

United Utilities Water Finance PLC

Report and Financial Statements

31 March 2024

Contents

| | |
|---|----|
| Directors, advisers and other information | 2 |
| Strategic report | 3 |
| Directors' report | 4 |
| Statement of directors' responsibilities in respect of the annual report and the financial statements | 5 |
| Independent auditor's report to the members of United Utilities Water Finance PLC | 6 |
| Income statement | 11 |
| Statement of financial position | 12 |
| Statement of changes in equity | 13 |
| Notes to the financial statements | 14 |

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.

The principal activity of the company is the provision of long term finance for its immediate parent, United Utilities Water Limited (“U UW”). 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 (2023: £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 U UW.

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, U UW. Amounts raised are passed on to U UW on identical terms. U UW guarantees the company’s obligations under these arrangements. The principal risk of these arrangements is that U UW 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 2024. 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 2024 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 28 June 2024 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 2024 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 £50,000 (2023: profit of £46,000). The directors have not recommended a final ordinary dividend for the year ended 31 March 2024 (2023: £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 he 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

The board has decided to recommend KPMG LLP to be reappointed as external auditor to the company at the forthcoming 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:



PA Aspin
Director
28 June 2024

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

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

The directors are responsible for preparing the Annual Report and the 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 and a Directors' Report that complies with that law and those regulations.

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 and directors' reports include 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
28 June 2024

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 2024 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 2024 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 13 financial years ended 31 March 2024. 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.

Independent auditor's report

to the members of United Utilities Water Finance PLC

| | |
|---|---|
| Carrying value of borrowings Carrying value of £4,796.7m (2023: £3,416.0m) <i>Refer to page 15 (accounting policy), and pages 17 to 18 (financial disclosures).</i> | |
| The risk <p>The company has significant borrowings held at amortised cost. Due to the significance of these balances, 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> | Our response <p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none">— Tests of detail: testing a sample of borrowings to source documentation;— Reperformance: independently reperforming calculations of carrying value and comparing to management's results; and— Assessing transparency: considering the adequacy of the company's disclosures. Our results <p>The results of our testing were satisfactory and we found the carrying value of borrowings to be acceptable (2023: acceptable).</p> |

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 £9.7m (2023: £8.0m), determined with reference to a benchmark of total assets of £4,846.4m (2023: £3,436.2m), of which it represents 0.2% (2023: 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% (2023: 75%) of materiality which equates to £7.3m (2023: £6.0m). 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 £0.5m (2023: £0.4m), 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").

Independent auditor's report

to the members of United Utilities Water Finance PLC

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; and
- we found the going concern disclosure in note 1 to be acceptable.

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

- enquiring 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;
- considering remuneration incentive schemes and performance targets for directors; and
- reading Board and Audit Committee minutes relating to the ultimate parent, United Utilities Group PLC.

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 the 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

Independent auditor's report

to the members of United Utilities Water Finance PLC

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 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.

Independent auditor's report

to the members of United Utilities Water Finance PLC

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.

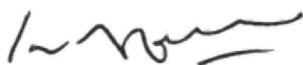
Auditor's responsibilities

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.



Ian Griffiths (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants ·

1 St Peter's Square, Manchester, M2 3AE.

28 June 2024

Income statement

for the year ended 31 March 2024

| | Note | 2024 £000 | 2023 £000 |
|--|------|--------------|--------------|
| Management fees | | 50 | 50 |
| Operating profit | 2 | 50 | 50 |
| Investment income | 3 | 85,811 | 134,027 |
| Finance expense | 4 | (85,794) | (134,020) |
| Investment income and finance expense | | 17 | 7 |
| Profit before tax | | 67 | 57 |
| Tax | 5 | (17) | (11) |
| Profit after tax | | 50 | 46 |

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 2024

| | Note | 2024 £000 | 2023 £000 |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Trade and other receivables | 6 | 4,453,268 | 3,416,017 |
| Current assets | | | |
| Trade and other receivables | 6 | 393,175 | 20,209 |
| Total assets | | <u>4,846,443</u> | <u>3,436,226</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 8 | (4,457,219) | (3,416,017) |
| Current liabilities | | | |
| Trade and other payables | 7 | (49,402) | (19,946) |
| Borrowings | 8 | (339,509) | - |
| Total liabilities | | <u>(4,846,130)</u> | <u>(3,435,963)</u> |
| Total net assets | | <u>313</u> | <u>263</u> |
| Capital and reserves attributable to equity holders of the company | | | |
| Called up share capital | 9 | 50 | 50 |
| Retained earnings | | 263 | 213 |
| Shareholders' funds | | <u>313</u> | <u>263</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 28 June 2024. They were signed on its behalf by:



PA Aspin
Director

Statement of changes in equity

for the year ended 31 March 2024

| | Share capital £000 | Retained earnings £000 | Total £000 |
|------------------|--------------------------|------------------------------|---------------|
| At 1 April 2022 | 50 | 167 | 217 |
| Profit after tax | - | 46 | 46 |
| At 31 March 2023 | <u>50</u> | <u>213</u> | <u>263</u> |
| Profit after tax | - | 50 | 50 |
| At 31 March 2024 | <u>50</u> | <u>263</u> | <u>313</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. The net assets are deemed to be fully recoverable. In addition, United Utilities Water Limited ("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.

Investment 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.

Notes to the financial statements

1. Accounting policies (continued)

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.

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.

2. Operating profit

A management fee of £50,000 (2023: £50,000) has been charged in relation to services provided to U UW 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 included in the value of the management fee. The directors' allocation of remuneration to this company is immaterial.

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 £39,000 (2023: £32,000). There were no non-audit services provided by the auditor to the company (2023: none).

3. Investment income

| | 2024 £000 | 2023 £000 |
|--|---------------|----------------|
| Interest and charges receivable relating to amounts owed by immediate parent undertaking | 115,305 | 111,739 |
| Foreign exchange (losses)/gains on loans receivable from immediate parent undertaking | (29,494) | 22,288 |
| | <u>85,811</u> | <u>134,027</u> |

Included in 'Interest receivable on amounts owed by immediate parent undertaking' for the year ended 31 March 2024 is £17,000 (2023: £7,000) of interest receivable on intercompany cash pool balances.

4. Finance expense

| | 2024 £000 | 2023 £000 |
|--|---------------|----------------|
| Interest payable on borrowings held at amortised cost | 115,288 | 111,732 |
| Foreign exchange (gains)/losses on borrowings held at amortised cost | (29,494) | 22,288 |
| | <u>85,794</u> | <u>134,020</u> |

Notes to the financial statements

5. Tax

(a) Analysis of the tax charge for the year

| | 2024 | 2023 |
|--------------------------|------|------|
| | £000 | £000 |
| Current tax: | | |
| Total current tax charge | 17 | 11 |

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

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:

| | 2024 | 2023 |
|---|-------|------|
| | £000 | £000 |
| Profit before tax | 67 | 57 |
| Tax at the UK corporation tax rate of 25% (2023: 19%) | 17 | 11 |
| Expenses not deductible | 735 | - |
| Group relief on expenses not deductible | (735) | - |
| Actual current tax charge | 17 | 11 |

6. Trade and other receivables

| | 2024 | 2023 |
|---|-----------|-----------|
| | £000 | £000 |
| Amounts owed by immediate parent undertaking: | | |
| Loans | 4,796,726 | 3,416,017 |
| Interest receivable | 49,338 | 19,896 |
| Other | 379 | 313 |
| | 4,846,443 | 3,436,226 |

At 31 March 2024 the company had £393,175,000 (2023: £20,209,000) 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 £4,302,824,000 as at 31 March 2024 (2023: £2,802,888,000).

7. Trade and other payables

| | 2024 | 2023 |
|---|--------|--------|
| | £000 | £000 |
| Accruals – interest payable on borrowings | 49,333 | 19,894 |
| Amounts owed to intermediate parent undertakings – group relief payable | 69 | 52 |
| | 49,402 | 19,946 |

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 | 2024 Carrying value £000 | Fair value £000 | 2023 Carrying value £000 |
|--|----------|-------------------------|--------------------|--------------------------------|--------------------|--------------------------------|
| Borrowings measured at amortised cost | | | | | | |
| 0.013%+RPI 25m IL bond | GBP | 2025 | 36,401 | 36,864 | 34,590 | 35,132 |
| 2.0% 340m bond ⁽¹⁾ | GBP | 2025 | 331,503 | 339,509 | 427,829 | 448,779 |
| 2.867% 320m bond | HKD | 2026 | 31,249 | 32,361 | 31,511 | 32,986 |
| 2.92% 739m bond | HKD | 2026 | 71,912 | 74,734 | 72,564 | 76,178 |
| 1.129% 52m bond | EUR | 2027 | 41,956 | 44,449 | 42,102 | 45,706 |
| 2.37% 830m bond | HKD | 2027 | 80,407 | 83,938 | 80,152 | 85,556 |
| 0.01%+RPI 20m IL bond | GBP | 2028 | 27,500 | 29,516 | 26,302 | 28,355 |
| 1.43% 100m bond | GBP | 2028 | 87,282 | 99,997 | 84,649 | 99,996 |
| 0.875% 300m bond | GBP | 2029 | 245,076 | 297,648 | 234,683 | 297,240 |
| 0.175% 11bn bond | JPY | 2030 | 54,240 | 57,549 | 63,450 | 66,992 |
| 2.058% 30m bond | EUR | 2030 | 23,682 | 25,641 | 23,425 | 26,366 |
| 0.178%+RPI 35m IL bond | GBP | 2030 | 49,457 | 51,592 | 46,086 | 49,168 |
| 2.625% 350m bond | GBP | 2031 | 372,310 | 433,689 | 365,675 | 434,854 |
| 1.641% 30m bond | EUR | 2031 | 22,876 | 25,643 | 23,573 | 26,368 |
| 2.9% 600m bond | HKD | 2031 | 58,262 | 60,678 | 57,421 | 61,847 |
| 1.474% 35m bond | USD | 2031 | 20,900 | 27,704 | 22,456 | 28,319 |
| 0.245%+CPI 20m IL bond | GBP | 2031 | 22,893 | 25,981 | 21,766 | 24,969 |
| 0.01%+RPI 38m IL bond | GBP | 2031 | 50,443 | 55,862 | 50,536 | 53,536 |
| 1.707% 28m bond | EUR | 2032 | 20,701 | 23,933 | 20,298 | 24,610 |
| 1.653% 26m bond | EUR | 2032 | 18,990 | 22,223 | 18,595 | 22,852 |
| 1.70% 30m bond | EUR | 2033 | 21,892 | 25,642 | 21,439 | 26,368 |
| 2.0% 300m bond | GBP | 2033 | 281,074 | 349,731 | 273,463 | 349,698 |
| 3.75% 650m bond | EUR | 2034 | 560,694 | 549,395 | - | - |
| 0.01%+RPI 26.5m IL bond | GBP | 2036 | 32,304 | 40,686 | 31,346 | 39,126 |
| 0.379%+CPI 20m IL bond | GBP | 2036 | 21,600 | 25,962 | 20,839 | 24,950 |
| 0.01%+RPI 29m IL bond | GBP | 2036 | 35,548 | 42,942 | 33,698 | 41,128 |
| 5.75% 400m bond | GBP | 2036 | 442,076 | 399,369 | - | - |
| 0.093%+CPI 60m IL bond | GBP | 2037 | 62,203 | 77,472 | 59,937 | 74,443 |
| 1.450% 8.5bn bond | JPY | 2037 | 43,322 | 44,469 | 52,508 | 51,765 |
| 1.75% 250m bond | GBP | 2038 | 219,940 | 301,776 | 215,432 | 300,372 |
| 5.125% 300m bond | GBP | 2038 | 306,328 | 297,414 | - | - |
| 0.01%+CPI 125m IL bond | GBP | 2040 | 111,947 | 168,251 | 106,905 | 163,475 |
| 1.875% 300m bond | GBP | 2042 | 191,380 | 295,833 | 187,342 | 295,634 |
| 5.25% 250m bond | GBP | 2046 | 251,350 | 245,811 | - | - |
| 0.359%+CPI 32m IL bond | GBP | 2048 | 27,552 | 40,752 | 26,949 | 39,172 |
| 0.387%+CPI 33m IL bond | GBP | 2057 | 25,574 | 41,713 | 25,367 | 40,078 |
| | | | 4,302,824 | 4,796,728 | 2,802,888 | 3,416,017 |

⁽¹⁾ During the year, the group underwent a liability management exercise, and £110.1 million of the £450 million fixed rate notes due 2025 were re-paid ahead of maturity in February 2025.

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 £3,794,824,000 (2023: £2,111,245,000) of level 1 fair value measurements, being derived from quoted prices in active markets for identical liabilities and £508,000,000 (2023: £691,643,000) 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, the company raised £350 million fixed rate notes in May 2024, due May 2051, 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

| | 2024 | 2023 |
|---|------|------|
| | £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 2024, the maximum exposure to credit risk represent amounts owed by immediate parent undertaking of £4,846,443,000 (2023: £3,436,176,000). 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 £4,000 (2023: £3,000) 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.