



Financials

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1. Our opinion is unmodified

In our opinion:

- the financial statements of United Utilities Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2026, and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company Financial Statements of United Utilities Group PLC (the "Company") for the year ended 31 March 2026 ('FY26') included in the Integrated Annual Report and Financial Statements, which comprise:

Group	Parent Company (United Utilities Group PLC)
Consolidated statement of comprehensive income	Company statement of financial position
Consolidated statement of financial position	Company statement of changes in equity
Consolidated statement of changes in equity	Notes 1 to 24 and A1 to A7 to the Parent Company Financial Statements, including the accounting policies in note A6 and on pages 195 to 198.
Consolidated statement of cash flows	
Notes 1 to 24 and A1 to A7 to the Group Financial Statements, including the accounting policies in note A6 and on pages 195 to 198.	

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 and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee.

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.

2. Overview of our audit

		Key Audit Matters	Vs FY25	Item
	Following our FY25 audit, and considering developments affecting the Group since then, our assessment of risks and our view of how this impacts the audit of the Financial Statements has been updated for the current year where required.	Allowances for expected credit losses relating to household customer debt	◀▶	4.1
	Household customers' bills have increased in the year, reflecting the tariffs agreed for the new five year regulatory cycle. Economic uncertainty arose in the latter part of the year, which risks creating greater uncertainty of future customer affordability. Reflecting these matters, the risk associated with the estimate over allowances for expected credit losses relating to household customer debt continues to be seen as significant.	Capitalisation of costs relating to the capital programme	▲	4.2
		Contingent liabilities associated with certain environmental matters	◀▶	4.3
		Recoverability of Parent Company's investment in United Utilities PLC	◀▶	4.4
Factors driving our view of risks	The Group's capital programme has significantly increased for the current five year Asset Management Plan (AMP) regulatory cycle (2025/26 to 2029/30). In addition to this, the Group has revised its judgement on capitalisation of infrastructure renewal expenditure. A significant portion of this expenditure is now being capitalised, whereas previously it was being entirely expensed. Due to these factors, there is increased likelihood of error which could result in a material misstatement. In line with prior year, our selection of projects to test considered those that could be more susceptible to judgement. The Group continues to be under investigation by Ofwat and the Environment Agency ('EA') concerning compliance with environmental permits relating to storm sewerage discharges. The risks associated with these contingent liabilities remain unchanged from the prior year.			

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Audit Committee interaction	<p>During the financial year, the Audit Committee met five times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each.</p> <p>The matters included in the Audit Committee Report on pages 128 to 129 are materially consistent with our observations of the meetings.</p>
Our independence	<p>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.</p> <p>We have not performed any non-audit services during FY26 or subsequently which are prohibited by the FRC Ethical Standard.</p> <p>We were first appointed as auditor by the shareholders for the year ended 31 March 2012. The period of total uninterrupted engagement is for the 15 financial years ended 31 March 2026.</p> <p>The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Andrew Bradshaw, he will be required to rotate off after the FY30 audit.</p>

Total audit fee	£1,159,000
Audit related fees (including interim review)	£212,500
Other services	£90,500
Non-audit fee as a % of total audit and audit related fee %	6.6%
Date first appointed	22 July 2011
Uninterrupted audit tenure	15 years
Next financial period which requires a tender	2032
Tenure of Group engagement partner	1 years

Materiality (Item 6 below)

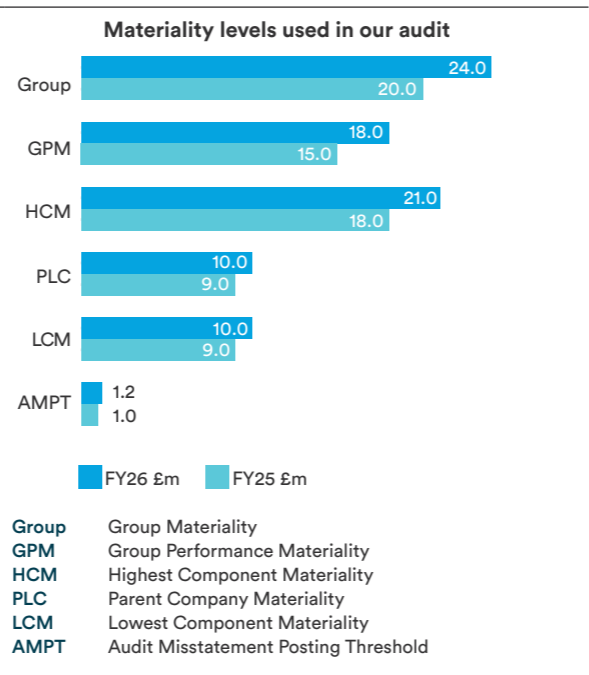
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £24.0m (FY25: £20.0m) and for the Parent Company Financial Statements as a whole at £10.0m (FY25: £9.0m).

A key judgement in determining materiality was the most relevant metric to select as the benchmark, by considering which metrics have the greatest bearing on shareholder decisions.

Consistent with FY25, we determined materiality with reference to a range of metrics due to the fact that the Group faces increased finance costs, as a result of the current high-inflationary environment, which causes volatility in profit before tax. As such, group materiality is based on revenues, total assets and profit before tax, of which it represents 0.92%, 0.13% and 3.08% (FY25: revenues, total assets and operating profit, of which it represents 0.93%, 0.12% and 3.17%) respectively.

Materiality for the Parent Company Financial Statements was determined with reference to a benchmark of the Parent Company's total assets of which it represents 0.1% (FY25: 0.1%).



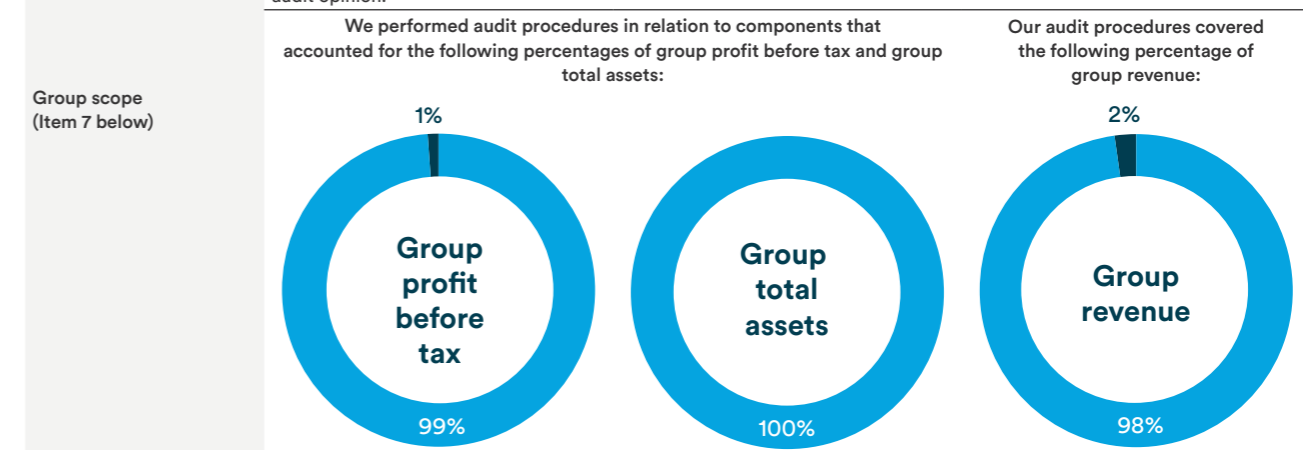
We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group Financial Statements, the type of audit procedures to be performed at these components and the extent of involvement required from our component auditors.

Of the Group's 23 (FY25: 22) reporting components, we identified one quantitatively significant component and three additional components where procedures were performed.

The components within the scope of our work accounted for the percentages illustrated below.

The work on all components including the audit of the Parent Company, was performed by the group team.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.



The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. The Group has set out its climate targets in line with limiting global warming to 1.5°C and to be climate net zero by 2050. The majority of the Group's carbon emissions are from the burning of fossil fuels, fuels used for transport and the grid electricity purchased. The Group continues to develop its assessment of climate change. Climate change matters impact the Group in a variety of ways including opportunities and risks relating to renewable energy sources and extreme weather events. Further information is provided on pages 26 to 36. While the Group has set out its targets, it is continually developing its assessment of the impact of climate change on capital expenditure, the cost base, and impacts on cash flows. The Group considered the impact of climate change and the Group's targets in the preparation of the financial statements, including an evaluation of critical accounting estimates and judgements. The Group concluded that this did not have a material effect on the consolidated financial statements, as described on page 198.

As part of our audit, we have made enquiries of directors and operational managers to understand the extent of the potential impact of climate change risks on the Group's financial statements, including their assessment of critical accounting estimates and judgements, and the effect on our audit. We have performed a risk assessment to evaluate the potential impact, including the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of certain unquoted pension assets.

We held discussions with our own climate change professionals to challenge our risk assessment. Considering the expected remaining useful lives of property, plant and equipment, and the nature of unquoted pension assets, we assessed that there is not a significant impact on our audit for this financial year. There was no significant impact of climate change on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the Integrated Annual Report and Financial Statements as set out on pages 26 to 36 and considered consistency with the financial statements and our audit knowledge.

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3. Going concern, viability and principal risks and uncertainties

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

Going concern

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

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

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

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

Our conclusions

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement in the basis of preparation section of the accounting policies note to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in this note to be acceptable; and
- The related statement under the UK Listing Rules set out on page 122 is materially consistent with the Financial Statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the Financial Statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the long-term viability statement on page 122 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the Directors' explanation in the long-term viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the long-term viability statement set out on pages 122 to 123 under the UK Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the Financial Statements and our audit knowledge.

4. Key Audit Matters

What we mean

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 include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the Financial Statements as a whole. We do not provide a separate opinion on these matters.

4.1 Allowances for expected credit losses relating to household customer debt (Group)

Financial Statement Elements	Our assessment of risk vs FY25		Our results
	FY26	FY25	
Allowance for expected credit losses relating to household customer debt	£91.1m	£81.4m	<p>◀ We have not identified any significant changes to our assessment of the level of risk over allowances for expected credit losses relating to household customer debt despite the increase in household customers' bills at a time of ongoing economic uncertainty.</p> <p>FY26: Acceptable FY25: Acceptable</p>

Description of the Key Audit Matter

Subjective estimate:

At each balance sheet date assumptions involving a high degree of estimation uncertainty are required to assess the allowances for expected credit losses relating to household customer debt. Key assumptions (as outlined in the accounting policies on page 197) include current and forecast cash collection rates.

As part of our risk assessment for audit planning purposes, we determined that the recoverability of trade receivables had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole.

Household customers' bills have increased in the year, reflecting the tariffs agreed for the new five year regulatory cycle. Combined with economic uncertainty arising in the latter part of the year, this risks creating greater uncertainty of future customer affordability.

In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality. There is also a risk of management bias in the selection of assumptions upon which estimates are based given performance targets in remuneration schemes. The accounting policy note in the financial statements (on page 197) discloses the sensitivity estimated by the Group.

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures to address the risk included:

- **Our sector experience:** challenging the Group on the appropriateness of the selection of provisioning rates in place for calculating the expected credit loss allowance and assessing the appropriateness of the customer debt provisioning policy based on historical cash collections, credits, re-bills and write-off information, and estimates of future economic scenarios and their impact on credit losses;
- **Reperformance:** performing a recalculation of the provision, and verifying cash collections in the billing system;
- **Benchmarking assumptions:** assessing and challenging the assumptions used by the Group in calculating the allowance for expected credit losses against externally derived publicly available data relating to other water companies;
- **Sensitivity analysis:** considering the sensitivity of the expected credit loss allowance to changes in cash collection rates; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its customer debt provisioning policy, including the estimation uncertainty of the allowances for expected credit losses relating to household customer debt.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- The appropriateness of the selected provisioning rates used in deriving the allowances for expected credit losses relating to household customer debt.
- Our approach to the audit of the allowances for expected credit losses relating to household customer debt.
- Our conclusions on the appropriateness of key assumptions.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the key assumptions.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the allowances for expected credit losses relating to household customer debt. In particular, the selection of key assumptions used in the calculation (the period of historical cash collections and the risk associated with the impact of economic uncertainty on customer payment behaviour).

Our results

Based on the risk identified and the procedures that we performed, we found the allowances for expected credit losses relating to household customer debt and the related disclosures to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 128 for details on how the Audit Committee considered allowances for expected credit losses relating to household customer debt as an area of significant attention, pages 197 and 234 and for the accounting policy on allowance for expected credit losses relating to household customer debt, and page 208 for the financial disclosures.

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4.2 Capitalisation of costs relating to the capital programme (Group)

Financial Statement Elements	Our assessment of risk vs FY25		Our results
	FY26	FY25	
Property, plant & equipment additions	£1,675.8m	£1,243.9m	FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Accounting treatment:

The Group has agreed a substantial capital programme with the Water Services Regulation Authority (Ofwat) for the current Asset Management Plan (AMP) regulatory cycle (2025/26 to 2029/30), and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

Additionally, the Group has revised its judgement over the capitalisation of infrastructure renewals expenditure ('IRE'). A significant portion of IRE is now capitalised, whereas in previous periods it was fully expensed.

The determination of in year project costs as capital or operating expenditure is inherently judgemental, particularly, for projects incorporating both capital and operating expenditure elements and therefore has the opportunity for manipulation. Under IAS 16, expenditure is capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and where such expenditure enhances or increases the capacity of the network. We determined that the costs capitalised has a high degree of judgement, with the potential for any misstatement to be greater than our materiality for the financial statements as a whole.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of capitalisation of costs relating to the capital programme.
- Our conclusion on the appropriateness of judgement over capitalisation of IRE.
- The results of our procedures.
- The adequacy of the disclosures.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The appropriateness of the capitalisation rates applied to capital projects, where projects have an element of both capital and operating expenditure elements.
- The assessment of IRE as capital or operating expenditure

Our results

Based on the risk identified and the procedures that we performed, we found the capitalisation of costs relating to the capital programme and the related disclosures to be acceptable (FY25: acceptable).

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Accounting analysis:** assessing the Group's capitalisation policy and the change in approach to the capitalisation of IRE for compliance with relevant accounting standards;
- **Tests of details:** critically assessing the capital nature of a sample of projects against the capitalisation policy focusing on high-risk projects which includes new projects approved, project overspends, projects with significant forecasted costs to complete and projects with changes to IRE; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures of its capitalisation policy including the judgement involved in assessing expenditure as capital, including IRE.

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 128 for details on how the Audit Committee considered costs relating to the capital programme as an area of significant attention, pages 197 and 233 for the accounting policy on capitalisation of costs relating to the capital programme, page 195 for changes in approach to capitalisation of IRE, and page 206 for the financial disclosures.

4.3 Contingent liabilities associated with certain environmental matters (Group)

Financial Statement Elements	Our assessment of risk vs FY25		Our results
	FY26	FY25	
Financial statements disclosure in Note 22			FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Dispute outcome:

The Group is subject to ongoing investigations by Ofwat and the Environment Agency ('EA') (together, the "investigation") with regards to whether the level of storm sewerage discharges are in compliance with environmental permits. The potential penalty for an environmental offence has a range of potential fine up to 10% of relevant wastewater turnover, along with a range of other potential commitments to Ofwat. The potential penalty for an environmental offence under the EA regulations is an unlimited fine.

The Group has concluded that no provision is required in respect of these matters, but they should be disclosed as contingent liabilities, based on the results of internal investigations and ongoing discussions with the Group's legal team.

The amounts involved in these matters are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of contingent liabilities associated with these matters
- Our conclusions on the appropriateness of key judgements made, including whether a provision should, or should not, be recognised.
- The adequacy of the disclosures around the contingent liabilities.

Areas of particular auditor judgement

We identified the following as the area of particular auditor judgement:

- The completeness and accuracy of the contingent liability disclosure.

Our results

Based on the risk identified and the procedures that we performed, we found the Group's assessment that these environmental matters are treated as contingent liabilities and the related disclosures to be acceptable (FY25: acceptable).

Our response to the risk

We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Enquiry of internal regulatory and legal teams:** obtaining an understanding of the internal procedures undertaken by the Group to assess compliance with relevant laws and regulations and understanding of the status of the investigations;
- **Inspection of correspondence with the regulators:** assessing the correspondence with regulators and corroborating it to the Group's assessment of the investigations; and
- **Assessing transparency:** assessing the adequacy of the Group's disclosures in relation to these environmental matters.

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 129 for details on how the Audit Committee considered contingent liabilities associated with certain environmental matters as an area of significant attention, page 236 for the accounting policy on contingent liabilities associated with certain environmental matters, and page 214 for the financial disclosures.

KPMG LLP's Independent Auditor's Report

to the members of United Utilities Group PLC

4.4 Recoverability of parent company's investment in United Utilities PLC (Parent company)

Financial Statement Elements	Our assessment of risk vs FY25		Our results
	FY26	FY25	
Investment in United Utilities PLC	£6,326.8m	£6,326.8m	FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Low risk, high value:

The carrying amount of the Parent Company's investment in United Utilities PLC represents 98% (FY25: 98%) of the Company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.

Our response to the risk

We performed the tests below rather than seeking to rely on the Parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Tests of detail:** comparing the carrying amount of the investment with the expected value of the business based on the regulatory capital value (a recognised method of valuation within the industry).
- **Comparing valuations:** comparing the carrying amount of the Parent Company's investment with the market capitalisation of the Group.

Communications with the United Utilities Group PLC's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the recoverability of the Parent Company's investment in United Utilities PLC.
- Our conclusions on the appropriateness of key assumptions.
- The adequacy of the disclosures.

Areas of particular auditor judgement

We did not identify any areas of particular auditor judgement.

Our results

Based on the risk identified and procedures performed, we concluded that the Parent Company's conclusion that there was no impairment of its investment in United Utilities PLC to be acceptable (FY25: acceptable).

Further information in the Integrated Annual Report and Financial Statements: See the Audit committee report on page 126 for details on how the Audit Committee considered the recoverability of the Parent Company's investment in United Utilities PLC as an area of significant attention, page 232 for the accounting policy on the recoverability of the Parent Company's investment in United Utilities PLC, and page 207 for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud – Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: Inquiring of directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud; Using analytical procedures to identify any unusual or unexpected relationships; Reading Board and Audit Committee minutes; and Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular: the risk that group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as allowances for expected credit losses relating to household customer debt. On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity. We did not identify any additional fraud risks.
Link to KAMs	Further detail in respect of the allowances for expected credit losses relating to household customer debt is set out in the key audit matter disclosures in section 4 of this report.
Procedures to address fraud risks	We also performed procedures including: <ul style="list-style-type: none"> • Identifying journal entries to test based on AI transaction scoring, which identifies journals with increased identifiers of fraud risks; and • Assessing significant accounting estimates and judgements for bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
Direct laws context and link to audit	The potential effect of these laws and regulations on the financial statements varies considerably. The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Compliance with regulations imposed by Ofwat, the Environment Agency, and the Drinking Water Inspectorate, Competition law, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
Link to KAMs	Further detail in respect of the contingent liabilities associated with certain environmental matters are set out in the key audit matter disclosures in section 4 of this report.
Known actual or suspected matters	In relation to the Ofwat and the Environment Agency investigations launched in November 2021, as discussed in the Audit Committee Report and in Note 22 to the Financial Statements, we assessed disclosures against our understanding from legal correspondence and inquiries performed.
Actual or suspected breaches discussed with the Audit Committee	We discussed with the Audit Committee other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.
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8. Other information in the Integrated Annual Report

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

All other information

Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic report and directors' report

Our responsibility and reporting

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

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

Directors' remuneration report

Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:

- the directors' statement that they consider that the Integrated Annual Report and Financial Statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Integrated Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the Integrated Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

Our reporting

Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.

We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the UK Listing Rules for our review.

We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Our reporting

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 175, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

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

Andrew Bradshaw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
15 May 2026

Consolidated statement of comprehensive income

for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Revenue	2	2,616.3	2,145.2
Other income		23.3	17.5
Staff costs	3	(260.9)	(224.1)
Other operating costs	4	(707.4)	(630.6)
Allowance for expected credit losses – trade and other receivables		(33.3)	(20.5)
Depreciation of property, plant and equipment		(471.4)	(435.7)
Amortisation of intangible assets		(29.1)	(29.2)
Infrastructure renewals expenditure		(38.1)	(191.1)
Total operating expenses		(1,516.9)	(1,513.7)
Operating profit		1,099.4	631.5
Investment income	5	99.9	106.2
Finance expense	6	(415.7)	(371.9)
Investment income and finance expense		(315.8)	(265.7)
Share of losses of joint venture	12	(4.6)	(10.8)
Profit before tax		779.0	355.0
Current tax charge	7	(8.0)	(0.4)
Deferred tax charge	7	(184.2)	(89.9)
Tax	7	(192.2)	(90.3)
Profit after tax		586.8	264.7
Other comprehensive income – items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges – effective portion of fair value movements		4.0	8.6
Tax on items that may be reclassified to profit or loss	7	(1.0)	(2.2)
Reclassification of items recorded in other comprehensive income to profit or loss		21.8	(1.3)
Tax reclassified to income statement	7	(5.5)	0.3
		19.3	5.4
Other comprehensive income – items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement (losses)/gains on defined benefit pension schemes		(7.9)	18.6
Change in credit assumptions for debt reported at fair value through profit or loss		(3.1)	1.9
Cost of hedging – cross-currency basis spread adjustment		2.7	3.6
Tax on items recorded in other comprehensive income	7	2.2	(6.0)
		(6.1)	18.1
Total comprehensive income		600.0	288.2
Earnings per share			
Basic	8	86.1p	38.8p
Diluted	8	85.8p	38.7p
Dividend per ordinary share	9	53.66p	51.85p

All of the results shown above relate to continuing operations.

The accompanying notes on pages 195 to 237 form part of these financial statements.

Consolidated and company statements of financial position

at 31 March 2026

	Note	Group		Company	
		31 March 2026 £m	31 March 2025 £m	31 March 2026 £m	31 March 2025 £m
ASSETS					
Non-current assets					
Property, plant and equipment	10	15,084.0	13,873.0	–	–
Intangible assets	11	119.9	105.8	–	–
Interests in joint ventures and other investments	12	–	1.6	6,326.8	6,326.8
Trade and other receivables	13	54.6	73.6	165.0	75.0
Retirement benefit surplus	14	310.9	302.3	–	–
Derivative financial instruments	A3	334.0	329.3	–	–
		15,903.4	14,685.6	6,491.8	6,401.8
Current assets					
Inventories – properties held for resale		2.9	2.7	–	–
Inventories – other		6.2	21.9	–	–
Trade and other receivables	13	333.3	282.0	39.4	97.3
Current tax assets	7	73.2	93.3	–	–
Cash and cash equivalents	15	1,794.3	1,672.6	–	–
Derivative financial instruments	A3	13.7	11.4	–	–
		2,223.6	2,083.9	39.4	97.3
Total assets		18,127.0	16,769.5	6,531.2	6,499.1
LIABILITIES					
Non-current liabilities					
Trade and other payables	18	(1,168.5)	(1,063.8)	–	–
Borrowings	16	(11,325.7)	(10,326.5)	(2,221.6)	(2,108.9)
Deferred tax liabilities	7	(2,216.9)	(2,028.4)	–	–
Derivative financial instruments	A3	(302.4)	(275.0)	–	–
		(15,013.5)	(13,693.7)	(2,221.6)	(2,108.9)
Current liabilities					
Trade and other payables	18	(682.7)	(577.2)	(4.4)	(4.1)
Borrowings	16	(164.9)	(462.1)	–	–
Provisions	17	(17.5)	(19.0)	–	–
Derivative financial instruments	A3	(7.0)	(17.6)	–	–
		(872.1)	(1,075.9)	(4.4)	(4.1)
Total liabilities		(15,885.6)	(14,769.6)	(2,226.0)	(2,113.0)
Total net assets		2,241.4	1,999.9	4,305.2	4,386.1
EQUITY					
Share capital	21	499.8	499.8	499.8	499.8
Share premium account		2.9	2.9	2.9	2.9
Other reserves	20	340.5	319.2	1,033.3	1,033.3
Retained earnings		1,398.2	1,178.0	2,769.2	2,850.1
Shareholders' equity		2,241.4	1,999.9	4,305.2	4,386.1

The accompanying notes on pages 195 to 237 form part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a profit after tax of £277.6 million (2025: £255.0 million).

These financial statements for the group and United Utilities Group PLC (company number: 6559020) were approved by the board of directors on 15 May 2026 and signed on its behalf by:

Louise Beardmore
Chief Executive Officer

Phil Aspin
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2026

	Share capital £m	Share premium account £m	Other reserves ⁽¹⁾ £m	Retained earnings £m	Total £m
At 1 April 2025	499.8	2.9	319.2	1,178.0	1,999.9
Profit after tax	-	-	-	586.8	586.8
Other comprehensive income					
Remeasurement losses on defined benefit pension schemes (see note 14)	-	-	-	(7.9)	(7.9)
Change in credit assumptions for debt reported at fair value through profit or loss	-	-	-	(3.1)	(3.1)
Cash flow hedges – effective portion of fair value movements	-	-	4.0	-	4.0
Cost of hedging – cross-currency basis spread adjustments	-	-	2.7	-	2.7
Tax on items recorded within other comprehensive income (see note 7)	-	-	(1.7)	2.9	1.2
Reclassification of items recorded within other comprehensive income to profit or loss	-	-	21.8	-	21.8
Tax reclassified to income statement (see note 7)	-	-	(5.5)	-	(5.5)
Total comprehensive income	-	-	21.3	578.7	600.0
Dividends (see note 9)	-	-	-	(357.6)	(357.6)
Equity-settled share-based payments (see note 3)	-	-	-	4.5	4.5
Purchase of shares to satisfy exercise of share options	-	-	-	(5.8)	(5.8)
Proceeds from share forfeitures	-	-	-	0.4	0.4
At 31 March 2026	499.8	2.9	340.5	1,398.2	2,241.4

	Share capital £m	Share premium account £m	Other reserves ⁽¹⁾ £m	Retained earnings £m	Total £m
At 1 April 2024	499.8	2.9	311.1	1,242.3	2,056.1
Profit after tax	-	-	-	264.7	264.7
Other comprehensive income					
Remeasurement gains on defined benefit pension schemes (see note 14)	-	-	-	18.6	18.6
Change in credit assumptions for debt reported at fair value through profit or loss	-	-	-	1.9	1.9
Cash flow hedges – effective portion of fair value movements	-	-	8.6	-	8.6
Cost of hedging – cross-currency basis spread adjustments	-	-	3.6	-	3.6
Tax on items recorded within other comprehensive income (see note 7)	-	-	(3.1)	(5.1)	(8.2)
Reclassification of items recorded within other comprehensive income to profit or loss	-	-	(1.3)	-	(1.3)
Tax reclassified to income statement (see note 7)	-	-	0.3	-	0.3
Total comprehensive income	-	-	8.1	280.1	288.2
Dividends (see note 9)	-	-	-	(344.1)	(344.1)
Equity-settled share-based payments (see note 3)	-	-	-	4.7	4.7
Purchase of shares to satisfy exercise of share options	-	-	-	(5.0)	(5.0)
Proceeds from share forfeitures	-	-	-	-	-
At 31 March 2025	499.8	2.9	319.2	1,178.0	1,999.9

⁽¹⁾ Other reserves comprise the group's capital redemption reserve, merger reserve, cost of hedging reserve and cash flow hedging reserve. Further detail of movements in these reserves is included in note 20.

The accompanying notes on pages 195 to 237 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 March 2026

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2025	499.8	2.9	1,033.3	2,850.1	4,386.1
Profit after tax	-	-	-	277.6	277.6
Total comprehensive income	-	-	-	277.6	277.6
Dividends (see note 9)	-	-	-	(357.6)	(357.6)
Equity-settled share-based payments (see note 3)	-	-	-	4.5	4.5
Purchase of shares to satisfy exercise of share options	-	-	-	(5.8)	(5.8)
Proceeds from share forfeitures	-	-	-	0.4	0.4
At 31 March 2026	499.8	2.9	1,033.3	2,769.2	4,305.2

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2024	499.8	2.9	1,033.3	2,939.5	4,475.5
Profit after tax	-	-	-	255.0	255.0
Total comprehensive income	-	-	-	255.0	255.0
Dividends (see note 9)	-	-	-	(344.1)	(344.1)
Equity-settled share-based payments (see note 3)	-	-	-	4.7	4.7
Purchase of shares to satisfy exercise of share options	-	-	-	(5.0)	(5.0)
Proceeds from share forfeitures	-	-	-	-	-
At 31 March 2025	499.8	2.9	1,033.3	2,850.1	4,386.1

At 31 March 2026, 31 March 2025 and 31 March 2024, the company's entire retained earnings balance was distributable to shareholders.

The company's other reserves comprised a capital redemption reserve that arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009.

The accompanying notes on pages 195 to 237 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2026

	Note	2026 £m	2025 £m
Operating activities			
Cash generated from operations	A1	1,602.2	1,082.7
Interest paid		(322.1)	(263.5)
Interest received and similar income	6	85.7	92.5
Tax received		16.1	6.4
Net cash generated from operating activities		1,381.9	918.1
Investing activities			
Purchase of property, plant and equipment	A1	(1,492.1)	(988.5)
Purchase of intangible assets	A1	(42.9)	(9.5)
Grants and contributions received	18	35.2	9.2
Proceeds from disposal of property, plant and equipment		0.8	1.1
Repayment of loans to joint ventures	A5	21.0	0.5
Placement of deposits with maturity greater than three months		(504.0)	(768.7)
Receipt of deposits with maturity greater than three months		504.0	768.7
Net cash used in investing activities		(1,478.0)	(987.2)
Financing activities			
Proceeds from borrowings net of issuance costs		1,017.6	1,339.3
Repayment of borrowings		(433.2)	(631.4)
Dividends paid to equity holders of the company	9	(357.6)	(344.1)
Purchase of shares to satisfy exercise of share options		(5.8)	(5.0)
Proceeds from share forfeitures		0.4	–
Net cash generated from financing activities		221.4	358.8
Net increase in cash and cash equivalents		125.3	289.7
Cash and cash equivalents at beginning of the year		1,669.0	1,379.3
Cash and cash equivalents at end of the year	15	1,794.3	1,669.0

The accompanying notes on pages 195 to 237 form part of these financial statements.

Accounting policies

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

Basis of preparation

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

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

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

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

The financial statements have been prepared on the going concern basis as the directors have a reasonable expectation that the group has adequate resources for a period of at least 12 months from the date of approval of the financial statements and that there are no material uncertainties to disclose.

In assessing the appropriateness of the going concern basis of accounting, the directors have reviewed the resources available to the group in the form of cash and committed facilities and the group's capital adequacy in the context of a baseline plan. The directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, and the likely effectiveness of mitigating actions that the directors would consider undertaking. The baseline position has been subjected to a number of

'severe but plausible' downside scenarios to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. These scenarios consider the potential impacts of increased costs, including: a significant one-off totex impact of £400 million arising in the assessment period; debt being refinanced as it matures at 1% above the forward projections of interest rates; incurring significant outcome delivery incentive ('ODI') penalties; and the impact of various downside scenarios materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction or suspension of discretionary totex spend; the close out of derivative assets; and the deferral or suspension of dividend payments.

Consequently, the directors are satisfied that the group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and that stress testing a number of severe but plausible downside scenarios indicates that the group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities in the event that adverse factors materialise. The financial statements have, therefore, been prepared on a going concern basis.

Material changes to accounting estimates

Capitalisation of Infrastructure Renewals Expenditure ('IRE')

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

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

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

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

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

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

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

Accounting policies

The group continues to apply its existing accounting policy of measuring these floating-rate financial liabilities at amortised cost, and the revised approach is a change in the estimation of the effective interest used by incorporating forward-looking information.

This change is, therefore, a change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and has been applied prospectively from 1 April 2025. This has resulted in a reduction of £23.4 million of finance expense in the period.

Adoption of new and revised standards

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

Future accounting developments

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

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

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

The accounting policy choice has not been adopted within the group financial statements. Financial liabilities continue to be derecognised upon the settlement, rather than initiation, of electronic

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

IFRS 18 'Presentation and Disclosure in Financial Statements'

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

Critical accounting judgements and key sources of estimation uncertainty

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

On an ongoing basis, the group evaluates its estimates using historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. As estimates carry with them an inherent level of uncertainty, the group performs sensitivity analysis where this is practicable and where, in management's opinion, it provides useful and meaningful information. This sensitivity analysis is performed to understand a range of outcomes that could be considered reasonably possible based on experience and the facts and circumstances associated with individual areas of the financial

statements that are subject to estimates. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

As part of the evaluation of critical accounting judgements and key sources of estimation uncertainty, the group has considered the implications of climate change on its operations and activities, further details of which are set out on page 198.

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

Retirement benefits

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

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

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

Revenue recognition and allowance for doubtful receivables

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

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

This two-criteria approach resulted in a £49.5 million (2025: £41.1 million) reduction in revenue compared with what would have been recognised had no adjustment been made for amounts where collectability is not probable. Had management made an alternative judgement that where customers have paid in the preceding two years, and have more than their current year debt outstanding, the recoverability of the entirety of their debt was deemed to be probable (i.e. the second criteria was disappplied), the required adjustment to revenue would have been £27.3 million (2025: £21.9 million) lower.

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

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

In determining the allowance for expected credit losses in respect of household customers, we have applied provisioning rates that are derived from historic experience of the recoverability of receivables, to the aged debt bandings to calculate the bad debt charge and the resultant expected credit loss allowance. The adequacy of the ECL allowance is then evaluated using analysis against the average collection over the last three years, which is considered to give a reasonable forecast of cash collection for use in the forward-looking ECL assessment.

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

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

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

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

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

Property, plant and equipment

Accounting estimate* – The estimated useful economic lives of property, plant and equipment and intangible assets is based on management's experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of property, plant and equipment, and intangibles investment to the group, variations between actual and estimated useful economic lives could impact operating results both positively and negatively. As such, this is a key source of estimation uncertainty. The depreciation and amortisation expense for the year was £500.5 million (2025: £464.9 million). A 10% increase in average asset lives would have resulted in a £45.5 million (2025: £42.3 million) reduction in this figure and a 10% decrease in average asset lives would have resulted in a £50.0 million (2025: £46.5 million) increase in this figure.

Accounting policies

Derivative financial instruments

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

Floating-rate financial liabilities

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

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

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

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

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

Climate change

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

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

The impact of climate change, including adaptation to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero, has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

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

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency of which is expected to increase as the effects of climate change become more apparent. Following large-scale flooding, items are identified that have been damaged beyond repair and require immediate accounting write-downs. No such charges were required in the current financial year.

In addition to the risks posed by an increased likelihood of large-scale flooding events in future years, climate change presents challenges relating to prolonged periods of hot and dry weather, the frequency of which is expected to increase. This could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise, this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

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

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

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

Notes to the financial statements

1 Segmental reporting

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

2 Revenue

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

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

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

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

3 Directors and employees

Directors' remuneration

	2026 £m	2025 £m
Fees to non-executive directors	1.0	0.9
Salaries	1.4	1.2
Benefits	0.2	0.2
Bonus ⁽ⁱ⁾	0.7	0.4
Share-based payment charge ⁽ⁱ⁾	2.0	1.3
	5.3	4.0

⁽ⁱ⁾ The directors' bonus figure for 2025, including the deferred element included within the share-based payments charge, reflects the best estimate, at the date the financial statements for the year ended 31 March 2025 were approved, of the provisional amounts to be paid in respect of that financial year. Subsequent to this date, following the publication of Ofwat's performance related executive pay prohibition rule in June 2025, the remuneration committee decided that the annual bonuses that the executive directors would otherwise have been due to receive would not be paid.

Further information about the remuneration of individual directors and details of their pension arrangements are provided in the directors' remuneration report on pages 160 to 170.

Remuneration of key management personnel

	2026 £m	2025 £m
Salaries and short-term employee benefits	8.3	6.7
Share-based payment charge	3.6	3.0
	11.9	9.7

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

Notes to the financial statements

3 Directors and employees continued

Staff costs (including directors)

Group	2026 £m	2025 £m
Wages and salaries ⁽¹⁾	445.3	372.1
Employee-related taxes and levies	51.2	36.0
Severance	0.6	0.2
Post-employment benefits:		
Defined benefit pension expenses (see note 14)	6.5	6.5
Defined contribution pension expenses (see note 14)	38.6	36.7
	542.2	451.5
Charged to other areas, including regulatory capital schemes	(281.3)	(227.4)
Staff costs	260.9	224.1

⁽¹⁾ Wages and salaries, excluding non-permanent staff, was £397.1 million (2025: £334.8 million).

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

The total expense included within staff costs in respect of equity-settled share-based payments was £4.5 million (2025: £4.7 million). The company operates several share option schemes, details of which are given on pages 160 to 162 in the directors' remuneration report.

Average number of staff employed by the group during the year (full-time equivalent including directors):

	2026 number	2025 number
Average number of staff employed by the group during the year	6,807	6,203

Company

The company has no staff.

4 Other operating costs

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

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

Research and Development ('R&D') expenditure for the year ended 31 March 2026, was £0.5 million (2025: £0.6 million). In addition, £11.3 million (2025: £8.0 million) of costs have been accrued during the year by UUW in relation to the Innovation in Water Challenge scheme operated by Ofwat, which has continued for AMP8. These expenses offset amounts recognised in revenue during each year intended to fund innovation projects across England and Wales as part of an industry-wide scheme to promote innovation in the sector. The amounts accrued will either be spent on innovation projects that the group successfully bids for or will be transferred to other successful water companies in accordance with the scheme rules.

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

4 Other operating costs continued

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

	2026 £'000	2025 £'000
Audit services		
Statutory audit – group and company	292	280
Statutory audit – subsidiaries	867	830
	1,159	1,110
Non-audit services		
Regulatory audit services provided by the statutory auditor	83	80
Other non-audit services	221	210
Total audit and non-audit services	1,463	1,400

5 Investment income

	2026 £m	2025 £m
Interest receivable on short-term bank deposits held at amortised cost	77.7	87.4
Interest receivable on loans to joint ventures held at amortised cost (see note A5)	4.7	5.9
Net pension interest income (see note 14)	17.5	12.9
	99.9	106.2

6 Finance expense

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

Notes:

⁽¹⁾ Includes a £133.7 million (2025: £142.2 million) non-cash inflation uplift expense repayable on maturity in relation to the group's index-linked debt and £3.2 million (2025: £1.9 million) interest expense on lease liabilities (as disclosed in note 19), representing the unwinding of the discounting applied to future lease payments. This includes an accrual of interest payable of £144.2 million (2025: £122.7 million), as disclosed within note 18, which is a non-cash adjustment for interest paid within the consolidated statement of cash flows.

⁽²⁾ Includes foreign exchange gain of £45.1 million (2025: £13.2 million gain). These gains are largely offset by fair value losses on derivatives.

⁽³⁾ Under the provisions of IFRS 9 'Financial instruments', £2.7 million of fair value gains (2025: £3.6 million fair value gains) resulting from changes to the foreign currency basis spread are recognised in other comprehensive income rather than profit or loss as they relate to items designated in an accounting hedge relationship.

⁽⁴⁾ The fair value movements of swaps designated in fair value hedge relationships includes an increase in interest receivable of £17.7 million (2025: £10.2 million increase in interest receivable). Excluding the impact of interest accrual movements, these swaps generated a fair value loss of £5.6 million (2025: £49.3 million fair value loss).

⁽⁵⁾ Under the provisions of IFRS 9 'Financial instruments', a £3.1 million loss (2025: £1.9 million gain) due to changes in the group's own credit risk is recognised in other comprehensive income rather than within profit or loss.

⁽⁶⁾ These swap contracts are not designated within an IFRS 9 hedge relationship and are classed as 'held for trading' under the accounting standard. These derivatives form economic hedges and, as such, management intends to hold these through to maturity.

⁽⁷⁾ Includes £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives. Fair value movements, excluding this income, are deducted to reach underlying finance expense, which forms part of the group's alternative performance measures ('APMs') as set out on pages 96 to 97.

Interest payable is stated net of £75.4 million (2025: £68.5 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the year. This has been calculated by applying an average capitalisation rate of 5.1% (2025: 5.4%) to expenditure on such assets as prescribed by IAS 23 'Borrowing Costs'. These borrowing costs are included within interest paid in the consolidated statement of cash flows.

Underlying finance expense, which forms part of the group's APMs set out on pages 96 to 97, is calculated by adjusting net finance expense and investment income of £315.8 million (2025: £265.7 million) reported in the income statement to exclude the £21.8 million of fair value losses (2025: £0.4 million of fair value gains) in the above table, but include £2.4 million (2025: £1.3 million) income due to net interest on derivatives and debt under fair value option, and £20.5 million (2025: £19.6 million) expense due to non-cash inflation uplift on index-linked derivatives.

Notes to the financial statements

7 Tax

	2026 £m	2025 £m
Current tax		
Adjustments in respect of prior years	8.0	0.4
Total current tax charge for the year	8.0	0.4
Deferred tax		
Current year	194.7	92.3
Adjustments in respect of prior years	(10.5)	(2.4)
Total deferred tax charge for the year	184.2	89.9
Total tax charge for the year	192.2	90.3

The current tax 'adjustments in respect of prior years' of £8.0 million relates to a £4.0 million adjustment to the claims for research and development ('R&D') UK tax allowances on our innovation-related expenditure, in respect of multiple prior years. It reflects an additional claim submitted during the prior year along with adjustments relating to ongoing enquiries from the tax authorities in relation to these claims. There has also been a claim for consortium relief of £4.0 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture Water Plus Limited.

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

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

	2026 £m	2026 %	2025 £m	2025 %
Profit before tax	779.0		355.0	
Tax at the UK corporation tax rate	194.7	25.0	88.7	25.0
Adjustments in respect of prior years	(2.5)	(0.3)	(2.0)	(0.6)
Net income not taxable	–	–	3.6	1.0
Total tax charge and effective tax rate for the year	192.2	24.7	90.3	25.4

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

	2026 £m	2025 £m
Profit before tax	779.0	355.0
Profit before tax multiplied by the standard rate of UK corporation tax of 25%	194.7	88.7
Relief for capital allowances in place of depreciation	(311.6)	(278.1)
Disallowances of depreciation charged in the financial statements	107.9	99.8
Adjustments to tax charge in respect of prior years	8.0	0.4
Financial transactions timing differences	1.5	(2.5)
Retirement benefit timing differences	(4.4)	(4.0)
Relief for capitalised interest	(18.8)	(17.1)
Other timing differences	3.6	3.9
Joint ventures losses not taxed	1.2	2.6
Expenses not deductible for tax purposes	(5.2)	(3.0)
Depreciation charged on non-qualifying assets	3.9	3.9
Current year tax losses carried forward	27.2	105.8
Current tax charge for the year	8.0	0.4

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

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

7 Tax continued

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

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

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

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

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

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

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

Pillar Two

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

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

	2026 £m	2025 £m
Tax on items recorded within other comprehensive income		
Deferred tax		
On remeasurement (losses)/gains on defined benefit pension schemes	(2.0)	4.7
On net fair value losses on credit assumptions for debt reported at fair value through profit and loss and cost of hedging	6.4	3.1
Share-based payments	(0.1)	0.1
Total tax charge on items recorded within other comprehensive income	4.3	7.9

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

Current tax asset

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

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

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

Notes to the financial statements

7 Tax continued

Deferred tax liabilities

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

Group	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Tax losses £m	Total £m
At 1 April 2024	2,008.7	67.0	66.1	(211.2)	1,930.6
(Credited)/charged to the income statement – adjustments in respect of prior years	(192.1)	–	–	189.7	(2.4)
Charged/(credited) to the income statement – current year	192.1	3.8	2.2	(105.8)	92.3
Charged to other comprehensive income	–	4.7	3.2	–	7.9
At 31 March 2025	2,008.7	75.5	71.5	(127.3)	2,028.4
(Credited)/charged to the income statement – adjustments in respect of prior years	(9.9)	–	0.7	(1.3)	(10.5)
Charged/(credited) to the income statement – current year	219.6	4.2	(1.9)	(27.2)	194.7
Credited/(charged) to other comprehensive income	–	(2.0)	6.3	–	4.3
At 31 March 2026	2,218.4	77.7	76.6	(155.8)	2,216.9

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

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

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

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

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

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

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

Company

The company had no deferred tax assets or liabilities at 31 March 2026 or 31 March 2025.

8 Earnings per share

	2026 £m	2025 £m
Profit after tax attributable to equity holders of the company – continuing operations	586.8	264.7
	2026 pence	2025 pence
Earnings per share		
Basic	86.1	38.8
Diluted	85.8	38.7

Basic earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 681.9 million, being the weighted average number of shares in issue during the year (2025: 681.9 million). Diluted earnings per share is calculated by dividing profit after tax for the financial year attributable to equity holders of the company by 683.6 million, being the weighted average number of shares in issue during the year, including dilutive shares (2025: 683.6 million).

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings Per Share'. Potential dilutive ordinary shares comprise outstanding share options awarded to directors and certain employees (see note 3).

The weighted average number of shares can be reconciled to the weighted average number of shares, including dilutive shares, as follows:

	2026 million	2025 million
Average number of ordinary shares – basic	681.9	681.9
Effect of potential dilutive ordinary share options	1.7	1.7
Average number of ordinary shares – diluted	683.6	683.6

9 Dividends

	2026 £m	2025 £m
Amounts recognised as distributions to equity holders of the company in the year comprise:		
Ordinary shares		
Final dividend for the year ended 31 March 2025 at 34.57 pence per share (2024: 33.19 pence)	235.7	226.3
Interim dividend for the year ended 31 March 2026 at 17.88 pence per share (2025: 17.28 pence)	121.9	117.8
	357.6	344.1
Proposed final dividend for the year ended 31 March 2026 at 35.78 pence per share (2025: 34.57 pence)	244.0	235.7

The proposed final dividends for the years ended 31 March 2026 and 31 March 2025 were subject to approval by equity holders of United Utilities Group PLC as at the reporting dates and so have not been included as liabilities in the consolidated financial statements at 31 March 2026 and 31 March 2025.

Notes to the financial statements

10 Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

	2026 £m	2025 £m
Property, plant and equipment – owned	14,998.4	13,791.9
Right-of-use assets – leased (see note 19)	85.6	81.1
Net book value	15,084.0	13,873.0

Property, plant and equipment – owned

Group	Land and buildings £m	Infra-structure assets £m	Operational assets £m	Fixtures, fittings, tools and equipment £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2024	379.3	6,787.7	9,093.4	445.3	1,590.2	18,295.9
Additions	2.3	134.9	208.8	6.4	891.5	1,243.9
Transfers	(0.3)	185.8	450.2	43.7	(679.4)	–
Disposals	(1.5)	–	(63.3)	(16.9)	–	(81.7)
At 31 March 2025	379.8	7,108.4	9,689.1	478.5	1,802.3	19,458.1
Additions	27.5	381.5	397.8	6.2	862.8	1,675.8
Transfers	22.9	(8.1)	562.8	(23.7)	(553.9)	–
Disposals	(0.1)	(0.3)	(36.6)	(4.7)	–	(41.7)
At 31 March 2026	430.1	7,481.5	10,613.1	456.3	2,111.2	21,092.2

Accumulated depreciation

At 1 April 2024	144.0	609.1	4,204.9	351.2	–	5,309.2
Charge for the year	8.9	51.3	355.1	18.7	–	434.0
Transfers	–	(0.3)	0.3	–	–	–
Disposals	(1.0)	–	(59.5)	(16.5)	–	(77.0)
At 31 March 2025	151.9	660.1	4,500.8	353.4	–	5,666.2
Charge for the year	7.9	60.8	379.9	19.5	–	468.1
Disposals	(0.1)	(0.3)	(36.1)	(4.0)	–	(40.5)
At 31 March 2026	159.7	720.6	4,844.6	368.9	–	6,093.8

Net book value at 31 March 2025	227.9	6,448.3	5,188.3	125.1	1,802.3	13,791.9
Net book value at 31 March 2026	270.4	6,760.8	5,768.5	87.4	2,116.7	14,998.4

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

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

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

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

Company

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

11 Intangible assets

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

The group's intangible assets relate mainly to computer software.

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

Company

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

12 Interests in joint ventures and other investments

	2026 £m	2025 £m
Joint ventures at the start of the period	1.6	12.4
Add: Zero-coupon loan notes converted into equity	12.5	–
Less: Historic share of losses of joint ventures allocated to zero-coupon loan notes	(9.5)	–
Less: Share of losses of joint ventures	(4.6)	(10.8)
Joint ventures at the end of the period	–	1.6

The group's interests in joint ventures comprises its 50% interest in Water Plus Group Limited ('Water Plus'), which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

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

The group's total share of Water Plus losses for the year ended 31 March 2026 was £5.2 million, of which £4.6 million has been recognised in the income statement and £0.6 million is unrecognised due to the carrying amount of the group's investment in the joint venture being reduced to nil during the year through the application of the equity method. Any future share of Water Plus profits will be recognised in the income statement only after being allocated against any accumulated unrecognised share of losses such that the accumulated unrecognised share of losses is reduced to nil. Details of transactions between the group and its joint ventures are disclosed in note A5.

Company

At 31 March 2026, the company's investments related solely to its investment in United Utilities PLC, which was recorded at a cost of £6,326.8 million (2025: £6,326.8 million).

Notes to the financial statements

13 Trade and other receivables

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Trade receivables	113.9	90.8	–	–
Amounts owed by subsidiary undertakings	–	–	204.0	171.7
Amounts owed by related parties (see note A5)	86.0	101.0	–	–
Other debtors and prepayments	96.9	84.1	–	–
Accrued income	91.1	79.7	0.4	0.6
	387.9	355.6	204.4	172.3

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

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

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

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

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

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

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

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

The following table provides information regarding the ageing of net trade receivables that were past due and individually impaired:

	Aged between			Carrying value £m
	Aged less than one year £m	one year and two years £m	Aged greater than two years £m	
At 31 March 2026				
Gross trade receivables	120.3	26.2	59.6	206.1
Allowance for expected credit losses	(24.2)	(14.0)	(54.0)	(92.2)
Net trade receivables	96.1	12.2	5.6	113.9

	Aged between			Carrying value £m
	Aged less than one year £m	one year and two years £m	Aged greater than two years £m	
At 31 March 2025				
Gross trade receivables	88.8	30.9	53.4	173.1
Allowance for expected credit losses	(16.2)	(13.5)	(52.7)	(82.4)
Net trade receivables	72.6	17.4	0.7	90.7

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

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

Company

At 31 March 2026 and 31 March 2025, the company had no trade receivables that were past due. Of the £204.0 million (2025: £171.7 million) owed by subsidiaries, £165.0 million (2025: £75.0 million) was classified as non-current at the reporting date.

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

14 Retirement benefits

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

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

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

Defined benefit schemes

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

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

Group	2026 £m	2025 £m
Current service cost	2.5	2.5
Past service cost	0.1	–
Administrative expenses	3.9	4.0
Pension expense charged to operating profit	6.5	6.5
Net pension interest income credited to investment income (see note 5)	(17.5)	(12.9)
Net pension income credited to the income statement before tax	(11.0)	(6.4)

Defined benefit pension costs included within employee benefit expense were £6.5 million (2025: £6.5 million) comprising current service costs, past service costs and administrative expenses. Total post-employment benefits expense charged to operating profit of £45.1 million (2025: £43.2 million) comprise the defined benefit costs described above of £6.5 million (2025: £6.5 million) and defined contribution costs of £38.6 million (2025: £36.7 million) (see note 3).

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

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

Included in the contributions paid of £5.5 million (2025: £9.3 million), which are included as cash outflows in arriving at net cash generated from operations in the consolidated statement of cash flows, are payments in relation to historic unfunded, unregistered retirement benefit schemes of £0.7 million (2025: £0.7 million), and administrative expenses of £1.0 million (2025: £1.1 million). Contributions in relation to current service cost were £2.5 million (2025: £2.5 million).

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

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

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

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

Defined contribution schemes

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

Company

The company did not participate in any of the group's pension schemes during the years ended 31 March 2026 and 31 March 2025.

Notes to the financial statements

15 Cash and cash equivalents

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

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

Book overdrafts in prior periods comprised the value of cheques issued and payments initiated before the reporting date but which had not yet settled through the bank statement as at the reporting date. In accordance with the change in the accounting presentation, as explained further in the Basis of Preparation on page 195, these balances are instead reclassified to trade and other payables and are therefore not a deduction from cash at bank and in hand at the reporting date. This change is made on a prospective basis and hence prior periods have not been re-presented.

16 Borrowings

Group	2026 £m	2025 £m
Non-current liabilities		
Bonds	9,805.3	8,807.1
Bank and other term borrowings	1,430.1	1,441.4
Lease liabilities	82.0	78.0
DPC financing liability	8.3	–
	11,325.7	10,326.5
Current liabilities		
Bonds	–	143.7
Bank and other term borrowings	157.1	309.6
Book overdrafts (see note 15)	–	3.6
Lease liabilities	6.5	5.2
DPC financing liability	1.3	–
	164.9	462.1
	11,490.6	10,788.6

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

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

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

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

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

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

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

The maturity profile of lease liabilities recognised as at the reporting date is provided in note 19.

16 Borrowings continued

Company	2026 £m	2025 £m
Non-current liabilities		
Amounts owed to subsidiary undertakings	2,221.6	2,108.9
	2,221.6	2,108.9

Amounts owed to subsidiary undertakings relate to an intercompany loan from United Utilities PLC to the company, which bears interest calculated with reference to the Bank of England base rate plus a credit margin, and is repayable with 12 months' notice upon written request by a director of either party, with the repayment date not falling less than 366 days after the date of the request.

The company's borrowings are unsecured and measured at amortised cost. The carrying amount of borrowings approximates their fair value.

17 Provisions

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

The group had no provisions classed as non-current at 31 March 2026 or 31 March 2025.

The severance provision as at 31 March 2026 and 31 March 2025 relates to severance costs as a result of group reorganisation.

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

Company

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

18 Trade and other payables

	Group		Company	
	2026 £m	2025 £m	2026 £m	2025 £m
Non-current				
Deferred grants and contributions	1,148.6	1,045.9	–	–
Other creditors	19.9	17.9	–	–
	1,168.5	1,063.8	–	–
Current				
Trade payables	57.7	29.9	–	–
Amounts owed to related parties (see note A5)	4.0	–	–	–
Other tax and social security	11.5	8.8	–	–
Deferred grants and contributions	21.4	19.7	–	–
Accruals and other creditors	505.5	453.2	4.4	4.1
Deferred income	82.6	65.6	–	–
	682.7	577.2	4.4	4.1

The average credit period taken for trade purchases is 13 days (2025: 11 days).

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

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

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

Notes to the financial statements

18 Trade and other payables continued

Deferred grants and contributions

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

19 Leases

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

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

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

Right-of-use assets

As shown in note 10, the carrying amount of right-of-use assets at the year ended 31 March 2026 is presented in the following asset classes:

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

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

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

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

Lease liabilities

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

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

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

19 Leases continued

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

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

20 Other reserves

Group	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2024	1,033.3	(703.6)	8.7	(27.3)	311.1
Changes in fair value recognised in other comprehensive income	–	–	3.6	8.6	12.2
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	(1.3)	(1.3)
Tax on hedge effectiveness recorded in other comprehensive income	–	–	(0.9)	(2.2)	(3.1)
Tax on reclassification to consolidated income statement	–	–	–	0.3	0.3
At 31 March 2025	1,033.3	(703.6)	11.4	(21.9)	319.2
At 1 April 2025	1,033.3	(703.6)	11.4	(21.9)	319.2
Changes in fair value recognised in other comprehensive income	–	–	2.7	4.0	6.7
Amounts reclassified from other comprehensive income to profit or loss	–	–	–	21.8	21.8
Tax on hedge effectiveness recorded in other comprehensive income	–	–	(0.7)	(1.0)	(1.7)
Tax on reclassification to consolidated income statement	–	–	–	(5.5)	(5.5)
At 31 March 2026	1,033.3	(703.6)	13.4	(2.6)	340.5

The capital redemption reserve arose as a result of a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009. The merger reserve arose in the same year on consolidation and represents the capital adjustment to reserves required to effect the reverse acquisition.

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

The group designates a number of swaps hedging non-financial risks in cash flow hedge relationships to give a more representative view of operating costs. Fair value movements relating to the effective part of these swaps are recognised in other comprehensive income and accumulated in the cash flow hedging reserve.

Company

The company's other reserves at 31 March 2026, 31 March 2025 and 1 April 2024 were comprised entirely of a £1,033.3 million capital redemption reserve that arose as a result of a return of capital to shareholders following the acquisition of United Utilities PLC by the company in the year ended 31 March 2009.

21 Share capital

Group and company	2026 million	2026 £m	2025 million	2025 £m
Issued, called up and fully paid				
Ordinary shares of 5.0 pence each	681.9	34.1	681.9	34.1
Deferred shares of 170.0 pence each	274.0	465.7	274.0	465.7
	955.9	499.8	955.9	499.8

Details of the voting rights of each category of shares can be found within the directors' report on page 172.

The 170.0 pence deferred shares were created to facilitate a return of capital to shareholders following the reverse acquisition of United Utilities PLC by United Utilities Group PLC in the year ended 31 March 2009 (see company statement of changes in equity on page 193), and represent the amount of a special dividend paid on B shares at that time. The deferred shares convey no right to income, no right to vote and no appreciable right to participate in any surplus capital in the event of a winding up.

After the reporting date the company issued additional share capital. For further detail see note 24.

Notes to the financial statements

22 Contingent liabilities

As at 31 March 2026, UUW remains subject to the enforcement case opened by Ofwat in 2024, along with the other water and wastewater companies in England and Wales that have not yet had their investigations concluded. If a company is found to have breached its legal obligations, this could result in a financial penalty of up to 10% of relevant wastewater turnover (which in UUW's case, would be around £140 million based on 2025/26 wastewater turnover), and/or a requirement to rectify any obligations deemed to be required as a consequence of those findings. To date, Ofwat has issued penalties to one company and agreed enforcement packages with six companies, with values ranging from 5% to 9% of relevant wastewater turnover. UUW has received and responded to notices under s203 of the Water Industry Act 1991 and continues to fully co-operate with Ofwat through the investigation process. Ofwat has stated that, while it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow. Accordingly, the group considers that there was only a possible obligation as at the reporting date and so no provision has been recognised in the statement of financial position in respect of this matter. UUW has not been given a firm indication of the expected timeframe for the conclusion of Ofwat's ongoing investigation, or any subsequent action.

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

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

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

23 Financial and other commitments

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

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

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

The company has not entered into performance guarantees as at 31 March 2026 and 31 March 2025.

24 Events after the reporting period

On 30 April 2026, the company announced the issuance of 60,975,610 new ordinary shares of 5.0 pence each at a price of 1,312.0 pence per share, representing the company's closing share price on 29 April 2026. The settlement date on which these new shares were issued was 5 May 2026.

This resulted in the receipt of gross proceeds of £800.0 million, of which £3.0 million is recorded as share capital and the remainder (after deducting relevant transaction costs) is recorded as share premium. The net proceeds will be used to fund incremental investment for the AMP8 regulatory cycle.

Following this share issue, the total number of shares in the company in issue is 742,864,028 ordinary shares of 5.0 pence each and 273,956,180 deferred shares of 170.0 pence each.

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

Notes to the financial statements – appendices

A1 Consolidated statement of cash flows – further analysis

Cash generated from operations

	2026 £m	2025 £m
Profit before tax	779.0	355.0
Adjustment for investment income and finance expense (see notes 5, 6 and A5)	315.8	265.7
Adjustment for share of losses of joint ventures (see note 12)	4.6	10.8
Operating profit	1,099.4	631.5
Adjustments for:		
Depreciation of property, plant and equipment (see notes 10 and 19)	471.4	435.7
Amortisation of intangible assets (see note 11)	29.1	29.2
Loss on disposal of property, plant and equipment (see note 4)	0.3	4.0
Amortisation of deferred grants and contributions (see note 18)	(20.9)	(19.8)
Equity-settled share-based payments charge (see note 3)	4.5	4.7
Pension contributions paid less pension expense charged to operating profit	1.0	(3.0)
Changes in working capital:		
Decrease/(Increase) in inventories	15.5	(3.1)
Increase in trade and other receivables	(58.7)	(54.7)
Increase in trade and other payables	62.1	52.7
(Decrease)/Increase in provisions (see note 17)	(1.5)	5.5
Cash generated from operations	1,602.2	1,082.7

Reconciliation of fixed asset purchases to fixed asset additions

	2026 £m	2025 £m
Owned property, plant and equipment⁽¹⁾		
Purchase of property, plant and equipment in statement of cash flows	1,492.1	988.5
Non-cash additions:		
Transfers of assets from customers (see note 18) ⁽²⁾	92.4	121.4
IAS 23 capitalised borrowing costs (see note 6)	75.1	67.5
Receipt of government grants related to assets (see notes 10 and A6)	(2.2)	(0.9)
Net book value transfers from intangible assets	–	(0.1)
Timing differences on cash paid ⁽³⁾	18.4	67.5
Property, plant and equipment additions	1,675.8	1,243.9

Notes:

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

⁽²⁾ The group has received property, plant and equipment of £92.4 million (2025: £121.4 million) in exchange for the provision of future goods and services (see notes 18 and A6).

⁽³⁾ Timing differences arise and reverse when additions are recognised in the statement of financial position in a different period to when cash payments for capital expenditure are made. Capital accruals recognised in relation to these timing differences are included in 'Accruals and other creditors' within trade and other payables (see note 18).

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

Notes to the financial statements – appendices

A2 Net debt

Net debt comprises borrowings, net of cash and short-term deposits and derivatives hedging the financial risk associated with the group's borrowings⁽¹⁾. As such, movements in net debt during the year are impacted by changes in liabilities from financing activities as detailed in the tables below. The tables below should be read in conjunction with the consolidated statement of cash flows.

	Borrowings				Derivatives			Cash and cash equivalents	Adjustments in calculating net debt ⁽³⁾	Net debt
	Bonds	Bank and other term borrowings	Lease liabilities	DPC financing liability	In a fair value hedge	At fair value through profit or loss	Total liabilities from financing activities			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2025	(8,950.8)	(1,751.0)	(83.2)	–	(196.9)	272.4	(10,709.5)	1,669.0	(305.0)	(9,345.5)
Non-cash movements:										
Inflation uplift on index-linked debt	(105.6)	(28.1)	–	–	–	–	(133.7)	–	–	(133.7)
Fair value movements	68.9	3.4	–	–	22.9	(55.5)	39.7	–	17.9	57.6
Foreign exchange	(49.2)	4.1	–	–	–	–	(45.1)	–	–	(45.1)
Other	(8.8)	(0.2)	(11.2)	(0.4)	–	–	(20.6)	–	–	(20.6)
Cash flows used in financing activities:										
Receipts in respect of borrowing and derivatives ⁽²⁾	(903.3)	(102.0)	–	(9.2)	(3.1)	–	(1,017.6)	1,017.6	–	–
Payments in respect of borrowings and derivatives ⁽²⁾	143.5	286.6	2.7	–	0.4	–	433.2	(433.2)	–	–
Dividends paid	–	–	–	–	–	–	–	(357.6)	–	(357.6)
Exercise of share options – purchase of shares	–	–	–	–	–	–	–	(5.8)	–	(5.8)
Other	–	–	–	–	–	–	–	0.4	–	0.4
Changes arising from financing activities	(854.5)	163.8	(8.5)	(9.6)	20.2	(55.5)	(744.1)	221.4	17.9	(504.8)
Cash flows used in investing activities	–	–	–	–	–	–	–	(1,478.0)	–	(1,478.0)
Cash flows generated from operating activities	–	–	3.2	–	–	–	3.2	1,381.9	–	1,385.1
At 31 March 2026	(9,805.3)	(1,587.2)	(88.5)	(9.6)	(176.7)	216.9	(11,450.4)	1,794.3	287.1	(9,943.2)

Notes:

⁽¹⁾ Derivatives held for the purpose of hedging commodity prices are excluded from net debt. At 31 March 2026, the group had net derivative liabilities of £1.9 million (2025: net derivative liabilities of £27.4 million) to hedge electricity prices. See note A3 for further details.

⁽²⁾ Where derivatives are in an economic hedge of borrowings, derivative cash flows are shown net, with the net payment or receipt being reported against the underlying borrowing cash flow to provide a more faithful representation of the substance of the transaction.

⁽³⁾ The fair value of the derivatives reported in financing liabilities that are not hedging, specific debt instruments are removed in calculating the group's net debt position. These derivatives correspond to the group's fixed interest rate swaps and inflation swaps, neither of which are designated within an IFRS 9 hedging relationship and both of which are classified as 'held for trading' under the accounting standard. The fair value movements on those derivatives, which are not excluded from the revised definition of net debt (being derivatives in fair value hedge relationships), are expected to be materially equal and opposite in value to the fair value movement included in borrowings, resulting in materially all fair value movements being excluded.

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

The remaining fair value and foreign exchange movements in the year on the group's bond and bank borrowings are materially hedged by the fair value swap portfolio.

A2 Net debt continued

	Borrowings				Derivatives			Cash and cash equivalents	Adjustments in calculating net debt ⁽³⁾	Net debt
	Bonds	Bank and other term borrowings	Lease liabilities	DPC financing liability	In a fair value hedge	At fair value through profit or loss	Total liabilities from financing activities			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2024	(7,926.6)	(1,995.6)	(59.2)	–	(158.1)	295.1	(9,844.4)	1,379.3	(297.6)	(8,762.7)
Non-cash movements:										
Inflation uplift on index-linked debt	(108.3)	(33.9)	–	–	–	–	(142.2)	–	–	(142.2)
Fair value movements	50.2	3.5	–	–	(29.7)	(22.7)	1.3	–	(7.4)	(6.1)
Foreign exchange	12.6	0.6	–	–	–	–	13.2	–	–	13.2
Other	(4.2)	–	(27.2)	–	–	–	(31.4)	–	–	(31.4)
Cash flows used in financing activities:										
Receipts in respect of borrowing and derivatives ⁽²⁾	(1,318.5)	(7.6)	–	–	(13.2)	–	(1,339.3)	1,339.3	–	–
Payments in respect of borrowings and derivatives ⁽²⁾	344.0	282.0	1.3	–	4.1	–	631.4	(631.4)	–	–
Dividends paid	–	–	–	–	–	–	–	(344.1)	–	(344.1)
Exercise of share options – purchase of shares	–	–	–	–	–	–	–	(5.0)	–	(5.0)
Other	–	–	–	–	–	–	–	–	–	–
Changes arising from financing activities	(1,024.2)	244.6	(25.9)	–	(38.8)	(22.7)	(867.0)	358.8	(7.4)	(515.6)
Cash flows used in investing activities	–	–	–	–	–	–	–	(987.2)	–	(987.2)
Cash flows generated from operating activities	–	–	1.9	–	–	–	1.9	918.1	–	920.0
At 31 March 2025	(8,950.8)	(1,751.0)	(83.2)	–	(196.9)	272.4	(10,709.5)	1,669.0	(305.0)	(9,345.5)

Notes to the financial statements – appendices

A3 Financial risk management

Risk management

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

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

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

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

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

Liquidity risk

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

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

The group had available committed borrowing facilities as follows:

	2026 £m	2025 £m
Expiring within one year	225.0	200.0
Expiring after one year but in less than two years	75.0	225.0
Expiring after more than two years	975.0	725.0
Total borrowing facilities	1,275.0	1,150.0
Facilities drawn	–	–
Total borrowing facilities	1,275.0	1,150.0

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

Maturity analysis

Concentrations of risk may arise if large cash flows are concentrated within particular time periods. The maturity profile in the following table represents the forecast future contractual principal and interest cash flows in relation to the group's financial liabilities on an undiscounted basis. Derivative cash flows have been shown net where there is a contractual agreement to settle on a net basis; otherwise, the cash flows are shown gross. This table does not include the impact of lease liabilities for which the maturity profile is disclosed in note 19.

At 31 March 2026	Total ⁽¹⁾ £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	18,703.5	–	484.6	915.2	897.6	920.1	1,292.4	14,193.6
Bank and other term borrowings	1,882.1	–	206.7	172.8	171.4	342.9	441.9	546.4
Adjustment to carrying value ⁽²⁾	(9,183.5)	(9,183.5)	–	–	–	–	–	–
Borrowings	11,402.1	(9,183.5)	691.3	1,088.0	1,069.0	1,263.0	1,734.3	14,740.0
Derivatives:								
Payable	4,348.2	–	190.2	303.2	395.2	373.5	304.0	2,782.1
Receivable	(4,577.5)	–	(206.8)	(326.6)	(480.2)	(268.5)	(218.3)	(3,077.1)
Adjustment to carrying value ⁽²⁾	191.0	191.0	–	–	–	–	–	–
Derivatives – net assets⁽³⁾	(38.3)	191.0	(16.6)	(23.4)	(85.0)	105.0	85.7	(295.0)

A3 Financial risk management continued

At 31 March 2025	Total ⁽¹⁾ £m	Adjustment £m	1 year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m
Bonds	16,603.5	–	415.7	270.8	702.9	691.6	535.7	13,986.8
Bank and other term borrowings	2,122.1	–	372.5	172.7	172.0	172.5	350.8	881.6
Adjustment to carrying value ⁽²⁾	(8,020.2)	(8,020.2)	–	–	–	–	–	–
Borrowings	10,705.4	(8,020.2)	788.2	443.5	874.9	864.1	886.5	14,868.4
Derivatives:								
Payable	4,284.3	–	363.0	239.2	339.1	425.5	391.2	2,526.3
Receivable	(4,426.0)	–	(363.1)	(253.3)	(369.1)	(523.4)	(306.3)	(2,610.8)
Adjustment to carrying value ⁽²⁾	93.3	93.3	–	–	–	–	–	–
Derivatives – net assets⁽³⁾	(48.4)	93.3	(0.1)	(14.1)	(30.0)	(97.9)	84.9	(84.5)

Notes:

⁽¹⁾ Forecast future cash flows are calculated, where applicable, using forward interest rates based on the interest environment at the reporting date and are, therefore, susceptible to changes in market conditions. For index-linked debt it has been assumed that RPI will be 2.4% and CPI will be 2% over the life of each instrument.

⁽²⁾ The carrying value of debt is calculated using various methods in accordance with IFRS 9 'Financial Instruments' and so this adjustment reconciles the undiscounted forecast future cash flows to the carrying value of debt in the statement of financial position, excluding £88.5 million (2025: £83.2 million) of lease liabilities.

⁽³⁾ The derivative balance includes swaps with a carrying value of £nil (2025: £7.6 million) subject to optional break clauses that could be exercised within one year of the reporting date, and £2.9 million (2025: £0.1 million) subject to optional break clauses that could be exercised in later periods. At the reporting date, it was considered highly unlikely that these break clauses would be exercised and so cash flows that could arise from the exercise of these optional break clauses are not included in this table.

Credit risk

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

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

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

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

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

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

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

Notes to the financial statements – appendices

A3 Financial risk management continued

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

	2026 £m	2025 £m
Cash and short-term deposits (see note 15)	1,794.3	1,672.6
Trade and other receivables (see note 13)	387.9	355.6
Derivative financial instruments	347.7	340.7
	2,529.9	2,368.9

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

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

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

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

As disclosed within Note 23, the group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no material financial liabilities to be disclosed in accordance with IFRS 9 'Financial Instruments'.

Market risk

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

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

Inflation risk

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

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

The group's inflation hedging policy in place for AMP8 aims to have around 33% of the group's net debt in index-linked form (where it is economic to do so), by issuing index-linked debt and/or swapping a portion of nominal debt. This is currently weighted towards RPI-linked form, with circa 70% of the hedge linked to RPI and circa 30% linked to CPI and/or CPIH. These weightings are consistent with the prior financial year. Across the 2025 to 2030 regulatory period, the group intends to progressively reduce the proportion of index-linked debt from the previous target of around 50%. The new target of 33% is consistent with Ofwat's proportion of index-linked debt in the notional company and should position the group well in respect of any potential future changes in the regulatory model under which UUW operates, while recognising the benefits of maintaining index-linked debt in the group's overall capital structure, in being a good match to the RCV and strengthening the group's cash interest-based cover ratios.

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

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

Sensitivity analysis

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

	2026 £m	2025 £m
Increase/(decrease) in profit before taxation and equity		
1% increase in RPI/CPI	(30.6)	(41.5)
1% decrease in RPI/CPI	30.4	41.5

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

A3 Financial risk management continued

Interest rate risk

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

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

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

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

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

Sensitivity analysis

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

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

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

Hedge accounting

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

At 31 March 2026	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional principal amount £m	–	300.0	825.0	950.0
Average contracted fixed interest rate %	–	4.7	0.9	3.7

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

Risk exposure	Nominal amount of the hedging instruments £m	Carrying amount of the hedging instruments £m	Accumulated fair value (gains)/ losses on hedged items £m	Fair value (gains)/losses used for calculating hedge ineffectiveness for the year ended 31 March 2026 ⁽¹⁾		Hedge ineffectiveness recognised in the income statement £m
				Hedged items £m	Hedged instruments £m	
Interest rate risk on borrowings	2,075.0	(169.8)	(171.0)	(6.3)	7.1	0.8

Note:

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

Notes to the financial statements – appendices

A3 Financial risk management continued

Currency risk

Currency exposure principally arises in respect of funding raised in foreign currencies. To manage exposure to currency rates, foreign currency debt is hedged into sterling through the use of cross-currency swaps, and these are often designated within a fair value accounting hedge.

The group seeks to manage its risk by maintaining currency exposure within board-approved limits. Currency risk in relation to foreign currency-denominated financial instruments is reported monthly to the treasury committee through the operational compliance report. The group has no material net exposure to movements in currency rates.

Hedge accounting

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

At 31 March 2026	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional principal amount £m	–	116.3	236.4	2,183.2
Average contracted fixed interest rate %	–	0.9	1.0	2.1

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

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

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

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

Repricing analysis

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

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

At 31 March 2026	Total £m	1 year or less £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed-rate instruments	4,288.1	–	425.1	147.3	263.8	441.2	3,010.7
Effect of swaps	–	4,288.1	(425.1)	(147.3)	(263.8)	(441.2)	(3,010.7)
	4,288.1	4,288.1	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed-rate instruments	320.6	–	–	320.6	–	–	–
Effect of swaps	–	320.6	–	(320.6)	–	–	–
	320.6	320.6	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed-rate instruments	2,133.6	35.4	2.4	2.6	2.3	3.9	2,087.0
Floating-rate instruments	903.0	903.0	–	–	–	–	–
Index-linked instruments	3,845.3	3,845.3	–	–	–	–	–
	6,881.9	4,783.7	2.4	2.6	2.3	3.9	2,087.0
Effect of fixed hedge for the term of the regulatory period	–	(3,811.4)	250.6	653.5	250.0	932.9	1,724.4
Total borrowings	11,490.6	5,581.0	253.0	656.1	252.3	936.8	3,811.4
Cash and short-term deposits	(1,794.3)	(1,794.3)	–	–	–	–	–
Net borrowings	9,696.3	3,786.7	253.0	656.1	252.3	936.8	3,811.4

A3 Financial risk management continued

At 31 March 2025	Total £m	1 year or less £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	More than 5 years £m
Borrowings in fair value hedge relationships							
Fixed-rate instruments	3,797.2	105.5	–	426.5	152.6	256.9	2,855.7
Effect of swaps	–	3,691.7	–	(426.5)	(152.6)	(256.9)	(2,855.7)
	3,797.2	3,797.2	–	–	–	–	–
Borrowings designated at fair value through profit or loss							
Fixed-rate instruments	330.2	–	–	–	–	–	330.2
Effect of swaps	–	330.2	–	–	–	–	(330.2)
	330.2	330.2	–	–	–	–	–
Borrowings measured at amortised cost							
Fixed-rate instruments	1,823.4	38.4	1.3	1.7	1.5	1.6	1,778.9
Floating-rate instruments	848.8	848.8	–	–	–	–	–
Index-linked instruments	3,989.0	3,989.0	–	–	–	–	–
	6,661.2	4,876.2	1.3	1.7	1.5	1.6	1,778.9
Effect of fixed hedge for the term of the regulatory period	–	(2,328.9)	200.0	389.8	250.6	653.5	835.0
Total borrowings	10,788.6	6,674.7	201.3	391.5	252.1	655.1	2,613.9
Cash and short-term deposits	(1,672.6)	(1,672.6)	–	–	–	–	–
Net borrowings	9,116.0	5,002.1	201.3	391.5	252.1	655.1	2,613.9

Electricity price risk

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

Hedge accounting

Details of electricity swaps designated as hedging instruments to manage electricity price risk are summarised below:

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years
Notional amount MWh	284,760	131,760	262,800	–
Average contracted fixed price £/MWh	112.4	73.9	68.8	–

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

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

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

Notes to the financial statements – appendices

A3 Financial risk management continued

Capital risk management

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

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

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

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

Fair values

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

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

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

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

A3 Financial risk management continued

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable).

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

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

A4 Retirement benefits

Defined benefit schemes

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

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

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

Group	2026 £m	2025 £m
Total fair value of schemes' assets	2,288.5	2,308.6
Present value of defined benefit obligation	(1,977.6)	(2,006.3)
Net retirement benefit surplus	310.9	302.3

Estimated future benefits payable

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

Group	2026 £m	2025 £m
Total value of current employees' benefits	239.5	238.5
Deferred members' benefits	309.9	309.5
Pensioner members' benefits	1,428.2	1,458.3
Total defined benefit obligation	1,977.6	2,006.3

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

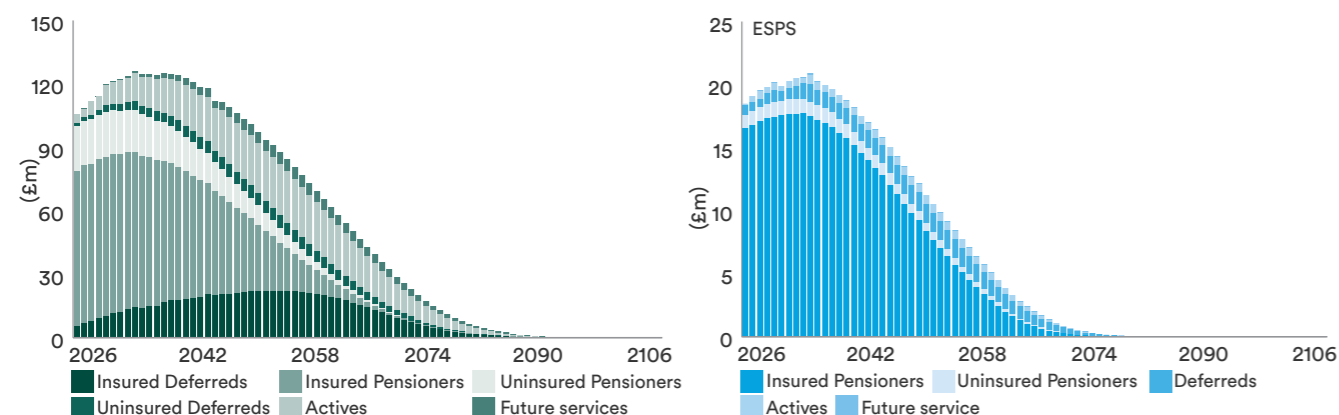
Group	2026 £m	2025 £m
At the start of the year	(2,006.3)	(2,284.4)
Interest cost on schemes' obligation	(110.8)	(106.1)
Actuarial gains arising from changes in financial assumptions	44.9	259.3
Actuarial (losses)/gains arising from changes in demographic assumptions	(19.0)	6.1
Actuarial losses arising from experience	(10.5)	(5.9)
Member contributions	(1.0)	(2.2)
Benefits paid	127.7	129.4
Past service cost	(0.1)	–
Current service cost	(2.5)	(2.5)
At the end of the year	(1,977.6)	(2,006.3)

The duration of the combined schemes is around 12 years. The schemes' duration is an indicator of the weighted-average time until benefit payments are settled, taking account of the split of the defined benefit obligation between current employees, deferred members and the current pensioners of the schemes.

Notes to the financial statements – appendices

A4 Retirement benefits continued

The estimated profile of cash flows out of the schemes as retirement benefits are paid is as follows:



Estimated future benefits payable

Under UK legislation, there is a requirement that pension schemes are funded prudently, and that funding plans are agreed by pension scheme trustees. The defined benefit schemes are subject to funding valuations carried out by independent qualified actuaries, in conjunction with the schemes' trustees, on a triennial basis. These valuations inform the level of future contributions to be made by the group in order to ensure that the schemes are appropriately funded and, therefore, that benefits can be paid. The latest finalised funding valuation was carried out during the prior year, as at 31 March 2024, which determined that the schemes were fully funded on a low-dependency basis and do not require additional contributions from the group over and above those related to current service and expenses.

The schemes' funding plans are reviewed regularly, including between funding valuations. The group expects to make further contributions of £5.2 million in the year ending 31 March 2027, £4.2 million in respect of current service contributions and £1.0 million in respect of expenses.

The group and trustees have agreed long-term strategies for reducing investment risk in each scheme. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the pension plan by investing in assets, such as corporate bonds and gilts, supplemented by swap and gilt long-term hedges of interest and inflation rates, which perform in line with the liabilities to hedge against changes in interest and inflation rates. Both the UUPS and ESPS schemes are fully hedged for inflation exposure through external market swaps and gilts. Further details of the derivatives used in reducing investment risk are disclosed later in this note.

While longevity risk has reduced as a result of a partial buy-in transaction during the year ended 31 March 2024, the group and trustees remain actively engaged in exploring further de-risking options that may be implemented in the future. Based on the results of the latest triennial valuation as at 31 March 2024, for ESPS the buy-in was estimated to cover circa 85% of liabilities, and for UUPS circa 70% of liabilities, on a technical provisions basis, with the split on an IAS 19 basis expected to be broadly consistent.

The basis on which scheme liabilities are valued for funding purposes differs from the basis required under IAS 19 'Employee Benefits', with liabilities on a funding basis being subject to assumptions at the valuation date that are not updated between revaluations. Funding positions vary significantly from company to company, but none of the position, the assumptions on which they are based, the associated sensitivities, nor the risk exposures are disclosed by many companies and, therefore, meaningful cross-company comparisons are not possible. However, scheme liabilities are valued on a consistent accounting basis between companies applying IAS 19, and are subject to assumptions and sensitivities that are required to be disclosed in accordance with that accounting standard. Consequently, the relative economic positions of companies are comparable only on an IAS 19 basis, subject to the normalisation of assumptions used between companies.

Included within the present value of the defined benefit obligation of the UUPS scheme are liabilities of £7.0 million (2025: £7.2 million) in respect of unregistered pension promises made to certain former employees, which are paid directly from the group as opposed to through one of the group's registered pension schemes. Liabilities in respect of these promises are not considered to be material in the context of the group's overall defined benefit obligations or the financial statements taken as a whole.

Virgin Media High Court decision

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited vs. NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. On 2 September 2025, the Government published draft amendments to the Pensions Scheme Bill, which would give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. This legislation received Royal Assent in April 2026 and became an Act of Parliament (law).

The Directors do not expect the Virgin Media ruling to give rise to any additional liabilities. The present value of defined benefit obligations has not been adjusted and continues to reflect the benefits currently being administered.

A4 Retirement benefits continued

Impact of scheme risk management on IAS 19 disclosures

Under the prescribed IAS 19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and CPI and the current member mortality assumptions. These projected cash flows are then discounted using a high-quality corporate bond rate, which comprises an underlying interest rate and a credit spread.

As well as through the purchase of bulk annuity policies, the group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and future inflation. Both UUPS and ESPS fully hedge RPI inflation exposure along with underlying interest rates through external market swaps and gilts (including gilt repurchase instruments), the value of which is included in the schemes' assets, net of associated derivative liabilities.

Consequently, the reported statement of financial position for the uninsured portion of the schemes' liabilities remains subject to some volatility due to changes in credit spread and changes in mortality, neither of which have been hedged at the current time. Changes in credit spreads have not been hedged primarily due to difficulties in doing so over long durations. In contrast, the schemes' specific funding bases are unlikely to suffer from significant volatility due to credit spread, because a dynamic discount rate is applied for funding purposes. Changes in mortality have not been hedged due to this exposure being subject to lower volatility in the short term, though the group and scheme trustees are committed to exploring options to de-risk changes in mortality, or pension longevity, in future periods for the uninsured liabilities, as outlined above.

Pension benefits under the defined benefit element of the UUPS hybrid section are linked to CPI rather than RPI.

In the year ended 31 March 2026, the discount rate increased by 0.35% (2025: 0.9% increase), which includes a 0.30 % increase in gilt yields over the year and a 0.05% increase in credit spreads. The IAS 19 remeasurement loss of £7.9 million (2025: £18.6 million gain), reported in note 14, has largely resulted from changes in financial and demographic assumptions, predominantly due to actual inflation over the year being higher than assumed and updates to the mortality projections.

The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions and are, therefore, more than 100% hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The increase in credit spreads during the year is partially offset by an RPI inflation increase of 0.15% (2025: 0.05% reduction). In the shorter term, recent high inflation has resulted in greater-than-expected pension increases, and longer-term expectations for inflation have increased versus the prior reporting date.

Reporting and assumptions

The results of the latest funding valuation as at 31 March 2024 have been used to inform the group's best estimate assumptions used in calculating the defined benefit pension obligation reported on an IAS 19 basis at 31 March 2026. The results of the funding valuation have been adjusted to take account of experience over the period, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

In accordance with IAS 19, the fair value of the buy-in insurance assets at the date of the transaction was considered to be equal to the IAS 19 value of the insured liabilities and, subsequently, the fair value of the insurance assets is pegged to the present value of the liabilities being insured.

Member data used in arriving at the liability figure included within the defined benefit surplus has been based on the finalised actuarial valuations as at 31 March 2024 for both UUPS and ESPS. As part of each actuarial valuation and, more frequently, as required by the trustees, member data is reassessed for completeness and accuracy and to ensure it reflects any relevant changes to benefits entitled by each member.

Financial assumptions

The main financial and demographic assumptions used by the actuary to calculate the defined benefit surplus of UUPS and ESPS are outlined below:

Group	2026 % p.a.	2025 % p.a.
Discount rate	6.05	5.70
Pension increases	3.35	3.20
Pensionable salary growth (pre-2018 service):		
ESPS	3.35	3.20
UUPS	3.35	3.20
Pensionable salary growth (post-2018 service):		
ESPS	3.35	3.20
UUPS	2.90	2.75
Price inflation – RPI	3.35	3.20
Price inflation – CPI*	2.90	2.75

* The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.45% pre-2030 and 3.15% post-2030 (2025: 2.30% pre-2030 and 3.00% post-2030).

Notes to the financial statements – appendices

A4 Retirement benefits continued

The discount rate is consistent with a high-quality corporate bond rate, with 6.05% being equivalent to gilts of 5.40% plus 65 basis points in respect of credit spread (2025: 5.70% being equivalent to gilts of 5.10% plus 60 basis points in respect of credit spread). The corporate bond population used in deriving this rate comprises those rated at least AA by one or more credit rating agencies.

In accordance with the scheme rules, pensionable salary growth is linked to RPI for UUPS for service pre-2018 and CPI for service post-2018, for ESPS the growth is linked to RPI.

Assumed pension increases are aligned to the RPI price inflation assumption as the vast majority of benefits across the schemes have a direct RPI linkage.

In accordance with plans put forward by the UK Statistics Authority ('UKSA'), the Retail Prices Index ('RPI') and the Consumer Prices Index, including owner occupier's housing costs ('CPIH'), are expected to align from 2030. This compares with the current situation in which, absent these reforms, CPIH increases are broadly expected to average around 0.5% below RPI in the long term (about the same as CPI). The alignment of RPI and CPIH could, therefore, have a significant impact on many pension schemes.

Demographic assumptions

In line with previous reporting periods, mortality assumptions continue to be based on the latest available Continuous Mortality Investigation's (CMI) mortality tables. As at 31 March 2026, mortality assumptions are based on adjusted SAPS 4 CMI2025 base tables, inclusive of a 1.25% p.a. rate of improvement, initial adjustment (A) parameter of 0.25%, a 'half-life' (H) parameter of 1, and an adjustment to the 'advanced parameters' to model lower improvements in life expectancy at older ages than the core model. A scaling factor of 109% (2025: 109%) and 111% (2025: 111%) for male pensioners and non-pensioners, respectively, and 109% (2025: 109%) and 105% (2025: 105%) for female pensioners and non-pensioners, respectively, is applied, reflecting the profile of the membership. Compared against the base tables used for previous year-end mortality assumptions (CMI 2023 S4PA), the Core CMI2025 model sees a small increase in life expectancies. It should be noted, however, that post buy-in, any changes in the life expectancy assumptions for insured members are offset by a corresponding change in the value of the buy-in bulk annuity policies on an IAS 19 basis. At 31 March 2026, future improvements in mortality are based on the extended CMI 2025 (2025: CMI 2023) projection model, with a long-term annual rate of improvement of 1.25% (2025: 1.25%).

The current life expectancies, at age 60, underlying the value of the accrued liabilities for the schemes are:

Group	2026 years	2025 years
Retired member – male	25.8	25.3
Non-retired member – male	26.8	26.4
Retired member – female	28.0	27.7
Non-retired member – female	29.4	29.2

Financial and demographic assumptions – further analysis

The assumptions used in measuring the group's defined benefit surplus reflect management's best estimates as at the reporting date. These estimates inherently involve judgement, and the measurement of the defined benefit surplus is sensitive to changes in these key assumptions.

Given that changes in the insured liabilities are offset by an equal change in the value of the buy-in insurance assets, the IAS 19 surplus will be predominantly driven by changes in the uninsured liabilities and residual invested assets going forward. Sensitivity calculations allow for the specified movement in the relevant key assumption on total scheme liabilities, while all other assumptions are held constant. This approach does not take into account the interrelationship between some of these assumptions or any hedging strategies adopted; however, it demonstrates how reasonably possible changes could impact on the measurement of the defined benefit surplus. The schemes' hedging strategies are designed primarily to reduce the volatility on a technical provisions basis.

- **Asset volatility** – If the schemes' assets underperform relative to the discount rate used to calculate the schemes' liabilities, this will create a deficit. Under IAS 19, the value of the buy-in assets is equal to the IAS 19 value of the insured liabilities. The bulk annuity policies represent a significant proportion of the scheme's assets, with the valuation of these assets pegged to the valuation of insured liabilities. As such, movements in asset values are offset by corresponding movements in the value of insured liabilities. For the uninsured liabilities, the intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation on a scheme funding basis.
- **Discount rate** – An increase/decrease in the discount rate of 0.25% would have resulted in a £52.6 million / £55.1 million (2025: £56.2 million / £59.0 million) decrease/increase in the schemes' liabilities at 31 March 2026, although, as long as credit spreads remain stable this will be largely offset by an increase/decrease in the value of the schemes' bond holdings and other instruments designed to hedge this exposure. The discount rate is based on high-quality corporate bond yields of a similar duration to the schemes' liabilities. High-quality corporate bonds are considered to be those that have a credit rating of AA or above with at least one rating agency. An alternative approach could be taken whereby only those bonds rated AA or higher, by at least two rating agencies, are used. While this alternative approach may provide additional comfort around the quality of these corporate bonds, management believes that the wider population of corporate bonds under a 'single agency' approach gives a more representative indication of high-quality corporate bonds that are aligned to the schemes' liabilities and, therefore, provides a more robust estimate.
- **Price inflation** – An increase/decrease in the RPI inflation assumption of 0.25% would have resulted in a £49.7 million / £47.5 million (2025: £52.8 million / £50.4 million) increase/decrease in the schemes' liabilities at 31 March 2026, as a significant proportion of the schemes' benefit obligations are linked to inflation. However, nearly all of the schemes' liabilities were hedged for RPI in the external market at 31 March 2026, meaning that this sensitivity is likely to be insignificant as a result, on a combined basis. The sensitivity to price inflation allows for the impact of changes to pensionable salary growth and pension increases, which are both assumed to be linked to price inflation. While inflation may be volatile in the near term, the value of the schemes' liabilities is based on inflation assumptions that reflect the full profile of the liabilities, in particular the long-term nature.

A4 Retirement benefits continued

- Consistent with market practice, in arriving at the group's best estimate for RPI an inflation risk premium of 0.3% (2025: 0.2%) has been deducted from the breakeven inflation rate for the year ended 31 March 2026. The impact of this is a decrease in the uninsured defined benefit obligation of around £24.0 million (2025: £17.0 million) and, therefore, an increase in the net-defined benefit surplus compared with no inflation risk premium being deducted. The change to the inflation risk premium of 0.3% resulted in a circa £8 million reduction in the uninsured defined benefit obligation and a corresponding increase in the net defined benefit surplus compared to a deduction of 0.2% as applied in the prior year. There is no allowance for any further change in the inflation risk premium post-2030 as a result of RPI reform. A reduction in expected RPI will result in a reduction to the value of pension scheme liabilities; however, as our pension schemes are hedged for RPI inflation movements, this will result in a comparable reduction to the value of pension scheme assets.
- The assumption for CPI is set by deducting a 'wedge' from the RPI inflation assumption to reflect structural differences. For pre-2030 inflation, this wedge has been estimated at 0.9% per annum, reducing to 0.2% per annum post-2030 given that RPI and CPI are expected to converge. The impact of this reduction in the post-2030 wedge, as a result of RPI reform, is a circa £3.0 million increase to the uninsured defined benefit obligation and, therefore, a decrease in the net-defined benefit surplus compared with the wedge remaining at 0.9% per annum after 2030.
- **Mortality long-term improvement rate** – An increase in the mortality long-term improvement rate from 1.25% to 1.50% would have resulted in a £9.8 million increase in the schemes' liabilities at 31 March 2026 (2025: £12.7 million increase in the schemes' liabilities).
- **Life expectancy** – An increase in life expectancy of one year would have resulted in a £72.5 million (2025: £77.3 million) increase in the schemes' liabilities at 31 March 2026. The majority of the schemes' obligations are to provide benefits for the life of the member and, as such, the schemes' liabilities are sensitive to these assumptions.

Schemes' assets

At 31 March, the fair values of the schemes' assets recognised in the statement of financial position were as follows:

Group	Underlying assets £m	Fair value of derivatives £m	Combined £m	Schemes' assets %
At 31 March 2026				
Gilts	532.0	(204.3)	327.7	14.3
Bonds	356.0	(16.7)	339.3	14.8
Bulk annuity policies	1,381.0	–	1,381.0	60.4
Other	265.3	(24.8)	240.5	10.5
Total fair value of schemes' assets	2,534.3	(245.8)	2,288.5	100.0
At 31 March 2025				
Gilts	537.2	(202.0)	335.2	14.5
Bonds	313.1	0.6	313.7	13.6
Bulk annuity policies	1,405.8	–	1,405.8	60.9
Other	279.1	(25.2)	253.9	11.0
Total fair value of schemes' assets	2,535.2	(226.6)	2,308.6	100.0

Included within the scheme's assets are assets with a fair value estimated to be £1,485.3 million that are categorised as 'Level 3' assets within the IFRS 13 'Fair value measurement' hierarchy, meaning that the value of the assets is not observable at 31 March 2026. Of these, £1,381.0 million relates to bulk annuity policies purchased as part of the buy-in transaction and £104.3 million relates to unquoted senior private debt assets. Estimates of the fair value of these assets have been performed by the investment managers' valuation specialists using the latest available statements of each of the funds that make up the total Level 3 asset balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

Of the remaining balance of scheme assets, there are assets with a fair value estimated to be £785.7 million, which are categorised as 'Level 2' assets, meaning that valuations include observable inputs other than quoted prices in active markets, and £17.5 million of 'Level 1' assets, meaning that there is a quoted price in an active market for identical assets or liabilities at the measurement date.

The UUPS has entered into a variety of derivative transactions to change the return characteristics of the assets held to reduce undesirable market and liability risks. As such, the above breakdown separates the assets of the schemes to illustrate the underlying risk characteristics of the assets held.

The portfolio contains a proportion of assets set aside for collateral purposes linked to the derivative contracts held. The collateral portfolio, comprising cash and eligible securities readily convertible to cash, provides sufficient liquidity to manage exposure relating to the derivative transactions and is expected to achieve a return in excess of SONIA (Sterling Overnight Index Average). During the year ended 31 March 2026, no liquidity support or facilities were required by the group as a result of collateral calls.

Notes to the financial statements – appendices

A4 Retirement benefits continued

The derivative values in the table above represent the net market value of derivatives held within each of these asset categories as follows:

Group	2026 £m	2025 £m
Gilts		
Repurchase agreements	(204.3)	(202.0)
	(204.3)	(202.0)
Bonds – hedging non-sterling exposure back to sterling		
Currency forwards	(1.6)	0.6
Gilt futures	(15.1)	
	(16.7)	0.6
Other – managing liability risks targeting a high level of interest rate and inflation hedging		
Interest rate swaps	(25.2)	(25.7)
RPI inflation swaps	0.4	0.5
	(24.8)	(25.2)
Total fair value of derivatives	(245.8)	(226.6)

The derivatives shown in the tables only cover those expressly held for the purpose of reducing certain undesirable asset and liability risks as part of the liability-driven investment strategies. The schemes invest in a number of other pooled funds that make use of derivatives. No allowance is made in the figures above for any derivatives held within these other pooled funds, as they are not held expressly for the purpose of managing risk. The fair value of pooled funds held within the schemes' assets was £175.1 million (2025: £162.4 million).

The intention is that the schemes' assets provide a full economic hedge of interest rates and RPI inflation of the schemes' liabilities on a scheme funding basis. As the scheme funding basis is more prudent than the IAS 19 measurement basis for the defined benefit obligation, the schemes are more than 100% hedged on an accounting basis. Movements in the fair value of the schemes' assets were as follows:

Group	2026 £m	2025 £m
At the start of the year	2,308.6	2,552.4
Interest income on schemes' assets	128.3	119.0
The return on plan assets, excluding amounts included in interest	(23.3)	(240.9)
Member contributions	1.0	2.2
Benefits paid	(127.7)	(129.4)
Administrative expenses	(3.9)	(4.0)
Employer contributions	5.5	9.3
At the end of the year	2,288.5	2,308.6

The group's actual return on the schemes' assets was a gain of £105.0 million (2025: £121.9 million loss). In line with IAS 19, the fair values of the buy-in assets have been set equal to the IAS 19 present values of the insured liabilities. The schemes' investment strategies have been designed such that the assets are fully hedged against the schemes' technical provisions funding positions and are therefore more than 100% hedged on an IAS 19 basis. As a result, increases in net yields are expected to reduce the schemes' assets by a greater amount than the IAS 19 liabilities.

The trustees of both the ESPS and UUPS schemes publish a statement of investment principles, available via the United Utilities corporate website. The statements set out the ESG principles, in particular climate risk, behind the choice of investments. UUPS published its latest TCFD report in October 2025, which is available on the corporate website. For ESPS, while the group does not meet the size threshold that requires full TCFD reporting, the trustee has provided information for the wider scheme's report. The wider scheme's most recent TCFD report was published in October 2025 and is available from the ESPS website.

A5 Related party transactions

Group

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The related party transactions with the group's joint ventures and other related parties during the period, and amounts outstanding at the period-end date, were as follows:

	2026 £m	2025 £m
Sales of services	378.7	338.8
Charitable contributions advanced to related parties	0.2	0.2
Purchases of goods and services	0.9	1.5
Interest income and fees recognised on loans to related parties (see note 5)	4.7	5.9
Amounts owed by related parties (see note 13)	86.0	101.0
Amounts owed to related parties (see note 18)	4.0	–

With the exception of charitable contributions advanced by the group, all of the above related party transactions and balances relate to Water Plus, which is jointly owned and controlled by the group and Severn Trent PLC under a joint venture agreement.

Sales of services to related parties comprises non-household wholesale charges to Water Plus that were billed and accrued during the period. These transactions were on market credit terms in respect of non-household wholesale charges, which are governed by the wholesale charging rules issued by Ofwat.

Charitable contributions advanced to related parties during the year relate to amounts paid to Rivington Heritage Trust, a charitable company limited by guarantee for which UUW is one of three guarantors.

At 31 March 2026, amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £86.0 million (2025: £101.0 million), comprising £35.6 million (2025: £27.4 million) of trade balances, which are unsecured and represent the amounts that are expected to be settled in accordance with normal credit terms, and £50.4 million (2025: £73.5 million) relating to loans.

Included within these loans receivable were the following amounts owed by Water Plus:

- £50.4 million (2025: £71.4 million) outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2029 with the option for a further 2 years of extension, bearing a floating rate interest rate of the Bank of England base rate plus a credit margin. This balance comprises £54.0 million outstanding, net of a £3.6 million allowance for expected credit losses (2025: £75.0 million net of a £3.6 million allowance for expected credit losses).
- £nil (2025: £2.2 million) receivable in relation to a £12.5 million unsecured zero-coupon loan note held by United Utilities PLC, which had a maturity date of 28 March 2027 but was redeemed on 19 March 2026 in the form of a subscription for £12.5 million of additional share capital in Water Plus (see note 12). As at 31 March 2025, the £2.2 million carrying value of the receivable comprised £11.7 million fair value of amounts owed in relation to the loan note, net of £9.5 million of the group's share of joint venture losses relating to historic periods that were allocated against the loan note as it was deemed to be part of the group's long-term interest in Water Plus. The £11.7 million fair value of the receivable represented the present value of the £12.5 million payable at maturity discounted using an appropriate market rate of interest at the inception of the loan, and £0.8 million recorded as an equity contribution to Water plus recognised within interests in joint ventures.

During the year, United Utilities PLC provided guarantees in support of Water Plus in respect of certain amounts owed to wholesalers. The aggregate limit of these guarantees was £50.7 million of which £27.0 million related to guarantees to UUW.

At 31 March 2026, amounts owed to related parties were £4.0 million (2025: £nil) being amounts due to Water Plus for the surrender of consortium relief tax losses (see note 7).

Company

The parent company receives dividend income, and pays and receives interest to, and from, subsidiary undertakings in the normal course of business. Total dividend income received during the year amounted to £357.6 million (2025: £344.1 million) and total net interest payable during the year was £106.9 million (2025: £119.6 million). Amounts outstanding at 31 March 2026 and 31 March 2025 between the parent company and subsidiary undertakings are disclosed in notes 13, 16 and 18.

At 31 March 2026 and 31 March 2025, no related-party receivables and payables were secured, and no guarantees were issued in respect thereof. Balances will be settled in accordance with normal credit terms. No allowance for doubtful receivables has been made for amounts owed by subsidiary undertakings as at 31 March 2026 and 31 March 2025.

Notes to the financial statements – appendices

A6 Accounting policies

Of the accounting policies outlined below, those deemed to be the most significant for the group are those that align with the critical accounting judgements and key sources of estimation uncertainty set out on pages 195 to 198.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and entities controlled by the company (its subsidiaries) and incorporate the results of its share of joint ventures using the equity method of accounting. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the date control is obtained or until the date that control ceases, as appropriate.

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group is exposed to, or has the rights to, variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. In the parent company accounts, investments are held at cost less provision for impairment.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Joint ventures are entities in which the group holds an interest on a long-term basis, and which are jointly controlled with one or more parties under a contractual arrangement. The group's share of joint venture results is incorporated using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss of the joint venture.

Revenue recognition

Revenue from the sale of water, wastewater and other services represents the fair value of the consideration receivable in the ordinary course of business for the goods and services provided, exclusive of value-added tax. Where relevant, this includes an estimate of the sales value of units supplied to customers between the date of the last meter reading and the period end.

There are two main areas of the group's activities considered to result in revenue being recognised:

- The provision of core water and wastewater services, accounting for more than 98% of the group's revenue.
- Capital income streams relating to diversions work and activities, typically performed opposite property developers, that facilitate the creation of an authorised connection through

which properties can obtain water and wastewater services.

The provision of core water and wastewater services, which are deemed to be distinct performance obligations of the contract with customers, follow the same pattern of transfer to the customer, who simultaneously receives and consumes both of these services over time.

Revenue is generally recognised at the time of delivery, with consideration given as to whether collection of the full amount under the contract is considered probable. Should the group consider that the criteria for revenue recognition have not been met for a transaction, revenue recognition, and the recognition of associated receivable balances, would be delayed until such time as collectability is reasonably assured. Any gross debt that is not expected to be recovered through future cash collection is provided against through either an allowance for expected credit losses (non-collection, where revenue had been previously recognised due to recovery being considered probable at the point services were rendered) or credit note provision (incorrectly billed and, therefore, reducing the amount of revenue that should have been recognised). The group recognises a credit note provision typically in relation to non-household customers who can claim allowances against amounts previously billed, in accordance with non-household market codes. Future allowances for which a credit note provision is recognised are estimated based on historic information derived from market operating systems. Credit note provisions held in relation to household customers relate to bill adjustments made after the reporting date.

Payments received in advance of revenue recognition are recorded as deferred income. This includes revenue in respect of connection activities, which itself reflects a distinct performance obligation. The revenue recognised in respect of these activities is released to the income statement over a period of 60 years, which is deemed to be the time over which the performance obligation for providing the connection is satisfied.

Operating profit

Operating profit is stated after charging operational expenses but before investment income and finance expense and before the share of profits or losses of joint ventures.

Borrowing costs and finance income

Except as noted below, all borrowing costs and finance income are recognised in the income statement on an accruals basis. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the initial fair value of that

instrument. Where borrowing costs are attributable to the acquisition, construction or production of a qualifying asset, such costs are capitalised as part of the specific asset in accordance with IAS 23 'Borrowing Costs'.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income. Assessing the outcome of uncertain tax positions requires judgements to be made regarding the application of tax law and the result of negotiations with, and enquiries from, tax authorities. A current tax provision is only recognised when the group has a present obligation resulting from a past event and it is probable that the group will be required to settle that obligation to a tax authority.

The amount of current tax provisions or assets is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax

Current tax is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, at each reporting date, and includes any adjustment to tax payable in respect of previous years.

Taxable profit differs from the net profit as reported in the income statement, because it excludes items of income or expense that are non-taxable or non-deductible.

Current tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are provided, using the liability method, on all taxable temporary differences at each reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

A6 Accounting policies continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted, or substantively enacted, at each reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These deferred tax assets will be recovered against the deferred tax liabilities in relation to fixed assets that will reverse in the same periods.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment comprises water and wastewater infrastructure assets and overground assets.

The useful economic lives of these assets are primarily as follows:

- Water and wastewater infrastructure assets:
 - Impounding reservoirs – 200 years
 - Mains and raw water aqueducts – 30 to 150 years
 - Sewers and sludge pipelines – 60 to 180 years
 - Sea outfalls – 60 years
- Buildings – 10 to 60 years
- Operational assets – 5 to 80 years
- Fixtures, fittings, tools and equipment – 3 to 40 years

Employee and other related costs incurred in implementing the capital schemes of the group are capitalised. This includes an allocation of estimated time and resources incurred by the group's support functions in supporting capital programmes. The group is required to evaluate the carrying values of property, plant and equipment for impairment whenever circumstances indicate, in management's view, that the carrying value of such assets may not be recoverable. An impairment review requires management to make uncertain estimates concerning the

cash flows, growth rates and discount rates of the cash-generating units under review.

Costs associated with a major inspection or overhaul of an asset or group of assets are capitalised within property, plant and equipment and depreciated over the period of time expected to elapse between major inspections or overhauls.

Water and wastewater infrastructure assets

Infrastructure assets comprise a network of water and wastewater pipes and systems. Expenditure on the infrastructure assets, including borrowing costs where applicable, relating to increases in capacity or enhancements to the resilience of functionality of the network, is treated as an addition. Similarly, amounts incurred on replacement of assets to maintain the operating capability of the network in accordance with defined standards of service are also treated as an addition. Infrastructure maintenance expenditure that does not result in an asset replacement is expensed as incurred. Infrastructure assets are depreciated by writing off their cost (or deemed cost for infrastructure assets held on transition to IFRS), less the estimated residual value, on a straight-line basis over their useful economic lives.

Other assets

All other property, plant and equipment is stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items, including relevant borrowing costs, where applicable, for qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets in the course of construction are not depreciated. Other assets are depreciated by writing off their cost, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, based on management's judgement and experience.

Depreciation methods, residual values and useful economic lives are reassessed annually and, if necessary, changes are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

Transfer of assets from customers and developers

Where the group receives, from a customer or developer, an item of property, plant and equipment (or cash to construct or acquire an item of property, plant and equipment) that the group must then use either to connect the customer to the network or to provide the customer with ongoing access to a supply of goods or services, or both, such items are capitalised at their fair value and included within property, plant and equipment, with a liability of the same amount recognised within deferred grants and contributions. The assets are depreciated over their useful economic lives and the deferred contributions released to revenue over the 60 years, which is the estimated period over which an average connection through which the group provides water and wastewater services is expected to be operational. Where the receipt of property, plant and equipment is solely to connect the customer to the network, the contribution is recognised in revenue immediately.

Assets transferred from customers or developers are accounted for at fair value. If no market exists for the assets, then incremental cash flows are used to arrive at fair value.

Government grants

Government grants, including those receivable from government agencies and local authorities, are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. Where government grants relate to the acquisition or construction of assets, the group has elected to account for the grant by deducting the value of the grant from the asset's carrying amount. Other grants are typically recognised in other income in the period in which the conditions attached to them are fulfilled.

Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful economic lives. The carrying amount is reduced by any provision for impairment where necessary.

Internal expenditure is capitalised as internally generated intangibles only if it meets the criteria set out in IAS 38 'Intangible Assets'.

Intangible assets, which relate primarily to computer software, are generally amortised over a period of three to ten years.

Notes to the financial statements – appendices

A6 Accounting policies continued

The group expenses costs incurred in the implementation and ongoing operation of computing systems built and delivered on a 'software as a service' ('SaaS') basis and hosted in an external cloud environment. These do not generally give rise to an identifiable intangible asset that the group controls. In limited circumstances, costs incurred in association with the implementation and customisation of a SaaS system may enhance the group's existing digital infrastructure and would be expected to generate broader future economic benefit. Where this results in an identifiable intangible asset that the group controls, the costs are capitalised in accordance with IAS 38 and are subsequently amortised over a period of generally three to sixteen years.

Impairment of assets

Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss, in accordance with IAS 36 'Impairment of Assets'. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use represents the net present value of expected future cash flows, discounted on a pre-tax basis, using a rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

The recoverable amount of the investment in subsidiary companies is assessed using 'Level 2' IFRS 13 fair value hierarchy techniques, with reference to the regulatory capital value ('RCV') of the regulated water and wastewater business, where appropriate. This is used as a proxy in estimating the subsidiary's market value, with the RCV being a regulatory measure determined by Ofwat, based on the company's historic market value plus the value of accumulated capital investment assumed at each price review. The RCV used in this assessment is adjusted for actual spend.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses in respect of assets are recognised in the income statement within operating costs.

Where an impairment loss subsequently reverses, the reversal is recognised in the income statement and the carrying amount of the asset is increased to the revised

estimate of its recoverable amount, but not so as to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash, have a maturity of three months or less from the date of acquisition, and that are subject to an insignificant risk of change in value.

From time to time the group places cash on deposits that have a maturity greater than three months but less than 12 months, typically for the purpose of reducing the cost of carrying cash that is not required for the purpose of meeting short-term commitments. These deposits do not meet the group's definition of cash and cash equivalents, and so are not included in the group's cash and cash equivalents balance in the statement of financial position. In the consolidated statement of cash flows, the placement and receipt of these funds are reported as investing activities.

Financial investments

Investments (other than interests in subsidiaries, joint ventures and fixed deposits) are initially measured at fair value, including transaction costs. Investments classified as financial assets measured at fair value through profit or loss ('FVPL') in accordance with IFRS 9 'Financial Instruments' are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised in the net profit or loss for the period. The business model employed in respect of financial assets is that of a hold-to-collect model.

Trade and other receivables

Trade and other receivables are initially measured at fair value on initial recognition. Trade receivables are held within a business model to collect contractual cash flows that comprise solely payments of principal and interest on the principal amount outstanding. After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. At each reporting date, the group evaluates the estimated recoverability of trade receivables and records allowances for expected credit losses.

The group estimates the expected credit loss on trade receivables applying the simplified approach as permitted under IFRS 9. For trade receivables that are assessed as not impaired individually, the expected credit loss is estimated based on the group's historical experience of cash collection, which is considered to be a good predictor of future collection, as well as the incorporation of other forward-looking information.

Amounts owed by related parties are assessed for credit risk based on the facts and circumstances of the balances receivable. The group assesses the lifetime expected credit losses of loans receivable from its joint venture, Water Plus, based on Water Plus's financial projections and a probability-weighted assessment of scenarios that could impact these. Credit risk is considered separately for trade receivables due from Water Plus and is considered immaterial as amounts outstanding are paid within 30 days.

Other receivables are assessed for credit risk and, where this is material, an allowance for expected credit losses is determined based on historic credit losses adjusted for expected changes in future collection.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Borrowings

The group's default treatment is that bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing. For floating-rate financial liabilities, consisting of the group's SONIA-linked loans and the inflation-linked debt, periodic re-estimation of cash flows reflects the movements in the market rates of interest, and the effective interest rate is adjusted to incorporate these movements. In determining the adjusted effective interest rate, the group incorporates both incurred changes in market rates of interest and expectations of future changes in these rates at the reporting date over the remaining life of the liability.

A6 Accounting policies continued

The default treatment of measuring borrowings at amortised cost, while associated hedging derivatives are recognised at fair value, gives rise to an accounting measurement mismatch that has the potential to introduce considerable volatility to both the income statement and the statement of financial position. Therefore, where feasible, the group takes advantage of the provisions under IFRS 9 'Financial Instruments' to make fair value adjustments to its borrowing instruments to reduce this volatility and better represent the economic hedges that exist between the group's borrowings and associated derivative contracts.

Where feasible, the group designates its financial instruments within fair value hedge relationships. To apply fair value hedge accounting, it must be demonstrated that there is an economic relationship between the borrowing instrument and the hedging derivative and that the designated hedge ratio is consistent with the group's risk management strategy.

Borrowings designated within a fair value hedge relationship

Where designated, bonds and loans are initially measured at fair value, being the cash proceeds received net of any direct issue costs. They are subsequently adjusted for any change in fair value attributable to the risk being hedged at each reporting date, with the change being charged or credited to finance expense in the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument is sold, terminated or exercised, or where the hedge relationship no longer qualifies for hedge accounting.

Borrowings designated at fair value through profit or loss

Designation is made where the requirements to designate within a fair value hedge cannot be met at inception despite there being significant fair value offset between the borrowing and the hedging derivative. Where designated, bonds and loans are initially measured at fair value being the cash proceeds received and are subsequently measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in the income statement.

Under the provisions of IFRS 9 'Financial Instruments', changes in the group's own credit risk are recognised in other comprehensive income.

Derivative financial instruments

The group's default treatment is that derivative financial instruments are measured at fair value at each reporting date, with changes in fair value being charged or credited to finance expense in

the income statement. The group enters into financial derivatives contracts to manage its financial exposure to changes in market rates (see note A3).

Derivative financial instruments designated within a cash flow hedge relationship

Gains or losses resulting from the effective portion of the hedging instrument are recognised in other comprehensive income and in the cash flow hedge reserve with any remaining gains or losses recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item. At the maturity date, amounts paid or received are presented within operating expenses in the income statement.

Upon discontinuation of a cash flow hedge, the amount accumulated in other comprehensive income remains in the cash flow hedge reserve if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to the income statement.

Derivatives and borrowings – valuation

Where an active market exists, designated borrowings and derivatives recorded at fair value are valued using quoted market prices. Otherwise, they are valued using a net present value valuation model. The model uses applicable interest rate curve data at each reporting date to determine any floating cash flows. Projected future cash flows associated with each financial instrument are discounted to the reporting date using discount factors derived from the applicable interest curves adjusted for counterparty credit risk where appropriate. Discounted foreign currency cash flows are converted into sterling at the spot exchange rate at each reporting date. Assumptions are made with regard to credit spreads based on indicative pricing data.

The valuation of debt designated in a fair value hedge relationship is calculated based on the risk being hedged as prescribed by IFRS 9 'Financial Instruments'. The group's policy is to hedge its exposure to changes in the applicable underlying interest rate, and it is this portion of the cash flows that is included in the valuation model (excluding any credit risk spread).

The valuation of debt designated at fair value through the profit or loss incorporates an assumed credit risk spread in the applicable discount factor. Credit spreads are determined based on indicative pricing data.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Inventories

Inventories are stated at the lower of cost and net realisable value. For properties held for resale, cost includes the cost of acquiring and developing the sites, including borrowing costs where applicable.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Employee benefits

Retirement benefit obligations

The group operates two defined benefit pension schemes, which are independent of the group's finances, for its employees. Actuarial valuations to determine the funding of the schemes, along with future contribution rates, are carried out by the pension scheme actuary as directed by the trustees at intervals of not more than three years. In any intervening years, the trustees review the continuing appropriateness of the funding and contribution rates.

From a financial reporting perspective and in accordance with IAS 19 'Employee Benefits', defined benefit assets are measured at fair value, while liabilities are measured at present value using the projected unit credit method. The difference between the two amounts is recognised as a surplus or obligation in the statement of financial position. Where this difference results in a defined benefit surplus, this is recognised in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', on the basis that the group has an unconditional right to a refund of any surplus that may exist once the liabilities of the schemes have been settled.

The pension costs under IAS 19 are assessed in accordance with the advice of a firm of actuaries based on the latest actuarial valuation and assumptions determined by the actuary, which are used to estimate the present value of defined benefit obligations. The assumptions are based on information supplied to the actuary by the company, supplemented by discussions between the actuary and management. These assumptions are disclosed in note A4.

The cost of providing pension benefits to employees relating to the current years' service (including curtailment gains and losses) is included within employee benefits expense, while the net interest on the schemes' net defined benefit position is included within investment income, where there is an overall net defined benefit surplus, and finance expense, where there is an overall net defined benefit deficit. Remeasurement gains/losses on scheme assets and liabilities are presented in other comprehensive income.

Notes to the financial statements – appendices

A6 Accounting policies continued

In addition, the group operates a defined contribution pension section within the United Utilities Pension Scheme. Payments are charged as employee costs as they fall due. The group has no further payment obligations once the contributions have been paid.

Share-based compensation arrangements

The group operates equity-settled, share-based compensation plans, issued to certain employees. The equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a pro-rated basis over the vesting period, based on estimates of the number of options that are expected to vest and according to relevant measures of performance determining the number of shares awarded. The initial fair value of each award scheme is updated for each reporting period to account for lapsed shares and updated estimates of the performance measures. At each reporting date, the group revises its estimate of the number of options that are expected to become exercisable, with the impact of any revision being recognised in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Provisions and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Expenditure that relates to an existing condition caused by past operations that does not contribute to current or future earnings is expensed.

In cases where there is a possible obligation whose existence will be confirmed by uncertain future events not wholly within the group's control, this gives rise to a contingent liability that will be disclosed, if material, unless the possibility of any economic outflow is deemed to be remote. Contingent liabilities may evolve such that at a subsequent date the recognition criteria for a provision could be met once the uncertainty that previously existed is resolved. If this is the case, a provision is recognised in the period in which the uncertainty is resolved.

Foreign currency translation Transactions and balances

Transactions in foreign currencies are recorded at the exchange rates applicable on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable on that date. Gains and losses arising on translation are included in the income statement for the period.

Exchange differences arising on investments in equity instruments classified as fair value through other comprehensive income are included in the gains or losses arising from changes in fair value, which are recognised directly in equity. To hedge its exposure to certain foreign exchange risks, the group enters into contracts for derivative instruments (see note A3).

Leases

At the inception of a contract, the group assesses whether a contract is, or contains, a lease. Where a lease is present, a right-of-use asset and lease liability are recognised at the commencement date. The lease liability is measured at the present value of future lease payments due over the term of the lease, with the right-of-use asset recognised as property, plant and equipment at cost. This is generally equivalent to the initial measurement of the lease liability.

Lease payments are discounted using the group's incremental rate of borrowing if the interest rate implicit in the lease cannot be readily determined. For materially all of the group's leases, the group's incremental rate of borrowing is used. This rate is calculated using a number of inputs, being observable risk-free gilt rates, specific data based on bonds already in circulation for the relevant group company, as well as data from the wider utility sector. Further adjustments for payment profile and the term of the lease are made.

After the commencement date, the lease liability is increased for the accretion of interest (being the unwinding of the discounting applied to future lease payments) and reduced by lease payments made. In addition to this, the carrying amount is updated to reflect any remeasurement or lease modifications. Remeasurements are typically required as a result of rent reviews or changes to the lease term. In these cases, a corresponding adjustment to the right-of-use asset is made.

Depreciation of right-of-use assets is charged on a straight-line basis over the term of the lease.

Where leases have a term of less than 12 months from the commencement date and do not have a purchase option, the group applies the short-term lease recognition exemption available under IFRS 16. The group applies the low-value recognition exemption permitted by the standard to leases of assets with a value of less than £2,500. Payments for short-term and low-value leases are, instead, charged to operating costs on a straight-line basis over the period of the lease.

Statement of cash flows

Grants and contributions received

Where government grants are received as a contribution against qualifying fixed assets, and where transactions with customers – typically property developers – result in the expansion of the group's water and wastewater network (and, therefore, its fixed asset base), the relevant cash inflows are classified within investing activities in the period.

Interest payments and receipts

IFRS allows interest payments and receipts to be classified within operating activities or financing activities/investing activities. The group classifies interest payments and interest receipts within operating activities, with management viewing these in conjunction with other operating cash flows in assessing the ability of the group to maintain its operating capability.

Cash flows from derivatives

The cash flows from derivatives as a result of the group's hedging activities are presented together with the cash flows relating to the underlying hedged item to provide a more faithful representation of the substance of the transaction.

Taxes paid

Taxes paid by the group are presented as cash flows from operating activities. The group deems it impracticable to identify the tax cash flows with respect to individual transactions, which may, themselves, be presented in investing activities or financing activities and, instead, present total tax cash flows as operating activities.

Changes in working capital

The movement in trade and other payables excludes movements in capital accruals, interest accruals and deferred grants and contributions. These movements are, instead, incorporated as adjustments in other areas of the statement of cash flows.

A7 Subsidiaries and other group undertakings

Details of the group's subsidiary undertakings, joint ventures and associates at 31 March 2026 are set out below. Unless otherwise specified, the registered address for each entity is the same as that of United Utilities Group PLC: Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP, United Kingdom.

For further details of joint ventures, see note 12.

	Class of share capital held	Proportion of share capital owned/voting rights % ⁽¹⁾	Nature of business
Subsidiary undertakings			
Great Britain			
Castleshaw Developments Limited	Ordinary	100	Energy generation
Dunnockshaw Developments Limited	Ordinary	100	Energy generation
Halkyn District Mines Drainage Company Limited	Ordinary	99.9	Dormant
Lingley Mere Management Company Limited	Ordinary	90.0	Property management
North West Water Limited	Ordinary	100	Dormant
Ramsden Clough Developments Limited	Ordinary	100	Energy Generation
Trafford Property Limited	Ordinary	100	Property management
United Utilities (Overseas Holdings) Limited	Ordinary	100	Dormant
United Utilities Bioresources Limited	Ordinary	100	Wastewater services
United Utilities Energy Limited	Ordinary	100	Energy generation
United Utilities Healthcare Trustee Limited	Ordinary	100	Corporate trustee
United Utilities International Limited	Ordinary	100	Non-trading
United Utilities North West Limited	Ordinary	100	Holding company
United Utilities Pensions Trustees Limited	Ordinary	100	Corporate trustee
United Utilities PLC	Ordinary	100	Holding company
United Utilities Property Services Limited	Ordinary	100	Property management
United Utilities Utility Solutions (Industrial) Limited	Ordinary	100	Holding company
United Utilities Water Finance PLC	Ordinary	100	Financing company
United Utilities Water Limited	Ordinary	100	Water and wastewater services
UU (ESPS) Pension Trustee Limited	Ordinary	100	Corporate trustee
UU Group Limited	Ordinary	100	Dormant
UU Secretariat Limited	Ordinary	100	Dormant
YCL Transport Limited	Ordinary	100	Dormant
Joint ventures			
All joint ventures are accounted for using the equity method and are strategic to the group's activities to varying degrees.			
Great Britain			
Lingley Mere Business Park Development Company Limited	Ordinary	50	Development company
Selectusonline Limited	Ordinary	16.7	Dormant
Water Plus Group Limited ⁽²⁾	Ordinary	50	Holding company
Water Plus Limited ⁽²⁾	Ordinary	50	Water and wastewater retail services
Water Plus Select Limited ⁽²⁾	Ordinary	50	Water and wastewater retail services

⁽¹⁾ With the exception of United Utilities PLC, shares are held by subsidiary undertakings rather than directly by United Utilities Group PLC.

⁽²⁾ Water Plus Limited and Water Plus Select Limited are wholly owned subsidiaries of Water Plus Group Limited. Registered address: Prospect House, Gordon Banks Drive, Trentham Lakes, Stoke-On-Trent ST4 4TW, United Kingdom.

Five-year summary – unaudited

The financial summary (unaudited) set out below has been derived from the audited consolidated financial statements of United Utilities Group PLC for the five years ended 31 March 2026.

Year ended 31 March	2026	2025	2024	2023	2022
Continuing operations	£m	£m	£m	£m	£m
Reported revenue	2,616.3	2,145.2	1,949.5	1,804.2	1,844.3
Underlying revenue	2,576.4	2,145.2	1,949.5	1,804.2	1,844.3
Reported operating profit	1,099.4	631.5	480.2	440.8	610.0
Underlying operating profit	1,059.5	633.8	517.8	440.8	610.0
Reported profit before tax	779.0	355.0	170.0	256.3	439.9
Underlying profit/(loss) before tax	738.0	338.7	220.5	(34.3)	301.9
Reported profit/(loss) after tax	586.8	264.7	126.9	204.9	(56.8)
Underlying profit/(loss) after tax	730.0	338.3	227.3	(8.7)	367.0
Reported earnings per share (basic)	86.1p	38.8p	18.6p	30.0p	(8.3)p
Underlying earnings per share	107.1p	49.6p	33.3p	(1.3)p	53.8p
Dividend per ordinary share	53.66p	51.85p	49.78p	45.51p	43.50p
Non-current assets	15,903.4	14,685.6	13,884.4	13,835.8	13,823.2
Current assets	2,223.6	2,083.9	1,769.0	691.4	613.8
Total assets	18,127.0	16,769.5	15,653.4	14,527.2	14,437.0
Non-current liabilities	(15,013.5)	(13,693.7)	(12,489.5)	(11,442.6)	(10,791.0)
Current liabilities	(872.1)	(1,075.9)	(1,107.8)	(575.9)	(688.6)
Total liabilities	(15,885.6)	(14,769.6)	(13,597.3)	(12,018.5)	(11,479.6)
Total net assets and shareholders' equity	2,241.4	1,999.9	2,056.1	2,508.7	2,957.4
Net cash generated from operating activities	1,381.9	918.1	745.1	787.5	934.4
Net cash used in investing activities	(1,478.0)	(987.2)	(731.4)	(593.4)	(639.7)
Net cash generated from/(used in) financing activities	221.4	358.8	1,037.7	(85.0)	(809.7)
Effects of exchange rates	–	–	–	(1.3)	1.5
Net increase/(decrease) in cash and cash equivalents	125.3	289.7	1,051.4	107.8	(513.5)
Net debt	9,943.3	9,345.6	8,762.7	8,200.8	7,570.0
RCV gearing ⁽ⁱ⁾ (%)	60%	60%	59%	58%	59%

⁽ⁱ⁾ Regulatory Capital Value ("RCV") gearing is calculated as group net debt (see note A2) adjusted for loan receivables from joint ventures, divided by the RCV (as adjusted for actual spend and timing difference) of UUW, including the expected value of AMP7 ex-post adjustment mechanisms.

Shareholder information

Key dates

25 June 2026
Ex-dividend date for 2025/26 final dividend

26 June 2026
Record date for 2025/26 final dividend

13 July 2026
DRIP election date for 2025/26 final dividend

17 July 2026
Annual general meeting

3 August 2026
Payment of 2025/26 final dividend to shareholders

12 November 2026
Announcement of half-year results for the six months ending 30 September 2026

17 December 2026
Ex-dividend date for 2026/27 interim dividend

18 December 2026
Record date for 2026/27 interim dividend

11 January 2027
DRIP election date for 2026/27 interim dividend

1 February 2027
Payment of 2026/27 interim dividend to shareholders

May 2027
Announce the final results for the 2026/27 financial year

June 2027
Publish the integrated annual report and financial statements for the year 2026/27

Dividends paid directly into your bank or building society account

The company no longer sends out dividend cheques by post. Dividends will be paid directly into a shareholder's UK bank or building society account. Please ensure your account details are kept up to date. Shareholders resident outside the UK may wish to use the overseas payment service (charges may apply) – please contact Equiniti via shareview.co.uk

You will 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 would like to receive a tax voucher with each dividend payment, please contact Equiniti.

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, which is a website provided by our registrar, Equiniti.

Log on to shareview.co.uk and you can:

- set up electronic shareholder communication;
- view your shareholdings;
- update your details if you change your address; and
- keep your UK bank or building society account details up to date for dividends to be paid directly into your account.

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

Online annual report

Our integrated annual report is available online. View or download the full integrated annual report and financial statements from: unitedutilities.com/annualreport2026.com

Keeping you in the picture

You can find information about United Utilities quickly and easily on our website: unitedutilities.com/corporate. Here, the integrated annual and financial statements, responsible business performance, company announcements, and the half-year and final results and presentations are published.

Registrar

The group's registrar, Equiniti, can be contacted on: +44 (0)371 384 2041 (please use the code when calling from outside the UK), or for deaf and speech impaired customers, we welcome calls via Relay UK. Please see relayuk.bt.com for more information. Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Equiniti's address is: Equiniti, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 6DA.

Equiniti offers a share-dealing service by telephone: 0345 603 7037 and online: shareview.co.uk/dealing

Equiniti also offers a stocks and shares ISA for United Utilities shares: call 0345 300 0430 or go to: shareview.co.uk/dealing

Shareholder information

Dividend history – pence per share

	2022	2023	2024	2025	2026
Interim	14.50	15.17	16.59	17.28	17.88
Final	29.00	30.34	33.19	34.57	35.78
Total ordinary	43.50	45.51	49.78	51.85	53.66

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/unauthorised-firms-individuals](https://www.fca.org.uk/consumers/unauthorised-firms-individuals)

Important information

Cautionary statement:

The integrated annual report and financial statements (the annual report) contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. These forward-looking statements include, without limitation, any projections or guidance relating to the results of operations and financial conditions of the group as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and any strategic initiatives relating to the group, as well as discussions of our business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Certain regulatory performance data contained in this annual report is subject to regulatory audit.

Terms used in this report:

Unless expressly stated otherwise, the 'group', 'United Utilities', 'UU' or 'the company' means United Utilities Group PLC and its subsidiary undertakings; the 'regulated business', 'regulated activities' or 'UUW' means the licensed water and wastewater activities undertaken by United Utilities Water Limited (formerly United Utilities Water PLC) in the North West of England.



The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land.

Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO₂ and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.



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