

United Utilities Water Finance PLC

Report and Financial Statements

31 March 2015

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Directors, advisers and other information

Directors

PA Aspin
SR Gardiner
JR Houlden
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

Business review

The company is a wholly owned subsidiary of United Utilities Water Limited (formerly United Utilities Water PLC).

The company was newly incorporated on 19 September 2014. The principal activity of the company is the provision of long term finance for its immediate parent, United Utilities Water Limited. There have not been any significant changes in the company's principal activity in the period under review and no changes are currently planned.

There have been no new financing arrangements during the period.

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 along with its parent and discussed in the annual report and financial statements of United Utilities Water Limited.

The Strategic report was approved by the board on 5 June 2015 and signed on its behalf by:

JR Houlden
Director

Directors' report

The directors present their report and the audited financial statements for the period from 19 September 2014 to 31 March 2015.

Incorporation

The company was incorporated and registered in England and Wales on 19 September 2014 under the Companies Act 2006 as a public limited company with the name United Utilities Water Finance PLC and registered number 9227416.

Results and dividends

The company recorded a profit for the period of £123. The directors have not recommended a final ordinary dividend for the period ended 31 March 2015.

Principal activity and review of business

The principal activity of the company is the provision of long term finance for its immediate parent, United Utilities Water Limited. There have not been any significant changes in the company's principal activity in the period under review and no changes are currently planned.

Post balance sheet events

On 23 April 2015, the company issued £25 million 0.013 per cent Index-Linked Notes due April 2025 and £35 million 0.178 per cent Index-Linked Notes due April 2030. On 27 April 2015, the company issued EUR 52 million 1.129 per cent Fixed Rate Notes due April 2027. Each of these are unconditionally and irrevocably guaranteed by United Utilities Water Limited under the United Utilities PLC and United Utilities Water Finance PLC multi-issuer EUR 7 billion Euro Medium Term Note Programme. Amounts raised have been passed on to United Utilities Water Limited on identical terms.

Going concern

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

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 United Utilities Group PLC's treasury department. The group's treasury management policies and operations are discussed in United Utilities Group PLC's Annual report and accounts.

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

Directors

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

PA Aspin (appointed 7 November 2014)

SR Gardiner (appointed 7 November 2014)

DM Hannon (appointed 19 September 2014, resigned 7 November 2014)

JR Houlden (appointed 7 November 2014)

BF Murphy (appointed 19 September 2014)

During the period, 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 he is aware, there is no relevant audit information of which the company's auditor is unaware; and
2. he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report

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

Auditor

Our board has decided to recommend KPMG LLP to be appointed as external auditor to the company at the AGM and an authority for the directors to set the remuneration of the auditor will also be sought.

Approved by the board and signed on its behalf by:

JR Houlden
Director
5 June 2015

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

The directors are responsible for preparing the Strategic Report, the Directors' 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 (UK Generally Accepted Accounting Practice), 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 the profit or loss of the company for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report

to the members of United Utilities Water Finance PLC

We have audited the financial statements of United Utilities Water Finance PLC for the period ended 31 March 2015 set out on pages 8 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

John Luke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One St Peter's Square

Manchester

M2 3AE

5 June 2015

Profit and loss account

for the period ended 31 March

| | Note | 2015 £ |
|--|------|-------------------|
| Interest receivable | 3 | 156 |
| Net interest receivable | | <u>156</u> |
| Profit on ordinary activities before taxation | | 156 |
| Tax on profit on ordinary activities | 4 | (33) |
| Profit for the financial period | | <u><u>123</u></u> |

All of the results shown above relate to continuing operations.

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

Balance sheet

at 31 March

| | Note | 2015 £ |
|--|------|--------------------|
| Current assets | | |
| Debtors | 5 | 50,156 |
| Creditors: amounts falling due within one year | 6 | (33) |
| Net assets | | <hr/> 50,123 <hr/> |
| Capital and reserves | | |
| Called up share capital | 7 | 50,000 |
| Profit and loss account | | 123 |
| Shareholders' funds | | <hr/> 50,123 <hr/> |

The financial statements of United Utilities Water Finance PLC, registered number 9227416, were approved by the board of directors and authorised for issue on 5 June 2015. They were signed on its behalf by:

JR Houlden
Director

Statement of changes in equity

for the period ended 31 March

| | Share capital £ | Profit and loss account £ | Total £ |
|-----------------------|-----------------------|------------------------------------|---------------|
| At 19 September 2014 | - | - | - |
| Share capital issued | 50,000 | - | 50,000 |
| Profit after taxation | - | 123 | 123 |
| At 31 March 2015 | <u>50,000</u> | <u>123</u> | <u>50,123</u> |

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 applicable law and accounting standards in the United Kingdom.

The company has elected to adopt early the new accounting framework issued by the Financial Reporting Council. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100). Accordingly, the company has adopted FRS 101 'Reduced Disclosure Framework'. Therefore the recognition and measurement requirements of EU-adopted IFRS 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 presentation of a cash flow statement, capital management and related party transactions.

Where required, equivalent disclosures are given in the group accounts of United Utilities Group PLC. The group accounts of United Utilities Group PLC are available to the public and can be obtained as set out in note 9.

Going concern

In preparing these financial statements on the going concern basis, the directors have considered the company's net assets position. The net assets are deemed to be fully recoverable. In addition, United Utilities Water Limited acts as guarantor in relation to the company's borrowings, which are long term in nature. For these reasons, the directors have concluded that the going concern basis continues to be appropriate.

Interest receivable

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

Current taxation

Current taxation, being UK corporation tax, is based on the taxable profit 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 differs from the net profit 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

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 unless there is objective evidence that the asset is impaired, where it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

There have been no employees of the company during the period other than the directors. The directors' emoluments are borne by other group companies and are not recharged. This is because a fair apportionment is not possible as services are provided to multiple entities.

The auditor's remuneration for the statutory audit of the company was borne by another group undertaking in the current period. The amount attributable but not recharged to United Utilities Water Finance PLC was £1,000. There were no non audit services provided by the auditor to the company.

3. Net interest receivable

| | |
|---|-----------|
| | 2015 £ |
| Interest receivable from immediate parent undertaking | 156 |

4. Tax on profit on ordinary activities

(a) Analysis of the tax charge for the period

| | |
|--|-----------|
| | 2015 £ |
| Current tax: | |
| Total current tax charge: group relief payable | (33) |

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

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | |
|---|-----------|
| | 2015 £ |
| Profit on ordinary activities before taxation | 156 |
| Tax at the UK corporation tax rate of 21% | (33) |
| Actual current tax charge | (33) |

5. Debtors

| | |
|--|-----------|
| | 2015 £ |
| Amounts owed by immediate parent undertaking | 50,156 |

Notes to the financial statements

6. Creditors: amounts falling due within one year

| | |
|--|-----------|
| | 2015 £ |
| Amounts owed to intermediate parent undertakings | (33) |

7. Called up share capital

| | |
|---|-----------|
| | 2015 £ |
| Allotted, called up and fully paid | |
| 50,000 ordinary shares of £1.00 each | 50,000 |

8. Related party transactions

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

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 United Utilities Group PLC group.

9. Ultimate parent undertaking

The company's immediate parent undertaking is United Utilities Water Limited, a company incorporated in Great Britain.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is United Utilities Group PLC, a company incorporated in Great Britain.

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.