsidiary of United Utilities Water Limited (“UUW”).

The principal activity of the company is the provision of long-term finance for its immediate parent, UUW. During the year the company continued to raise long-term finance and in turn on-lent such finance to its immediate parent through back-to-back financing agreements. A management fee of £50,000 (2025: £50,000) has been charged in relation to the services provided.

The directors do not believe that further key performance indicators for the company are necessary to enhance the understanding of the development, performance or position of the business. The performance of this business is consolidated together with that of its parent and discussed in the annual report and financial statements of UUW.

Principal risks and uncertainties

The United Utilities group manages its treasury operations centrally. Financial risk management and the implementation of associated hedging is carried out by the United Utilities Group PLC’s (“UUG”) treasury department. The group’s treasury management policies and operations are discussed in UUG’s annual report and financial statements.

The company raises debt finance for its immediate parent, UUW. Amounts raised are passed on to UUW on identical terms. UUW guarantees the company’s obligations under these arrangements. The principal risk of these arrangements is that UUW is unable to meet its obligations to the company.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors 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) of s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2026. The company’s principal activity is that of a financing company. It does not have employees, business relationships with suppliers, customers or others and its operations do not impact on the community or the environment. Through their actions the directors operate the company in a manner consistent with the United Utilities group’s high standards of business conduct. The company’s ultimate holding company is United Utilities Group PLC, a copy of whose s172(1) Statement can be found in its 2026 annual report and financial statements. This sets out how the group’s decisions and policies affect employees, customers and other stakeholders, suppliers and the impact of the group’s operations on the community and the environment.

The Strategic report was approved by the board on 23 June 2026 and signed on its behalf by:



PA Aspin
Director

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2026 for United Utilities Water Finance PLC, a public limited company, limited by shares and incorporated, domiciled and registered in England and Wales.

Results and dividends

The company recorded a profit for the year of £53,000 (2025: profit of £53,000). The directors have not recommended a final ordinary dividend for the year ended 31 March 2026 (2025: £nil).

Going concern

The directors' considerations in preparing these financial statements on a going concern basis are set out in note 1.

Directors

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

PA Aspin
SR Gardiner
BF Murphy

During the year, directors' and officers' liability insurance was in force.

Disclosure of information to the auditor

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

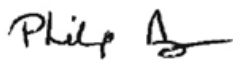
1. so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
2. they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the board and signed on its behalf by:



PA Aspin
Director
23 June 2026

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 Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and to prevent and detect fraud and other irregularities.

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

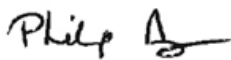
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the board:



PA Aspin
Director
23 June 2026

Independent auditor's report

to the members of United Utilities Water Finance PLC

1 Our opinion is unmodified

We have audited the Financial Statements of United Utilities Water Finance PLC ("the Company") for the year ended 31 March 2026 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of Company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 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.

Carrying value of borrowings Carrying value of £6,618.9m (2025: £5,784.0m) <i>Refer to page 15 (accounting policy) and pages 18 to 19 (financial disclosures).</i>	
Low risk, high value: The Company has significant borrowings measured at amortised cost. Certain of these borrowings are floating-rate debt, measured at amortised cost using the effective interest rate method. Judgement is required in determining the most appropriate method for estimating the effective interest rate, which may be subject to periodic re-estimation to reflect movements in market rates of interest. During the year, the Company has revised the measurement technique used, with the effective interest rate now determined with	Our response We performed the tests below rather than seeking to rely on the 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. Our procedures included: <ul style="list-style-type: none">– Accounting analysis: assessed the Company's accounting policy and measurement technique for floating-rate

Independent auditor's report

to the members of United Utilities Water Finance PLC

<p>reference to both incurred market rates of interest and market expectations of future changes in these reference rates.</p> <p>Due to the significance of these balances and change in measurement technique, there is a risk that the related financial liabilities are misstated.</p> <p>The carrying value is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Financial Statements, this is considered to be the area that had the greatest effect on our overall audit.</p>	<p>debt for compliance with relevant accounting standards;</p> <ul style="list-style-type: none">– Tests of detail: testing a sample of borrowings to source documentation;– Independent reperformance: use of our own specialists to develop an independent expectation to assess the valuation of the debt instruments as at the year-end date.– Assessing transparency: considering the adequacy of the company's disclosures. <p>Our results</p> <p>The results of our testing were satisfactory and we found the carrying value of borrowings to be acceptable (2025: acceptable).</p>
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3 Our application of materiality and an overview of the scope of our audit

Materiality for the Financial Statements as a whole was set at £11.0m (2025: £10.0m), determined with reference to a benchmark of total assets of £6,728.9m (2025: £5,875.8m), of which it represents 0.2% (2025: 0.2%).

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 which equates to £8.25m (2025: £7.5m). 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 £0.55m (2025: £0.5m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the 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 its 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").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Our conclusions based on this work:

- 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 Company's ability to continue as a going concern for the going concern period; an
- we found the going concern disclosure in the basis of preparation to be acceptable.

Independent auditor's report

to the members of United Utilities Water Finance PLC

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 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 Company's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company'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 the Directors.

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

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 Company management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We also performed procedures including, identifying journal entries to test based on risk criteria and comparing any identified entries to supporting documentation. These included journals relating to treasury posted to unexpected or unrelated accounts.

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 Ultimate parent's legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

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.

Firstly, the Company is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits 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.

Secondly, the Company 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: health and safety, anti-bribery, GDPR compliance, employment law, and certain aspects of

Independent auditor's report

to the members of United Utilities Water Finance PLC

company legislation recognising the financial and regulated nature of the Company'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 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.

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 these 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 Strategic Report and the Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the Financial Statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report 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 in those reports;
- in our opinion the information given in the Strategic Report and the Directors' Report 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 page 5, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

to the members of United Utilities Water Finance PLC

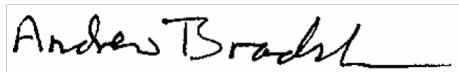
Auditor's responsibilities

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

Income statement

for the year ended 31 March 2026

	Note	2026 £000	2025 £000
Management fees		50	50
Operating profit	2	50	50
Finance income	3	264,315	161,389
Finance expense	4	(264,294)	(161,368)
Finance income and expense		21	21
Profit before tax		71	71
Tax	5	(18)	(18)
Profit after tax		53	53

All of the results shown above relate to continuing operations.

The company had no comprehensive income in the current year or prior year other than the profit above. Accordingly, a separate statement of other comprehensive income has not been prepared.

The accompanying notes form part of these financial statements.

Statement of financial position

at 31 March 2026

	Note	2026 £000	2025 £000
ASSETS			
Non-current assets			
Trade and other receivables	6	6,618,903	5,640,302
Current assets			
Trade and other receivables	6	109,994	235,597
Total assets		<u>6,728,897</u>	<u>5,875,899</u>
LIABILITIES			
Non-current liabilities			
Borrowings	8	(6,618,903)	(5,640,302)
Current liabilities			
Trade and other payables	7	(109,575)	(91,462)
Borrowings	8	-	(143,769)
Total liabilities		<u>(6,728,478)</u>	<u>(5,875,533)</u>
Total net assets		<u>419</u>	<u>366</u>
Capital and reserves attributable to equity holders of the company			
Called up share capital	9	50	50
Retained earnings		369	316
Shareholders' funds		<u>419</u>	<u>366</u>

The accompanying notes form part of these financial statements.

The financial statements of United Utilities Water Finance PLC, registered number 9227416, were approved by the board of directors and authorised for issue on 23 June 2026. They were signed on its behalf by:



PA Aspin
Director

Statement of changes in equity

for the year ended 31 March 2026

	Share capital £000	Retained earnings £000	Total £000
At 1 April 2024	50	263	313
Profit after tax	-	53	53
At 31 March 2025	<u>50</u>	<u>316</u>	<u>366</u>
Profit after tax	-	53	53
At 31 March 2026	<u>50</u>	<u>369</u>	<u>419</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and applicable company law.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) and so the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. As such the recognition and measurement requirements of IFRS as adopted in the United Kingdom have been applied, with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 accounts.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to cash flow statements and related party transactions.

Where required, equivalent disclosures are given in the group accounts of UUG. The group accounts of UUG are available to the public and can be obtained as set out in note 13.

The financial statements have been prepared in sterling and rounded to the nearest thousand unless otherwise stated.

Going concern

In preparing these financial statements on the going concern basis, the directors have considered the company's net assets position which are deemed to be fully recoverable. In addition, UUG acts as guarantor in relation to the company's borrowings, which are long-term in nature. The directors of United Utilities Water Finance PLC ("UUWF") are also senior leaders within UUG and the wider United Utilities group, two as officers and one as Treasurer. They are therefore in a position to form a reasonable expectation that UUG has adequate resources to guarantee UUWF's borrowings for a period of at least 12 months from the date of the approval of the financial statements, and that there are no material uncertainties to disclose.

They are satisfied that UUG 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 UUG and UUWF financial statements, which are approved concurrently, and that the severe but plausible downside scenarios considered indicate that UUG will be able to operate within the amounts and terms (including compliance by UUG with the covenants on relevant debt) of existing facilities.

For these reasons, the directors have concluded that the going concern basis on which UUWF's financial statements are prepared continues to be appropriate.

Change to accounting estimates

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 company 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 company has adjusted the effective interest rate for floating-rate instruments for incurred changes in reference rates. 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 company 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 company considers that this technique provides more useful information regarding the effect of changes in market rates on the debt over time and presents a more faithful representation of expected future cash flows.

Notes to the financial statements

1. Accounting policies (continued)

The company 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 £3.3 million of finance expense in the period.

Finance income

Interest income is recognised in the profit and loss account in the period in which it is accrued.

Finance expense

Finance expense is recognised in the profit and loss account in the period in which it is accrued.

Current tax

Current tax, being UK corporation tax, is based on the taxable profit/loss for the period and is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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

Financial instruments

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments, and that are not quoted in an active market are classified as loans and receivables. Such assets are measured at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method less any impairment.

Borrowings

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 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, both incurred changes in market rates of interest and expectations of future changes in these rates are incorporated at the reporting date over the remaining life of the liability.

Foreign exchange

Foreign currency transactions arising during the period are translated into sterling at the rate of exchange ruling on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable at that date. All profits and losses on translation arising during the period are included in the net profit and loss for the period.

Notes to the financial statements

2. Operating profit

A management fee of £50,000 (2025: £50,000) has been charged in relation to services provided to UUU during the year.

The company has no employees during the year other than the directors. The directors' emoluments are borne by other group companies and are not specifically recharged. The value of qualifying services rendered to the company by the directors is instead incorporated within the management fee.

The auditor's remuneration for the statutory audit of the company was borne by another group undertaking in the current year. The amount attributable but not recharged to United Utilities Water Finance PLC was £47,000 (2025: £45,000). There were no non-audit services provided by the auditor to the company (2025: none).

3. Finance income

	2026 £000	2025 £000
Interest and charges receivable relating to amounts owed by immediate parent undertaking	215,133	173,992
Foreign exchange gains/(losses) on loans receivable from immediate parent undertaking	49,182	(12,603)
	<u>264,315</u>	<u>161,389</u>

Included in 'Interest receivable on amounts owed by immediate parent undertaking' for the year ended 31 March 2026 is £21,000 (2025: £21,000) of interest receivable on intercompany cash pool balances.

4. Finance expense

	2026 £000	2025 £000
Interest payable on borrowings held at amortised cost	215,112	173,971
Foreign exchange losses/(gains) on borrowings held at amortised cost	49,182	(12,603)
	<u>264,294</u>	<u>161,368</u>

5. Tax

(a) Analysis of the tax charge for the year

	2026 £000	2025 £000
Current tax:		
Total current tax charge	18	18
	<u>18</u>	<u>18</u>

(b) Factors affecting the current tax charge for the year

The current tax shown above reflects the application of the standard rate of UK corporation tax to the profit before tax as follows:

	2026 £000	2025 £000
Profit before tax	71	71
Tax at the UK corporation tax rate of 25% (2025: 25%)	18	18
Current tax charge	<u>18</u>	<u>18</u>

There was no income not taxable or expenses not deductible during either the year ended 31 March 2026 or the year ended 31 March 2025.

Notes to the financial statements

6. Trade and other receivables

	2026 £000	2025 £000
Amounts owed by immediate parent undertaking:		
Loans	6,618,903	5,784,071
Interest receivable	109,472	91,380
Other	522	448
	<u>6,728,897</u>	<u>5,875,899</u>

At 31 March 2026 the company had £109,992,000 (2025: £235,597,000) of trade and other receivables classified as current.

The amounts owed by immediate parent undertaking are classified as loans and receivables and are on identical terms to the external borrowings raised by the company (see note 8). The fair value of these instruments was £5,943,575,000 as at 31 March 2026 (2025: £5,105,491,000).

7. Trade and other payables

	2026 £000	2025 £000
Accruals – interest payable on borrowings	109,470	91,375
Amounts owed to intermediate parent undertaking – group relief payable	105	87
	<u>109,575</u>	<u>91,462</u>

Notes to the financial statements

8. Borrowings

The principal economic terms and conditions of outstanding borrowings, along with fair value and carrying value, were as follows:

	Currency	Year of final repayment	Fair Value £000	2026 Carrying value £000	Fair value £000	2025 Carrying value £000
Borrowings measured at amortised cost						
0.013%+RPI 25m IL bond	GBP	2025	-	-	38,184	38,200
2.867% 320m bond	HKD	2026	-	-	31,556	31,899
2.92% 739m bond	HKD	2026	-	-	72,628	73,669
1.129% 52m bond	EUR	2027	44,576	45,375	42,064	43,539
2.37% 830m bond	HKD	2027	80,117	80,212	79,125	82,739
0.01%+RPI 20m IL bond	GBP	2028	30,370	31,235	28,664	30,373
1.43% 100m bond	GBP	2028	92,450	99,996	89,560	99,997
0.875% 300m bond	GBP	2029	261,446	298,472	251,270	298,060
0.175% 11bn bond	JPY	2030	45,702	52,425	51,864	56,918
2.058% 30m bond	EUR	2030	23,951	26,175	23,480	25,116
0.178%+RPI 35m IL bond	GBP	2030	53,026	55,422	50,539	53,464
2.625% 425m bond	GBP	2031	376,929	431,304	369,203	432,523
1.641% 30m bond	EUR	2031	23,212	26,177	22,716	25,118
2.9% 600m bond	HKD	2031	60,251	57,983	57,521	59,811
1.474% 35m bond	USD	2031	21,844	26,515	21,375	27,149
0.245%+CPI 20m IL bond	GBP	2031	24,686	27,602	23,263	26,753
0.01%+RPI 38m IL bond	GBP	2031	54,476	59,563	50,953	57,609
1.707% 28m bond	EUR	2032	21,221	24,432	19,712	23,443
1.653% 26m bond	EUR	2032	19,487	22,687	18,094	21,769
1.70% 30m bond	EUR	2033	22,425	26,177	20,811	25,117
2.0% 350m bond	GBP	2033	278,601	349,773	272,847	349,754
3.50% 650m bond	EUR	2033	553,946	562,053	533,285	538,708
3.75% 925m bond ⁽¹⁾	EUR	2034	818,583	797,082	698,515	680,320
4.95% 1.5bn bond	NOK	2035	113,143	116,467	114,266	110,247
3.75% 600m bond	EUR	2035	521,361	520,126	-	-
0.01%+RPI 26.5m IL bond	GBP	2036	33,862	43,093	32,066	41,841
0.379%+CPI 20m IL bond	GBP	2036	21,879	27,587	20,860	26,734
0.01%+RPI 29m IL bond	GBP	2036	36,711	45,787	34,152	44,315
5.75% 400m bond	GBP	2036	406,429	399,411	408,433	399,397
0.093%+CPI 60m IL bond	GBP	2037	63,447	82,321	60,290	79,785
1.450% 8.5bn bond	JPY	2037	29,344	40,510	38,587	43,981
1.75% 400m bond	GBP	2038	251,755	356,324	249,739	353,272
5.125% 300m bond	GBP	2038	274,570	297,660	279,406	297,546
5.875% 300m bond	GBP	2039	291,108	296,811	-	-
0.01%+CPI 125m IL bond	GBP	2040	113,450	175,705	104,431	171,641
1.875% 300m bond	GBP	2042	167,215	296,217	168,256	296,025
5.25% 400m bond	GBP	2046	338,922	385,376	347,282	384,993
0.359%+CPI 32m IL bond	GBP	2048	26,254	43,229	24,845	41,955
5.75% 350m bond	GBP	2051	321,433	347,354	331,993	347,326
0.387%+CPI 33m IL bond	GBP	2057	25,392	44,265	23,656	42,965
			5,943,575	6,618,903	5,105,491	5,784,071

(1) On 25 September 2025, the company issued EUR100 million fixed rate notes as a fungible increase to the EUR650m notes, due May 2034

Notes to the financial statements

8. Borrowings (continued)

Index-linked debt:

IL	Index-linked debt – this debt is adjusted for movements in the Consumer or Retail Prices Indices with reference to a base CPI or RPI established at trade date
CPI	The UK general index of consumer prices (for all items) as published by the Office of National Statistics (May 2015=100)
RPI	The UK general index of retail prices (for all items) as published by the Office of National Statistics (Jan 1987=100)

Each of these borrowings are unconditionally and irrevocably guaranteed by U UW under the United Utilities PLC and United Utilities Water Finance PLC multi-issuer GBP 10 billion Medium Term Note Programme. Amounts raised have been loaned to U UW on identical terms to the borrowings detailed in the table above (see note 6). Borrowings are unsecured.

The fair values disclosed are classified under the IFRS 13 hierarchy, with £5,495,736,000 (2025: £4,505,560,000) of level 1 fair value measurements, being derived from quoted prices in active markets for identical liabilities and £447,839,000 (2025: £599,931,000) of level 2 fair value measurements, being derived from inputs other than quoted prices that are observable for the liability, either directly or indirectly.

After the reporting period, on 10 April 2026 the company raised EUR150 million fixed rate notes as a fungible increase to the EUR650 million 3.5% bond due February 2033, which has been on-lent to, and guaranteed by, the company's immediate parent, United Utilities Water Limited, in a back-to-back arrangement.

9. Called up share capital

	2026	2025
	£000	£000
Allotted, called up and fully paid		
50,000 ordinary shares of £1.00 each	50	50

10. Financial risk management

The company is a financing subsidiary of U UW and its principal activity is raising listed debt on behalf of U UW, its immediate parent. All external borrowings are guaranteed by U UW and are on-lent to U UW on identical terms through intercompany loans.

The company's financial risks are not managed separately as they are integrated with the financial risks of the UUG group. The UUG group's financial risks, treasury management policies and operations are disclosed in UUG's annual report and financial statements.

Credit risk:

The company is exposed to credit risk on the debtor balances receivable from the immediate parent undertaking, U UW. At 31 March 2025, the maximum exposure to credit risk represent amounts owed by immediate parent undertaking of £6,728,895,000 (2025: £5,875,899,000). These balances are neither past due nor impaired.

Liquidity risk:

Principal and interest amounts due on external borrowings are matched by principal and interest amounts receivable from U UW, therefore the principal risk of the company's arrangements is that U UW is unable to meet its obligations to the company.

Market risk:

The company does not consider it is exposed to any significant concentrations of market risk. As the company on-lends all external borrowings to its immediate parent company on identical terms, any market risk exposure (foreign exchange, interest rate or inflation) on external borrowings is offset by an equal and opposite exposure on the company's loans receivable from its parent.

As such, movements in inflation, interest rates or movements in foreign currency rates will have no net impact on profit before taxation or equity, other than as stated below.

Notes to the financial statements

10. Financial risk management (continued)

In addition to the borrowings loaned to its parent, the company has a short-term balance receivable from its parent on which interest accrues. A one per cent increase/decrease in interest rates would result in a £5,000 (2025: £4,000) increase/decrease in profit before taxation and equity. This is based on the position at the reporting date and is not indicative of the years then ended.

11. Related party transactions

There have been no transactions with the directors of the company during the year.

In accordance with the exemption allowed under FRS 101, no disclosure is made of transactions with other wholly owned member companies which are consolidated into the UUG group.

12. Events after the reporting period

With the exception of the new borrowings described in note 8, there were no material events after the reporting period to disclose.

13. Ultimate parent undertaking

The company's immediate parent undertaking is United Utilities Water Limited, a company incorporated and registered in England and Wales.

In the directors' opinion, the company's 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 Water Limited. The consolidated accounts of this group are available to the public and may be obtained from: The Company Secretary, United Utilities Water Limited, Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.

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.