



Financial highlights

**Revenue**

£1,705m

2013: £1,636m

**Underlying operating  
profit**

£641m

2013: £604m

**Total dividends  
per share**

36.04p

2013: 34.32p

# From the Chairman and Chief Executive Officer



Dr John McAdam  
Chairman

Steve Mogford  
Chief Executive Officer

## Performance

We are pleased to have delivered another year of good performance in what remains a difficult economic environment for customers in the North West of England. Underpinning all we do is our vision of becoming a leading North West service provider and one of the best UK water and wastewater companies and we have made progress against this objective on a broad front.

High levels of customer satisfaction remain our core objective. We have again delivered a year of improvement as measured by our regulator, Ofwat's, Service Incentive Mechanism (SIM). This places us as one of the most improved companies for customer satisfaction over the last three years.

Whilst comparison with other water and sewerage companies is an important benchmark for us, we recognise that customer expectations are often set by standards of service delivered by other companies operating in the North West. So we conduct a brand tracker survey and we are happy to find ourselves consistently ranked third out of ten leading companies, just behind the respected brands of John Lewis and Marks & Spencer.

Even so, we don't always get it right, and customer satisfaction will remain an area of focus for us - reducing service failure benefits both customers and shareholders.

Targeted investment in our people, assets and processes is delivering results and we are ahead of schedule in delivering our regulatory outperformance targets.

Asset serviceability has again been stable or improving over the last twelve months and we have met our leakage target for the eighth consecutive year. Water quality over the year reflects our best performance for many years. The Environment Agency assessed us as an upper quartile company in 2012/13, and we have made more progress over the last twelve months.

Much of our capital programme of over £3.5 billion for the period 2010-15 supports renewal and upgrade of our asset base to maintain serviceability but a significant proportion also delivers our capability to meet new environmental standards. We delivered our largest annual capital programme for a decade, investing £836 million - £49 million more than the previous year - in areas that included contributions to river and bathing water quality and inspecting the Haweswater aqueduct for the first time since it was built in the mid 1900s. We measure the effectiveness of our investment using our Time, Cost and Quality index, TCQI, and we scored 98 per cent for the year - ahead of our targets and a significant improvement on our performance of three years ago.

Our good performance in this five-year regulatory period, AMP5, has created the ability for us to re-invest. We are investing around £200 million of capital savings into projects which improve service to customers or benefit the environment.

Around £40 million of our financing outperformance is supporting our private sewer network and we have committed a £75 million cash tax refund from HMRC to assist customers struggling to return to regular payment. We believe that this reflects a responsible approach to sharing the benefits of outperformance between customers and shareholders.

The North West remains a region with the highest proportion of disadvantaged households in England and reducing customer indebtedness continues to be a major challenge for us. Our collection teams have worked hard in another difficult year to hold bad debt levels at 2.2 per cent of revenue, with over 30,000 customers taking advantage of our many assistance schemes. Containing bad debt at this level will remain a challenge as benefit reforms continue to roll out across our region.

We are grasping the opportunities presented by reform of water regulation. We welcome the opening of the competitive business retail market for water and United Utilities Scotland has rapidly secured a profitable position as the largest new-entrant business retailer in Scotland, second only to the incumbent, Business Stream. The lessons learned in Scotland will be applied in the English market, delivering better customer service in the run up to market opening in 2017 and beyond. In mid 2013 we launched a range of on-site water and wastewater services to add value to non-household customers in our region.

### Strategy

During the last year, we updated our Strategic Direction Statement, 'Playing our part to support the North West', and this document reflects extensive consultation with customers and other stakeholders to generate our best view of what the next 25 years holds for the region. This includes economic, social and environmental developments such as the increasing impact of climate change.

Our business plan, published in December 2013, sets out our plans for the 2015-20 period. We sought the views of over 27,000 customers, as well as consulting with our regulators, to deliver a plan which we believe strikes the right balance for all our stakeholders.

The North West is home to some of the most beautiful rural areas of the UK, supporting a diverse and productive agricultural sector. These areas of natural beauty, combined with a long coastline, mean that tourism is an important sector in the regional economy, contributing some £3.2 billion per annum. The EU's Water Framework and Bathing Water Directives target the protection and enhancement of this environment and our plans set an appropriate pace for implementation of new environmental legislation, balanced against the size of bill that customers are prepared to pay.

Our plans recognise that as a lone agent United Utilities could not deliver the scale of required environmental improvement at an acceptable level of cost. Instead, we are committing to partnering with others who can support the achievement of the required outcomes. This includes our 'Turning Tides' partnership with the Environment Agency, Local Authorities, the Marine Conservation Society and others to improve bathing waters in the North West.

Our updated Water Resources Management Plan describes the expected pattern of water resource availability in our region until 2040. The majority of the North West is in surplus, benefitting from an integrated network that supports movement of water across the region to accommodate its changing supply and demand balance. Our business plan focuses on maintaining existing levels of service across the region, whilst acting to improve the security of supply to West Cumbria by connecting it to our integrated network. This is necessary because the need to protect the local environment puts West Cumbria's future supply and demand balance at risk.

### A fair deal for customers

We have continued to invest heavily in schemes designed to mitigate the risk of flooding of our customers' homes. This includes incidence based targeting on areas more likely to experience flooding and more use of CCTV sewer surveys to identify issues. For 2015-20 we are targeting a further reduction in the risk of sewer flooding inside customers' properties, seeking opportunities to work in partnership with others to deliver cost-effective joint schemes and promoting the use of more sustainable drainage systems. Our wastewater network will continue to benefit from significant investment going forward as we adapt to weather patterns likely to result from climate change.

# From the Chairman and Chief Executive Officer

We are developing a new business operating model for our wholesale business area, embracing innovation in control technology and work processes. Delivery of this business model is critical to our future ability to offset the growth in bills arising from new environmental regulation whilst continuing to deliver our target return for shareholders. Our progress over the current regulatory period, combined with our plans for further improvements in the next five years, will mean average household bills will have grown by less than inflation in the decade to 2020.

## Attractive deal for shareholders

Good underlying operational performance, effective capital programme delivery and improving levels of customer satisfaction are delivering value for our shareholders. Revenue increased by 4.2 per cent to £1.70 billion and underlying operating profit was up 6.1 per cent to £641 million in continued difficult economic conditions. Underlying earnings per share increased by 16 per cent to 44.7 pence. We remain on track to deliver operating expenditure outperformance and to meet Ofwat's allowance on our capital programme, after reinvesting our outperformance.

We plan to continue with high levels of investment for 2014/15. This includes bringing forward some of our scheduled 2015-20 spend to ensure a smoother investment profile. We have now invested over £2.9 billion in the first four years of the 2010-15 regulatory period, and we remain on track to deliver our planned five-year investment programme.

We intend to continue with our dividend policy of targeting growth of RPI+2 per cent per annum through to at least 2015 while delivering significant improvements for customers and the environment. In line with this policy, the board is proposing a final dividend of 24.03 pence per ordinary share making a total of 36.04 pence per share for the 2013/14 financial year. This represents an increase of 5.0 per cent compared with last year. The final dividend is expected to be paid to shareholders on 1 August 2014.

## Responsible business

We continue to listen to the views of all our stakeholders and endeavour to develop, manage and operate in an environmentally sustainable, economically beneficial and socially responsible manner. In recognition of the company's continued focus on responsible business, we retained both our 'World Class' rating, as measured by the Dow Jones Sustainability Index and our 'Platinum Big Tick' ranking in Business in the Community Corporate Responsibility Index. We are proud that we are one of only seven FTSE 100 companies (and the only water company) to hold both accolades.

The communities where we operate are where our customers and employees live and work and are vital to our business. We have continued to support these North West communities both financially and in terms of employee time through volunteering. For example, our 'Beachcare' employee volunteering scheme, working in partnership with the Environment Agency and others, helps to keep our region's beaches tidy.

Through our role as a major employer, training provider and wealth creator, we help to keep the North West's economy turning. Between 2010 and 2015, our activities will generate an estimated £7 billion for the region's economy, supporting 9,000 jobs, and securing a legacy for the future.

## Our employees

The people in United Utilities are key to the delivery of the highest levels of service to our customers and we would like again to thank them for their dedication and continued hard work during the year. Notwithstanding the amount of change our business is undertaking, employee engagement sits at 79 per cent, well above the UK transitional norm and close to the norm for high performing companies in the UK.

We strive to continuously improve our safety culture and we have implemented a number of initiatives throughout the year. We launched a managers’ guide for health and safety responsibilities and our transformation project, covering 13 key areas of focus across our business, is progressing well. These initiatives helped reduce the number of employee accidents in 2013/14 and this will remain a significant area of focus for us.

A committed, capable and motivated workforce is central to delivering our vision and we remain fully focused on maintaining high levels of employee development and engagement. We are always on the lookout for the best and brightest talent and we recruited a further 24 graduates and 32 apprentices in 2013/14 and we have plans to recruit a similar number in 2014/15.

**Our board**

As a board we are responsible to our shareholders, customers and other stakeholders for the performance and long-term success of our company. The way in which we operate, we believe, already reflects the highest standards of corporate governance. Our plc structure and governance standards ensure that our board and non-executive directors continue to provide sound and prudent governance in full compliance with the principles of the UK Corporate Governance Codes.

On behalf of the board, we say thank you and farewell to Nick Salmon, who will stand down at this year’s annual general meeting after over nine years as a non-executive director. We wish Nick all the best for the future. We are pleased to welcome Mark Clare to the board following his appointment last November as a non-executive director. Mark is a member of the audit committee and the nomination committee and will replace Nick as senior independent director. Mark is Group Chief Executive at Barratt Developments PLC and his expertise will be an asset to the board.

**Outlook**

We believe that our sustained focus on operational performance, combined with continued substantial investment in our assets, is delivering benefits for customers, shareholders and the environment. We are on track to exceed our regulatory outperformance targets, with substantial financing and operating outperformance already secured. Our capital structure remains robust and we intend to continue with our dividend policy of targeting real growth through to at least 2015.

Looking ahead, our focus remains centred on driving further customer satisfaction, alongside operational and environmental improvements and we believe there is still plenty of scope to achieve this. We have now submitted our business plan for the 2015-20 period, as we aim to strike the right balance between all our stakeholders. We will continue constructive engagement with our regulators, ahead of the draft and final determinations from Ofwat later this year.



**Dr John McAdam**  
Chairman



**Steve Mogford**  
Chief Executive Officer

**Annual Report and Financial Statements**  
Our 2014 Annual Report and Financial Statements can be accessed directly at [corporate.unitedutilities.com](http://corporate.unitedutilities.com)

# Notice of annual general meeting

## This document is important and requires your immediate attention

If you are in doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 or an appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom. If you have sold or otherwise transferred all your shares in United Utilities Group PLC, you should pass this document to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## The directors look forward to welcoming shareholders to the AGM.

If you are not able to attend, please remember you can always cast your votes either by completing and returning the enclosed proxy form or by going online at [sharevote.co.uk](http://sharevote.co.uk) and voting electronically. To do this, you will need the three numbers (voting ID, task ID and shareholder reference number) that are quoted on your proxy form. Alternatively, if you have registered with Equiniti's online portfolio service, Shareview, you can appoint your proxy at [shareview.co.uk](http://shareview.co.uk). Full details and instructions are given on the relevant website.

## Notice of annual general meeting (AGM)

Notice is given that the annual general meeting (AGM) of United Utilities Group PLC (the company) will be held at 11.00 am on Friday 25 July 2014 at the **Lowry Hotel, 50 Dearmans Place, Chapel Wharf, Manchester, M3 5LH** to transact the business set out below. Resolutions 1 to 13 and resolutions 14 and 18 will be proposed as ordinary resolutions and resolutions 15, 16 and 17 will be proposed as special resolutions.

### Resolution 1: Annual Report and Financial Statements

That the financial statements and the reports for the year ended 31 March 2014 be received.

### Resolution 2: declaration of dividend

That the final dividend of 24.03 pence per ordinary share be declared.

### Resolution 3:

To approve the directors' remuneration report (other than the part containing the directors' remuneration policy) for the year ended 31 March 2014.

### Resolution 4

To approve the directors' remuneration policy (as contained in the directors' remuneration report for the year ended 31 March 2014).

### Resolution 5: reappointment of a director

That Dr John McAdam be reappointed as a director.

### Resolution 6: reappointment of a director

That Steve Mogford be reappointed as a director.

### Resolution 7: reappointment of a director

That Russ Houlden be reappointed as a director.

### Resolution 8: reappointment of a director

That Dr Catherine Bell be reappointed as a director.

### Resolution 9: election of a director

That Mark Clare be elected as a director

### Resolution 10: reappointment of a director

That Brian May be reappointed as a director.

### Resolution 11: reappointment of a director

That Sara Weller be reappointed as a director.

### Resolution 12: reappointment of auditor

That KPMG LLP be reappointed as auditor of the company.

### Resolution 13: remuneration of auditor

That the directors be authorised to set the auditor's remuneration.

#### Resolution 14: authorising the directors to allot shares

That the board be generally and unconditionally authorised to allot ordinary shares pursuant to section 551 of the Companies Act 2006 (the Act) in the company and to grant rights to subscribe for or convert any security into ordinary shares in the company:

- (A) up to an aggregate nominal amount of £11,364,806 (such amount to be reduced by the aggregate nominal amount allotted or granted under paragraph (B) below in excess of such sum); and
- (B) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £22,729,613 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities as required by the rights of those securities or as the board otherwise considers necessary;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the 2015 annual general meeting of the company. During this period the company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended. All authorities vested in the board on the date of the notice of this meeting to allot shares or grant rights that remain unexercised at the commencement of this meeting are revoked.

#### Resolution 15: disapplying statutory pre-emption rights

That, if resolution 14 is passed, the board be given power to allot equity securities (as defined in the Companies Act 2006 (the Act)) for cash under the authority given by that resolution and/or to sell ordinary shares of 5 pence each held by the company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- (A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 14, by way of a rights issue only):
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities, as required by the rights of those securities or, as the board otherwise considers necessary,

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (B) in the case of the authority granted under paragraph (A) of resolution 14 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (A) above) of equity securities or sale of treasury shares up to an aggregate nominal amount of £1,704,721, such power to apply until the end of the 2015 annual general meeting of the company. During this period the company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

# Notice of annual general meeting

## Resolution 16: authorising the company to make market purchases of its own shares

That the company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the Act) to make one or more market purchases (as defined in section 693(4) of the Act) of its ordinary shares of 5 pence each, such power to be limited:

- (A) to a maximum aggregate number of 68,188,841 ordinary shares;
- (B) by the condition that the minimum price which may be paid for an ordinary share is the nominal amount of that share and the maximum price which may be paid for an ordinary share is the higher of:
  - (i) an amount equal to 5 per cent above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and
  - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,

in each case, exclusive of expenses;

such power to apply until the end of the 2015 annual general meeting of the company. The company may enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after the power ends and the company may purchase ordinary shares pursuant to any such contract as if the power had not ended.

## Resolution 17: notice of general meeting

That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

## Resolution 18: authorising political donations and political expenditure

That, in accordance with Part 14 of the Companies Act 2006 (the Act), the company and each company which is or becomes a subsidiary of the company at any time during the period for which this resolution has effect be and are hereby authorised:

- (A) to make political donations to political parties and/or independent election candidates to which Part 14 of the Act applies;
- (B) to make political donations to political organisations other than political parties; and
- (C) to incur political expenditure;

in each case during the period beginning with the date of the passing of this resolution and ending on the conclusion of the 2015 annual general meeting of the company. In any event, the aggregate amount of political donations and political expenditure made or incurred by the company and its subsidiaries pursuant to this resolution shall not exceed £50,000.

### By order of the board:

Simon Gardiner  
Company Secretary  
21 May 2014

### Registered office:

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



## Explanatory notes of resolutions

### Resolution 1: Annual Report and Financial Statements

The directors are required to lay before the meeting the financial statements of the company for the year ended 31 March 2014, the strategic report, the directors' report and the remuneration report and the audited parts thereof, and the auditor's report on the financial statements.

### Resolution 2: declaration of dividend

The board is recommending a final dividend of 24.03 pence per ordinary share. If approved, it will be paid on 1 August 2014 to shareholders on the register at the close of business on 20 June 2014.

### Resolution 3: Directors' remuneration report

In accordance with the Companies Act 2006, the company proposes an ordinary resolution to approve the directors' remuneration report for the financial year ended 31 March 2014. The directors' remuneration report can be found on pages 78 to 98 of the annual report and financial statements 2014 and, for the purposes of this resolution, does not include the parts of the directors' remuneration report containing the directors' remuneration policy which is set out on pages 80 to 86. The vote on this resolution is advisory only and the directors' entitlement to remuneration is not conditional on its being passed.

### Resolution 4: Directors' remuneration policy

For the first time this year, and in accordance with the Companies Act 2006, the company proposes an ordinary resolution to approve the directors' remuneration policy contained in the directors' remuneration report. The proposed policy is set out on pages 80 to 86 of the annual report and financial statements 2014. The vote on Resolution 4 is a binding vote and, if passed, will mean that remuneration payments and payments for loss of office can only be made to directors or former directors in accordance with the approved policy. The company is required to ensure that a vote on its remuneration policy takes place at least every three years unless it is proposed that the policy is to be changed before the expiry of the three year period in which case the company will propose a new resolution to approve the amended policy. Subject to approval at the AGM the directors' remuneration policy will take effect from 25 July 2014.

### Resolutions 5 to 11: reappointment/ election of directors

The board is mindful of the recommendation contained within the UK Corporate Governance Code published by the Financial Reporting Council in 2012 that all directors of FTSE 350 companies should be subject to annual appointment by shareholders. All directors therefore will retire at the 2014 AGM.

In accordance with the company's articles of association, Mark Clare, being a director appointed since the last AGM, stands for election.

Overview of the board – Collectively, the directors have many years of experience gained across a variety of areas and industries. Some have spent part of their careers overseas, and whilst there is a huge diversity in their skills and experience, they have predominantly worked in regulated industries, as is appropriate to our business.

With the exception of the Chairman, for whom under the code the test is not appropriate, all of our non-executive directors are determined to be independent in accordance with the code and free from any business or other relationship which could compromise their independent judgement. Should they need it, the non-executive directors are supported in their role by the ability to seek independent specialist advice.

With the exception of Nick Salmon, all directors will be offering themselves for reappointment or election at the forthcoming AGM in July 2014 in accordance with the code. As confirmed by the board evaluation exercise, the board fully endorses the reappointment of the board members at the AGM, all of whom are considered to be making a valuable and effective contribution to the board. The board also supports the election of Mark Clare who was appointed as a director during the year. The board recommends that shareholders vote all the directors back into office at the forthcoming AGM.

# Explanatory notes of resolutions

## Executive and non-executive directors offering themselves for reappointment/election



**Dr John McAdam (66)**  
Chairman

**Responsibilities:** Is responsible for the leadership of the board, setting its agenda and ensuring its effectiveness on all aspects of its role.

**Qualifications:** BSc (Hons) Chemical Physics, Diploma Advanced Studies in Science, PhD.

**Appointment to the board:** Appointed as a non-executive director in February 2008 and as Chairman in July 2008.

**Committee membership:** Nomination (chair).

**Current directorships/business interests:** Chairman of Rentokil Initial plc, senior independent director of J Sainsbury plc and a non-executive director of Rolls-Royce Holdings plc. He is also Chairman and a director of United Utilities Water PLC.

**Career experience:** Appointed to the board of ICI plc in 1999 and became chief executive in 2003, a position held until ICI's takeover by Akzo Nobel. There have been no changes to John's directorships during the year ended 31 March 2014.

**Skills and experience:** With over 15 years' service as a board director in a wide range of companies, and as a current non-executive director serving on a number of other boards, John has a wealth of experience on which to draw in his role as Chairman and leader of the board.

**Independence:** John met the code's independence criteria at the time of his initial appointment to the board in February 2008.



**Steve Mogford (57)**  
Chief Executive Officer

**Responsibilities:** To manage the group's business and to implement the strategy and policy approved by the board.

**Qualifications:** BSc (Hons) Astrophysics/Maths/Physics.

**Appointment to the board:** January 2011.

**Committee membership:** Corporate responsibility.

**Current directorships/business interests:** Senior independent director of Carillion PLC, vice-president of Liverpool School of Tropical Medicine. He is also Chief Executive Officer and a director of United Utilities Water PLC.

**Career experience:** Previously chief executive of SELEX Galileo, the defence electronics company owned by Italian aerospace and defence organisation Finmeccanica. Previously chief operating officer at BAE Systems PLC, and a member of its PLC board, he spent his earlier career with British Aerospace PLC.

**Skills and experience:** Steve's experience of the highly competitive defence market and complex design, manufacturing and support programmes has brought renewed focus to customer service and operational performance at United Utilities, and his perspective of the construction and infrastructure sector provides valuable experience relating to United Utilities' capital investment programme.



**Dr Catherine Bell (63)**

Independent non-executive director

**Qualifications:** MA Geography, PhD Economic History.

**Appointment to the board:** March 2007.

**Committee membership:** Nomination, audit, remuneration and corporate responsibility (chair).

**Current directorships/business interests:** Non-executive director and executive board member of the Department of Health and a non-executive director of National Grid Gas plc and National Grid Electricity Transmission plc. She is also an independent non-executive director of United Utilities Water PLC.

**Career experience:** Formerly a non-executive director of the Civil Aviation Authority and prior to that a former civil servant and acting permanent secretary at the Department for Trade and Industry. Previously a non-executive director of Ensus Limited and Swiss Re GB Plc.

**Skills and experience:** Catherine's civil service background and understanding of the operation of government departments and utility regulation is particularly valued given the regulated framework within which the business operates.



**Mark Clare (56)**

Independent non-executive director

**Qualifications:** Chartered Management Accountant (FCMA).

**Appointment to the board:** November 2013.

**Committee membership:** Nomination, audit.

**Current directorships/business interests:** Group chief executive at Barratt Developments plc. He is also an independent non-executive director of United Utilities Water PLC.

**Career experience:** Mark has been group chief executive at Barratt Developments plc since October 2006 and is also a trustee of the Building Research Establishment and the UK Green Building Council. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles both within Centrica plc and British Gas. Mark has also been a non-executive director of BAA plc, the airports operator.

**Skills and experience:** As the CEO of a listed company, Mark brings additional current operational experience to the board. His time at British Gas and BAA means he has a strong background operating in a regulated environment which will be invaluable as will his extensive knowledge of customer facing businesses which is particularly valuable as the industry prepares for increased competition and pursues its continuous drive to improve customer service. Lastly, his financial background is of great value as a member of the audit committee.

# Explanatory notes of resolutions

## Executive and non-executive directors offering themselves for reappointment/election



**Russ Holden (55)**  
Chief Financial Officer

**Responsibilities:** To manage the group's financial affairs and to contribute to the management of the group's business.

**Qualifications:** BSc (Hons) Management Sciences, Fellow of the Chartered Institute of Management Accountants, Chartered Global Management Accountant and a Fellow of the Association of Corporate Treasurers.

**Appointment to the board:** October 2010.

**Committee membership:** Treasury.

**Current directorships/business interests:** Russ is a Member of the Supervisory Board and Chairman of the Audit Committee of Orange Polska SA, a fixed and mobile telecommunications company listed on the Warsaw and London stock exchanges. He is a Member of the Main Committee and Chairman of the Financial Reporting Committee of the 100 Group. He is also chief financial officer and a director of United Utilities Water PLC.

**Career experience:** Chief financial officer at Telecom New Zealand. Previously finance director of Lovells, BT Wholesale, BT Networks and Information Services, ICI Polyurethanes and ICI Japan.

**Skills and experience:** Russ's experience in accounting, finance and treasury management in other competitive and regulated companies, along with his extensive experience of driving performance improvement and managing large capital expenditure programmes, provides the group with valuable expertise with regard to its drive for improvements in customer service, operations, capital expenditure and financing.



**Brian May (50)**  
Independent non-executive director

**Qualifications:** BSc (Hons) Actuarial Science, Chartered Accountant ACA.

**Appointment to the board:** September 2012.

**Committee membership:** Audit (chair), nomination, treasury (chair).

**Current directorships/business interests:** Finance director at Bunzl plc. He is also an independent non-executive director of United Utilities Water PLC.

**Career experience:** Brian has been finance director at Bunzl plc since 2006 and prior to that held a number of senior finance roles within the company. Prior to joining Bunzl, Brian qualified as a chartered accountant with KPMG.

**Skills and experience:** Brian joined Bunzl in 1993 as head of internal audit before becoming group treasurer, then finance director, Europe and Australasia, and is currently group finance director. Brian's background and the various finance roles that he has held are major assets to the board in chairing both the audit committee and the treasury committee.



### Sara Weller (52)

Independent non-executive director

**Qualifications:** MA Chemistry.

**Appointment to the board:** March 2012.

**Committee membership:** Nomination and remuneration (chair).

**Current directorships/business interests:**

Non-executive director of Lloyds Banking Group plc and lead non-executive director for the Department for Communities and Local Government. Sara is also a board member at the Higher Education Funding Council for England (HEFCE). She is also an independent non-executive director of United Utilities Water PLC.

**Career experience:** Sara has wide-ranging business experience having worked for Mars, Abbey National and Sainsbury's and most recently as managing director of Argos from 2004 to 2011. She served as the senior independent director at Mitchells and Butlers from 2003 to 2006 and also chaired its remuneration committee from 2003 to 2010.

**Skills and experience:** Sara's experience of customer facing businesses, together with her knowledge of operating within a regulated environment, will be major assets to the board as the water industry prepares for the opening up of the sector to more competition and in improving customer service.

# Explanatory notes of resolutions

## Resolutions 12 and 13: reappointment and remuneration of auditor

The board is recommending the reappointment of KPMG LLP as external auditor to the company. An authority for the directors to set the remuneration of the auditor will also be sought.

## Resolution 14: authorising the directors to allot shares

Paragraph (A) of this resolution 14 would give the directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £11,364,806 (representing 227,296,139 ordinary shares of 5 pence each). This amount represents approximately one-third of the issued ordinary share capital of the company as at 21 May 2014, the latest practicable date prior to publication of this notice.

In line with guidance issued by the Association of British Insurers, paragraph (B) of this resolution would give the directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £22,729,613 (representing 454,592,278 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the company as at 21 May 2014, the latest practicable date prior to publication of this notice.

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the conclusion of the annual general meeting of the company held in 2015.

The directors have no present intention to exercise the authorities sought under paragraph (B) of this resolution. As at the date of this notice, no ordinary shares are held by the company in treasury.

## Resolution 15: disapplying statutory pre-emption rights will be proposed as a special resolution

Resolution 15 seeks to give the directors the authority to allot ordinary shares (or sell any ordinary shares which the company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, as in previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,704,721 (representing 34,094,420 ordinary shares). This aggregate nominal amount represents approximately 5 per cent of the issued ordinary share capital of the company as at 21 May 2014, the latest practicable date prior to publication of this notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5 per cent should not take place without prior consultation with shareholders. The authority will expire at the conclusion of the annual general meeting of the company held in 2015.

## Resolution 16: authorising the company to make market purchases of its own shares will be proposed as a special resolution

Authority is sought for the company to purchase up to 10 per cent of its issued ordinary shares (excluding any treasury shares), renewing the authority granted by the shareholders at previous annual general meetings. The directors have no present intention of exercising the authority to make market purchases however, the authority provides the flexibility to allow them to do so in the future. The directors will exercise this authority only when to do so would be in the best interests of the company, and of its shareholders generally, and could be expected to result in an increase in the earnings per share of the company.

The authority will expire at the conclusion of the annual general meeting of the company held in 2015.

Ordinary shares purchased by the company pursuant to this authority may be held in treasury or may be cancelled. The directors would consider holding any ordinary shares the company may purchase as treasury shares. The company currently has no ordinary shares in treasury. The minimum price, exclusive of expenses, which may be paid for an ordinary share is its nominal value. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the higher of:

- (i) an amount equal to 105 per cent of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

There are share options outstanding over 1,724,499 ordinary shares, representing 0.25 per cent of the company's ordinary issued share capital as at 21 May 2014. If the authority to purchase ordinary shares was exercised in full and those shares were subsequently cancelled, these share options would represent 0.25 per cent of the company's ordinary issued share capital.

#### **Resolution 17: notice of general meeting will be proposed as a special resolution**

The Companies Act 2006 requires the notice period for general meetings of the company to be at least 21 days. Under its articles of association, the company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to do so, shareholders must first approve the calling of meetings on 14 days' notice. Resolution 17 seeks such approval. The shorter notice period would not be used as a matter of routine, but only when the flexibility was merited by the business of the meeting and the circumstances requiring the business. The approval will be effective until the 2015 annual general meeting, when it is intended that a similar resolution will be proposed.

#### **Resolution 18: authorising political donations and political expenditure**

Shareholder approval is required for donations to political parties, independent election candidates and other political organisations, and for other political expenditure. The company does not make, and does not intend to make, donations to political parties. However, the definition of political donations is very broad and includes expenses incurred as part of the process of having dialogue with members of parliament and opinion formers to ensure that the issues and concerns of United Utilities are considered and addressed. The resolution seeks to ensure that the company and its subsidiaries remain within the law in carrying out these activities.

# General information

## Questions to the meeting

Shareholders have a statutory right in accordance with section 319A of the Companies Act 2006 to ask and to receive an answer to a question relating to the business of the meeting, although an answer need not be given if in doing so, amongst other things, it was considered undesirable in the interests of the company or the good order of the meeting or if it involved the disclosure of confidential information.

## Website

A copy of this notice of meeting and details of the company's share capital in accordance with section 311A of the Companies Act 2006 are available on the company's website at [corporate.unitedutilities.com](http://corporate.unitedutilities.com).

## Attending and admission to the meeting

Please bring your admission card with you to the meeting. It contains your unique shareholder number and will speed up the registration process.

It also serves as your poll card. This helps the votes to be counted more quickly and accurately after the meeting. If you don't bring your admission card, you will need proof of identity before you can be admitted. Security checks will be made and we reserve the right to search bags before allowing entry. The doors will open at 10.00 am and the meeting starts at 11.00 am.

## Documents you can look at

Copies of executive directors' service contracts and non-executive directors' letters of appointment are available for inspection by shareholders prior to the AGM until the close of the meeting. Similarly, copies of current articles of association will be available for inspection at the meeting, for at least 15 minutes prior to, and until the close of the meeting and at our registered office.

## Voting at the meeting

The record date for entry on the register of members in order to have the right to attend and vote at the meeting is 6.00 pm on Wednesday 23 July 2014 (or, if the meeting is adjourned, 6.00 pm on the day two days before the date fixed for the reconvened meeting). A poll vote will be held on each resolution and scrutinised by representatives of Equiniti present at the meeting, thereby ensuring the votes cast are correctly recorded, and enabling shareholders who have appointed a proxy to vote on their behalf to have their votes fully taken into account. One vote can be cast for each ordinary share held.

## Appointing one or more proxy

Every shareholder who is entitled to attend and vote has the right to appoint one or more persons as proxy to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a shareholder. A shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights in respect of a different share or shares held by the shareholder. You may appoint your proxy or proxies electronically or by completing, detaching and returning the proxy form attached to your admission card and enclosed with this notice. To be valid, completed proxy forms must be received by the company's registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, United Kingdom, BN99 6DA by no later than 11.00 am on Wednesday 23 July 2014. Even if you have lodged a proxy form you may still attend and vote at the meeting, but the original proxy vote would be disregarded. To appoint more than one proxy, you may photocopy the form of proxy or request additional forms from the company's registrar, Equiniti, by telephone on 0871 384 2041 (calls to this number will be charged at 8p per minute plus network extras, lines are open 8.30 am to 5.30 pm Monday to Friday) or for overseas shareholders +44 121 415 7048, or by writing to them at the above address. Multiple proxy appointments should be returned together in the same envelope.



### Persons nominated to enjoy information rights

If you're not a shareholder, but enjoy information rights under the Companies Act 2006, you are not entitled to appoint a proxy. However, there may be an agreement between you and your nominating shareholder which entitles you to be appointed, or to have someone else appointed, as their proxy. If you don't have this right, or don't wish to exercise it, you may still be entitled under such an agreement to give instructions to that shareholder as to how you would like them to vote.

### Electronic proxy voting

Shareholders can register the appointment of a proxy for this meeting at [sharevote.co.uk](http://sharevote.co.uk) which is run by Equiniti. To do this, you'll need the three numbers (voting ID, task ID and shareholder reference number) that are quoted on your proxy form. Then follow the instructions on the website. The appointment of a proxy must be received by Equiniti no later than 11.00 am on Wednesday 23 July 2014.

Please read the terms and conditions relating to the use of this facility before appointing a proxy. These terms and conditions may be viewed on the website. You may not use any electronic address provided in this notice to communicate with the company for any other purpose other than those stated. Any electronic communication sent by a shareholder that is found to contain a virus will not be accepted.

### CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to act on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the

information required for such instructions, as described in the CREST manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Equiniti (ID RA19) by no later than 11.00 am on Wednesday 23 July 2014 (or not less than 48 hours before any adjourned meeting).

For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# General information

## Corporate representative

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

## Issued share capital

As at 21 May 2014 (being the latest practicable date prior to the publication of this document):

- (i) the company's issued share capital consisted of 681,888,418 ordinary shares of 5 pence each and 273,956,180 deferred shares of 170 pence each; and
- (ii) the total voting rights in the company were 681,888,418.

## Shareholder requests

Under section 527 of the Companies Act 2006 (the Act), members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to:

- (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or

- (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes any statement that the company has been required under section 527 of the Act to publish on a website.

Under sections 338 and 338A of the Act, shareholders may request the company to give notice of a resolution which is intended to be moved at an AGM, or to include in the business of an AGM other business which may properly be so included, provided that the resolution or other business would not be defamatory, frivolous or vexatious, and in the case of a proposed resolution, provided that the resolution would not be ineffective. The company will give notice of such a resolution or of such other business if sufficient requests have been received in accordance with sections 338(3) and 338A(3) of the Act.



To go straight to the investor page on our website scan the QR code with your smartphone

United Utilities is proud to have retained Platinum Big Tick ranking in the Business in the Community Corporate Responsibility Index and world class status in the Dow Jones Sustainability Index.



MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

# Shareholder information

## Key Dates

### We plan to:

- **1 Aug 2014**  
Pay the 2013/14 final dividend.
- **26 Nov 2014**  
Announce the half year results for the 2014/15 financial year.
- **2 Feb 2015**  
Pay the 2014/15 interim dividend.
- **May 2015**  
Announce the final results for the 2014/15 financial year.
- **June 2015**  
Publish the Annual Report and Financial Statements for the 2014/15 financial year.

## Electronic communications

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

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

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

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

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

## Dividends paid direct to your bank account

Why not make life easy and have your dividends paid straight into your bank account?

- the dividend goes directly into your bank account and is available straight away
- no need to pay dividend cheques into your bank account
- no risk of losing cheques in the post
- no risk of having to replace spoiled or out-of-date cheques
- it's cost-effective for your company

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

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

## Warning to shareholders

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

### Registrar details

Our registrar, Equiniti, can be contacted on 0871 384 2041 or textphone for those with hearing difficulties: 0871 384 2255. Calls to these numbers will be charged at 8p per minute plus network extras. Lines are open 8.30 am to 5.30 pm, Monday to Friday excluding bank holidays.

The address is:

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

Overseas shareholders may contact them on:

**+44 (0)121 415 7048.**

Equiniti offers a share dealing service

by telephone: **0845 603 7037**

and online: [shareview.co.uk/dealing](http://shareview.co.uk/dealing).

Equiniti also offers a stocks and shares ISA for United Utilities shares.

For more information, call **0845 300 0430** or go to [shareview.co.uk/dealing](http://shareview.co.uk/dealing).

### Keeping you in the picture

You can find information about United Utilities quickly and easily on our website:

[corporate.unitedutilities.com](http://corporate.unitedutilities.com). Here the Annual Report and Financial Statements, corporate responsibility report, other reports, company announcements, the half year and final

announcements and associated presentations are published. View or download the full Annual Report and Financial Statements from [corporate.unitedutilities.com](http://corporate.unitedutilities.com)



### Registered Office:

#### United Utilities Group PLC

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

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[unitedutilities.com](http://unitedutilities.com)

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(ECF) process.

### Cover picture:

Customer service technicians Vicky Thorpe (left) and Barbara McAuley, helping to sort out issues on the wastewater network.