How we're creating long-term sustainable value

Key performance indicators

Our financial KPIs include income statement, balance sheet, regulatory and investor return metrics to provide a snapshot of our financial performance for the year.

Underlying operating profit

See note 1.

Target
Not externally disclosed

Annual performance
£1,060 million

Reported operating profit: £1,099 million

Underlying operating profit has increased £274 million compared with last year, driven by higher allowed revenues, partially offset by higher underlying operating costs.

2024/25: £786 million

2023/24: £518 million

Status
G Met expectation/target

Link to remuneration
Bonus

Gearing

Group net debt (plus loan receivable from our joint venture) divided by UUW's regulatory capital value.

Target
55–65%

Annual performance
60%

Gearing unchanged from previous year, and remains comfortably within our target range.

2024/25: 60%

2023/24: 59%

Status
G Met expectation/target

Link to remuneration
n/a

Dividend per share (DPS)

Total dividends declared divided by the average number of shares in issue during the year.

Target
Annual growth in line with CPIH inflation

Annual performance
53.66 pence

The board has proposed a final dividend of 35.78 pence, which takes the total dividend to 53.66 pence per share for 2025/26. This is an increase of 3.5%, in line with our policy of targeting an annual growth rate of CPIH inflation.

2024/25: 51.85 pence

2023/24: 49.78 pence

Status
G Met expectation/target

Link to remuneration
n/a

Underlying earnings per share (EPS)

See note 1.

Target
Not externally disclosed

Annual performance
107.1 pence

Reported EPS: 86.1 pence

Underlying EPS pence has increased 42% largely reflecting the big step up in revenue allowances in the first year of the AMP. Reported EPS is lower due to the deferred tax adjustment, partially offset by adjustments to underlying profit before tax.

2024/25: 75.3 pence

2023/24: 33.3 pence

Status
G Met expectation/target

Link to remuneration
n/a

Regulatory return

Base allowed return plus or minus any out or underperformance.

Target
Not externally disclosed

Annual performance
13.0%

Regulatory return ahead of guidance reflecting profiling of financing outperformance being weighted towards the start of the AMP.

2024/25: 4.4%

2023/24: 15.0%

Status
G Met expectation/target

Link to remuneration
LTP and indirectly linked to bonus, as regulatory return is influenced by many of the bonus measures

Total shareholder return (TSR)

Based on the movement in share price plus dividends over each financial year.

Target
Not externally disclosed

Annual performance
36.4%

TSR was +36.4% in the year to 31 March 2026, outperforming our listed water company peers and the FTSE 100 return of 22.6%.

2024/25: +2.8%

2023/24: +1.6%

Status
G Met expectation/target

Link to remuneration
n/a

Financial framework

We have upgraded our five-year financial framework to reflect the newly announced accelerated investment. Our financial framework captures anticipated performance in the five years to 31 March 2030. This period aligns with the AMP8 regulatory period.

Capital investment and regulated asset growth

Our capital programme for the five years to March 2030 (AMP8) is significantly larger than previous regulatory periods, due to long-term investment drivers. We expect capital investment to be circa £11.5 billion, up from prior guidance of circa £9 billion, supporting a circa 10% compound growth in the asset base between 2025 and 2030.

Regulatory return

The regulatory return is the return generated on actual regulatory equity, calculated using average actual gearing applied to the regulatory capital value (RCV), as per Table 1F – Financial Flows of the Ofwat Annual Performance Report. It encompasses the base return, outperformance, and the uplift to our regulatory asset base from inflation. We are targeting regulatory returns of 10–11% in AMP8, an increase of 100bps outperformance compared with prior guidance.

Balance sheet

The board has maintained a target gearing range of 55–65% net debt to regulated capital value. As at 31 March 2026, our gearing is comfortably within this range at 60%.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year, having increased the dividend at least in line with inflation for the past 15 years. The annual increase in the dividend is based on the CPIH element included within allowed regulated revenue for the current financial year. This is calculated using the CPIH annual rate from the November prior (i.e. the 2025/26 dividend is equal to the 2024/25 dividend indexed for the movement in CPIH between November 2023 and November 2024).

(1) Underlying operating profit and underlying earnings per share are alternative performance measures that exclude adjusted items from their reported equivalents. Underlying operating profit excludes any significant non-recurring items. Underlying EPS deducts underlying net finance expense, underlying share of joint venture losses, and underlying taxation from underlying operating profit to calculate underlying profit after tax, and divides this by the average number of shares in issue during the year. Underlying net finance expense makes adjustments including stripping out fair value movements. Underlying taxation strips out deferred tax (including any tax credits or debits arising from changes in the tax rate) and any exceptional tax. A description of adjusted items, the framework by which these are assessed, and reconciliations between reported and underlying measures, can be found on pages 96 to 97.

(2) Read our remuneration report, with details about the bonus and Long Term Plan (LTP), on pages 140 to 170.

Outlook and guidance for 2026/27

ODI rewards

We are forecasting a customer ODI penalty for 2026/27, with year-on-year improvement.

Revenue

Revenue is expected to increase to between £2.7 billion and £2.8 billion in 2026/27. This figure includes pass-through items of circa £110 million relating to the Haweswater Aqueduct Resilience Programme (HARP) (£70 million, FY26: nil) and HS2 diversions income (£40 million, FY26: £40 million).

Underlying operating costs

Underlying operating costs are expected to increase by around £100 million relating to growth in the asset base and price increases, including business rates.

Depreciation

Increasing by £50–£60 million due to continued growth in our asset base.

Underlying net finance expense

Underlying net finance expense is expected to be lower year-on-year.

Underlying tax

Full expensing expected to continue, resulting in a negligible current tax charge.

Capital expenditure

Capex in 2026/27 is expected to be around £2 billion.

Asset base growth

Our asset base in 2026/27 is expected to increase by around 10%, assuming CPIH inflation of 3.6%.

Dividend

Our dividend continues to grow in line with CPIH, resulting in a dividend per share of 55.54 pence.

How we're creating long-term sustainable value

We delivered strong underlying financial performance this year.

We have delivered strong financial performance this year. Underlying revenue increased 20% in line with allowances set out in our PR24 final determination. This revenue increase, partially offset by higher operating costs reflecting growth in our asset base and price increases in the year, resulted in an underlying operating profit of £1,060 million, a 35% increase compared with the prior year. Underlying EPS at 107.1 pence has increased 42% largely reflecting the big step up in revenue allowances in the first year of the AMP, with increases in revenue allowances over subsequent years expected to be lower, consistent with the typical regulatory approach to setting prices.

Underlying net finance expense increased as a result of increased debt to fund the AMP8 capital programme, resulting in an underlying profit after tax of £730 million and underlying earnings per share of 107.1 pence. Reported profit after tax was at £587 million, with reported earnings per share of 86.1 pence. Adjusted items between underlying and reported are set out on pages 96 to 97.

Our balance sheet remains strong, with RCV gearing at 60%, in the middle of our target range of 55–65%, supporting robust credit ratings.

Revenue

Revenue was up £471 million at £2,616 million, with £447 million attributable to regulatory adjustments. Adjustments include a circa 23% real increase in allowed wholesale revenues as set out in our PR24 final determination as well as a 3.5% CPIH-linked increase to the revenue cap.

Other revenue impacts largely reflect variances in consumption. Reported revenue included £40 million of revenue allowed by Ofwat for recovery in AMP8 related to diversions activity to accommodate the now-aborted northern leg of HS2, which will be returned to customers over the course of AMP9. The £40 million of revenue recognised in relation to this diversions activity has been adjusted for in arriving at underlying revenue.

Operating profit

Underlying operating profit at £1,060 million was £274 million higher than last year, reflecting the increase in revenue, partially offset by higher operating costs than the prior year. Operating costs have increased primarily due to expenditure associated with growth in our underlying asset base, as well as price increases across regulatory fees, power and chemicals.

Reported operating profit was higher than underlying operating profit, reflecting the adjustment to revenue detailed above.

Our comprehensive affordability schemes, combined with effective credit collection practices and utilisation of technology, have meant that current-year cash collection has been encouraging. Our bad debt position at 1.8% of statutory revenue is in line with management expectations.

Profit/(loss) before tax

Underlying profit before tax is £738 million compared with £514 million underlying profit before tax last year. The £224 million increase reflects the £274 million increase in underlying operating profit and a £6 million reduction in the share of losses of joint ventures, partially offset by a £56 million increase in underlying net finance expense.

Reported profit before tax is £41 million higher at £779million, reflecting adjustments outlined on pages 96 to 97.

Net finance expense

The underlying net finance expense of £317 million was £56 million higher than in the prior year mainly due to the increase in debt to fund the AMP8 capital programme, and a £16 million increase in non-cash interest expense on our debt and derivative portfolio, taking into account higher inflation incurred in the year and a rise in future indications of inflation. This is partially offset by an increase in capitalised interest and pension interest income.

Cash interest expense has increased by £67 million, primarily reflecting the increase in debt to fund the AMP8 capital programme.

Reported net finance expense is £1 million lower than underlying net finance expense, reflecting adjustments outlined on pages 96 to 97.

Profit/(loss) after tax and earnings per share

The underlying profit after tax of £730 million was £217 million higher than the prior year, reflecting the increase to underlying profit before tax, partially offset by £8 million increase to the current tax charge.

Reported profit after tax was lower at £587 million with reported earnings per share at 86.1 pence. Adjusted items between underlying and reported are set out on pages 96 to 97.

Tax

We continue to be fully committed to paying our fair share of tax and acting in an open and transparent manner in relation to our tax affairs and are delighted to have been accredited with the Fair Tax Mark again in 2025 for the seventh year running.

In addition, the group has made further contributions to the public finances of around £290 million, in the form of business rates, employer's national insurance contributions, environmental taxes, and other regulatory service fees such as water abstraction charges, as well as employment taxes on behalf of our 6,800 strong workforce.

The key reconciling item to the headline rate of corporation tax continues to be allowable tax deductions on capital investment, these being deductions put in place by successive governments to encourage such investment and thus reflecting responsible corporate behaviour in relation to taxation.

The current tax charge of £8 million reflects a £4 million prior year adjustment to management's estimate of the most likely amount that will be received in relation to Research and Development allowances available on certain capital projects that remain under enquiry and consortium relief totalling £4 million in relation to the years ended 31 March 2024 and 31 March 2025 claimed from the group's joint venture, Water Plus.

In the period, there were £4.3 million of tax adjustments taken to other comprehensive income, primarily relating to remeasurement movements on the group's defined benefit pension schemes and on hedge effectiveness.

An overall prior year net deferred tax credit of £6.5 million has been the most significant factor in reducing the effective tax rate below the standard rate of tax of 25% along with reductions of tax sensitive items.

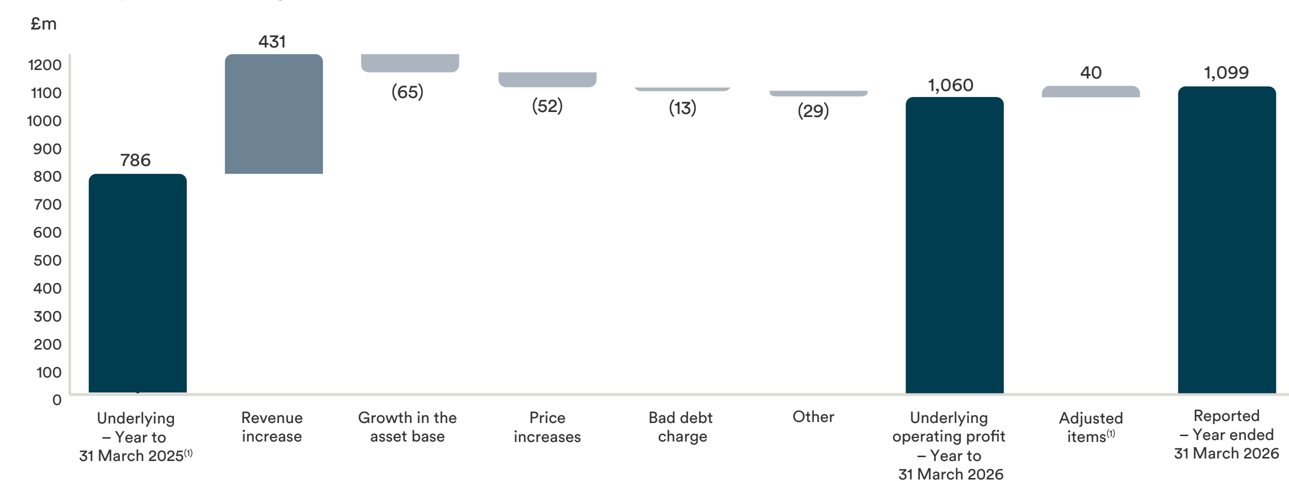
Dividend per share

The board has proposed a final dividend of 35.78 pence per ordinary share in respect of the year ended 31 March 2026. This is an increase of 3.5% compared with the dividend last year, in line with the group's dividend policy of targeting a growth rate of CPIH inflation each year. The 3.5% increase is based on the CPIH element included within allowed regulated revenue for the 2025/26 financial year (i.e. the movement in CPIH between November 2023 and November 2024).

The final dividend is expected to be paid on 3 August 2026 to shareholders on the register at the close of business on 26 June 2026. The ex-dividend date for the interim dividend is 25 June 2026.

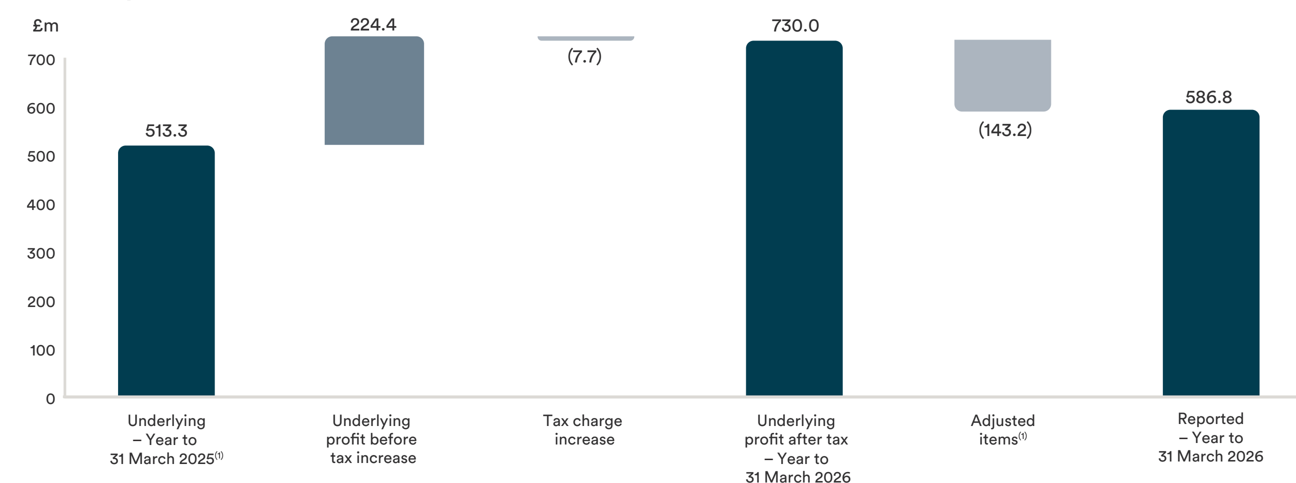
A dividend reinvestment plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the company's shareholders to elect to have their cash dividend payments used to purchase the company's shares. More information can be found at **www.shareview.co.uk/info/drip**. The closing date for DRIP elections is 13 July 2026.

Summary of operating profit movement



[1] Adjusted items between underlying and reported are set out on pages 96 to 97.

Summary of profit after tax movement



[1] Adjusted items between underlying and reported are set out on pages 96 to 97.

How we're creating long-term sustainable value

Cash flow

Net cash generated from operating activities for the year was £1,382 million, £464 million higher than in the prior year, principally due to increased revenue. This is partially offset by higher net interest paid on debt and derivatives as a result of higher debt associated with the AMP8 capital programme. The net cash generated from continuing operating activities supports the dividends paid of £358 million and partially funds some of the group's net capital expenditure of £1,499 million, with the balance being funded by net borrowings and cash and cash equivalents.

The group's consolidated and company statements of cash flows can be found on page 194 of our consolidated financial statements.

Pensions

As at 31 March 2026, the group had an IAS 19 net pension surplus of £311 million, compared with a surplus of £302 million at 31 March 2025. This is driven largely by interest earned on the surplus and is partially offset by a remeasurement loss of £8 million due to updates to the mortality projections and actual inflation over the year being higher than assumed at the prior reporting period. The remeasurement loss is more than offset by the net pension income credited to the income statement before tax of £11 million.

Further detail on pensions is provided in note 11 ('Retirement benefit surplus') of the condensed consolidated financial statements.

Financing

Net debt at 31 March 2026 was £9,943 million, compared with £9,346 million at 31 March 2025. This comprises gross borrowings with a carrying value of £11,491 million, net derivative liabilities hedging specific debt instruments of £95 million and cumulative indexation on inflation swaps of £151 million, and is net of cash and bank deposits of £1,794 million.

Gearing, measured as group net debt including a £50 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP8 ex-post adjustment mechanisms) of £16.5 billion, was 60% at 31 March 2026.

Cost of debt

As at 31 March 2026, the group had approximately £3.3 billion of RPI-linked instruments and £0.5 billion of CPI or CPIH-linked instruments held as debt. Including swaps, the group has RPI-linked debt exposure of £3.2 billion at an average real rate of 1.5%, and £1.4 billion of CPI or CPIH-linked debt exposure at an average real rate of -0.6%.

Debt issuances during the prior and current financial year contributed to the group's average effective interest rate of 4.2% being higher than the rate of 3.8% last year. More information on this can be found on page 97.

The group has fixed the interest rates on its non index-linked debt in line with its ten-year reducing balance basis at an average effective nominal interest rate of 4.1% for the current financial year.

Credit ratings

UUW's senior unsecured debt obligations are rated Baa1 with Moody's Investors Service Ltd (Moody's), A- with Fitch Ratings Ltd (Fitch) and BBB+ with S&P Global Ratings UK Limited (S&P). United Utilities PLC's senior unsecured debt obligations are rated Baa2 with Moody's, BBB+ with Fitch and BBB- with S&P. All ratings are on a stable outlook.

Debt financing

The group has access to the international debt capital markets through its £12 billion medium-term note (MTN) programme.

In the year to 31 March 2026, we raised circa £1.0 billion of term funding. This consisted of a £100 million term loan from a relationship bank with a 5+1+1 year maturity and circa £900 million in the public bond markets, including a EUR500 million ten-year green public bond issued in August, a EUR100 million tap of our existing EUR 3.75% bond due 2034 in September, a £300 million 14-year public bond issued in December and a EUR100 million tap of our existing EUR 3.75% bond due 2035 in March. In addition, £400 million of committed facilities were executed, renewed and/or increased with relationship banks. Subsequent to the year end, a EUR150 million tap of our existing EUR 3.5% bond due 2033 was issued in April. The term debt raised in AMP8 so far has typically outperformed the Ofwat debt index mechanism by circa 80bps, providing a sustained benefit across all five years of the AMP.

In March 2026, with the written consent of the noteholder, we amended three of our RPI-linked notes to adopt updated replacement 'fallback' provisions (which are applicable upon cessation of, or fundamental changes to RPI, and now effectively follow index-linked gilts) and we took the opportunity to shorten the maturity on two of those notes from 2056 to 2047. In addition, in March 2026 the group's sustainable finance framework was updated.

Interest rate management

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 31 March 2026, approximately 32% of the group's net debt was in RPI-linked form, representing around 19% of UUW's regulatory capital value (RCV), with an average real interest rate of 1.5%. A further 14% of the group's net debt was in CPI or CPIH-linked form, representing around 8% of UUW's RCV, with an average real rate of -0.6%. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is around 14 years.

Across AMP8 we expect to move from having around half of our net debt in index-linked form to around a third. This reflects a balanced assessment across a range of factors, and will happen progressively over the period.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, the debt is generally swapped to create a floating rate sterling liability for the term of the debt. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis.

Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flows, cash and bank deposits primarily sourced from pre-funding in the debt capital markets, supported by committed but undrawn credit facilities. Our MTN programme and investment-grade credit ratings support our ability to replenish liquidity over time.

At 31 March 2026, we had liquidity to cover projected needs through to the second half of FY28, comprising cash and bank deposits, plus committed undrawn revolving credit facilities. This gives us flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our ongoing capital investment programme.

Regulatory return

The regulatory return for 2025/26 was 13.0%. In addition to the base return of 5.2% (including our five basis point business plan reward), we delivered net outperformance of 2.4%, comprising:

Financing outperformance

We earned financing outperformance this year of 3.1%. We have consistently issued debt at efficient rates that compare favourably with the industry average and sector debt indexation mechanism, thanks to our strong balance sheet and credit ratings, along with our leading treasury management, clear and transparent financial risk management policies, and ability to act swiftly to access pockets of opportunity as they arise.

Customer outcome delivery incentives (ODIs)

In 2025/26 we incurred a net customer ODI penalty of around £35 million, or 0.5 as a percentage on returns. With the introduction of new measures in AMP8 we expect performance to be progressive, resulting in a net reward across the AMP.

Customer ODI rewards and penalties are applied to revenues with a two-year lag. As such, the penalty incurred this year will be reflected as a reduction to revenues in 2027/28.

In 2025/26 we earned a reward on all of our year one price control deliverables (PCDs), with a 0.02% impact on returns. We are on track to deliver against the PCDs set out in the final determination over the remainder of AMP8 and remain focused on efficient delivery.

Totex performance

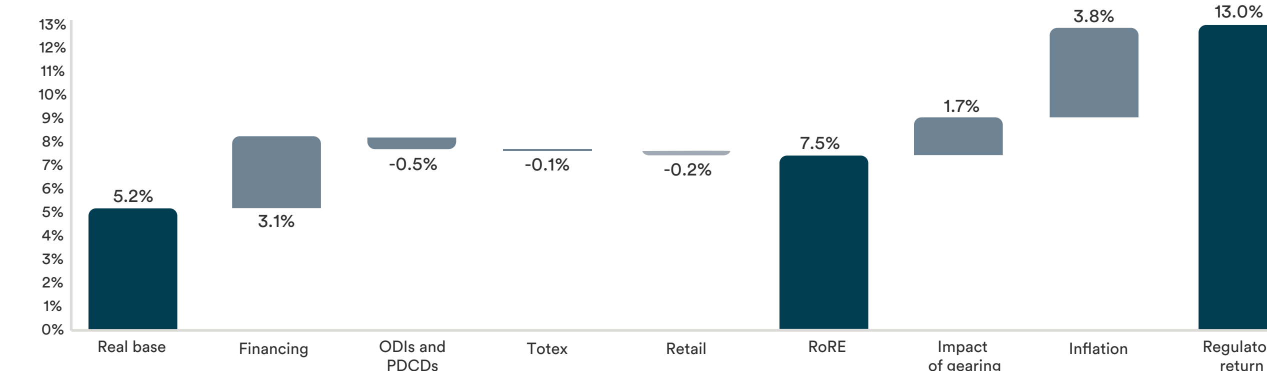
The totex impact on returns in 2025/26 is -0.1%, representing costs not subject to cost sharing.

Retail performance

The retail impact on returns of -0.2% reflects the additional investment that we've made to improve customer service and support cash collection and affordability as we support customers through bill increases.

After accounting for the impact of our actual gearing of 1.7%, as well inflation of 3.8%, our regulatory return is 13.0% in 2025/26.

Regulatory return



How we're creating long-term sustainable value

Guide to alternative performance measures (APMs)

The underlying profit measures in the following table represent alternative performance measures (APMs) as defined by the European Securities and Markets Authority (ESMA). These measures are linked to the group's financial performance as reported in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006 in the group's consolidated income statement, which can be found on page 190. As such, they represent non-GAAP measures.

These APMs can assist in providing a representative view of business performance, and may not be directly comparable with similarly titled measures presented by other companies. The group determines adjusted items in the calculation of its underlying measures against a framework which considers significance by reference to profit before tax, in addition to other qualitative factors such as whether the item is deemed to be within the normal course of business, its assessed frequency of reoccurrence and its volatility, which is either outside the control of management and/or not representative of current year performance.

In addition, a reconciliation of the group's average effective interest rate has been presented, together with a prior period comparison. In arriving at net finance expense used in calculating the group's effective interest rate, underlying net finance expense is adjusted to add back net pension interest income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Adjusted item	Rationale
Adjustments not expected to recur	
Prior year comparatives (unaudited pro forma adjustments)	Prior year comparatives have been re-presented with unaudited pro forma adjustments to reflect the approximate impact of changes in accounting approach in 2025/26 based on estimates of their effect had they been applied in the prior year. In particular, it is estimated that the change in estimation technique for the measurement of inflation-linked debt would have had a positive impact on net finance expense of £23 million if applied in 2024/25, and that the adoption of a more granular approach to the capitalisation of IRE would have had a positive impact on operating profit of an estimated £152 million if applied in 2024/25 using assumptions derived from the more granular data available in 2025/26. While these accounting changes have been adopted prospectively from 1 April 2025, prior year figures have been re-presented as pro forma adjustments for ease of comparison to 2025/26 figures and forward-looking financial guidance on a like-for-like basis.
Consistently applied presentational adjustments	
High Speed Two (HS2) income	Management adjusts to exclude the revenue allowed by Ofwat for recovery in AMP8 related to diversions activity that will no longer take place following the cancellation of the northern leg of HS2. This adjustment will recur in each of the remaining years of AMP8. The revenue allowance to be recovered in AMP8 will be offset by negative adjustments to the revenue allowed by Ofwat for recovery in AMP9, resulting in a neutral position over time. Adjustments in arriving at underlying operating profit will therefore also be required during AMP9.
Fair value (gains)/losses on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	Fair value movements on debt and derivative instruments can be both very significant and volatile from one period to the next, and are, therefore, excluded in arriving at underlying net finance expense as they are determined by macro-economic factors, which are outside of the control of management and relate to instruments that are purely held for funding and hedging purposes (not for trading purposes). Included within fair value movement on debt and derivatives is interest on derivatives and debt under fair value option. In making this adjustment, it is appropriate to add back interest on derivatives and debt under fair value option to provide a view of the group's cost of debt, which is better aligned to the return on capital it earns through revenue. Taking these factors into account, management believes it is useful to adjust for these fair value movements to provide a more representative view of performance.
Deferred tax adjustment	Management adjusts to exclude the impact of deferred tax in order to provide a more representative view of the group's profit after tax and tax charge for the year given that the regulatory model allows for cash tax to be recovered through revenues, with future revenues allowing for cash tax, including the unwinding of any deferred tax balance as it becomes current. By making this adjustment, the group's underlying tax charge does not include tax that will be recovered through revenues in future periods, thus reducing the impact of timing differences.
Tax in respect of adjustments to underlying profit/ (loss) before tax	Management adjusts for the tax impacts of the above adjusted items to provide a more representative view of current-year performance.

Underlying profit	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Operating profit per published results	1,099.4	631.5
Adjustments:		
HS2 revenue	(39.9)	–
Fleetwood outfall pipe fracture	–	2.3
More granular approach to IRE capitalisation	–	151.9
Underlying operating profit	1,059.5	785.7
Net finance expense		
Finance expense	(415.7)	(371.9)
Investment income	99.9	106.2
Net finance expense per published results	(315.8)	(265.7)
Adjustments:		
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(1.1)	(18.7)
Change in estimation technique for measuring index-linked debt	–	23.1
Underlying net finance expense	(316.9)	(261.3)
Share of losses of joint ventures	(4.6)	(10.8)
Profit before tax per published results	779.0	355.0
Adjustments:		
In respect of operating profit	(39.9)	154.2
In respect of net finance expense	(1.1)	4.4
Underlying profit before tax	738.0	513.6
Profit after tax per published results	586.8	264.7
Adjustments:		
In respect of profit before tax	(41.0)	158.6
Deferred tax adjustment	184.2	90.0
Underlying profit after tax	730.0	513.3
Earnings per share		
Profit after tax per published results (a)	586.8	264.7
Underlying profit after tax (b)	730.0	513.3
Weighted average number of shares in issue, in millions (c)	681.9	681.9
Earnings per share per published results, in pence (a/c)	86.1p	38.8p
Underlying earnings per share, in pence (b/c)	107.1p	75.3p
Dividend per share, in pence	53.66p	51.85p

In arriving at net finance expense used in calculating the group's effective interest rate, management adjusts underlying net finance expense to add back pension income and capitalised borrowing costs in order to provide a view of the group's cost of debt that is better aligned to the return on capital it earns through revenue.

Average effective interest rate	Year ended 31 March 2026 £m	Year ended 31 March 2025[1] £m
Underlying net finance expense	(316.9)	(261.3)
Adjustments:		
Net pension interest income	(17.5)	(12.9)
Adjustment for capitalised borrowing costs	(75.4)	(68.5)
Net finance expense for effective interest rate	(409.8)	(342.7)
Average notional net debt[2]	(9,683)	(8,964)
Average effective interest rate	4.2%	3.8%
Effective interest rate on index-linked debt	4.2%	4.1%
Effective interest rate on other debt	4.1%	3.8%

(1) Prior year comparatives have been re-presented with an unaudited pro forma adjustment to reflect the estimated impact of the change in estimation technique for the measurement of inflation-linked debt. The change in approach is estimated to have a positive impact on net finance expense of £23 million if applied in 2024/25.

(2) Notional net debt is calculated as the principal amount of debt to be repaid, net of cash and bank deposits, taking: the face value issued of any nominal sterling debt, the inflation accreted principal on the group's index linked debt, and the sterling principal amount of the cross currency swaps relating to the group's foreign currency debt.