United Utilities
Water for the North West

16 November 2023: United Utilities today announces half year results for the six-month period to 30 September 2023.

Louise Beardmore, Chief Executive Officer, said:
"We are announcing a robust set of underlying financial and operational results today, in what has been a busy six months, including submission of our ambitious business plan for 2025-30.

We continue to focus on delivering for our customers, communities and the environment – and creating a stronger, greener and healthier North West. We are providing affordability support to over 350,000 customers – more than ever before – and we are on track to achieve our best ever year on customer outcome delivery incentives. We are doing more to protect and enhance the North West's waterways and natural habitats and we're on course to attain the highest 4-star rating from the Environment Agency for 2023.

Last month, we set out an ambitious £13.7 billion plan for 2025-30, a plan that will transform the delivery of services for customers and the environment in the North West and at the same time supporting 30,000 jobs, 7,000 of which will be new. Our strong balance sheet and liquidity puts us in a great position to deliver it, and we aren't waiting – we have made an early start on overflows, representing £1.2 billion of our proposed programme, and allowing us to press ahead with work to reduce storm overflow spills and deliver the step change we all want to see."

Key financials – six months ended 30 September

	Reported			Underlying[1]		
£m	**2023**	**2022**	**% change**	**2023**	**2022**	**% change**
Revenue	**982.0**	919.3	+6.8%	**982.0**	919.3	+6.8%
Operating profit	**240.6**	258.5	-6.9%	**271.1**	258.5	+4.9%
Profit/(loss) before tax	**160.0**	426.3	-62.5%	**90.3**	(7.9)	n/a
Profit/(loss) after tax	**116.8**	353.0	-66.9%	**90.3**	(12.2)	n/a
EPS (pence)	**17.1**	51.8	-67.0%	**13.2**	-1.8	n/a

	2023	**2022**	**% change**
Interim DPS (pence)	**16.59**	15.17	+9.4%
Net regulatory capex (£m)	**371.8**	334.5	+11.2%
RCV[2] (£m)	**14,406**	13,458	+7.0%
Net debt (£m)	**8,541**	7,829	+9.1%
RCV gearing[3] (%)	**59%**	58%	+1.7%

Operational highlights

- **Forecasting to double our ODI reward this year,** in line with guidance at over £50m
- **On track to achieve 4 star status for 2023** in the EA's Environmental Performance Assessment
- **Going further and faster on tackling overflows**, following regulatory approvals to accelerate delivery of infrastructure investment
- **Progressing well with leakage programme**, forecasting to achieve our best ever performance
- **Ranked 1st WaSC[4] and 4th utility company out of 30** in the UK Customer Satisfaction Index[5]

- **Supporting more customers,** with over 370,000 households on Priority Services register and over 350,000 customers supported through affordability schemes so far this AMP
- **Progressing plans for pioneering carbon-capture facility,** supporting net zero plans and making an important contribution to the UK's carbon-capture potential
- **High quality PR24 business plan submission** for 2025-30, with strong customer support and ambitious targets to create a stronger, greener and healthier North West

Financial highlights

- **Underlying operating profit of £271m**, reported operating profit of £241m
- **Underlying EPS of 13.2p**, up from -1.8p, reported EPS of 17.1p
- **Low level of gearing at 59% and solid credit ratings** providing future financial flexibility
- **Pension scheme buy-in transaction**, covering around 2/3rds of liabilities and representing a significant milestone in our de-risking journey
- **AMP7 funding in place,** liquidity extending into 2026
- **Recommended interim dividend of 16.59p**, in line with policy

Reiterate financial framework guidance for current AMP7 regulatory period

- Continue to target **AMP7 net ODI reward of around £200m**
- Forecast **average real RoRE[6] of 6-8%**
- **RCV growth of 4-5%** nominal compound annual growth rate
- Targeting **dividend growth in line with CPIH**
- Maintain **gearing within target range** of 55-65%

Enquiries

Investors and Analysts

Chris Laybutt – Investor Relations and Clean Energy Strategy Director	+44 7769 556 858
Anna Oberg – Investor Relations Manager	+44 7435 939 112
Media	
Gaynor Kenyon – Corporate Affairs Director	+44 7753 622 282
Graeme Wilson – Teneo Communications	+44 207 260 2700

Half Year Results presentation webcast

We will be hosting a webcast presentation for investors and analysts starting at 9.00am on Thursday 16 November 2023, which can be accessed using the following details:
https://us06web.zoom.us/j/81196837873?pwd=cF5Haal0ajFnYigfwjmMLntbay0gn7.1
Meeting ID: 811 9683 7873, Passcode: 978727

The presentation slides will be available on our website shortly before the presentation commences at the following link: https://www.unitedutilities.com/corporate/investors/results-and-presentations/full-and-half-year-results/

Notes
[1] Underlying measures are defined in the tables on pages 15 to 16
[2] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms). Prior year figures have been re-presented for comparative purposes.
[3] RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms). Prior period figures have been re-presented for comparative purposes.
[4] Water and Sewerage Company
[5] UKCSI is an Institute for Customer Service measure
[6] Return on regulated equity

OPERATIONAL REVIEW

Submitting our most ambitious plan

Last month, we submitted a high quality and ambitious business plan to our regulator, Ofwat, for 2025-30, through which we are proposing the largest investment in the region's water and wastewater infrastructure in over 100 years. Highlights from our United Utilities Water plan include:

- £13.7 billion total expenditure across 2025-30, with 93% of enhancement spend driven by statutory requirements, resulting in 8.7% nominal RCV growth per annum, equating to over 50% growth across the five-year period;
- Improving water and wastewater services, increasing resilience, protecting and enhancing the environment, and reducing greenhouse gas emissions;
- Proposing to double our support package to £525 million, with financial support for one in six customers, reducing the risk of hardship from the necessary bill increases;
- Financing the investment in a responsible and sustainable way, with financial flexibility to finance the plan with average gearing of 65% over the AMP, based on Ofwat's September 2022 'early view' WACC assumption, and without assuming new equity;
- Strong levels of customer support at 74%, following a regional approach and engaging with 95,000 people across our five great counties; and
- Real opportunities for the North West regional economy, with a chance to drive inward investment and our plan supporting 30,000 jobs.

Supporting customers, employees and communities for a stronger North West

We recognise that affordability is a hugely important issue for customers, particularly against a backdrop of rising household costs and economic uncertainty. We are seeing sustained demand for financial support from customers and have helped over 350,000 customers with financial support so far during AMP7. We continue to work with the Department for Work and Pensions (DWP) to identify hard to reach customers eligible for our support schemes and proactively apply lower bill tariffs. We continue to develop our multi-award winning Priority Services offering, which helps vulnerable customers in our region. We now have over 370,000 customers on our Priority Services register and are on track to meet our full year target, and have lifted around 100,000 customers out of water poverty so far this AMP. Our team was rated number one WaSC, and fourth utility company overall, for customer service in the latest independent UK Customer Satisfaction Index (UKCSI).

We have welcomed more than 80 new graduates and apprentices in our September intake, including our first digital cohort, and this year we have announced additional graduate opportunities in our newly formed rainwater management team, supporting our commitments to river health. We were also recently awarded the Water Industry Skills Employer of the Year, in recognition of our technical competence and assessment programmes, key health and safety practical training, and award-winning internally-delivered apprenticeship pathways.

The Lake District is a special place in our region, with Lake Windermere at the heart of the National Park. Over the summer we opened our first ever shop on the Windermere High Street, welcoming anyone who wants to drop by. For questions or advice on anything from overflows to water bills, career opportunities to property development, we are on hand for the people of our region.

We have been accredited with the Fair Tax Mark for five years in a row, maintain upper quartile performance across a range of trusted ESG ratings, including MSCI and Sustainalytics, and we have once again been categorised as having the highest financial resilience status in Ofwat's latest Monitoring Financial Resilience assessment.

Protecting and enhancing the environment for a greener North West

Our core business is inextricably linked to the natural environment and we recognise the responsibility and opportunity we have to improve and enhance the environment. We have completed 67% of our AMP7 environmental improvement programme, and we are currently on track to attain the highest 4-star rating in the Environment Agency's Environmental Performance Assessment (EPA) for 2023.

Our PR24 submission included the UK's biggest storm overflow spill reduction plan, targeting a 60% reduction in the decade to 2030. We have made a fast start through our 'Better Rivers' programme, supported by additional reinvestment of outperformance, and had made good progress as at the end of the 2023 financial year with a 39% reduction in reported spills against the 2020 baseline. As part of the Accelerated Infrastructure Delivery Project earlier this year, Ofwat gave approval for the company to progress with 154 priority projects during 2023-25. This means we are able to progress work on around £200 million worth of projects during 2023-25.

Despite experiencing a number of storm events and severe rainfall, we are on track to deliver a reduction in average spills per overflow again this year. These storms have, however, impacted our flooding performance. As a result we expect to be in penalty position on our annual internal sewer flooding performance commitment.

In June, we experienced a fractured outlet pipe at our Fleetwood Wastewater Treatment Works. Given the location and difficulty of the repair, the engineering solution was more complex than usual. To minimise any impact as best we could, our teams worked night and day to optimise the network and constructed a 2 kilometre, 5 lane bypass around the fractured pipe. During this time, flows were diverted to alternative sites and the Environment Agency issued precautionary advice in relation to the bathing water along the Fylde coast. The site is now operating at full capacity while the permanent repair is ongoing. This has resulted in £30 million of additional operating and infrastructure renewals expenditure in the period, which has been excluded from underlying results as shown in the underlying profit measure tables on pages 15 and 16.

A pioneering carbon-capture facility recently received planning permission to be constructed at our head office in Warrington. Funded by the UK's Department for Energy Security and Net Zero through their Direct Air Capture and Greenhouse Gas Removal innovation programme, we are excited to host this innovative project, and to play a part in the UK's plans for Net Zero by 2050. The vision for the site is that nothing will go to waste – once the facility's carbon-capture capabilities are proven, the heat and power generated by the process will be redirected to heat United Utilities' on-site buildings as part of our long-term sustainability goals.

Providing a great quality and reliable water service for a healthier North West

Ensuring we provide great quality, wholesome drinking water at all times is a priority for us, and this is at the heart of our Water Quality First programme. As part of the initiative, this summer we completed a rigorous eight-year programme of inspecting and cleaning every storage reservoir before returning them to full capacity. Having achieved this milestone, we have implemented an ongoing cleaning programme, with a rolling schedule to ensure the water we provide is of the best quality at all times.

In July this year, the Drinking Water Inspectorate published its Drinking Water 2022 report, in which it commended our efforts in taking positive action to put water quality first, and we won the Drinking Water Initiative of the Year in the 2023 Water Industry Awards. Water Quality First is also having a measurable benefit in customer contacts as we continue to outperform on this performance commitment.

Leakage performance has also been strong so far this year, as we progress at pace with our detailed programme, which is enabling us to fix more leaks. We are forecasting to achieve our best ever leakage performance this year, and an ODI reward on this measure. Water supply levels remain strong as we enter the winter period, helped by higher levels of rainfall over the summer and our integrated supply network, which has built flexibility into our system to balance supply and demand needs.

AMP7 FINANCIAL FRAMEWORK

Our five-year financial framework captures anticipated performance in the five years to 31 March 2025. This period aligns with the AMP7 regulatory period. Our financial framework below is unchanged from 2022/23 full year results.

Investment and regulated asset growth

We expect to deliver a number of capital programmes in AMP7, in addition to our base totex (total expenditure) programme. These include Green Recovery, the Accelerated Infrastructure Delivery Project spend and AMP8 transitional investment. Combined with the impact of inflation, our regulated assets are expected to grow at a compound annual growth rate of 4 to 5 per cent across the five years to March 2025.

Return on regulated equity

The return on regulatory equity (RoRE) metric measures returns (after tax and interest) earned by reference to notional regulated equity. Overall returns comprise a base return on equity plus a contribution from outcome delivery incentives, operating efficiency, financing and tax efficiency and customer service. We currently expect to deliver average returns of between 6 and 8 per cent in AMP7, on a real RPI/CPIH blended basis.

Balance sheet

The board has set a target gearing range for the AMP7 regulatory period of 55 to 65 per cent net debt to regulated capital value. As at 30 September 2023 our gearing is in the lower half of this range at 59 per cent.

Dividend policy

The group maintains a dividend policy to target a growth rate of CPIH inflation each year through to 2025. 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 as using the CPIH annual rate from the November prior (i.e. the 2023/24 dividend is equal to the 2022/23 dividend indexed for the movement in CPIH between November 2021 and November 2022).

OUTLOOK AND GUIDANCE

ODI rewards

We are forecasting to achieve a net customer ODI reward of over £50m in FY24 and targeting a net reward of around £200 million in total over AMP7.

Revenue

Revenue is expected to increase by around £150 million in 2023/24, largely reflecting the November 2022 CPIH inflation of 9.4 per cent, partially offset by a £20 million net impact of over/under-recovery during 2022/23 and 2021/22 (under-recovery in 2022/23, for which we have re-baselined in 2023/24, and an over-recovery in 2021/22).

Underlying operating costs

Operating costs are expected to be around £60 million higher year-on-year. This increase is largely driven by inflation, with the largest inflationary pressures impacting power, labour, and chemicals costs. The remaining increase reflects the 2023/24 operating cost impact of additional investments, including our Better Rivers programme.

Underlying net finance expense

Underlying net finance expense is expected to be at least £150 million lower year-on-year, due to the impact of falling inflation. As at 31 March 2023, we had £4.5 billion of index-linked debt exposure, giving rise to a £45m swing in our annual interest charge for every 1 per cent change in inflation. Our cash interest in 2022/23 was £102 million and we expect this to be slightly higher in 2023/24.

Underlying tax

Our current tax charge is expected to be nil in 2023/24, reflecting expected benefits following the spring budget in relation to “full expensing” and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2023/24 is expected to be in the range of £720 million to £800 million. In addition to our AMP7 base programme, this reflects capital expenditure for the year in relation to our additional investment (including Green Recovery and investment supporting our Better Rivers programme), and AMP8 acceleration capital programmes.

FINANCIAL REVIEW

Key financials (£m) – six months ended 30 September

	Reported			Underlying[1]		
	2023	**2022**	**% change**	**2023**	**2022**	**% change**
Revenue	**982.0**	919.3	+6.8%	**982.0**	919.3	+6.8%
Operating expenses	**(421.9)**	(361.8)	+16.6%	**(401.3)**	(361.8)	+10.9%
Infrastructure renewals expenditure	**(106.1)**	(92.2)	+15.1%	**(96.2)**	(92.2)	+4.3%
Depreciation and amortisation	**(213.4)**	(206.8)	+3.2%	**(213.4)**	(206.8)	+3.2%
Operating profit	**240.6**	258.5	-6.9%	**271.1**	258.5	+4.9%
Net finance (expense)/income	**(79.5)**	136.4	n/a	**(179.7)**	(266.6)	-32.6%
Share of (losses)/profits of JVs	**(1.1)**	0.2	n/a	**(1.1)**	0.2	n/a
Profit on disposal of subsidiary	**-**	31.2	n/a	**-**	-	-
Profit/(loss) before tax	**160.0**	426.3	-62.5%	**90.3**	(7.9)	n/a
Tax charge	**(43.2)**	(73.3)	-41.1%	**-**	(4.3)	n/a
Profit/(loss) after tax	**116.8**	353.0	-66.9%	**90.3**	(12.2)	n/a
EPS (pence)	**17.1**	51.8	-67.0%	**13.2**	-1.8	n/a

	2023	**2022**	**% change**
Interim DPS (pence)	**16.59**	15.17	+9.4%
Net regulatory capex (£m)	**371.8**	334.5	+11.2%
RCV[2] (£m)	**14,406**	13,458	+7.0%
Net debt (£m)	**8,541**	7,829	+9.1%
RCV gearing[3] (%)	**59%**	58%	+1.7%

[1] Underlying measures are defined in the tables on pages 15 to 16
[2] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms). Prior period figures have been re-presented for comparative purposes.
[3] RCV gearing calculated as group net debt including loan receivable from joint venture/United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms). Prior period figures have been re-presented for comparative purposes.

We have delivered robust underlying financial performance for the half year. Revenue increased 7 per cent, mainly driven by the inflation increase allowed as part of our revenue cap. Inflationary pressures have once again increased our operating costs, however we continue to work hard to contain the inflation impact on overall costs within the totex inflation allowance allowed for in our regulatory model. The combined effect of the higher revenue, partly offset by inflation increases to costs resulted in underlying operating profit increasing 5 per cent to £271 million. Reported operating profit was £30 million lower at £241 million reflecting an adjusting item in respect of costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit of £90 million and an underlying earnings per share of 13.2 pence. Reported profit after tax was higher at £117 million, with reported earnings per share of 17.1 pence per share. Adjusted items between underlying and reported are set out on pages 15 to 16.

Our balance sheet continues to be one of the strongest in the sector. During the half year we completed a pension scheme buy-in transaction with Legal & General, covering 2/3rds of scheme liabilities and representing a significant milestone in our de-risking journey. We have fully pre-funded our AMP7 investment requirements, and this, alongside our low level of gearing at 59% and solid credit ratings provide us with future flexibility as we approach AMP8.

Revenue

	£m
Six months to 30 September 2022	919.3
Regulatory revenue impact	52.7
Other impacts	10.0
Six months to 30 September 2023	**982.0**

Revenue was up £63 million, at £982 million, largely reflecting the inflation increase allowed as part of our revenue cap.

In the first half of 2023/24, we had a £53 million increase in the revenue cap due to regulatory adjustments, largely driven by a 9.4 per cent CPIH-linked increase partly offset by 1.4 per cent real reduction in allowed wholesale revenues as set out in our PR19 Final Determination.

Other revenue impacts largely reflect increases in consumption.

Operating profit

	£m
Underlying - Six months to 30 September 2022	258.5
Revenue increase	62.7
Inflationary increases on operating costs	(35.7)
Depreciation increase	(6.6)
Costs driving ODI performance	(4.9)
Other	(2.9)
Underlying operating profit - Six months to 30 September 2023	**271.1**
Adjusted items*	(30.5)
Reported – Six months to 30 September 2023	**240.6**

* Adjusted items are set out on pages 15 to 16.

Underlying operating profit at £271 million was £13 million higher than the first half of last year, largely reflecting the increase in revenue, offset by inflationary pressures on our core costs.

Inflationary pressures continue to impact our operating costs and resulted in a £36 million increase for the first half of the year. The largest increases continue to be to power, labour and chemical costs, where we incurred an additional £13 million, £10 million and £6 million respectively.
As our asset base continues to grow, depreciation charge for the half year increased by £7 million.
The £5 million of additional expenditure driving improvements to ODI performance is primarily in relation to investment in Dynamic Network Management to drive improvements in management of our sewer network.

Reported operating profit decreased by £18 million on the same period last year, reflecting the £13 million increase in underlying operating profit offset by £30 million of costs associated with responding to a fractured outlet pipe at our Fleetwood Wastewater Treatment Works. The scale of the activity involved in remediating this failure, and the associated cost was not representative of normal business activity, and as such the costs were excluded in arriving at underlying operating profit.

Our industry-leading affordability schemes, combined with effective credit collection practices and utilisation of technology have meant that current year cash collection has been strong. Our bad debt position remains stable at 1.8 per cent of statutory revenue.

Profit/(loss) before tax

	£m
Underlying – Six months to 30 September 2022	(8.0)
Underlying operating profit increase	12.6
Underlying net finance expense decrease	87.0
Share of JVs losses increase	(1.3)
Underlying profit before tax – Six months to 30 September 2023	**90.3**
Adjusted items *	69.7
Reported – Six months to 30 September 2023	**160.0**

* Adjusted items are set out on pages 15 to 16.

Underlying profit before tax of £90 million compared to a £8 million underlying loss before tax in the first half of last year. The £98 million difference reflects the £13 million increase in underlying operating profit and a £87 million decrease in underlying net finance expense, partly offset by a small increase in the share of losses of joint ventures of £1 million (from a £0.2 million share of profits in the prior half year to a £1.1 million share of losses in the current half year). Underlying profit before tax reflects presentational adjustments as outlined on pages 15 to 16.

Reported profit before tax decreased by £266 million to £160 million reflecting an £18 million decrease in reported operating profit and a £216 million increase in reported net finance expense (from a £136 million reported net finance income to a £80 million reported net finance expense), a £31 million profit on disposal of our subsidiary United Utilities Renewable Energy Limited recognised in the previous first half, and a small increase in the share of losses of joint ventures of £1 million, as noted above.

- <u>Net finance expense</u>
  The underlying net finance expense of £180 million was £87 million lower than the same period last year mainly due to significantly lower inflation resulting in a £106 million decrease in the non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest of £7 million, and rising interest rates resulting in higher net interest payable of £12 million.

  Cash interest of £60 million was £6 million higher than the first half of last year. Cash interest excludes non-cash items mainly comprising the indexation on our debt and derivative portfolio, capitalised interest and net pension interest income.

  Reported net finance expense of £80 million was £216 million higher than the first half of last year, reflecting a £303 million reduction in net fair value gains on debt and derivatives (excluding interest on debt and derivatives under fair value option) from £403 million last year to £100 million this year, partly offset by the £87 million decrease in underlying net finance expense.

- Joint ventures
  The group incurred a share of the losses of Water Plus for the six months ended 30 September 2023 of £1.1 million all of which has been recognised in the income statement. This compares to a share of the profits of Water Plus of £0.2 million for the six months ended 30 September 2022, with the difference largely as a result of the impact of higher interest rates.

Profit/(loss) after tax and earnings per share

	PAT £m	Earnings per share Pence/share
Underlying – Six months to 30 September 2022	(12.2)	*(1.8)*
Underlying profit before tax increase	98.2	
Reduction in underlying tax charge	4.3	
Underlying profit after tax – Six months to 30 September 2023	**90.3**	***13.2***
Adjusted items *	26.5	
Reported – Six months to 30 September 2023	**116.8**	***17.1***

* Adjusted items are set out on pages 15 to 16.

The underlying profit after tax of £90 million was £102 million higher than the £12 million underlying loss in the first half of last year, reflecting the £98 million increase in underlying profit before tax and a £4 million reduction in underlying tax charge, resulting in a nil tax charge for the half year.

Reported profit after tax was higher at £117 million and reported earnings per share at 17.1 pence per share with the adjusted items between underlying and reported set out on pages 15 to 16.

- 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 2023 for the fifth year running.

  In addition to corporation tax, the group makes further contributions to the public finances, typically of around £230 million per annum, in the form of business rates, employer's national insurance contributions, environmental taxes, other regulatory service fees such as water abstraction charges as well as employment taxes on behalf of our 6,000 strong workforce.

  For the current period, no cash tax was paid due to the impact of the capital allowances first year allowances, announced in the March 2023 Chancellor's Budget. 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 was nil in the six months to 30 September 2023, compared with £4 million in the previous half year.

  For the six months to 30 September 2023, we recognised a deferred tax charge of £43 million, compared with £69 million for the same period last year.

The total effective tax rate, was 27 per cent for the six months to 30 September 2023, compared with 17 per cent in the previous half year; the increase being mainly due to the non-taxable profit on the disposal of United Utilities Renewable Energy Ltd and capital allowance “super deductions” in the prior year and an increase in the corporation tax rate to 25 per cent in the current year.

In the period, there were £127 million of tax adjustments taken to equity, primarily relating to remeasurement movements on the group’s defined benefit pension schemes and on hedge effectiveness.

Dividend per share

The Board has proposed an interim dividend of 16.59 pence per ordinary share in respect of the six months ended 30 September 2023. This is an increase of 9.4 per cent compared with the interim dividend last year, in line with the group’s dividend policy of targeting a growth rate of CPIH inflation each year through to 2025. The 9.4 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2023/24 financial year (i.e. the movement in CPIH between November 2021 and November 2022).

The interim dividend is expected to be paid on 1 February 2024 to shareholders on the register at the close of business on 22 December 2023. The ex-dividend date for the interim dividend is 21 December 2023. The election date for the Dividend Reinvestment Plan is 11 January 2024.

Cash flow

Net cash generated from operating activities for the six months to 30 September 2023 was £381 million, £20 million lower than £401 million in the same period last year, principally as a result of net tax receipts in the prior half year. The net cash generated from continuing operating activities supports the dividends paid of £207 million and partially funds some of the group’s net capital expenditure of £360 million, with the balance being funded by net borrowings and cash and cash equivalents.

Pensions

As at 30 September 2023, the group had an IAS 19 net pension surplus of £269 million, compared with a surplus of £601 million at 31 March 2023. This £332 million decrease principally reflects the impact of the purchase of bulk annuities as part of a buy-in transaction completed in July with Legal & General leading to around a £220 million reduction in the surplus. The remaining reduction relates to an increase in the value of the schemes’ liabilities due to actual inflation being higher than assumed at 31 March 2023. Further detail on pensions is provided in note 10 (‘Retirement benefit surplus’) of these condensed consolidated financial statements.

Financing

Net debt	£m
At 31 March 2023	8,200.8
Cash generated from operations	(440.7)
Net capital expenditure	359.0
Dividends	206.9
Indexation	160.0
Interest	59.8
Fair value movements	8.4
Exchange rate movements on bonds and term borrowings	(16.6)
Other	3.0
At 30 September 2023	**8,540.6**

Net debt at 30 September 2023 was £8,541 million, compared with £8,201 million at 31 March 2023. This comprises gross borrowings with a carrying value of £9,149 million, net derivative liabilities hedging specific debt instruments of £112 million and total indexation on inflation swaps of £108 million and is net of cash and bank deposits of £829 million.

Gearing, measured as group net debt including a £74 million loan receivable from joint venture divided by UUW's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms) of £14.4 billion, was 59 per cent at 30 September 2023, slightly higher than the 58 per cent at 31 March 2023, and remains within our target range of 55 to 65 per cent.

- Cost of debt
  As at 30 September 2023, the group had approximately £3.5 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 £3.4 billion at an average real rate of 1.4 per cent, and £1.3 billion of CPI or CPIH-linked debt exposure at an average real rate of –0.6 per cent.

  A significantly lower RPI inflation charge compared with the same period last year contributed to the group's average effective interest rate of 6.0 per cent being lower than the rate of 9.0 per cent last half year. More information on this can be found on page 17.

  The group has fixed the interest rates on its non index-linked debt in line with its 10-year reducing balance basis at a net effective nominal interest rate of 2.6 to 2.8 per cent for the remainder of the AMP7 regulatory period.

- Credit ratings
  UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Standard & Poor's Ratings Services (S&P) and all on stable outlook. United Utilities PLC's senior unsecured debt obligations are rated Baa1 with Moody's, A- with Fitch and BBB- with S&P, all on stable outlook.

- <u>Debt financing</u>
  The group has access to the international debt capital markets through its £10 billion medium-term note (MTN) programme. The group has fully pre-funded its AMP7 investment requirements, and has begun funding its AMP8 (2025-30) investment programme.

  In the half year to September 2023, we raised £750 million of term funding. A 15.5 year £300 million sustainable public bond in April, a 9 year £100 million bilateral loan with a relationship bank in April, and a 13 year £350 million sustainable public bond in June. We renewed £100 million of relationship bank revolving credit facilities with an initial 5-year term.

- <u>Interest rate management</u>

  Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings under the regulatory model. At 30 September 2023, approximately 40 per cent of the group's net debt was in RPI-linked form, representing around 24 per cent of UUW's regulatory capital value, with an average real interest rate of 1.4 per cent. A further 15 per cent of the group's net debt was in CPI or CPIH-linked form, representing around 9 per cent of UUW's RCV, with an average real rate of –0.6 per cent. 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 17 years.

  Our inflation hedging policy is to target around 50 per cent of net debt to be maintained in index-linked form. This reflects a balanced assessment across a range of factors.

  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.

- <u>Liquidity</u>
  Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. Our MTN programme provides further support.

  At 30 September 2023, we had liquidity out into 2026, 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.

Underlying profit

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 25. 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 titles 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	
Fleetwood outfall pipe fracture	In June 2023 the group suffered a large-scale outfall pipe fracture at a major wastewater treatment works at Fleetwood. The scale of the activity involved in remediating this failure, and the associated cost (which was incurred across both operating expenditure and infrastructure renewals expenditure) was not representative of normal business activity and therefore the costs are excluded in arriving at underlying operating profit.
Profit on disposal of subsidiary	This relates to the disposal of the group's subsidiary United Utilities Renewable Energy Limited, which represents a significant, atypical event and as such is not considered to be part of the normal course of business.
Consistently applied presentational adjustments	
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	6 months ended 30 September 2023 £m	6 months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Operating profit per published results	**240.6**	**258.5**	**440.8**
Fleetwood outfall pipe fracture	30.5	-	-
Underlying operating profit	**271.1**	**258.5**	**440.8**

Net finance expense	£m	£m	£m
Finance (expense)/income	(119.9)	117.3	(262.7)
Investment income	40.4	19.1	47.0
Net finance expense per published results	**(79.5)**	**136.4**	**(215.7)**
Adjustments:			
Fair value gains on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	(100.2)	(403.0)	(259.4)
Underlying net finance expense	**(179.7)**	**(266.6)**	**(475.1)**

	£m	£m	£m
Share of (losses)/profits of joint ventures	**(1.1)**	**0.2**	**-**
Profit on disposal of business	**-**	**31.2**	**31.2**
Adjustments:			
Profit on disposal of subsidiary	-	(31.2)	(31.2)
Underlying profit on disposal of subsidiary	**-**	**-**	**-**
Profit before tax per published results	**160.0**	**426.3**	**256.3**
Adjustments:			
In respect of operating profit	30.5	-	-
In respect of net finance expense	(100.2)	(403.0)	(259.4)
In respect of profit on disposal of subsidiary	-	(31.2)	(31.2)
Underlying profit/(loss) before tax	**90.3**	**(7.9)**	**(34.3)**
Profit after tax per published results	**116.8**	**353.0**	**204.9**
Adjustments:			
In respect of profit before tax	(69.7)	(434.2)	(290.6)
Deferred tax adjustment	43.2	69.0	76.6
Tax in respect of adjustments to underlying profit before tax	-	-	0.4
Underlying profit/(loss) after tax	**90.3**	**(12.2)**	**(8.7)**

Earnings per share	£m	£m	£m
Profit after tax per published results (a)	116.8	353.0	204.9
Underlying profit / (loss) after tax (b)	90.3	(12.2)	(8.7)
Weighted average number of shares in issue, in millions (c)	681.9m	681.9m	681.9m
Earnings per share per published results, in pence (a/c)	17.1	51.8	30.0
Underlying earnings per share, in pence (b/c)	13.2	(1.8)	(1.3)
Dividend per share, in pence	16.59p	15.17p	45.51p

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	**6 months ended 30 September 2023 £m**	**6 months ended 30 September 2022 £m**	**Year ended 31 March 2023 £m**
Underlying net finance expense	(179.7)	(266.6)	(475.1)
Adjustments:			
Net pension interest income	(14.2)	(14.4)	(28.7)
Adjustment for capitalised borrowing costs	(55.8)	(62.9)	(127.5)
Net finance expense for effective interest rate	**(249.7)**	**(343.9)**	**(631.3)**
Average notional net debt[1]	**(8,351)**	**(7,679)**	**(7,849)**
Average effective interest rate	**6.0%**	**9.0%**	**8.0%**
Effective interest rate on index-linked debt	8.0%	13.7%	12.4%
Effective interest rate on other debt	3.4%	2.5%	2.2%

[1] 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk management

Our approach to risk management, including how we identify and assess risk, the oversight and governance process, and focus on continual improvement remains unchanged from that detailed in our Annual Report for the year ended 31 March 2023.

Risk profile

The business risk profile is based on the value chain of the company, with the ten inherent risk areas (primary and supportive) where value can be gained, preserved or lost relative to the performance, future prospects or reputation of the company. Underpinning these inherent risk areas, the profile consists of approximately 100 event-based risks, each of which is allocated based on the context of the event, enabling the company to consider interdependency and correlation of common themes and control effectiveness. Although the profile remains relatively static in terms of its headline inherent risk factors, risk assessment remains dynamic by reflecting new and emerging circumstances, as outlined below:

The sector continues to be under significant scrutiny, linked largely to issues arising from political and public concern over water quality and storm overflows, and the significant environmental investment needs for the next AMP and beyond. Aligned with these concerns, changes to legislation and the interpretation thereof leads to uncertainty over existing business models notably in bioresources.

Our risk assessment process considers both financial and reputational implications of the changing business environment and the increased uncertainty that this brings over both the short and long term. The half year review of the risk profile highlighted storm overflows, Bioresources and AMP8 preparedness as three concurrent themes of uncertainty, with macro-economic and geopolitical tensions compounding these sector issues. These factors have been considered in the reassessment of the company's most significant event-based risks.

The company's most significant event-based risks

The most significant event-based risks represent the ten highest-ranked risks by exposure (likelihood of occurrence of the event multiplied by the most likely financial impact) and those risks which have been assessed as having a significantly high impact, but low likelihood. Depending on the circumstances, financial impacts will include loss of revenue, additional or extra cost, fines, regulatory penalties and compensation. Reputational impact relative to our multiple stakeholders is also assessed, reported and considered as part of the mitigation.

Summarised below are the top ten ranking risks (1 – 10), and those assessed as having high impact, but low likelihood (A – F):

1. Price Review 2024 outcome

Risk exposure: The capacity and capability to develop a business plan that creates value for customers, communities, and the environment that is sustainable and resilient for the long term relative to the unique characteristics of the region we serve, in light of multiple influencing factors – notably changing demographics, climate change and asset health.

Control/mitigation: We have established cross-cutting work streams and theme owners to identify the products and evidence required for the submission and we will maintain a close dialogue with Ofwat throughout the process.

Assurance: Extensive customer research and several external providers were commissioned for technical optioneering. Second line assurance is provided through a dedicated price review team and a PR24 programme board. There was a blend of internal audit and external assurance focused on the quality of the submission.

2. Failure of the Haweswater Aqueduct

Risk exposure: The Haweswater Aqueduct is a key asset with current low resilience due to deterioration, with failure potentially resulting in water quality issues and/or supply interruptions to a large proportion of the United Utilities customer base.

Control/mitigation: A capital project to replace the tunnel sections of the aqueduct has already commenced with the completion in November 2020 of one section. The remaining sections are due to be replaced as part of Haweswater Aqueduct Resilience Programme (HARP).

Assurance: Technical and geological advice and modelling have been sought throughout the programme development, with second line assurance including engineering technical governance. Independent assurance is provided by internal audits and external assurance over the HARP procurement process.

3. Recycling of biosolids to agriculture

Risk exposure: Represents various impact scenarios including operational failures, increased restrictions or total ban of recycling biosolids to agriculture. The risk considers the Environment Agency's interpretation of the Farming Rules for Water regulations and the increasing threat to recycling of biosolids to land.

Control/mitigation: Treatment, sampling and testing regimes ensure that biosolids meets acceptable standards for application. We work closely with farmers, landowners and contractors to ensure compliance with regulations such as Farming Rules for Water and our standard operating procedures are met.

Assurance: Bioresources production planning team undertakes first line assurance against UK Biosolids Assurance Scheme (BAS) accreditation, and other codes of practice such as the safe sludge matrix which certifies our recycling activities. Second and third line assurance is also undertaken by the assurance and internal audit teams respectively.

4. Wastewater network failure

Risk exposure: Blockages, operational issues or inadequate hydraulic capacity relative to population growth, extreme weather, asset health, and legal/regulatory change, resulting in unpermitted storm overflow activations, sewer flooding and environmental damage.

Control/mitigation: Preventative maintenance and inspection regimes, customer campaigns, sewer rehabilitation programme and Better Rivers programme.

Assurance: Second line assurance provided by wholesale assurance, engineering technical governance and flood review panel. Subject to regular internal audits and external assurance of regulatory reporting.

5. Failure to treat sludge

Risk exposure: Relates to the impact of changing demographics, asset health and legislative / regulatory change (such as the Industrial Emissions Directive (IED) now applying to biological treatment of sewage sludge) on our ability to sustainably treat sludge.

Control/mitigation: We look to maximise our treatment capacity by adopting a Throughput, Reliability, Availability and Maintainability (T-RAM) approach for our facilities. We also undertake a digester and tank clean programme, regular testing and analysis of sludge, and balance capacity and demand through the bioresources production planning team.

Assurance: Bioresources production planning team undertakes first line assurance relative to codes of practice such as the safe sludge matrix which certifies our treatment. Second and third line assurance is also undertaken by the assurance and internal audit teams respectively.

6. Cyber

Risk exposure: Data and technology assets compromised due to malicious or accidental activity, leading to a major impact to key business processes and operations.

Control/mitigation: Multiple layers of control, including a secure perimeter, segmented internal network zones, access controls, constant monitoring and forensic response capability.

Assurance: Security measures reflect multiple sources of threat intelligence. The security steering group provides second line assurance, with independent assurance provided by cyclical internal audits and various technical audits by external specialist.

7. Failure to meet the totex efficiency challenge

Risk exposure: Totex efficiencies designed for AMP7 are challenged through a combination of factors including supply chain issues, inflationary pressures, and additional investment to deliver performance improvements.

Control/mitigation: Strategic Portfolio Board (SPB) planning and risk-based investment prioritisation and the company business planning process all contribute to efficient delivery of services and the capital programme. In addition, there are number of executive led initiatives to realise efficiency opportunities.

Assurance: First line assurance is undertaken through executive led meetings, with the strategic portfolio board, and monthly executive performance review meetings providing second line governance and assurance. Third line assurance is undertaken through cyclical internal audits.

8. Water sufficiency event

Risk exposure: Water sufficiency is one of the most sensitive risks to climate change, with the increased frequency of hot and dry weather being evidence of changing circumstances. Extended periods of low rainfall and exceptionally hot weather, with accompanying increased customer demand, impacts our water resources which can result in the need to implement water use restrictions.

Control/mitigation: We produce a Water Resources Management Plan (WRMP) every five years, which forecasts future demand and water availability under repeats of historic droughts, adjusted for climate change. A statutory Drought Plan is also developed every five years, setting out the actions we will take in a drought situation.

Assurance: The WRMP and Drought Plan are subject to various second and third line assurance activities prior to publication.

9. Credit Rating

Risk exposure: Credit ratings fall below internal targets, due to deterioration in financial and/ or operational performance and/or external factors (such as inflation), resulting in more expensive funding.

Control/mitigation: Continuous monitoring of markets, and the management of key financial risks within defined policy parameters.

Assurance: Second line assurance provided by financial control and monthly executive performance review meetings, with oversight provided by the treasury committee. The treasury function is subject to regular internal audits.

10. Failure of Technology Systems

Risk exposure: Represents various impact scenarios as a result of the pace of technological change across a complex technology estate, which is increasingly more essential for enabling key business processes as the company becomes more reliant on connected technology.

Control/mitigation: Architectural design to assure service availability, defined criticality of services, continuous monitoring, and risk assessment together with maintenance and replacement strategies / roadmaps against target state architecture.

Assurance: First line assurance is carried out by the Technology Services team with independent assurance provided by cyclical internal audits and various technical audits by external specialists.

A. Dam failure

Risk exposure: Uncontrolled release of a significant volume of water from reservoirs due to flood damage, overtopping, earthquake or erosion leading to catastrophic impacts downstream.

Control/mitigation: Each reservoir is regularly inspected by engineers. Where appropriate, risk management activities are applied and risk reduction interventions are implemented through a prioritised investment programme.

Assurance: Various sources of second line assurance, including supervising engineers, dam safety group, assurance team and regular board reviews. Independent assurance is provided by panel engineers and internal audit.

B. Financial Outperformance

Risk exposure: Failure to achieve financial outperformance due to macro economic conditions and efficiency challenges, impacting the cost of debt and delivery of the company business plan.

Control/mitigation: Interest rate and inflation management, ongoing monitoring of markets and regulatory developments, and company business planning.

Assurance: Second line assurance and oversight is provided by the board and treasury committee in addition to monthly executive performance meetings. Subject to cyclical internal audit reviews.

C. Disease pandemic

Risk exposure: Serious illness in a large proportion of the UK population and consequences to our workforce, the wider supply chain and macro economy.

Control/mitigation: The incident management process would be invoked, supported by the Pandemic Response Plan. This includes the implementation of multi-channel communication with non-pharmaceutical interventions as per government guidance.

Assurance: Wholesale assurance provides second line assurance, with internal audit undertaking various reviews.

D. Terrorism

Risk exposure: A significant asset to be compromised by terrorist activity leading to loss of supply, contamination and/or pollution.

Control/mitigation: A risk-based protection of assets in line with the Security and Emergency Measures Direction (SEMD) and close liaison with the Protective Security Authority (NPSA), regional counter terrorist units, local agencies and emergency services.

Assurance: Security posture is based on various threat advisors. Second line assurance is provided by the security steering group. In addition, internal audit undertake cyclical audits with external technical assurance being delivered by specialists.

E. Process Safety

Risk exposure: United Utilities' activities include processes which are inherently hazardous including the storage of toxic and explosive gases across multiple sites, including two which fall under Control of Major Accident Hazard (COMAH) regulations.

Control/mitigation: Multi layers of protection are in place including: design standards; maintenance and operating regimes; permit to work / work authorisation procedures; emergency planning and training.

Assurance: Second line assurance is undertaken by both the assurance and health & safety teams, with third line assurance being undertaken through periodic internal audits. The Health & Safety Executive also carry out regulatory inspections.

Material litigation

The group robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provisions and seeking recovery wherever possible. Litigation of a material nature is regularly reported to the group board. While our directors remain of the opinion that the likelihood of a material adverse impact on the group's financial position is remote, based on the facts currently known to us and the provisions in our statement of financial position, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, a hearing was held in the Court of Appeal in 2022 and the main additional points raised by MSCC were dismissed, although MSCC were granted leave to appeal to the Supreme Court. The final appeal was heard in early March 2023 and the Court's decision is awaited. This may provide further clarity in relation to the rights and remedies afforded to the parties and others in relation to discharges by water companies into the canal and other watercourses;

- As reported in previous years, in February 2009, United Utilities International Limited (UUIL) was served with notice of a multiparty 'class action' in Argentina related to the issuance and payment default of a US$230 million bond by Inversora Eléctrica de Buenos Aires S.A. (IEBA), an Argentine project company set up to purchase one of the Argentine electricity distribution networks which was privatised in 1997. UUIL had a 45 per cent shareholding in IEBA which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. Starting in May 2023, the Argentine Court scheduled various hearings to receive the testimony of fact witnesses and experts. UUIL has filed its response and preliminary motions to dismiss the claim, vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds; and

- A Letter Before Action was received by UUW in February 2023 in respect of potential collective proceedings before the Competition Appeal Tribunal. We are informed that the Proposed Class Representative (PCR) is intending to bring a claim on behalf of a class comprising consumers of UUW (on an opt-out basis) who have allegedly been overcharged for sewerage services as a result of an alleged abuse of a dominant position. We have been informed that the PCR also intends to bring the claim against United Utilities Group PLC, as the ultimate parent company of UUW. Proceedings have not yet been issued.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This financial 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 financial report and the company undertakes no obligation to update these forward-looking statements. Nothing in this financial report should be construed as a profit forecast.

Certain regulatory performance data contained in this financial report is subject to regulatory audit.

This announcement contains inside information, disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016 and for UK Regulatory purposes the person responsible for making the announcement is Simon Gardiner, Company Secretary.

LEI 2138002IEYQAOC88ZJ59
Classification – Half Year Results

Consolidated income statement

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Revenue (note 3)	**982.0**	919.3	1,824.4
Staff costs	**(104.8)**	(95.2)	(192.2)
Other operating costs (note 4)	**(306.2)**	(257.6)	(556.4)
Allowance for expected credit losses – trade and other receivables	**(12.6)**	(11.2)	(22.7)
Other income	**1.7**	2.2	4.8
Depreciation and amortisation expense	**(213.4)**	(206.8)	(423.6)
Infrastructure renewals expenditure	**(106.1)**	(92.2)	(193.5)
Total operating expenses	**(741.4)**	(660.8)	(1,383.6)
Operating profit	**240.6**	258.5	440.8
Investment income (note 5)	**40.4**	19.1	47.0
Interest payable (note 6)	**(214.8)**	(262.6)	(497.7)
Net fair value gains on debt and derivatives (note 6)	**94.9**	379.9	235.0
Investment income and finance expense	**(79.5)**	136.4	(215.7)
Profit on disposal of business	**-**	31.2	31.2
Share of profits / (losses) of joint ventures	**(1.1)**	0.2	-
Profit before tax	**160.0**	426.3	256.3
Current tax (charge)/credit	**-**	(4.3)	25.2
Deferred tax charge	**(43.2)**	(69.0)	(76.6)
Tax (note 7)	**(43.2)**	(73.3)	(51.4)
Profit after tax	**116.8**	353.0	204.9

All of the results shown above relate to continuing operations.

Earnings per share (note 8)			
Basic	**17.1p**	51.8p	30.0p
Diluted	**17.1p**	51.6p	30.0p
Dividend per ordinary share (note 9)	**16.59p**	15.17p	45.51p

Consolidated statement of comprehensive income

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Profit after tax	**116.8**	353.0	204.9
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of fair value movements	**(25.5)**	207.0	(50.6)
Tax on items that may be reclassified to profit or loss	**6.4**	(51.8)	12.7
Reclassification of items taken directly to equity	**(0.2)**	(24.0)	(36.6)
Tax reclassified to income statement	**0.1**	4.6	7.0
Other comprehensive income that may be reclassified to profit or loss	**(19.2)**	135.8	(67.5)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit pension schemes (note 10)	**(347.6)**	(208.2)	(445.3)
Change in credit assumptions for debt reported at fair value through profit or loss	**6.9**	16.4	4.8
Cost of hedging – cross currency basis spread adjustment	**(1.4)**	0.1	6.3
Tax on items taken directly to equity	**120.6**	68.5	151.5
Other comprehensive income that will not be reclassified to profit or loss	**(221.5)**	(123.2)	(282.7)
Total comprehensive income	**(123.9)**	365.6	(145.3)

Consolidated statement of financial position

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
ASSETS			
Non-current assets			
Property, plant and equipment	**12,823.9**	12,321.2	12,570.7
Intangible assets	**127.9**	149.0	142.3
Interests in joint ventures and other investments	**15.4**	16.8	16.5
Inventories	**8.0**	0.7	1.2
Trade and other receivables	**74.4**	73.7	75.7
Retirement benefit surplus (note 10)	**268.9**	823.5	600.8
Derivative financial instruments	**457.4**	754.2	428.6
	13,775.9	14,139.1	13,835.8
Current assets			
Inventories	**12.5**	24.0	13.1
Trade and other receivables	**267.7**	231.1	190.5
Current tax asset	**98.9**	60.7	98.9
Cash and bank deposits (note 11)	**828.8**	532.2	340.4
Derivative financial instruments	**31.0**	156.8	48.5
	1,238.9	1,004.8	691.4
Total assets	**15,014.8**	15,143.9	14,527.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	**(913.4)**	(868.0)	(892.4)
Borrowings (note 12)	**(8,979.2)**	(7,943.2)	(8,259.0)
Deferred tax liabilities	**(1,964.2)**	(2,190.4)	(2,048.1)
Derivative financial instruments	**(294.2)**	(290.8)	(243.1)
	(12,151.0)	(11,292.4)	(11,442.6)
Current liabilities			
Trade and other payables	**(495.2)**	(395.3)	(376.7)
Borrowings (note 12)	**(169.4)**	(320.6)	(176.4)
Provisions	**(13.9)**	(12.8)	(13.1)
Derivative financial instruments	**(11.0)**	-	(9.7)
	(689.5)	(728.7)	(575.9)
Total liabilities	**(12,840.5)**	(12,021.1)	(12,018.5)
Total net assets	**2,174.3**	3,122.8	2,508.7
EQUITY			
Share capital	**499.8**	499.8	499.8
Share premium account	**2.9**	2.9	2.9
Other reserves (note 16)	**333.2**	552.1	353.4
Retained earnings	**1,338.4**	2,068.0	1,652.6
Shareholders' equity	**2,174.3**	3,122.8	2,508.7

Consolidated statement of changes in equity
Six months ended 30 September 2023

	Share capital £m	Share premium account £m	[(1)]Other reserves £m	Retained earnings £m	Total £m
At 1 April 2023	499.8	2.9	353.4	1,652.6	2,508.7
Profit after tax	-	-		116.8	116.8
Other comprehensive income/(expense)					
Remeasurement losses on defined benefit pension schemes (note 10)	-	-	-	(347.6)	(347.6)
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	6.9	6.9
Cash flow hedges – effective portion of fair value movements	-	-	(25.5)	-	(25.5)
Cost of hedging – cross-currency basis spread adjustment	-	-	(1.4)	-	(1.4)
Tax on items recorded within other comprehensive income	-	-	6.8	120.2	127.0
Reclassification of items taken directly to equity	-	-	(0.2)	-	(0.2)
Tax reclassified to income statement	-	-	0.1	-	0.1
Total comprehensive income	-	-	(20.2)	(103.7)	(123.9)
Dividends (note 9)	-	-	-	(206.9)	(206.9)
Equity-settled share-based payments	-	-	-	0.2	0.2
Exercise of share options – purchase of shares	-	-	-	(3.8)	(3.8)
At 30 September 2023	**499.8**	**2.9**	**333.2**	**1,338.4**	**2,174.3**

Six months ended 30 September 2022

	Share capital £m	Share premium account £m	[(1)]Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	416.2	2,038.5	2,957.4
Profit after tax	-	-	-	353.0	353.0
Other comprehensive income/(expense)					
Remeasurement losses on defined benefit pension schemes (note 10)	-	-	-	(208.2)	(208.2)
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	16.4	16.4
Cash flow hedges – effective portion of fair value movements	-	-	207.0	-	207.0
Cost of hedging – cross-currency basis spread adjustment	-	-	0.1	-	0.1
Tax on items recorded within other comprehensive income	-	-	(51.8)	68.5	16.7
Reclassification of items taken directly to equity	-	-	(24.0)	-	(24.0)
Tax reclassified to income statement	-	-	4.6	-	4.6
Total comprehensive income	-	-	135.9	229.7	365.6
Dividends (note 9)	-	-	-	(197.7)	(197.7)
Equity-settled share-based payments	-	-	-	2.8	2.8
Exercise of share options – purchase of shares	-	-	-	(5.3)	(5.3)
At 30 September 2022	**499.8**	**2.9**	**552.1**	**2,068.0**	**3,122.8**

Year ended 31 March 2023

	Share capital £m	Share premium account £m	[1]Other reserves £m	Retained earnings £m	Total £m
At 1 April 2022	499.8	2.9	416.2	2,038.5	2,957.4
Profit after tax	-	-	-	204.9	204.9
Other comprehensive income/(expense)					
Remeasurement losses on defined benefit pension schemes (note 10)	-	-	-	(445.3)	(445.3)
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	4.8	4.8
Cash flow hedges – effective portion of fair value movements	-	-	(50.6)	-	(50.6)
Cost of hedging – cross-currency basis spread adjustment	-	-	6.3	-	6.3
Tax on items recorded within other comprehensive income	-	-	11.1	153.1	164.2
Reclassification of items taken directly to equity	-	-	(36.6)	-	(36.6)
Tax reclassified to income statement	-	-	7.0	-	7.0
Total comprehensive income	**-**	**-**	**(62.8)**	**(82.5)**	**(145.3)**
Dividends (note 9)	-	-	-	(301.2)	(301.2)
Equity-settled share-based payments	-	-	-	4.6	4.6
Purchase of shares to satisfy exercise of share options	-	-	-	(6.8)	(6.8)
At 31 March 2023	**499.8**	**2.9**	**353.4**	**1,652.6**	**2,508.7**

[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 16.

Consolidated statement of cash flows

	Six months ended 30 September 2023	Six months ended 30 September 2022	Year ended 31 March 2023
	£m	£m	£m
Operating activities			
Cash generated from operations (note 14)	440.7	439.0	882.6
Interest paid	(77.3)	(57.7)	(118.2)
Interest received and similar income	17.5	4.0	15.8
Tax paid	-	(2.3)	(10.8)
Tax received	-	17.6	17.6
Net cash generated from operating activities	380.9	400.6	787.0
Investing activities			
Purchase of property, plant and equipment	(356.8)	(323.4)	(675.9)
Purchase of intangible assets	(3.1)	(8.3)	(18.1)
Grants and contributions received	1.0	1.0	5.1
Loans repaid by joint ventures	1.5	7.8	5.0
Net cash income on disposal of subsidiary	-	90.5	90.5
Net cash used in investing activities	(357.4)	(232.4)	(593.4)
Financing activities			
Proceeds from borrowings net of issuance costs	749.2	396.3	501.1
Repayment of borrowings	(70.1)	(61.5)	(278.1)
Dividends paid to equity holders of the company (note 9)	(206.9)	(197.7)	(301.2)
Placement of deposits with >90 days maturity	(445.0)	-	-
Exercise of share options – purchase of shares	(3.8)	(5.3)	(6.8)
Net cash generated from/(used in) financing activities	23.4	131.8	(85.0)
Effects of exchange rate changes	-	-	(0.8)
Net increase in cash and cash equivalents	46.9	300.0	107.8
Cash and cash equivalents at beginning of the period[1]	327.9	220.1	220.1
Cash and cash equivalents at end of the period[1]	374.8	520.1	327.9

[1] Cash and cash equivalents is stated net of £9.0 million (30 September 2022: £20.3 million; 31 March 2023: £20.8 million; 1 April 2022: £10.5m) of book overdrafts, which are included in borrowings in the statement of financial position, and does not include £445.0 million of bank deposits maturing in more than 90 days (30 September 2022, 31 March 2023, 1 April 2022: £nil). See note 11 for further details.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The condensed unaudited consolidated financial statements for the six months ended 30 September 2023 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 *'Interim Financial Reporting'* (IAS 34) as published by the International Accounting Standards Board (IASB) and adopted by the UK.

The condensed unaudited consolidated financial statements do not include all of the information and disclosures required for full annual financial statements, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006, and should be read in conjunction with the group's annual report and financial statements for the year ended 31 March 2023.

The comparative figures for the year ended 31 March 2023 do not comprise the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The annual financial statements for the year ended 31 March 2023 were prepared in accordance with the requirements of the Companies Act 2006, and with UK-adopted international accounting standards. They were prepared on the going concern basis under the historical cost convention, 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 accounting policies, presentation and methods of computation used in these condensed consolidated interim financial statements are the same as those used in the audited financial statement of United Utilities Group PLC for the year ended 31 March 2023.

Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the six months ended 30 September 2023, that were relevant to the group or that have a material impact on the group's financial statements, or that were not early-adopted in previous years.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' establishes new principles for the recognition, measurement, presentation, and disclosure of insurance and reinsurance contracts and is mandatory for annual reporting periods beginning on or after 1 January 2023. The impact for the Group's financial statements has been assessed as being immaterial, with existing financial guarantees, as issued by companies within the Group, outside the scope of the standard on the basis that these have not previously been accounted for as insurance contracts.

Going concern

The interim condensed consolidated financial statements for the six months ended 30 September 2023 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 their approval, 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 bank facilities, as well as considering the group's capital adequacy, along with a baseline plan reflecting current best estimates of forecasted future business performance. Liquidity forecasts used in the directors' going concern assessment reflect best estimates of the impact of high levels of inflation and interest (and volatility thereon) currently being experienced, and how this would be expected to impact the resources available to the group.

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 in order to assess the group's ability to operate within the amounts and terms (including relevant covenants) of existing facilities. These scenarios consider: the potential impacts of increased totex costs, including a significant one-off totex impact of £500 million arising in the assessment period; lower CPIH inflation; elevated levels of bad debt of £15 million per annum; outcome delivery incentive penalties equivalent to 1.0 per cent of RoRE per annum; and the impact of these factors materialising on a combined basis. Mitigating actions were considered to include deferral of capital expenditure; a reduction in other discretionary totex spend; the close out of derivative asset balances; 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 interim condensed consolidated financial statements, and that the severe but plausible downside scenarios indicate that the group will be able to operate within the amounts and terms (including relevant covenants) of existing facilities. The interim condensed consolidated financial statements have therefore been prepared on a going concern basis.

Update on critical accounting judgements and key sources of estimation uncertainty

As the impact of inflationary pressures continue to be felt, particularly interest rate rises in response to persistent high inflation, there remains a great deal of uncertainty in the current geopolitical and economic environment. We are mindful that inflation levels are likely to continue to drive increases in the cost of living and may have a significant impact on many of the group's customers. The following are the critical accounting judgements and key sources of estimation uncertainty considered most likely to have an impact in the next 12 months, or that have been significant in recent years and may be impacted by ongoing developments:

*Accounting estimate - retirement benefit obligations:**

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 not more than three years. Profit before tax and net assets are affected by the actuarial assumptions used. The key assumptions include: discount rates, pay growth, mortality, and increases to pensions in payment and deferred pensions. 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.

Over the half year to 30 September 2023, the defined benefit pension surplus recorded on the statement of financial position reduced significantly, driven largely by the IAS 19 impact of the purchase of bulk annuity policies as part of a partial buy-in transaction since the previous year end, with the aim of insuring a significant portion of the schemes' defined benefit pension liabilities. The purchase of the policies has resulted in a material reduction in the value of the group's defined benefit pension assets under IAS 19. Under IAS 19, the fair value of the buy-in 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. As the fair value of the buy-in assets is significantly less than the buy-in premium paid to the insurer, this results in an asset loss for accounting purposes, which is recorded in Other Comprehensive Income (OCI). This is because the transaction constitutes an investment decision made by the Trustees of the schemes and therefore has not resulted in a settlement or change in benefits payable to scheme members under IAS 19.

Details of the assumptions used in calculating the schemes' assets and liabilities are set out in note 10.

*Accounting estimate – non-household credit note provisioning:***

In accordance with IFRS 15 *'Revenue from contracts with customers'*, revenue is only recognised where it is deemed probable of recovery. Any gross debt relating to revenue that had initially been recognised but that is subsequently not expected to be recovered through future cash collection must be provided against through either an allowance for expected credit losses (non-collection) or credit note provision (incorrectly billed).

For any period, the credit note provision is built up across two types of loss which can be incurred against non-household revenue: allowances pending payment, and future post-RF allowances. These post-RF allowances relate to data changes following the final bill issued for a period (referred to as 'RF' within the market mechanisms and received around 16 months after the initial estimate).

At 30 September 2023 the total credit note provision in respect of non-household revenue was £18.1 million, compared with £24.0 million at 31 March 2023 and £18.0 million at 30 September 2022. While the provision has fallen by £5.9 million since 31 March 2023, this includes the impact of payments to non-household retailers of £8.0 million during the period in respect of allowances relating to periods from April 2017 to April 2022. The size of payments made in respect of these periods and additional claims received in respect of historic periods has therefore increased the average daily allowance values that are now reflected in the credit note provision. This increase partially offsets the reduction that might have been expected based on payments made in the year.

Determining the ageing analysis of allowances raised since the opening of the non-household market is not straightforward, and work is ongoing between wholesalers and retailers to improve the quality of market data. Notwithstanding the increases seen in the average daily allowance values, it is therefore reasonable to expect that the value of allowances relating to final bills ('RF') for a period to reduce over time, as data for more recent periods since the opening of the water retail market should not be subject to the same legacy issues as earlier periods. Had it been assumed that future average daily allowances continue at the current daily average, the credit note provision recorded at 30 September would have been £2.0 million higher than that recorded.

The forecast does not consider the impact of any large one-off allowances that could be received in the future, but we have no evidence from the data available to suggest that this would be probable.

*Accounting estimate – allowance for expected credit losses in respect of household trade receivables:***

We have not experienced a significant deterioration in cash collection performance, but recoverability of household trade receivables may be impacted by cost of living pressures as increased energy prices, higher mortgage rates and other inflationary pressures could impact some customers' ability to pay. A range of collection scenarios have been used to inform the allowance for expected credit losses charged to the income statement during the period. The cash collection rates in the current year take account of current levels of economic uncertainty as well as incorporating impacts of the Covid-19 pandemic to provide a range of views as to how recoverability of household receivables may be impacted by different conditions.

Cash collection over the shorter term can be impacted by factors that are not replicated in future. We have therefore used a three year average of collection to inform the provision required as this incorporates collection data that reflects the impact of the Covid-19 pandemic (which had a significant advese effect on cash collection) and subsequent recovery on collections over the past three years, and normalises collection performance for factors that occur over a longer period of time.

Recognising that there is uncertainty regarding the impact of cost of living pressures on future collection, we have also considered how this could impact our future assessment of cash collection. In making this assessment, we have assumed that future collection could drop to levels last experienced in 2020/21 when collection was impacted by the Covid-19 pandemic and dropped to the lowest levels in recent history. We consider this represents a best estimate of the possible impact on collections arising from significant challenges to customer affordability.

The assessment of future collection at 30 September supports a charge ranging from 1.1 per cent to 1.4 per cent of household revenue. However, due to the level of uncertainty associated with current economic conditions, an overlay has been applied to this assessment resulting in a charge equivalent to around 1.8 per cent of household revenue, which is consistent with the position at 31 March 2023 and 30 September 2022. Had a charge of 1.4 per cent of household revenue been used, the charge to the income statement would have been £2.5m lower.

Additional collection data gathered over the next three months will be used to develop the assumptions made in forecasting the year end debt position upon which the allowance for expected credit losses 31 March 2024 will be based.

*Judgements/estimates that could reasonably give rise to a material adjustment to the carrying value of assets or liabilities in the short term.
**Other judgements/estimates considered less likely to give rise to a material adjustment to the carrying value of assets or liabilities in the short term.

2. Segmental reporting

The board of directors of United Utilities Group PLC is provided with information on a single operating segment basis for the purposes of assessing performance and allocating resources. The group's performance is measured against financial and operational key performance indicators, underlying operating profit, operating profit, assets and liabilities, regulatory capital expenditure, and regulatory capital value gearing at a consolidated level. In light of this, the group has a single segment for financial reporting purposes and therefore no further detailed segmental information is provided in this note.

3. Revenue

	30 September 2023 £m	**30 September 2022 £m**	**31 March 2023 £m**
Wholesale water charges	**411.4**	381.4	758.1
Wholesale wastewater charges	**500.1**	459.8	914.7
Household retail charges	**46.3**	43.4	83.0
Other	**24.2**	34.7	68.6
	982.0	919.3	1,824.4

The £63 million increase in revenue for the half year ended 30 September 2023 compared with the prior year is largely attributable to the allowed inflationary increase. Tariffs have been set for the current year to recover revenue in line with the revenue cap, taking into account the latest consumption trends and customer numbers.

Other revenues comprise a number of smaller non-core income streams including those relating to energy generation and export, property sales, and those associated with activities, typically performed opposite property developers, which impact the group's capital network assets including diversions 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.

4. Other operating costs

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Power	**74.3**	54.7	130.8
Hired and contracted services	**69.1**	48.7	103.7
Materials	**67.8**	61.7	132.7
Property rates	**42.0**	45.7	87.1
Regulatory fees	**18.9**	18.3	36.7
Insurance	**10.6**	9.6	19.7
Loss on disposal of property, plant and equipment	**4.2**	1.9	4.2
Accrued innovation costs	**2.9**	2.3	6.1
Cost of properties disposed	**-**	1.2	1.4
Other expenses	**16.4**	13.5	34.0
	306.2	257.6	556.4

In June 2023 the group experienced a significant outfall pipe fracture at a major wastewater treatment works at Fleetwood, for which the remediation and associated activity resulted in costs of £30.5 million being incurred to 30 September 2023. These costs have been presented as an adjusting item in arriving at the group's underlying operating profit position as included in its Alternative Performance Measures.

The £30.5 million of costs is split into £20.6 million of operating costs included in the above total, and £9.9 million of infrastructure renewal expenditure. The majority of the £20.6 million of operating costs are reflected within hired and contracted services, including the cost of tankering to reduce the volume of sewage spills along the Fylde Coast while remediation activity was undertaken.

In addition to the costs relating to the incident at Fleetwood, other operating costs have increased compared with the same period in the prior year predominantly due to inflationary pressures, in particular on the cost of energy which has increased the group's power costs, and on chemical prices that have increased materials costs.

5. Investment income

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Interest receivable	**26.2**	4.7	18.3
Net pension interest income (note 10)	**14.2**	14.4	28.7
	40.4	19.1	47.0

6. Finance expense

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Interest payable	**214.8**	262.6	497.7
Net fair value gains on debt and derivatives	**(94.9)**	(379.9)	(235.0)
	119.9	(117.3)	262.7

Interest payable is stated net of £55.8 million (30 September 2022: £62.9 million; 31 March 2023: £127.5 million) of borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the period. Interest payable includes £160.0 million (30 September 2022: £251.7 million; 31 March 2023: £463.5 million) non-cash inflation expense in relation to the group's index-linked debt.

Net fair value gains on debt and derivative instruments includes £17.7 million income (30 September 2022: £14.7 million income; 31 March 2023: £24.4 million income) due to net interest on derivatives and debt held under fair value option, and £23.0 million expense (30 September 2022: £37.8 million expense; 31 March 2023: £56.2 million expense) due to non-cash inflation uplift on the group's index-linked derivatives.

7. Tax

The total effective tax rate for the six months to 30 September 2023 was 27 per cent, compared with 17 per cent for the same period in the prior year. This increase is mainly due to the non-taxable profit on the disposal of United Utilities Renewable Energy Limited and capital allowances "super deductions" in the prior year, and the increase in the corporation tax rate to 25 per cent in the current year. The split of the total tax charge between current and deferred tax was due to ongoing timing differences in relation to tax deductions on capital investment and unrealised gains and losses on treasury derivatives.

The current tax charge of nil for the six months to 30 September 2023 mainly reflects the impact of the capital allowances "first year allowances", announced in the March 2023 Chancellor's Budget and affecting our eligible plant and machinery additions.

The current tax asset recognised in the statement of financial position reflects the amount of tax expected to be recoverable based on judgements made regarding the application of tax law, and the current status of negotiations with, and enquiries from, tax authorities.

The tax adjustments taken to equity primarily relate to remeasurement movements on the group's defined benefit pension schemes and on hedging effectiveness.

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit after tax by the weighted average number of shares in issue during the period.

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Profit after tax attributable to equity holders of the company – continuing operations	116.8	353.0	204.9
Weighted average number of shares in issue in millions			
Basic	681.9	681.9	681.9
Diluted	683.2	684.2	684.1
Earnings per share in pence			
Basic	17.1	51.8	30.0
Diluted	17.1	51.6	30.0

In accordance with IAS33 *'Earnings per share'*, when potential ordinary shares increase earnings per share, or decrease loss per share upon their conversion to ordinary shares, they are considered antidilutive. Antidilutive potential ordinary shares are therefore excluded from the calculation of diluted earnings per share.

9. Dividends

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Dividends relating to the period comprise:			
Interim dividend	**113.1**	103.4	103.4
Final dividend	**-**	-	206.9
	113.1	103.4	310.3
Dividends deducted from shareholders' equity comprise:			
Interim dividend	**-**	-	103.4
Final dividend	**206.9**	197.7	197.8
	206.9	197.7	301.2

The interim dividends for the six months ended 30 September 2023 and 30 September 2022, and the final dividend for the year ended 31 March 2023, have not been included as liabilities in the respective condensed consolidated financial statements at 30 September 2023 and 30 September 2022, and the consolidated financial statements at 31 March 2023, because they were approved after the reporting date.

The interim dividend of 16.59 pence per ordinary share (year ended 31 March 2023: interim dividend of 15.17 pence per ordinary share, final dividend of 30.34 pence per ordinary share) is expected to be paid on 1 February 2024 to shareholders on the register at the close of business on 22 December 2023. The ex-dividend date for the interim dividend is 21 December 2023.

10. Retirement benefit surplus

The main financial assumptions used by the group's actuary to calculate the defined benefit surplus of the United Utilities Pension Scheme ("UUPS") and the United Utilities PLC Group of the Electricity Supply Pension Scheme ("ESPS") were as follows:

	Six months ended 30 September 2023 % p.a.	**Six months ended 30 September 2022 % p.a.**	**Year ended 31 March 2023 % p.a.**
Discount rate	**5.45**	5.35	4.70
Pension increases	**3.40**	3.80	3.40
Pensionable salary growth (pre-2018 service):			
ESPS	**3.40**	3.80	3.40
UUPS	**3.40**	3.80	3.40
Pensionable salary growth (post-2018 service):			
ESPS	**3.40**	3.80	3.40
UUPS	**2.85**	3.15	2.85
Price inflation - RPI	**3.40**	3.80	3.40
Price inflation - CPI[1]	**2.85**	3.15	2.85

[1] The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.90 per cent pre-2030 and 3.70 per cent post-2030.

As indicated in the annual report for the year ending 31 March 2023, the group and trustees continue to actively engage in exploring de-risking options in respect of the group's defined benefit pension schemes, including in relation to longevity risk. As part of this de-risking activity, a partial buy-in took place on 3 July 2023. This was a £1.8 billion transaction between the trustees of two pension schemes sponsored by United Utilities, UUPS and ESPS, and an insurer. The transaction provides the schemes with secure income that covers around two thirds of their liabilities through the purchase of bulk annuity policies, thus providing a greater degree of certainty for the group, the trustees, and members of the schemes. For ESPS, the buy-in was estimated to cover c.93% of pensioner liabilities, and for UUPS c.80% of deferred and pensioner members.

The £1.8 billion paid for the bulk annuity policies reflects a Trustee investment. The amount includes a premium equivalent to c£220 million paid in excess of the present value of the liabilities covered, which reflects a reduction in the schemes' risk profile. This has resulted in an overall decrease in the defined benefit pension surplus recorded on the statement of financial position because scheme assets were used to purchase the policies. Under IAS 19, the fair value of the buy-in 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. As the fair value of the buy-in assets is significantly less than the buy-in premium paid to the insurer, this results in an asset loss for accounting purposes, which is recorded in Other Comprehensive Income ('OCI'). This is because the transaction has not resulted in a settlement or a change in benefits payable to scheme members.

As at 30 September 2023 corporate bond yields have increased relative to 31 March 2023, leading to a higher IAS 19 discount rate. As the schemes are more than 100% hedged on an IAS 19 basis, the assets have fallen more than the Defined Benefit Obligation ('DBO'). Further, credit spreads have narrowed since the year end, which, all else being equal, increases the DBO by more than the value of the assets. Inflation has also remained above the assumption made at the previous year end. This has been partially offset by updates to the demographic assumptions to reflect shorter life expectancies under the latest future mortality projections.

10. Retirement benefit surplus (Continued)

The discount rate is consistent with a high quality corporate bond rate, with 5.45 per cent being equivalent to gilts + 70bps (30 September 2022: 5.35 per cent being equivalent to gilts + 160bps; 31 March 2023: 4.70 per cent being equivalent to gilts + 95bps).

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 30 September 2023, these assumptions are based on the CMI2022 base tables with a 1.25% p.a. rate of improvement, and factoring in a w2022 weighting of 25% to take account of the continued increased mortality rates following the impact of the Covid-19 pandemic in the medium term, including pressures on the NHS (for example, ambulance waiting times, longer waiting lists, slower diagnosis etc) and the high flu rate in 2022. Compared against the year-end mortality assumptions, the Core CMI2022 model sees a reduction in life expectancies resulting in a reduction in the DBO of around 1-1.5%. It should be noted, however, that post buy-in any changes in the life expectancy assumptions for insured members will be offset by a corresponding change in the value of the buy-in bulk annuity policies on an the IAS 19 basis. As such, relative to prior years the statement of financial position is expected to be less sensitive to mortality assumptions going forward.

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

	Six months ended 30 September 2023 £m	**Six months ended 30 September 2022 £m**	**Year ended 31 March 2023 £m**
Current service cost	**1.5**	3.0	6.0
Administrative expenses	**1.7**	1.1	2.5
Pension expense charged to operating profit	**3.2**	4.1	8.5
Net pension interest income credited to investment income (note 5)	**(14.2)**	(14.4)	(28.7)
Net pension income credited to the income statement before tax	**(11.0)**	(10.3)	(20.2)

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

	Six months ended 30 September 2023 £m	**Six months ended 30 September 2022 £m**	**Year ended 31 March 2023 £m**
At the start of the period	**600.8**	1,016.8	1,016.8
Net income recognised in the income statement	**11.0**	10.3	20.2
Contributions less unregistered pension promise payments	**4.7**	4.6	9.1
Remeasurement losses gross of tax	**(347.6)**	(208.2)	(445.3)
At the end of the period	**268.9**	823.5	600.8

10. Retirement benefit surplus (Continued)

The closing surplus at each reporting date is analysed as follows:

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Fair value of schemes' assets	**2,375.4**	2,941.9	2,931.3
Present value of defined benefit obligations	**(2,106.5)**	(2,118.4)	(2,330.5)
Net retirement benefit surplus	**268.9**	823.5	600.8

The overall reduction in the net retirement benefit surplus has been driven mainly by the £347.6 million of remeasurement losses, of which c£220 million relates to the IAS 19 impact of the buy-in transaction. The remaining reduction of the IAS 19 surplus is attributable to experience losses recognised in the period due to actual inflation being higher than assumed at 31 March 2023, which has resulted in an increase in the defined benefit obligation. Increases in the discount rate assumption are more than offset by increases in net yields reducing the schemes' assets by a greater amount than the liabilities.

The latest finalised funding valuation was carried out as at 31 March 2021, and determined that the schemes were fully funded on a low-dependency basis without any funding deficit that requires additional contributions from the company over and above those related to current service and expenses.

The results of the latest funding valuation at 31 March 2021 have been used to inform the group's best estimate assumptions to use in calculating the defined benefit pension position reported on an IAS 19 basis at 30 September 2023. 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.

Member data used in arriving at the liability figure included within the overall IAS 19 surplus has been based on the finalised actuarial valuations as at 31 March 2021 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.

Defined contribution schemes

During the period the group made £16.0 million (30 September 2022: £14.4 million; 31 March 2023: £29.2 million) of contributions to defined contribution schemes, which are included in employee benefits expense.

11. Cash and bank deposits

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Cash at bank and in hand	**5.4**	5.6	2.6
Bank deposits	**823.4**	526.6	337.8
Cash and bank deposits – statement of financial position	**828.8**	532.2	340.4
Bank deposits with maturity >90 days	**(445.0)**	-	-
Book overdrafts (included in borrowings – see note 12)	**(9.0)**	(12.1)	(12.5)
Cash and cash equivalents – statement of cash flows	**374.8**	520.1	327.9

11. Cash and bank deposits (Continued)

Cash and cash equivalents includes cash at bank and in hand and demand deposits, as well as short-term highly liquid investments that are readily convertible into known amounts of cash and have a maturity of 90 days or less.

During the period the group entered into a number of new bank deposits that have scheduled maturities before 31 March 2024 but more than 90 days from the placement date. As these deposits are not held for the purpose of meeting short-term cash commitments (i.e. arising within 90 days), they do not meet the definition of cash equivalents and so have been excluded from the cash and cash equivalents figure included in the statement of cash flows. They do, however, represent liquid assets expected to be realised within the current financial year and so are included in the calculation of the group's net debt (see note 15).

Book overdrafts, which result from normal cash management practices, represent the value of cheques issued and payments initiated that had not cleared as at the reporting date.

The carrying amounts of cash and bank deposits approximate their fair value.

12. Borrowings

New borrowings raised during the six months ended 30 September 2023 were as follows:

- On 6 April 2023, the group issued £300 million fixed rate notes, due October 2038.
- On 27 April 2023, the group executed and drew down on a £100 million loan facility, due April 2032.
- On 19 June 2023, the group issued £350 million fixed rate notes, due June 2036.

The group entered into two undrawn committed borrowing facilities in the period, and extensions to existing facilities were approved on a further four, with amounts available under these facilities totalling £200 million.

Borrowings at 30 September 2023 include £58.5 million in relation to lease liabilities (30 September 2022: £59.5 million; 31 March 2023: £58.3 million), of which £55.4 million (30 September 2022: £55.9 million; 31 March 2023: £55.2 million) was classified as non-current and £3.1 million (30 September 2022: £3.6 million; 31 March 2023: £3.1 million) was classified as current.

13. Fair values of financial instruments
The fair values of financial instruments are shown in the table below.

	30 September 2023		30 September 2022		31 March 2023	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Financial assets at fair value through profit or loss						
Derivative financial assets – fair value hedge	**44.7**	**44.7**	88.3	88.3	65.4	65.4
Derivative financial assets – held for trading	**411.1**	**411.1**	523.2	523.2	352.0	352.0
Derivative financial assets – cash flow hedge	**32.6**	**32.6**	299.5	299.5	59.7	59.7
Investments	**-**	**-**	0.1	0.1	-	-
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities – fair value hedge	**(272.3)**	**(272.3)**	(281.2)	(281.2)	(215.3)	(215.3)
Derivative financial liabilities – held for trading	**-**	**-**	-	-	(3.4)	(3.4)
Derivative financial liabilities – cash flow hedge	**(32.9)**	**(32.9)**	(9.6)	(9.6)	(34.1)	(34.1)
Financial liabilities designated at fair value through profit or loss	**(341.0)**	**(341.0)**	(384.7)	(384.7)	(361.0)	(361.0)
Financial instruments for which fair value does not approximate carrying value						
Financial liabilities in fair value hedge relationships	**(2,583.5)**	**(2,576.2)**	(2,193.2)	(2,187.7)	(2,310.1)	(2,332.3)
Other financial liabilities at amortised cost	**(5,407.5)**	**(6,231.4)**	(5,271.0)	(5,691.3)	(5,400.0)	(5,742.1)
	(8,148.8)	**(8,965.4)**	(7,228.6)	(7,643.5)	(7,846.8)	(8,211.1)

The group has calculated fair values using quoted prices where an active market exists, which has resulted in 'level 1' fair value liability measurements under the IFRS 13 *'Fair Value Measurement'* hierarchy of £2,281.6 million (30 September 2022: £1,775.6 million; 31 March 2023: £1,936.1 million) for financial liabilities in fair value hedge relationships, and £1,997.9 million (30 September 2022: £529.3 million; 31 March 2023: £2,541.3 million) for other financial liabilities at amortised cost.

The £197.9 million decrease in 'level 1' fair value liability measurements compared with the position at 31 March 2023 (30 September 2022: £2,285.5 million decrease compared with 31 March 2022; 31 March 2023: £113.0 million decrease compared with 31 March 2022) primarily reflects the rise in interest rates during the year.

In the absence of an appropriate quoted price, the group has applied discounted cash flow valuation models utilising market available data, which are classified as 'level 2' valuations. More information in relation to the valuation techniques used by the group and the IFRS 13 hierarchy can be found in the audited financial statements of United Utilities Group PLC for the year ended 31 March 2023.

The principal reason for the increase in the difference between the fair value and carrying value of the group's borrowings at 30 September 2023 compared with the position at 31 March 2023 is due to an increase in the risk free rate.

14. Cash generated from operations

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
Operating profit	240.6	258.5	440.8
Adjustments for:			
Depreciation of property, plant and equipment	195.9	186.8	385.5
Amortisation of intangible assets	17.5	20.0	38.1
Loss on disposal of fixed and intangible assets	4.2	1.9	4.2
Amortisation of deferred grants and contributions	(8.3)	(7.0)	(16.2)
Equity-settled share-based payments charge	0.2	2.8	4.6
Pension contributions paid less pension expense charged to operating profit	(1.5)	(0.5)	0.4
Changes in working capital:			
(Increase)/decrease in inventories	(6.2)	(6.5)	3.9
(Increase)/decrease in trade and other receivables	(69.2)	(15.8)	27.2
Increase/(decrease) in trade and other payables	66.7	0.5	(5.5)
Increase/(decrease) in provisions	0.8	(1.7)	(0.4)
Cash generated from operations	440.7	439.0	882.6

15. Net debt

Movements in net debt during the period were as follows:

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m	Year ended 31 March 2023 £m
At the start of the period	**8,200.8**	7,570.0	7,570.0
Net capital expenditure	**359.0**	330.7	688.9
Dividends (note 9)	**206.9**	197.7	301.2
Interest	**59.8**	53.7	102.4
Inflation expense on index-linked debt (note 6)	**160.0**	251.7	463.4
Exchange rate movement on bonds and term borrowings	**(16.6)**	53.8	20.6
Net tax receipt	**-**	(15.4)	(6.8)
Repayment of loans by joint ventures	**(1.5)**	(7.8)	(5.0)
Net proceeds from disposal of subsidiary	**-**	(90.5)	(90.5)
Non-cash movements in lease liabilities	**0.5**	0.8	(1.1)
Other	**4.0**	2.0	8.0
Fair value movements	**8.4**	(79.0)	32.3
Cash generated from operations (note 14)	**(440.7)**	(439.0)	(882.6)
At the end of the period	**8,540.6**	7,828.7	8,200.8

Movements in net debt during the period are impacted by net cash generated from financing activities as disclosed in the consolidated statement of cash flows.

15. Net debt (Continued)

Net debt at the end of each period comprised:

	30 September 2023 £m	30 September 2022 £m	31 March 2023 £m
Borrowings	**9,148.6**	8,263.8	8,435.4
Derivative financial instruments (liabilities)	**305.2**	290.8	252.8
Derivative financial instruments (assets)	**(488.4)**	(911.0)	(477.1)
Cash and bank deposits (see note 11)	**(828.8)**	(532.2)	(340.4)
Net debt – as agreed to statement of financial position	**8,136.6**	7,111.4	7,870.7
Adjustments to exclude the fair value impact of:			
Interest rate derivatives fixing future nominal interest rates	**255.7**	294.5	201.3
Inflation derivatives fixing future real interest rates	**148.6**	132.8	103.2
Electricity derivatives fixing future electricity costs	**(0.3)**	290.0	25.6
Net debt – as adjusted to align to the group's definition	**8,540.6**	7,828.7	8,200.8

The group defines net debt as the sum of borrowings and derivative financial instruments, net of cash and bank deposits, and adjusted to exclude the impact of derivatives that are not hedging specific debt instruments. In presenting net debt in this way, the group aims to give a fair reflection of the net debt amount the group is contractually obliged to repay, consistent with the approach taken by credit rating agencies, and the regulatory economics of the group's arrangements. As the impact of derivatives that are not hedging specific debt instruments is excluded from the group's definition of net debt, fair value movements associated with these derivatives are not included in the above reconciliation from the opening to closing net debt position.

16. Other reserves

Six months ended 30 September 2023

	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Total £m
At 1 April 2023	1,033.3	(703.6)	5.1	18.6	353.4
Changes in fair value recognised in other comprehensive income	-	-	(1.4)	(25.5)	(26.9)
Amounts reclassified from other comprehensive income to profit or loss	-	-	-	(0.2)	(0.2)
Tax on hedge effectiveness taken directly to equity	-	-	-	6.4	6.4
Tax on reclassifications to consolidated income statement	-	-	0.4	0.1	0.5
At 30 September 2023	**1,033.3**	**(703.6)**	**4.1**	**(0.6)**	**333.2**

16. Other reserves (Continued)

Six months ended 30 September 2022

	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Total £m
At 1 April 2022	1,033.3	(703.6)	0.4	86.1	416.2
Changes in fair value recognised in other comprehensive income	-	-	0.1	207.0	207.1
Amounts reclassified from other comprehensive income to profit or loss	-	-	-	(24.0)	(24.0)
Tax on hedge effectiveness taken directly to equity	-	-	-	(51.8)	(51.8)
Tax on reclassifications to consolidated income statement	-	-	-	4.6	4.6
At 30 September 2022	**1,033.3**	**(703.6)**	**0.5**	**221.9**	**552.1**

Year ended 31 March 2023

	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Total £m
At 1 April 2022	1,033.3	(703.6)	0.4	86.1	416.2
Changes in fair value recognised in other comprehensive income	-	-	6.3	(50.6)	(44.3)
Amounts reclassified from other comprehensive income to profit or loss	-	-	-	(36.6)	(36.6)
Tax on items recorded within other comprehensive income	-	-	(1.6)	19.7	18.1
At 31 March 2023	1,033.3	(703.6)	5.1	18.6	353.4

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.

On adoption of IFRS 9 *'Financial instruments'*, the group designated a number of swaps hedging non-financial risks in cash flow hedge relationships in order to give a more representative view of operating costs. The cash flow hedge reserve reflects fair value movements relating to the effective part of swaps hedging non-financial risks that have been designated in cash flow hedge relationships in order to give a more representative view of operating costs.

17. Commitments and contingent liabilities

At 30 September 2023 there were commitments for future capital expenditure contracted but not provided for of £377.4 million (30 September 2022: £337.5 million; 31 March 2023: £338.9 million).

Since 2016, the group has received indications from a number of property search companies (PSCs) that they intend to claim compensation for amounts paid in respect of CON29DW water and drainage search reports, which they allege should have been provided to them either free of charge or for a nominal fee in accordance with the Environmental Information Regulations. In April 2020 a group of over 100 PSCs, comprising companies within the groups that had previously issued notice of intended claims, served proceedings on all of the water and sewerage undertakers in England and Wales, including United Utilities Water Limited, for an unspecified amount of compensation. This is an industry-wide issue, and the litigation has been progressing during the year. The phase 1 trial for the EIR legal issues is scheduled for November 2023. The likelihood of the claim's success is considered to be low, and any potential outflow is not expected to be material.

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, no contingent liabilities are disclosed (30 September 2022 and 31 March 2023: none).

18. Related party transactions

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

	Six months ended 30 September 2023 £m	**Six months ended 30 September 2022 £m**	**Year ended 31 March 2023 £m**
Sales of services	**140.1**	173.0	335.1
Charitable contributions advanced to related parties	**0.1**	0.1	0.2
Purchases of goods and services	**-**	-	(1.3)
Interest income and fees recognised on loans to related parties	**2.8**	1.8	4.7
Amounts owed by related parties	**101.3**	100.5	102.2
Amounts owed to related parties	**-**	-	-

Sales of services to related parties mainly represent non-household wholesale charges to Water Plus Group Limited ('Water Plus'), a joint venture owned and controlled on a 50/50 basis by the group and Severn Trent PLC under a joint venture agreement, that were billed and accrued during the period. These non-household wholesale charge transactions were on market credit terms, which are governed by the wholesale charging rules issued by Ofwat.

At 30 September 2023 amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £101.3 million (30 September 2022: £100.5 million; 31 March 2023: £102.2 million), comprising £26.9 million (30 September 2022: £27.8 million; 31 March 2023: £26.7 million) of trade balances, which are unsecured and will be settled in accordance with normal credit terms, and £74.4 million (30 September 2022: £72.7 million; 31 March 2023: £75.5 million) relating to loans.

18. Related party transactions (Continued)

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

- £72.7 million outstanding on a £95.0 million revolving credit facility provided by United Utilities PLC, with a maturity date of December 2026, bearing a floating interest rate of the Bank of England base rate plus a credit margin. This balance comprises £74.0 million outstanding, net of a £1.0 million allowance for expected credit losses; and

- £1.6 million receivable being the £11.2 million fair value of amounts owed in relation to a £12.5 million unsecured loan note held by United Utilities PLC, with a maturity date of 28 March 2027, net of a £0.1 million allowance for expected credit losses and £9.5 million of the group's share of joint venture losses relating to historic periods as the loan note is deemed to be part of the group's long-term interest in Water Plus. This is a zero coupon shareholder loan with a total amount outstanding at 30 September 2022 of £12.5 million, comprising £11.2 million receivable measured at fair value, and £1.3 million recorded as an equity contribution to Water Plus recognised within interests in joint ventures.

A further £0.1 million of non-current receivables was owed by other related parties at 30 September 2023.

During the period, 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 £48.9 million, of which £26.0 million related to guarantees to United Utilities Water Limited.

19. Events after the reporting period

There have been no material events subsequent to 30 September 2023 that either require adjustment to the amounts disclosed in the interim financial statements or disclosure on the basis that they could materially affect users' understanding of the interim financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

Responsibilities Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *'Interim Financial Reporting'* as adopted in the UK;
- the interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of United Utilities Group PLC at the date of this announcement are listed below:

Sir David Higgins
Louise Beardmore
Phil Aspin
Liam Butterworth
Kath Cates
Alison Goligher
Michael Lewis
Paulette Rowe
Doug Webb

This responsibility statement was approved by the board and signed on its behalf by:

………………………..	……………………….
Louise Beardmore	Phil Aspin
15 November 2023	15 November 2023
Chief Executive Officer	Chief Financial Officer

INDEPENDENT REVIEW REPORT TO UNITED UTILITIES GROUP PLC

Conclusion

We have been engaged by United Utilities Group PLC ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Ian Griffiths
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
15 November 2023