United Utilities Group PLC
25 November 2015

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

Continuing operations	Six months ended	
	30 September 2015	30 September 2014
Revenue	£857.0m	£859.4m
Underlying operating profit[1]	£308.6m	£343.1m
Operating profit	£278.3m	£340.5m
Interim dividend per ordinary share (pence)	12.81p	12.56p
RCV gearing[2]	59%	57%

[1] Underlying profit measures have been provided to give a more representative view of business performance and are defined in the underlying profit measure tables
[2] Regulatory capital value or RCV gearing calculated as group net debt/United Utilities Water's RCV (outturn prices)

- **Strong operational and environmental performance**
  - joint top position as measured by Ofwat KPIs
  - first quartile in Environment Agency's latest assessment
  - retained Dow Jones Sustainability Index 'World Class' rating and sector leading status
  - accelerating 2015-20 investment programme – expect to invest c£800m in 2015/16
- **Water quality incident – full service restored in early September**
  - 10% of customers impacted – compensation paid to all those affected
- **Good financials**
  - underlying operating profit of £309m
  - lower underlying net finance expense: benefit of lower RPI inflation and lower cost fixed debt
  - RCV gearing at 59%, comfortably within our target range of 55% to 65%
  - interim dividend of 12.81 pence per share, an increase of 2% in line with policy
- **Solid foundation to deliver value for customers and shareholders**
  - strong focus on maintaining and improving our position as a leading operational performer
  - 'systems thinking' operational approach supporting our drive for further improvement
  - robust capital structure, strong credit ratings and debt costs locked-in
  - well positioned for full opening of competitive business retail market
  - dividend growth rate target of at least RPI inflation each year through to 2020

Steve Mogford, Chief Executive Officer, said:

"Our strong performance across 2010-15 means that we enter the next five-year period with good momentum. We were delighted to end last year as one of the top water and wastewater companies, as measured by Ofwat's recently published KPIs and the Environment Agency's latest assessment.

"Investment ahead of the 2015-20 period gave us a smooth start to our five-year programme, which we are accelerating to deliver further improvements for customers and the environment. We expect to invest around £800 million this year.

"Having delivered sector leading improvement in customer satisfaction over recent years, we were disappointed customers in parts of Lancashire were inconvenienced as a consequence of a water quality incident this summer. We restored water quality as quickly as possible and full service was resumed by early September. We paid customers compensation and this, along with associated costs, will be borne by the company. We are working closely with the Drinking Water Inspectorate on the incident who will issue its report in due course.

"Our progress over the first six months of this new regulatory period underpins our confidence that our targets remain tough but within reach. We are well placed to deliver further value for customers, shareholders and the environment underpinned by a robust capital structure and good credit ratings."

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A presentation to investors and analysts starts at 9.00am on Wednesday 25 November 2015, at the Auditorium, Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The presentation can be accessed via a live listen in conference call facility by dialling: +44 (0) 20 7162 0025, access code 956187. A recording of the call will be available for seven days following Wednesday 25 November 2015 on +44 (0) 20 7031 4064, access code 956187.

This results announcement and the associated presentation will be available on the day at: http://corporate.unitedutilities.com/investors.aspx

KEY OPERATIONAL PROGRESS

We have made significant progress over recent years and improving operational performance, customer service and delivering benefits for the environment will remain top priorities as we move through the 2015-20 regulatory period. Our strong overall performance has been recognised through a range of regulatory measures and we have operated in a responsible manner, reinvesting around £280 million of 2010-15 outperformance for the benefit of all our stakeholders.

- **Strong operational performance** – we have delivered significant improvements over recent years and in 2014/15 we again achieved first quartile operational performance, as measured through Ofwat key performance indicators (KPIs) and the Environment Agency's (EA) assessment. The balance of ratings for United Utilities (UU) across the fourteen Ofwat KPIs represents joint top position, in respect of the ten water and sewerage companies. The EA's latest assessment also indicates that UU is an upper quartile company and we achieved the lowest number of serious pollution incidents, by length of sewer, in England. Furthermore, our 'systems thinking' approach, which integrates the use of our assets, leverages data intelligence and employs technology and new work processes, is supporting our drive for further improvement.

- **Water quality incident** – customer satisfaction is a key area of focus, so we were disappointed that customers in parts of Lancashire were inconvenienced as a consequence of a water quality incident that occurred this summer. Public health is a fundamental priority and we issued a 'boil water' notice to over 300,000 properties, representing approximately 10% of our customer base. We deployed extensive additional resources, including enhanced UV treatment, to restore the water quality to the high standards expected as quickly as possible, and full service was restored in early September. We are very grateful to our customers for their patience and understanding and, for all those affected, we paid compensation. We have undertaken a lot of work to understand the root cause of the incident and continue to work closely with the Drinking Water Inspectorate, which will issue its report on the incident in due course.

- **Significant improvements in customer service** – we have significantly improved the customer experience over recent years and this was recognised in Ofwat's final determination, in December 2014. Our service incentive mechanism (SIM) performance substantially improved and we averted the risk of a possible c£80 million revenue penalty, benefiting our financials for the 2015-20 period. Supporting this SIM improvement was a total reduction in customer complaints of approximately 75% across the 2010-15 period. Despite the impact of the water quality incident outlined above, overall customer complaints in the first two quarters of 2015/16 remained at a similar level to the corresponding period last year. As outlined previously, Ofwat has amended its SIM methodology for the 2015-20 period, based on domestic retail only and with more emphasis on qualitative performance. This revised methodology is based on a different data set and, as we have highlighted previously, quarterly results may well produce wider fluctuations compared with the last regulatory period. Our cumulative qualitative score for the first two quarters of 2015/16 has only fallen slightly, compared with the average for 2014/15, despite the impact of the recent water quality incident.

- **Effective delivery and acceleration of investment plan –** we have made a good start to the 2015-20 investment programme and, as planned, are accelerating the five-year programme to maintain and improve services for customers and deliver further environmental benefits. We continue to drive more effective and efficient delivery of our capital programme and this is reflected in our Time: Cost: Quality index (TCQi) score which remains high, at around 90%, despite a tougher measurement mechanism being applied for this regulatory period.

- **Leakage target –** we have now met or outperformed our regulatory leakage target in each of the last nine years and performance in the first half of 2015/16 keeps us on track to meet our target again.

- **Regulatory outperformance –** we set clear targets for outperformance on opex, capex and financing for the 2010-15 period and exceeded all of these targets, enabling us to reinvest around £280 million for the benefit of all our stakeholders. We intend to set targets for the 2015-20 period at the group's full year results next May.
- **Strong corporate responsibility credentials –** we were very pleased to recently retain a 'World Class' rating in the Dow Jones Sustainability Index for the eighth consecutive year, again achieving industry leading performance status in the multi-utility/water sector. In addition, at the PwC 2015 Building Public Trust Awards, UU was selected as joint winner for 'Excellence in reporting in the FTSE 100'.

- **Business Retail: strong presence in Scotland –** we have been building our capability to ensure we are in a strong position as the competitive business retail market evolves and are very active in this expanding market. After attaining a Scottish water supply licence in 2012, we quickly grew and are one of the most successful new entrants in Scotland. We have continued our expansion and have now won over 250 customers, covering over 3,000 sites and representing annualised revenue of c£18 million. We remain a leading new entrant, although our selective bidding for business at attractive margins means we are not solely focusing on growing market share. We also continue to offer and develop our range of value-added services, such as leak detection and repair, waste digestion and wastewater system optimisation.

FINANCIAL OVERVIEW

The group has delivered a good set of financial results for the six months ended 30 September 2015.

- **Revenue –** broadly flat at £857 million, despite new regulated price controls, mainly because last year was impacted by the special discount we applied to customer bills, of which £13 million was applied in the first half. We also benefitted from slightly higher non-regulated sales in the first half of this year.

- **Underlying operating profit –** lower by £35 million, at £309 million, as expected, reflecting the new regulated price controls, an increase in depreciation and other costs, partly offset by a reduction in bad debts and regulatory fees. Infrastructure renewals expenditure was similar in the first half of 2015/16, compared with the first six months of last year.

- **Capex –** total regulatory capital investment in the first half of this year, including £76 million of infrastructure renewals expenditure, was £358 million. Capital expenditure is expected to increase in the second half of the year, to a full year total of around £800 million, in line with company's plans to accelerate the 2015-20 investment programme. In addition to our £3.5 billion+ five-year regulatory capex programme, we expect to invest over £100 million in non-regulated projects, principally relating to solar power.

- **Underlying profit before tax –** down by £17 million to £205 million, as the £35 million fall in underlying operating profit was partly offset by a £18 million reduction in underlying net finance expense. This is mainly due to the impact of lower RPI inflation on the group's index-linked debt and a lower cost of debt locked-in on the group's nominal debt.

- **Underlying profit after tax –** down by £13 million to £163 million, as the decrease in underlying profit before tax was partly offset by a decrease in underlying tax due on lower profits.

- **Capital structure –** the group has a robust capital structure with gearing (measured as group net debt to regulatory capital value) of 59% as at 30 September 2015. This gearing level is comfortably within our target range, of 55% to 65%, supporting a solid investment grade credit rating. United Utilities Water Limited (UUW) has long-term credit ratings of A3 from Moody's, with a stable outlook, and BBB+ from Standard & Poor's, with a positive outlook.
- **Financing headroom –** following recently arranged financing, the group benefits from headroom to cover its projected needs well into 2017. This headroom provides good flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and support the delivery of our regulated capital investment programme.
- **Dividend –** the board has declared an interim dividend of 12.81 pence per ordinary share, an increase of 2.0%, in line with our policy of targeting an annual growth rate of at least RPI inflation through to 2020.

OUTLOOK

Customer satisfaction remains a key area of focus and we are confident that we can build on our strong operational and environmental performance and improve further over the next five years, supported by our 'systems thinking' approach to operating the business. We are accelerating our 2015-20 capex programme and substantial investment in our assets will continue, driving benefits for our customers and the environment. For shareholders, we are targeting dividend growth of at least RPI inflation each year through to 2020, all underpinned by a robust capital structure.

OPERATIONAL PERFORMANCE

United Utilities aims to deliver long-term shareholder value by providing:

- The best service to customers
- At the lowest sustainable cost
- In a responsible manner

Best service to customers

Customer service – our continuing strong focus on dealing effectively with customer enquiries has helped us deliver substantial improvements in our performance over recent years and this was recognised by Ofwat in the final determination in December 2014, with UU averting a possible revenue penalty for the 2015-20 period. This is also reflected in a reduction of approximately 75% in the overall number of customer complaints received over the 2010-15 period, which has also contributed to improvements in opex efficiency.

We have continued to develop our systems and processes to deliver the experience our customers seek when they need to contact us, including multi-channel contact centre technology. We have placed a strong emphasis on striving for first time resolution of customer enquiries, keeping customers informed of progress until resolution. This has been underpinned by investment in our people in terms of better training and improved systems. We have also enhanced our customer feedback process to help us respond to customers' evolving needs and continually improve.

Customer complaints in the first half of 2015/16 remained at a similar level to the corresponding period last year, despite the impact of the recent water quality incident. Ofwat has amended its SIM methodology for the 2015-20 period, based on domestic retail only and with more emphasis on qualitative performance. This revised methodology is based on a different data set and, as we have highlighted previously, quarterly results may well produce wider fluctuations compared with the last regulatory period. Our SIM qualitative score for the first two quarters of 2015/16 has fallen slightly, as outlined in the KPIs section below, impacted by the recent water quality incident.

Improving customer service will continue to be a key area of management focus and we see opportunities to deliver further benefits for our customers.

Leading North West service provider – we are pleased to have been consistently ranked third out of ten leading organisations in the North West, through an independent brand tracker survey which is undertaken quarterly (most recently in October). This covers key attributes such as 'reputation', 'trustworthy' and 'customer service'. We are behind only Marks & Spencer and John Lewis, and ahead of seven other major organisations covering utilities, telecoms, media and banking services.

Robust water supply – our customers continue to benefit from our robust water supply and demand balance, along with high levels of water supply reliability. We continue to supply a high level of water quality, with mean zonal compliance in excess of 99.9%.

Mitigating sewer flooding – we have continued to invest heavily in schemes designed to mitigate the risk of flooding of our customers' homes, including incidence based targeting on areas more likely to experience flooding and defect identification through CCTV sewer surveys. Our plan for the 2015-20 period includes a target of reducing sewer flooding incidents by over 40%, in line with customers' affordability preferences, and we have made a good start. Our wastewater network will continue to benefit from significant investment going forward as we adapt to weather patterns likely to result from climate change.

Ofwat KPIs – our strong overall operational performance is reflected in Ofwat's latest (2014/15) key performance indicators report, which was published in September. The balance of ratings for UU across the fourteen assessment measures represents a joint first position, in respect of the ten water and sewerage companies. We are pleased that our good performance has been recognised, although remain strongly focussed on improving further.

Key performance indicators:

- **Outcome delivery incentives (ODIs) –** as outlined at our full year results in May 2015, ODIs, which are a new feature of the 2015-20 regulatory period, will form an important KPI composite to monitor the operational performance of our wholesale business. This replaces the previous serviceability KPI which is incorporated within the ODI measures. There are 18 wholesale ODIs and the risk is skewed to the downside, with nine attracting a penalty only. We will report each year on our performance and provide a net reward or penalty position across the range of our wholesale ODIs. The impact of the water quality incident is not expected to have a material impact on our ODIs, but we have already incurred £25 million of associated costs, as outlined previously. Our sewer flooding ODI is particularly challenging, although there are a number of other areas where we have made a good start and could deliver a positive performance, such as pollution incidents. We expect to provide a more detailed update at our full year results in May 2016, although it is unlikely that we will achieve a reward for the 2015/16 financial year.

- **Service incentive mechanism (SIM) –** UU was the most improved company on SIM during the 2010-15 regulatory period, although we recognise that there is still more to do.

  Qualitative: Ofwat has undertaken the first two quarterly surveys of 2015/16 and UU is in 13th position, out of 18 water companies, with the second quarter's results having been impacted by the recent water quality incident. Whilst our wastewater score was good, we saw a fall in the water score. UU attained a score of 4.27 points (out of a maximum of 5 points) for the first quarter of 2015/16, being slightly better than the industry average. However, the second quarter score fell to 4.09 points taking the weighted score for the first two quarters of the year to 4.18 points, which is slightly below our average score for 2014/15.

  Quantitative: the quantitative assessment measures customer contacts and performance is assessed on both an absolute and relative basis. Relative performance can only be assessed following the end of each full financial year when Ofwat publishes the results. On absolute performance, whilst the first half of 2015/16 has been impacted by the recent water quality incident, an overall score of 50 points indicates a similar position to the first half of 2014/15.

- **Business customer retail growth –** Ofwat introduced a separate price control for business retail for the 2015-20 period and, with the expansion of competition, we are including a new KPI measuring the impact of customer gains and losses. We expect to outline more details in respect of this KPI at our full year results in May 2016.

Lowest sustainable cost

Power and chemicals – our asset optimisation programme continues to provide the benefits of increased and more effective use of operational site management to optimise power and chemical use and the development of more combined heat and power assets to generate renewable energy. Supplementing the electricity we generate from sludge, we are developing other renewable energy facilities, principally in the area of solar. We have also substantially locked in our power commodity costs across 2015-20, providing greater cost certainty for the regulatory period.

Proactive network management – as part of our 'systems thinking' approach to the way we run our business, we are being more proactive in the management of our assets and networks. We aim to improve our modelling and forecasting to enable us to address more asset and network problems before they affect customers, thereby reducing the level of reactive work and improving efficiency.

Debt collection – our region suffers from high levels of income deprivation and we offer wide-ranging schemes to help customers struggling to pay, including our trust fund. Notwithstanding our industry-leading debt management processes, deprivation remains the principal driver of our higher than average bad debt and cost to serve.

In 2014/15, bad debt expense increased from 2.2% to 3.1% of regulated revenue. However, we have reduced the bad debt level to 2.3% of regulated revenue in the first half of 2015/16. This reflects our ongoing strong focus on managing bad debts, along with a reduction in certain charges, related to our review last year of operational debt processes and bad debt provisions, which were not expected to continue at the same level.

Pensions – UU placed its pension provision on a more sustainable footing in 2010 and has subsequently taken additional steps to de-risk the pension scheme further. The group had an IFRS retirement benefit surplus of £79 million as at 31 March 2015 and this surplus has increased to £126 million as at 30 September 2015. Further details of the group's pension provision are provided in the pensions section.

Capital delivery and regulatory commitments – the business is strongly focussed on delivering its commitments efficiently and on time and has a robust commercial capital delivery framework in place. To improve efficiency further, we implemented new contracting arrangements for the 2015-20 regulatory period to help deliver our regulatory capital investment programme of over £3.5 billion. We re-tendered our engineering and construction partners and selected a single engineering partner and four new design and construction partners. We are involving our partners much earlier in project definition and packaging projects by type, geography and timing to deliver efficiencies. Projects will be allocated to partners on an incentive basis or competed between the partners and where appropriate third parties. Our partners have come forward with a range of solutions, innovations and pricing and early results are encouraging.

We also continue to drive more effective and efficient delivery of our capital programme and, for this regulatory period, we are applying a tougher measurement mechanism to our Time: Cost: Quality index (TCQi) score. This includes extending coverage to relevant non-regulatory commitments, measuring cost in terms of totex (previously capex only) and giving a greater weighting in the cost element to our biggest capital projects. This has resulted in a recalibration of the index. Despite this tougher approach, our TCQi score remains high at around 90% which represents a very good performance and is towards the upper end of our target range of 73%-98%.

We have made a good start to the 2015-20 investment programme and, as planned, are accelerating the five-year programme to maintain and improve services for customers and deliver further environmental benefits. Regulatory capital investment in the first half of 2015/16, including £76 million of infrastructure renewals expenditure, was £358 million, and we expect this to increase to around £800 million for the full year.

Key performance indicators:

- **Financing outperformance –** UU set a financing outperformance target, across the 2010-15 period, of at least £300 million, based on an average RPI inflation rate of 2.5% per annum, and we exceeded this target. The low cost of debt we have already locked-in places UU in a strong position for the 2015-20 period.
- **Total expenditure (totex) outperformance –** our KPIs have evolved to reflect the move by Ofwat to a totex price control, with totex outperformance for our wholesale business now replacing the previous separate opex outperformance and capex outperformance measures. We exceeded our 2010-15 outperformance targets for both opex and capex. We intend to measure our cumulative 2015-20 wholesale totex performance and provide targets next May, with our totex allowance considered tough but within reach.
- **Domestic retail cost to serve –** with the retail household price control now being separated for the 2015-20 period, we are introducing a new KPI to measure our costs in this area. This will be an average cost to serve measure and we intend to outline targets next May. However, overall, it will be very challenging to meet the regulatory assumptions for domestic retail costs. This is primarily due to Ofwat's price review methodology at PR14 which made no allowance for inflation in the domestic retail business and, in our view, made insufficient allowance for dual service (water and wastewater) companies.

Responsible manner

Acting responsibly is fundamental to the manner in which we undertake our business and the group has for many years included corporate responsibility factors in its strategic decision making. Our environmental and sustainability performance across a broad front has received external recognition. UU recently retained its 'World Class' rating in the Dow Jones Sustainability Index for the eighth consecutive year, again achieving industry leading performance status in the multi-utility/water sector. Retaining 'World Class' status for this length of time is a significant achievement, particularly as the assessment standards continue to increase and evolve. In addition, at the PwC 2015 Building Public Trust Awards, UU was selected as joint winner for 'Excellence in reporting in the FTSE 100'.

Leakage – our strong, year round, operational focus on leakage and the implementation of a range of initiatives, such as active pressure management, enabled us to again beat our leakage target in 2014/15. Our leakage performance alongside the network resilience improvements we are making are helping us to maintain a robust water supply and demand balance, and deliver high levels of reliability for our customers. We have made a good start to the new regulatory period and our performance in the first half of 2015/16 keeps us on track to meet our target again.

Environmental performance – this is a high priority for UU and we are pleased to again be an upper quartile company in the Environment Agency's latest performance metrics, as described in the KPIs section below.

Carbon footprint – we are committed to reducing our carbon footprint and increasing our generation of renewable energy. In 2014/15, our carbon footprint totalled 473,708 tonnes of carbon dioxide equivalent. We set a target of achieving a 21% reduction in carbon emissions by 2015, measured from a 2005/06 baseline. We have achieved significant reductions and were pleased to meet this target in 2013/14. However, we narrowly missed the target in 2014/15, being 19% below the baseline, impacted adversely by an 11% increase in the carbon content in the UK energy mix in the year which increased our reported carbon emissions. Notwithstanding this, in 2014/15, we purchased less electricity than in any of the previous ten years and still achieved our highest ever renewable energy production of 144 GWh. This is the equivalent of c18% of our total electricity consumption, up from c17% in the previous year and c13% in 2012/13. We are already implementing plans to significantly increase self-generation over the next few years, with a target of around 35% of our electricity consumption by 2020, subject to there being sufficient projects with acceptable returns. Progress in the first half of 2015/16 is encouraging.

Employees – we continue to work hard to engage all of our employees in the transformation of the group's performance. Employee engagement is 79%, well above the norm for UK companies going through business transition and just below the norm for high performing UK companies, so our employees demonstrate a strong capability to adapt. The recent announcement of proposals to close our defined benefit pension scheme (outlined in the pensions section) may result in changes to our engagement scores in the short term, but we remain focussed on maintaining high levels of employee engagement.

We have been successful in attracting and retaining people and have continued to expand our apprentice and graduate programmes for 2015/16, having recruited a further 18 graduates and 33 apprentices. This takes the current total to 61 graduates and 94 apprentices across the business. Our investment in recruiting graduates and apprentices is already benefitting the company, with 49 of them now having secured permanent roles across our business.

As part of our health and safety improvement programme, we have implemented a number of initiatives which helped reduce the employee accident frequency rate to 0.112 accidents per 100,000 hours for 2014/15, compared with a rate of 0.137 in 2013/14 and 0.188 in the previous year. Our performance in the first half of 2015/16 has improved further, compared with the corresponding period last year, although we recognise we still have more to do. Health and safety will continue to be a significant area of focus, as we strive for continuous improvement.

Communities – we continue to support partnerships, both financially and in terms of employee time through volunteering, with other organisations across the North West. We recently set up Catchment Wise, our new approach to tackling water quality issues in lakes, rivers and coastal waters across the North West, and our 'Beachcare' employee volunteering scheme helps to keep our region's beaches tidy. We continue to support local communities, through contributions and schemes such as providing debt advisory services and our Community Fund, offering grants to local groups impacted by our capital investment programme.

Key performance indicators:

- **Leakage** – UU met its economic level of leakage target for the ninth consecutive year in 2014/15, outperforming the regulatory target of 463 megalitres per day. We intend to continue publishing our leakage position, with it being an important measure from a corporate responsibility perspective. Our performance in the first half of 2015/16 keeps us on track to meet our target again.

- **Environmental performance** – On the Environment Agency's latest assessment (2014/15 report), which covers a broad range of operational metrics, UU is again an upper quartile company. Based on our performance across the range of metrics, this indicates we were in joint 2nd position among the ten water and sewerage companies and aligns with our medium-term goal of being a first quartile company on a consistent basis.

- **Corporate responsibility** – UU has a strong focus on operating in a responsible manner and is the only UK water company to have a 'World Class' rating as measured by the Dow Jones Sustainability Index. The group recently retained its 'World Class' rating for the eighth consecutive year and aims to retain this rating again this year.

'Systems thinking' operational approach

To support the delivery of our objectives, we are focussed on further improvement and over the last few years have progressively instilled a 'systems thinking' approach into the way we run our business. This is an engineering-led approach which integrates the use of our assets, leverages data intelligence and employs technology and new work processes to deliver improved customer satisfaction and operational efficiency. We have made good progress over the last few years and this 'systems thinking' approach is expected to deliver benefits of over £100 million across the 2015-20 regulatory period, which are already built into our business plan assumptions.

The step change in performance of the business over the 2010-15 period has its origins in good management practice; constancy of purpose, clear objectives, attention to detail, good people and performance management. However, it was also clear to us that we could improve further if we took the learning from other sectors to transform the way a water company is run and we started that transformation over three years ago. There were five key phases of transformation:

- **'Systems thinking'** – we have progressively instilled an engineering-led 'systems thinking' approach. We have audited our asset base and are investing in a new enterprise asset management system and field force scheduling system, supported by the recruitment of new people from other sectors with experience in these areas. By capturing and processing data from multiple information points, we are aiming for ever-improving asset intelligence. We have fitted sensors in our water networks to provide visibility as to how they are performing, helping us to reduce burst frequency, and we are currently piloting drainage system performance monitoring in our wastewater networks. We are building enhanced visibility of our assets and more effective monitoring and control, enabling us to make more informed and proactive management decisions. Across our digital network, over 80% of our sites are now connected to our new telemetry system. We are in the final stages of implementation of our new asset management system which, in conjunction with our new field force scheduling capability, will improve efficiency of our planned and reactive maintenance work. Overall, this should lead to better modelling and prediction of events before they occur, reducing reactive work and thereby improving efficiency, operational performance and, importantly, customer service.
- **Production lines** – for the last few years we have considered our treatment works as 'factories', each with its own production line. We have over 600 of these 'factories', small and large, producing clean water, bio waste and energy. Our business has been re-structured to create a strong focus on accountability and delivery, integrating the disciplines often found as functional silos in other companies. Our managers are responsible for the performance of their production lines including investment of capital to optimise operational performance, to deliver environmental or water quality requirements and to maximise energy production, providing a more integrated approach.
- **Organisational structure aligned with new price control** – we recognised that we would best address the regulatory reform agenda by aligning our organisational structure with the new price control, with three business areas: Wholesale, Domestic Retail and Business Retail. We did this around three years ago and recruited a business retail team experienced in competitive utility markets.
- **Wholesale business split** – we subsequently subdivided our Wholesale business to concentrate on three business areas: Water, Wastewater and Energy, with a strong focus on increasing our renewable and self-generation to reduce the amount of electricity we purchase. Our people are all aligned to this model and our production leadership team has responsibility, authority and accountability for the performance of their assets using a total expenditure, whole life cost approach to decision management.
- **Integrated control centre** – underpinning our 'systems thinking' ethos is our integrated control centre in Warrington, which acts as the 'digital brain' of our systems approach and provides visualisation of the quality of service we are providing to our customers across the region.

This has all been supported by a significant cultural change in the company over the last few years, which has helped United Utilities progress into a leading operational performer in the sector. A critical enabler has been our people and we continue to invest in attracting talent and in developing the best, giving us a powerful mix of water experience and knowledge of other sectors.

FINANCIAL PERFORMANCE

Revenue

UU has delivered a good set of financial results for the six months ended 30 September 2015. Revenue was down by just £2 million at £857 million, despite the new regulated price controls, mainly because last year was impacted by the special discount we applied to customer bills, of which £13 million was applied in the first half. We also benefitted from slightly higher non-regulated sales in the first half of 2015/16.

Operating profit

Underlying operating profit at £309 million was £35 million lower than the first half of last year, as expected. This reflects the new regulated price controls, an expected increase in depreciation and other costs, partly offset by a reduction in bad debts and regulatory fees. Infrastructure renewals expenditure, at £76 million, was similar to the first six months of last year. Reported operating profit decreased by £62 million, to £278 million, reflecting the fall in underlying operating profit, along with compensation and operating costs, totalling £25 million, relating to the recent water quality incident and costs of £5 million relating to market reform restructuring costs incurred preparing the business for open competition in the business retail market.

Investment income and finance expense

The underlying net finance expense of £106 million was £18 million lower than the first half of last year, mainly due to the impact of lower RPI inflation on the group's portion of index-linked debt with an eight month lag and a lower cost of debt locked-in on the group's nominal debt. The indexation of the principal on our index-linked debt amounted to a net charge in the income statement of £24 million, compared with a net charge of £38 million in the first half of last year. As at 30 September 2015, the group had approximately £3.2 billion of index-linked debt at an average real rate of 1.6%. Interest on non index-linked debt of £57 million was £5 million lower than the first half of last year, due to the lower rates locked in on our interest rate swaps from 2015, compared with our 2010-15 swaps.

The lower RPI inflation charge, along with the lower cost of nominal debt, compared with the first half of last year, contributed to the group's average underlying interest rate of 3.7% being lower than the rate of 4.5% for the six months ended 30 September 2014.

Reported net finance expense of £65 million was significantly lower than the £138 million expense in the first half of 2014/15. This £73 million decrease principally reflects a change in the fair value gains and losses on debt and derivative instruments, from a £20 million loss in the first half of 2014/15 to a £37 million gain in the first half of 2014/15. The £37 million fair value gain is largely due to gains on our derivatives hedging interest rates, mainly resulting from the unwinding of the opening liability position. The group uses these swaps to fix interest rates on a substantial proportion of its debt to better match the financing cash flows allowed by the regulator at each price review. The group has fixed the substantial majority of its non index-linked debt for the 2015-20 financial period.

Profit before tax

Underlying profit before tax was £205 million, £17 million lower than last year, due to the £35 million decrease in underlying operating profit, partly offset by the £18 million decrease in underlying net finance expense. This underlying measure adjusts for the impact of the costs associated with the recent water quality incident and retail business market reform, as outlined in the operating profit section above, and other items such as fair value movements in respect of debt and derivative instruments, as outlined in the underlying profit measures table. Reported profit before tax increased by £11 million to £216 million, primarily due to the aforementioned fair value movements.

Tax

In the first half of 2015/16, we paid corporation tax of £27 million, which represents an effective cash tax rate of 12%, 8% lower than the mainstream rate of corporation tax of 20%. Consistent with prior periods, the key reconciling items to the mainstream rate were allowable tax deductions on net capital investment and timing differences in relation to fair value movements on treasury derivatives.

The current tax charge was £23 million in the first half of 2015/16, compared with a charge of £24 million in the corresponding period last year.

In the first half of 2015/16, the group recognised a deferred tax charge of £21 million, compared with a charge of £18 million in the first half of the previous year.

The total tax charge of £44 million for the six months ended 30 September 2015 represents a rate of 20%, similar to the first half of last year, and in line with the mainstream rate of corporation tax.

In addition to corporation tax, the group pays and bears further annual economic contributions, typically of around £140 million per annum, in the form of business rates, employer's national insurance contributions, environmental taxes and other regulatory service fees such as water abstraction charges.

On 26 October 2015, the UK Government substantively enacted its intended changes to the mainstream rate of corporation tax from 20% to 19%, with effect from 1 April 2017, and from 19% to 18%, with effect from 1 April 2020. As the enactment occurred after 30 September 2015, there is no impact on this half year results announcement. However, we would expect a deferred tax credit, currently estimated at around £120 million, to be recognised in the financial statements for the year ending 31 March 2016, although this credit will be excluded from the underlying profit measures.

Profit after tax

Underlying profit after tax of £163 million was £13 million lower than the first half of last year, reflecting a decrease in underlying profit before tax partly offset by a decrease in underlying tax charge due on lower profits. Reported profit after tax was higher at £172 million, compared with £163 million in the first half of last year, mainly impacted by the movement in fair value on debt and derivative instruments between the two periods.

Earnings per share

Underlying earnings per share decreased from 25.8 pence to 23.9 pence. This underlying measure is derived from underlying profit after tax. Basic earnings per share increased from 23.9 pence to 25.2 pence, for the same reasons that increased profit after tax.

Dividend per share

The board has declared an interim dividend of 12.81 pence per ordinary share in respect of the six months ended 30 September 2015. This is an increase of 2.0%, compared with the dividend relating to the first half of last year, in line with group's dividend policy of targeting a growth rate of at least RPI inflation per annum through to 2020. The inflationary increase of 2.0% is based on the RPI element included within the allowed regulated revenue increase for the 2015/16 financial year (i.e. the movement in RPI between November 2013 and November 2014).

The interim dividend is expected to be paid on 1 February 2016 to shareholders on the register at the close of business on 18 December 2015. The ex-dividend date is 17 December 2015.

Cash flow

Net cash generated from continuing operating activities for the six months ended 30 September 2015 was similar at £370 million, compared with £369 million in the first half of last year. The impact of lower profit was offset by an improvement in working capital cashflows and, to a lesser extent, lower corporation tax paid. The group's net capital expenditure was £318 million, principally in the regulated water and wastewater investment programmes. This excludes infrastructure renewals expenditure which is treated as an operating cost under IFRS.

Net debt including derivatives at 30 September 2015 was £6,013 million, compared with £5,924 million at 31 March 2015. This increase reflects regulatory capital expenditure and payments of dividends, interest and tax, partly offset by operating cash flows and fair value gains on the group's debt and derivative instruments.

Fair value of debt

The group's gross borrowings at 30 September 2015 had a carrying value of £6,843 million. The fair value of these borrowings was £7,299 million. This £456 million difference principally reflects the significant fall in real interest rates, compared with the rates at the time we raised our index-linked debt. This difference has decreased from £705 million at 31 March 2015 due to an increase in credit spreads and a small increase in market interest rates on index-linked debt during the period.

Debt financing and interest rate management

Gearing (measured as group net debt divided by UUW's regulatory capital value) was 59% at 30 September 2015, similar to the position at 31 March 2015, and remaining comfortably within our target range of 55% to 65%.

UUW has long-term credit ratings of A3/BBB+ and United Utilities PLC has long-term credit ratings of Baa1/BBB- from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) Ratings Services respectively. The split rating reflects differing methodologies used by the credit rating agencies. Moody's has the group's ratings on a stable outlook, whereas S&P has the group's ratings on a positive outlook.

The group has access to the international debt capital markets through its €7 billion euro medium-term note programme (EMTN). The EMTN programme does not represent a funding commitment, with funding dependent on the successful issue of the notes.

Cash and short-term deposits at 30 September 2015 amounted to £356 million. Over 2015-20 we have financing requirements totalling around £2.5 billion to cover refinancing and incremental debt, supporting our 2015-20 investment programme, and we have now raised over £1 billion of this requirement. In December 2013, UUW agreed a new £500 million term loan facility with the European Investment Bank (EIB) and as at 31 March 2015 UUW had drawn down £350 million on this facility. The remaining £150 million was drawn down during the first half of 2015/16, all on a floating rate basis. In March 2015, UUW signed a new £250 million index-linked term loan facility with the EIB. This is an amortising facility with an average loan life of 10 years and a final maturity of 18 years from draw down and we expect to draw the new loan in tranches within the next six months. In March 2015, UUW also arranged a £100 million, 10-year index-linked loan with an existing relationship bank.

In the first half of 2015/16, UUW's financing subsidiary, United Utilities Water Finance PLC (UUWF), issued two index-linked notes totalling £60 million, consisting of a £25 million, 10-year maturity and a £35 million, 15-year maturity. UUWF also issued a €52 million note (swapped to floating sterling) with a 12-year maturity. All these notes were issued via private placement off our EMTN programme.

Following 30 September 2015, UUW signed a new £100 million, 7-year loan with an existing relationship bank and issued a €30 million private placement note (swapped to floating sterling), with a 15-year maturity, off our EMTN programme. In addition, the group agreed £50 million of new committed bank facilities. The group has headroom to cover its projected financing needs well into 2017.

Long-term borrowings are structured or hedged to match assets and earnings, which are largely in sterling, indexed to UK retail price inflation and subject to regulatory price reviews every five years.

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings. At 30 September 2015, approximately 53% of the group's net debt was in index-linked form, representing around 31% of UUW's regulatory capital value, with an average real interest rate of 1.6%. The long-term nature of this funding also provides a good match to the company's long-life infrastructure assets and is a key contributor to the group's average term debt maturity profile, which is over 20 years.

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. This is supplemented by fixing substantially all remaining floating rate exposure across the forthcoming regulatory period around the time of the price control determination.

In line with this, the group has now fixed interest costs for substantially all of its floating rate exposure over the 2015-20 period, locking in an average annual interest rate of around 3.75% (inclusive of credit spreads). For 2015/16, the rate is slightly higher, as we transition between the two regulatory periods.

Liquidity

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. The group's €7 billion euro medium-term note programme provides further support.

In line with the board's treasury policy, UU aims to maintain a robust liquidity position. Available headroom at 30 September 2015 was £311 million based on cash, short-term deposits, medium-term committed bank facilities, along with the undrawn portion of the EIB term loan facilities, net of short-term debt and long-term debt falling due within 12 months.

UU believes that it operates a prudent approach to managing banking counterparty risk. Counterparty risk, in relation to both cash deposits and derivatives, is controlled through the use of counterparty credit limits. UU's cash is held in the form of short-term money market deposits with prime commercial banks.

UU operates a bilateral, rather than a syndicated, approach to its core relationship banking facilities. This approach spreads maturities more evenly over a longer time period, thereby reducing refinancing risk and providing the benefit of several renewal points rather than a large single refinancing requirement.

Pensions

As at 30 September 2015, the group had an IAS 19 net pension surplus of £126 million, compared with a net pension surplus of £79 million at 31 March 2015. This £47 million favourable movement mainly reflects the impact of an increase in credit spreads and actual inflation during the period being lower than the inflation assumption, both reducing the IAS19 pension liability, partially offset by underperformance on the schemes' assets. In contrast, the scheme specific funding basis does not suffer from volatility due to inflation and credit spread movements as it uses a fixed inflation assumption via the inflation funding mechanism and a prudent, fixed credit spread assumption. Therefore, the recent inflation and credit spread movements have not had a material impact on the deficit calculated on a scheme specific funding basis or the level of deficit repair contributions.

The triennial actuarial valuations of the group's defined benefit pension schemes were carried out as at 31 March 2013 and the overall funding position has improved since March 2010. Following the de-risking measures we have implemented over recent years, our pension funding position remains well placed and in line with our expectations. There has been no material change to the scheduled cash contributions as assessed at the previous valuations in 2010.

Furthermore, after careful consideration, the group recently proposed the closure of its defined benefit pension scheme to existing contributing members, with effect from April 2016, and is currently in consultation with employees and the trade unions. The proposal is that the employees affected, representing around 40% of the workforce, would become members of the group's defined contribution scheme.

Further detail on pensions is provided in note 10 ("Retirement benefit surplus / (obligations)") of these condensed consolidated financial statements.

Underlying profit

In considering the underlying results for the period, the directors have adjusted for the items outlined in the table below to provide a more representative view of business performance. Reported operating profit and profit before tax from continuing operations are reconciled to underlying operating profit, underlying profit before tax and underlying profit after tax (non-GAAP measures) as follows:

Operating profit	**Six months ended 30 September 2015 £m**	**Six months ended 30 September 2014 £m**
Operating profit per published results	**278.3**	**340.5**
Water quality incident	24.8	-
Business retail market reform[1]	5.4	-
Restructuring costs	0.1	2.6
Underlying operating profit	**308.6**	**343.1**

Net finance expense	**£m**	**£m**
Finance expense	(67.4)	(138.9)
Investment income	2.5	0.6
Net finance expense per published results	**(64.9)**	**(138.3)**
Adjustments:		
Net fair value (gains)/losses on debt and derivative instruments	(36.9)	19.9
Interest on swaps and debt under fair value option	7.9	1.5
Net pension interest (income)/expense	(1.4)	3.6
Capitalised borrowing costs	(10.8)	(11.1)
Underlying net finance expense	**(106.1)**	**(124.4)**

Profit before tax	**£m**	**£m**
Share of profits of joint ventures	**2.2**	**2.5**
Profit before tax per published results	**215.6**	**204.7**
Adjustments:		
Water quality incident	24.8	-
Business retail market reform[1]	5.4	-
Restructuring costs	0.1	2.6
Net fair value (gains)/losses on debt and derivative instruments	(36.9)	19.9
Interest on swaps and debt under fair value option	7.9	1.5
Net pension interest (income)/expense	(1.4)	3.6
Capitalised borrowing costs	(10.8)	(11.1)
Underlying profit before tax	**204.7**	**221.2**

Profit after tax	**£m**	**£m**
Underlying profit before tax	**204.7**	**221.2**
Reported tax charge	(43.7)	(41.9)
Tax in respect of adjustments to underlying profit before tax	2.2	(3.5)
Underlying profit after tax	**163.2**	**175.8**

Earnings per share	**£m**	**£m**
Profit after tax per published results (a)	171.9	162.8
Underlying profit after tax (b)	163.2	175.8
Weighted average number of shares in issue, in millions (c)	681.9m	681.9m
Earnings per share per published results, in pence (a/c)	25.2p	23.9p
Underlying earnings per share, in pence (b/c)	**23.9p**	**25.8p**

[1] Relates to market reform restructuring costs incurred preparing the business for open competition in the business retail market

PRINCIPAL RISKS AND UNCERTAINTIES

We have developed a sophisticated approach to the assessment, management and reporting of risks, with a process aligned to ISO31000:2009 and a well-established governance structure for the group board to review the nature and extent of the risks that the group faces and for the audit committee to review process effectiveness. This process is supported by a central database, tools, templates and guidance to drive consistency.

Our risk profile currently illustrates around 200 event-based risks. All event types (strategic, financial, operational, compliance and hazard) are considered in the context of our strategic themes (best service to customers; lowest sustainable cost; and responsible manner). For internal or external drivers, each event is assessed for the likelihood of occurrence and the negative financial or reputational impact on the company and its objectives, should the event occur.

Responsibility for the assessment and management of the risk (including monitoring and updating) is assigned to the appropriate individual manager who is also responsible for reporting on assessment, management and control/mitigation at least twice a year, in line with the reporting to the group board at full and half-year statutory accounting reporting periods.

By their nature, event-based risks in the context of our strategic themes will include all combinations of high to low likelihood and high to low impact. Heat maps are typically used in various managerial and group reports either as a method to collectively evaluate the extent of all risks within a certain profile or to illustrate the effectiveness of mitigation for a single risk by plotting the gross, current (net of existing controls) and the selected target position in an individual risk statement. The Group Board receive a risk report twice a year, detailing the most significant risks identified by the business. This is made up of the ten highest ranked risks (based on likelihood x impact), a further five risks due to the potential severity of their impact and a number of risks that fall outside of these categories, but are worthy of note due to reputational impact or new/emerging circumstances.

However, reporting a small number of event-based risks ranked by combined event likelihood and potential impact could distort principal risk disclosure as it would overlook other risks with a lesser individual exposure that, if they materialised individually or in aggregate, could have a material impact on the business model, future performance, solvency or liquidity of the group. Equally, event-based risks identified as part of our internal assessment process can be commercially sensitive, the disclosure of which could be detrimental to competitive advantage or our ability to mitigate risk over the longer term.

In order to address this, further understand the nature and extent of our entire profile and support the disclosure of principal risks, event-based risks are categorised (based on the event), when recorded onto the central database, into areas that define business activity or contributing factors where value can be lost. These categories are also summarised to the Group Board biannually and have been set out under ‘Risks’ on pages 54 and 55 of the 2015 United Utilities Group PLC Annual Report and Financial statements to reflect the principal risks (aggregated), together with associated issues or areas of uncertainty, potential for material effect and the extent of control/mitigation. These categories are (1) the regulatory environment and framework; (2) corporate governance and legal compliance; (3) water service (4) wastewater service; (5) security, assets and operational resilience; (6) human and IT resource; (7) tax, treasury and financial control; (8) programme delivery; (9) revenues; and (10) health, safety and environmental.

Key features, developments over the last year and looking ahead

As expected, following the 2014 price determination the group’s risk profile highlights greater exposure regarding operational performance, compliance and delivery risk. We have challenging demands on customer benefits, operational performance and investment requirements in light of population growth, climate change, strict legal/regulatory requirements and a recent water quality incident (relating to the

Water Service principal risk). Competition, market reform and changes in the regulatory landscape remain high on the agenda however, with the ongoing development of the non-household market, uncertainty surrounding the impact of upstream competition for water and wastewater services and significant uncertainty about the methodology and outcome of the next price review.

There continue to be two ongoing pieces of material litigation worthy of note but, based on the facts currently known to us and the provisions in our statement of financial position, our directors remain of the opinion that the likelihood of these having a material adverse impact on the group's financial position is remote.

• 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. UUIL has filed a defence to the action and will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.

• In March 2010, Manchester Ship Canal Company (MSCC) issued proceedings seeking, amongst other relief, damages alleging trespass against UUW in respect of UUW's discharges of water and treated effluent into the canal. Whilst the matter has not reached a final conclusion, the Supreme Court has found substantively in UUW's favour on a significant element of the claim and referred the remainder of the proceedings back to the High Court.

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. 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.

Consolidated income statement

	Six months ended 30 September 2015 £m	**Six months ended 30 September 2014 £m**	**Year ended 31 March 2015 £m**
Revenue	**857.0**	859.4	1,720.2
Employee benefits expense (note 3)	**(72.6)**	(69.6)	(145.1)
Other operating costs (note 4)	**(247.0)**	(203.4)	(424.3)
Other income	**1.6**	1.3	3.3
Depreciation and amortisation expense	**(185.1)**	(172.7)	(352.6)
Infrastructure renewals expenditure	**(75.6)**	(74.5)	(148.2)
Total operating expenses	**(578.7)**	(518.9)	(1,066.9)
Operating profit	**278.3**	340.5	653.3
Investment income (note 5)	**2.5**	0.6	1.0

Finance expense (note 6)	**(67.4)**	(138.9)	(317.8)
Investment income and finance expense	**(64.9)**	(138.3)	(316.8)
Share of profits of joint ventures	**2.2**	2.5	5.1
Profit before tax	**215.6**	204.7	341.6
Current tax charge	**(22.5)**	(24.4)	(47.1)
Deferred tax charge	**(21.2)**	(17.5)	(23.3)
Tax (note 7)	**(43.7)**	(41.9)	(70.4)
Profit after tax	**171.9**	162.8	271.2

All of the results shown above relate to continuing operations.

Earnings per share (note 8)			
Basic	**25.2p**	23.9p	39.8p
Diluted	**25.2p**	23.8p	39.7p
Dividend per ordinary share (note 9)	**12.81p**	12.56p	37.70p

Consolidated statement of comprehensive income

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
Profit after tax	**171.9**	162.8	271.2
Other comprehensive income			
Remeasurement gains on defined benefit pension schemes (note 10)	**33.4**	59.1	250.5
Tax on items taken directly to equity (note 7)	**(6.7)**	(11.7)	(50.1)
Foreign exchange adjustments	**0.3**	(1.8)	(3.1)
Total comprehensive income	**198.9**	208.4	468.5

Consolidated statement of financial position

	30 September 2015 £m	30 September 2014 £m	31 March 2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	**9,845.7**	9,509.3	9,716.3
Intangible assets	**157.5**	119.4	144.9
Interests in joint ventures	**29.8**	31.3	31.7
Investments	**8.5**	7.5	8.6
Trade and other receivables	**2.5**	4.5	2.5
Retirement benefit surplus (note 10)	**126.2**	-	79.2
Derivative financial instruments	**663.3**	508.2	681.6
	10,833.5	10,180.2	10,664.8
Current assets			

Inventories	**38.4**	40.7	40.5
Trade and other receivables	**379.9**	352.6	353.3
Cash and short-term deposits	**356.4**	110.6	244.0
Derivative financial instruments	**-**	53.1	1.0
	774.7	557.0	638.8
Total assets	**11,608.2**	10,737.2	11,303.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	**(503.0)**	(461.1)	(480.0)
Borrowings (note 11)	**(5,997.7)**	(6,158.1)	(6,067.3)
Retirement benefit obligations (note 10)	**-**	(115.2)	-
Deferred tax liabilities	**(1,151.7)**	(1,080.3)	(1,123.8)
Derivative financial instruments	**(186.2)**	(67.0)	(196.6)
	(7,838.6)	(7,881.7)	(7,867.7)
Current liabilities			
Trade and other payables	**(428.0)**	(434.8)	(381.2)
Borrowings (note 11)	**(845.3)**	(91.3)	(578.1)
Current tax liabilities	**(16.9)**	(23.0)	(21.1)
Provisions	**(18.5)**	(8.3)	(12.5)
Derivative financial instruments	**(3.4)**	(39.6)	(8.6)
	(1,312.1)	(597.0)	(1,001.5)
Total liabilities	**(9,150.7)**	(8,478.7)	(8,869.2)
Total net assets	**2,457.5**	2,258.5	2,434.4
EQUITY			
Share capital	**499.8**	499.8	499.8
Share premium account	**2.9**	2.9	2.9
Other reserve	**-**	158.8	-
Treasury shares	**(0.4)**	-	-
Cumulative exchange reserve	**(8.4)**	(7.4)	(8.7)
Merger reserve	**329.7**	329.7	329.7
Retained earnings	**1,633.9**	1,274.7	1,610.7
Shareholders' equity	**2,457.5**	2,258.5	2,434.4

Consolidated statement of changes in equity

Six months ended 30 September 2015

	Share capital £m	Share premium account £m	Treasury shares £m	Cumulative exchange reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 April 2015	499.8	2.9	-	(8.7)	329.7	1,610.7	2,434.4
Profit after tax	-	-	-	-	-	171.9	171.9
Other comprehensive income/(expense)							
Remeasurement gains on defined benefit pension schemes (note 10)	-	-	-	-	-	33.4	33.4
Tax on items taken directly to equity (note 7)	-	-	-	-	-	(6.7)	(6.7)
Foreign exchange adjustments	-	-	-	0.3	-	-	0.3
Total comprehensive income	-	-	-	0.3	-	198.6	198.9
Dividends (note 9)	-	-	-	-	-	(171.4)	(171.4)
Purchase of shares	-	-	(0.4)	-	-	-	(0.4)

	Share capital £m	Share premium account £m	Other reserve £m	Cumulative exchange reserve £m	Merger reserve £m	Retained earnings £m	Total £m
Equity-settled share-based payments	-	-	-	-	-	1.2	1.2
Exercise of share options - purchase of shares	-	-	-	-	-	(5.2)	(5.2)
At 30 September 2015	**499.8**	**2.9**	**(0.4)**	**(8.4)**	**329.7**	**1,633.9**	**2,457.5**

Six months ended 30 September 2014

	Share capital £m	Share premium account £m	Other reserve £m	Cumulative exchange reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 April 2014	499.8	2.9	158.8	(5.6)	329.7	1,230.3	2,215.9
Profit after tax	-	-	-	-	-	162.8	162.8
Other comprehensive (expense)/income							
Remeasurement gains on defined benefit pension schemes (note 10)	-	-	-	-	-	59.1	59.1
Tax on items taken directly to equity (note 7)	-	-	-	-	-	(11.7)	(11.7)
Foreign exchange adjustments	-	-	-	(1.8)	-	-	(1.8)
Total comprehensive (expense)/income	-	-	-	(1.8)	-	210.2	208.4
Dividends (note 9)	-	-	-	-	-	(163.8)	(163.8)
Equity-settled share-based payments	-	-	-	-	-	1.5	1.5
Exercise of share options - purchase of shares	-	-	-	-	-	(3.5)	(3.5)
At 30 September 2014	**499.8**	**2.9**	**158.8**	**(7.4)**	**329.7**	**1,274.7**	**2,258.5**

Year ended 31 March 2015

	Share capital £m	Share premium account £m	Other reserve £m	Cumulative exchange reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 April 2014	499.8	2.9	158.8	(5.6)	329.7	1,230.3	2,215.9
Profit after tax	-	-	-	-	-	271.2	271.2
Other comprehensive (expense)/income							
Remeasurement gains on defined benefit pension schemes (note 10)	-	-	-	-	-	250.5	250.5
Tax on items taken directly to equity (note 7)	-	-	-	-	-	(50.1)	(50.1)
Foreign exchange adjustments	-	-	-	(3.1)	-	-	(3.1)
Total comprehensive (expense)/income	-	-	-	(3.1)	-	471.6	468.5
Dividends (note 9)	-	-	-	-	-	(249.4)	(249.4)
Transfer of other reserve	-	-	(158.8)	-	-	158.8	-
Equity-settled share-based payments	-	-	-	-	-	2.9	2.9
Exercise of share options - purchase of shares	-	-	-	-	-	(3.5)	(3.5)
At 31 March 2015	**499.8**	**2.9**	**-**	**(8.7)**	**329.7**	**1,610.7**	**2,434.4**

Consolidated statement of cash flows

	Six months ended 30 September 2015 £m	**Six months ended 30 September 2014 £m**	**Year ended 31 March 2015 £m**
Operating activities			
Cash generated from operations (note 14)	**461.6**	471.6	941.7
Interest paid	**(65.9)**	(68.0)	(175.6)
Interest received and similar income	**1.0**	0.6	1.0
Tax paid	**(26.7)**	(36.8)	(61.9)
Tax received	**-**	1.3	1.3
Net cash generated from operating activities	**370.0**	368.7	706.5

Investing activities

Purchase of property, plant and equipment	**(299.4)**	(323.9)	(665.7)
Purchase of intangible assets	**(27.1)**	(22.9)	(63.4)
Proceeds from sale of property, plant and equipment	**0.5**	1.0	2.0
Grants and contributions received	**8.4**	8.0	18.1
Purchase of investments	**-**	(0.6)	(0.8)
Dividends received from joint ventures	**4.6**	4.9	4.9
Net cash used in investing activities	**(313.0)**	(333.5)	(704.9)
Financing activities			
Proceeds from borrowings	**261.3**	160.4	411.2
Repayment of borrowings	**(34.1)**	(6.4)	(19.1)
Dividends paid to equity holders of the company (note 9)	**(171.4)**	(163.8)	(249.4)
Exercise of share options – purchase of shares	**(5.6)**	(3.5)	(3.5)
Net cash generated from/(used in) financing activities	**50.2**	(13.3)	139.2
Net increase in cash and cash equivalents	**107.2**	21.9	140.8
Cash and cash equivalents at beginning of the period	**219.7**	78.9	78.9
Cash and cash equivalents at end of the period	**326.9**	100.8	219.7

NOTES

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the six months ended 30 September 2015 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).

The accounting policies, presentation and methods of computation are consistent with those applied in the audited financial statements of United Utilities Group PLC for the year ended 31 March 2015 and are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The condensed 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 2015.

The comparative figures for the year ended 31 March 2015 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 and 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.

Going concern

The directors have a reasonable expectation that the group has adequate resources for a period of at least 12 months from the date of approval of the condensed financial statements and have therefore assessed that the going concern basis of accounting is appropriate in preparing the condensed financial statements and that there are no material uncertainties to disclose. This conclusion is based upon a review of the resources available to the group, taking account of the group’s financial projections together with available cash and committed borrowing facilities as well as consideration of the group’s capital adequacy, consideration of the primary legal duty of United Utilities Water Limited’s economic regulator to ensure that water and wastewater companies can finance their functions, and any material uncertainties. In reaching this conclusion, the board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the directors would consider undertaking.

2. Segmental reporting

The board of directors of United Utilities Group PLC (the board) is provided with information on a single segment basis for the purposes of assessing performance and allocating resources. The board reviews revenue, underlying operating profit, operating profit, assets and liabilities, regulatory capital expenditure and RCV 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. Employee benefits expense

Included within employee benefits expense were £0.1 million (30 September 2014: £2.6 million, 31 March 2015: £11.0 million) of restructuring costs.

4. Other operating costs

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Re-presented* Year ended 31 March 2015 £m
Hired and contracted services	**53.2**	43.6	93.4
Property rates	**46.4**	41.3	80.5
Materials	**34.2**	31.5	58.5
Power	**30.4**	32.5	69.1
Charge for bad and doubtful receivables	**19.7**	23.1	52.9
Regulatory fees	**10.4**	19.6	29.2
Third party wholesale charges	**6.5**	4.9	10.8
Other	**46.2**	6.9	29.9
	247.0	203.4	424.3

* The comparatives have been re-presented to allocate accommodation costs (30 September 2014: £2.4 million, 31 March 2015: £7.0 million) and movement in other provision costs (30 September 2014: £6.7 million, 31 March 2015: £3.4 million) to categories which better reflect the underlying nature of these costs. In addition, a separate category for third party wholesale charges has been presented, which were previously within other costs.

During the period there were £24.8 million (30 September 2014: £nil, 31 March 2015: £nil) of expenses incurred in relation to a large water quality incident and £5.4 million (30 September 2014: £nil, 31 March 2015: £1.1 million) in relation to market reform restructuring costs incurred preparing the business for open competition in the business retail market.

5. Investment income

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
Interest receivable	**1.1**	0.6	1.0
Net pension interest income (note 10)	**1.4**	-	-
	2.5	0.6	1.0

6. Finance expense

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
Interest payable	**104.3**	115.4	206.1
Net fair value (gains)/losses on debt and derivative instruments	**(36.9)**	19.9	104.7
	67.4	135.3	310.8

Net pension interest expense (note 10)	**-**	3.6	7.0
	67.4	138.9	317.8

Interest payable is stated net of £10.8 million (30 September 2014: £11.1 million, 31 March 2015: £20.9 million) borrowing costs capitalised in the cost of qualifying assets within property, plant and equipment and intangible assets during the period. Interest payable includes a £23.8 million (30 September 2014: £37.6 million, 31 March 2015: £46.6 million) non-cash, inflation uplift charge in relation to the group's index-linked debt.

Net fair value (gains)/losses on debt and derivative instruments includes £7.9 million (30 September 2014: £1.5 million, 31 March 2015: £4.0 million) due to interest on swaps and debt under fair value option.

7. Tax

The total effective tax charge for each period was in line with the mainstream rate of corporation tax, currently 20 per cent (30 September 2014: 21 per cent, 31 March 2015: 21 per cent). The split of the total tax charge between current and deferred tax was due to ongoing timing differences in relation to tax deductions on pension contributions, capital investment and unrealised gains and losses on treasury derivatives.

For each period, the tax adjustments taken to equity primarily relate to remeasurement movements on the group's defined benefit pension schemes.

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. The weighted average number of shares in issue as at 30 September 2015 for the purpose of the basic earnings per share was 681.9 million (30 September 2014: 681.9 million, 31 March 2015: 681.9 million) and for the diluted earnings per share was 682.8 million (30 September 2014: 683.3 million, 31 March 2015: 683.3 million).

9. Dividends

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
Dividends relating to the period comprise:			
Interim dividend	**87.3**	85.6	85.6
Final dividend	**-**	-	171.4
	87.3	85.6	257.0
Dividends deducted from shareholders' equity comprise:			
Interim dividend	**-**	-	85.6
Final dividend	**171.4**	163.8	163.8
	171.4	163.8	249.4

The interim dividends for the six months ended 30 September 2015 and 30 September 2014 and the final dividend for the year ended 31 March 2015 have not been included as liabilities in the consolidated half-yearly financial statements at 30 September 2015, 30 September 2014 and the consolidated financial statements at 31 March 2015 respectively.

The interim dividend of 12.81 pence per ordinary share (2014: interim dividend of 12.56 pence per ordinary share, final dividend of 25.14 pence per ordinary share) is expected to be paid on 1 February 2016 to shareholders on the register at the close of business on 18 December 2015. The ex-dividend date for the interim dividend is 17 December 2015.

10. Retirement benefit surplus/(obligations)

The main financial assumptions used by the company's actuary to calculate the defined benefit surplus/(obligations) 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 2015 %pa	Six months ended 30 September 2014 %pa	Year ended 31 March 2015 %pa
Discount rate	**3.4**	3.8	3.1
Pensionable salary growth and pension increases	**3.0**	3.1	3.0
Price inflation	**3.0**	3.1	3.0

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

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
Current service cost	**11.4**	9.0	18.1
Curtailments/settlements	**0.3**	0.9	5.5
Administrative expenses	**1.3**	1.1	2.6
Pension expense charged to operating profit	**13.0**	11.0	26.2
Net pension interest (income) (note 5)/expense (note 6)	**(1.4)**	3.6	7.0
Net pension expense charged before tax	**11.6**	14.6	33.2

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

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m	Year ended 31 March 2015 £m
At the start of the period	**79.2**	(177.4)	(177.4)
Expense recognised in the income statement	**(11.6)**	(14.6)	(33.2)
Contributions paid	**25.2**	17.7	39.3
Remeasurement gains gross of tax	**33.4**	59.1	250.5
At the end of the period	**126.2**	(115.2)	79.2

The closing surplus/(obligations) at each reporting date are analysed as follows:

	30 September 2015 £m	30 September 2014 £m	31 March 2015 £m
Present value of defined benefit obligations	**(2,834.7)**	(2,727.0)	(3,054.5)
Fair value of schemes' assets	**2,960.9**	2,611.8	3,133.7
Net retirement benefit surplus/(obligations)	**126.2**	(115.2)	79.2

In the six month period ended 30 September 2015 the discount rate increased by 0.3 per cent, which includes a 0.2 per cent increase in credit spreads. The £33.4 million remeasurement gain has resulted from the impact of the increase in credit spreads and actual inflation during the period being lower than the inflation assumption, both of which have reduced the IAS 19 'Employee benefits' defined benefit obligation, partially offset by underperformance on the schemes' assets. Further details on the approach to managing pension scheme risk are set out in the audited financial statements of United Utilities Group PLC for the year ended 31 March 2015.

11. Borrowings

New borrowings raised during the six month period ended 30 September 2015 were as follows:

- On 23 April 2015, the group issued £25.0 million index-linked notes due April 2025 and £35.0 million index-linked notes due April 2030.

- On 27 April 2015, the group issued EUR 52.0 million fixed interest rate notes due April 2027.
- On 16 June 2015, the group drew down the remaining £150.0 million against its existing £500.0 million term loan facility with the European Investment Bank, at a floating rate of interest. This loan is structured on an amortising basis with final repayment in June 2033.

The notes were issued through private placement under the Euro medium-term note programme.

12. Fair values of financial instruments

The fair value of financial instruments held at fair value and financial instruments for which fair value does not approximate carrying value, are shown in the table below.

	30 September 2015		**30 September 2014**		**31 March 2015**	
	Fair value £m	**Carrying value £m**	**Fair value £m**	**Carrying value £m**	**Fair value £m**	**Carrying value £m**
Available for sale financial assets						
Investments	**8.5**	**8.5**	7.5	7.5	8.6	8.6
Financial assets at fair value through profit or loss						
Derivative financial assets- fair value hedge	**509.7**	**509.7**	441.7	441.7	521.6	521.6
Derivative financial assets- held for trading	**153.6**	**153.6**	119.6	119.6	161.0	161.0
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities- fair value hedge	**(2.3)**	**(2.3)**	-	-	-	-
Derivative financial liabilities- held for trading	**(187.3)**	**(187.3)**	(106.6)	(106.6)	(205.2)	(205.2)
Financial liabilities designated as fair value through profit or loss	**(312.2)**	**(312.2)**	(294.0)	(294.0)	(333.7)	(333.7)
Financial instruments for which fair value does not approximate carrying value						
Financial liabilities in fair value hedge relationships	**(2,211.1)**	**(2,253.2)**	(2,161.2)	(2,157.1)	(2,218.0)	(2,252.1)
Other financial liabilities at amortised cost	**(4,775.5)**	**(4,277.6)**	(4,270.3)	(3,798.3)	(4,798.5)	(4,059.6)
	(6,816.6)	**(6,360.8)**	(6,263.3)	(5,787.2)	(6,864.2)	(6,159.4)

From 1 April 2015 to 30 September 2015 credit spreads have increased, decreasing the fair value of the group's borrowings.

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 £1,927.8 million (30 September 2014: £1,852.0 million, 31 March 2015: £2,142.6 million) for financial liabilities in fair value hedge relationships and £1,126.5 million (30 September 2014: £1,105.4 million, 31 March 2015: £2,530.3 million) for other financial liabilities at amortised cost. 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 2015.

13. Net debt

	Six months ended 30 September 2015 £m	**Six months ended 30 September 2014 £m**	**Year ended 31 March 2015 £m**
Net debt at start of the period	**5,924.0**	5,515.9	5,515.9
Net capital expenditure	**317.6**	337.8	709.0
Dividends (note 9)	**171.4**	163.8	249.4
Interest and tax	**91.6**	102.9	235.2
Non-cash movements and other	**(30.1)**	35.3	156.2

Cash generated from operations (note 14)	**(461.6)**	(471.6)	(941.7)
Net debt at end of the period	**6,012.9**	5,684.1	5,924.0

Net debt comprises borrowings, net of cash and short-term deposits and derivatives.

14. Cash generated from operations

	Six months ended 30 September 2015 £m	**Six months ended 30 September 2014 £m**	**Year ended 31 March 2015 £m**
Operating profit	**278.3**	340.5	653.3
Adjustments for:			
Depreciation of property, plant and equipment	**170.3**	159.1	323.6
Amortisation of intangible assets	**14.8**	13.6	29.0
Loss on disposal of property, plant and equipment	**2.6**	1.5	5.1
Loss on disposal of intangible assets	**-**	-	0.5
Amortisation of deferred grants and contributions	**(3.3)**	(3.8)	(7.7)
Equity-settled share-based payments charge	**1.2**	1.5	2.9
Other non-cash movements	**(2.4)**	(1.1)	(1.2)
Changes in working capital:			
Decrease/(increase) in inventories	**2.1**	(0.9)	(0.7)
Increase in trade and other receivables	**(26.5)**	(24.3)	(23.0)
Increase/(decrease) in trade and other payables	**30.7**	0.2	(23.2)
Increase/(decrease) in provisions	**6.0**	(8.0)	(3.8)
Pension contributions paid less pension expense charged to operating profit	**(12.2)**	(6.7)	(13.1)
Cash generated from operations	**461.6**	471.6	941.7

15. Commitments and contingent liabilities

At 30 September 2015 there were commitments for future capital expenditure contracted but not provided for of £450.7 million (30 September 2014: £383.7 million, 31 March 2015: £396.8 million).

Details of the group’s contingent liabilities were disclosed in the audited financial statements of United Utilities Group PLC for the year ended 31 March 2015. There have been no significant developments relating to contingent liabilities in the period ended 30 September 2015.

16. Related party transactions

There were no material related party transactions during the period ended 30 September 2015, nor were there material receivable or payable balances outstanding as at that date.

17. Events after the reporting period

On 26 October 2015 the Finance Bill 2015-16 was substantively enacted. Under the Bill there will be a phased reduction in the rate of UK corporation tax which will reduce from 20 per cent to 18 per cent by 1 April 2020. This rate reduction will result in a decrease in the group’s deferred tax liability and an associated income statement credit of c£120.0 million. In accordance with IAS 10 ‘Events after the reporting period’ no changes have been made to the group’s interim financial statements as this is a non-adjusting event after the reporting period. As such, the impact will be recognised in the second half of this financial year.

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 by the EU;
- 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:

Dr John McAdam
Steve Mogford
Dr Catherine Bell
Stephen A Carter
Mark Clare
Russ Houlden
Brian May
Sara Weller

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

……………………….	……………………….
Steve Mogford	Russ Houlden
24 November 2015	24 November 2015
Chief Executive Officer	Chief Financial Officer

INDEPENDENT REVIEW REPORT TO UNITED UTILITIES GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2015 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

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 annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

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.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion
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 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Luke
for and on behalf of KPMG LLP
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE
24 November 2015