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United Utilities Group PLC
14 November 2024

14 November 2024: United Utilities today announces half-year results for the six-month period to 30 September 2024.

Louise Beardmore, Chief Executive Officer, said:
"We have delivered a robust set of operational and financial results. In October we were confirmed as the leading water and sewerage company by Ofwat on a suite of performance measures (ODIs) in 2023/24, delivering on the things that matter most to customers. In July the Environment Agency awarded us the top 4-star rating in its 2023 assessment, and we continue to support customers with affordability assistance having helped over 400,000 families since 2020.

"Improving rivers continues to be a key area of focus. We are already making progress at reducing spills from storm overflows, having commenced a programme of accelerated solutions. Our five-year plan builds on this, with a step-change in investment, and last week we announced that we would go further and faster, accelerating more work to reduce spills. By 2030, we will deliver improvements at more than 1,100 overflows across the North West.

"Looking ahead, we continue to evolve our plan for the next five years, with ambitious investment proposals to build a stronger, greener and healthier North West. This will see us invest significantly in new infrastructure, supporting 30,000 jobs and aligning with the Government's ambitions for economic growth in the region."

Key financials - six months ended 30 September

	Reported			Underlying[1]		
£m	**2024**	**2023**	**% change**	**2024**	**2023**	**% change**
Revenue[2]	**1,082.0**	975.4	+10.9%	**1,082.0**	975.4	+10.9%
Operating profit	**333.4**	240.6	+38.6%	**335.7**	271.1	+23.8%
Profit before tax	**140.6**	160.0	-12.1%	**182.9**	90.3	+102.5%
Profit after tax	**103.1**	116.8	-11.7%	**182.9**	90.3	+102.5%
EPS (pence)	**15.1**	17.1	-11.7%	**26.8**	13.2	+102.5%

	2024	**2023**	**% change**
Interim DPS (pence)	**17.28**	16.59	+4.2%
Net regulatory capex (£m)	**466.9**	371.8	+25.6%
RCV[3] (£m)	**14,946**	14,406	+3.7%
Net debt (£m)	**9,051**	8,541	+6.0%
RCV gearing[4] (%)	**60%**	59%	+1.0%

Operational highlights

- Highest ODI[5] reward in the sector in FY24, and on track to perform at least as well in FY25
- 4-star status in the EA's latest Environmental Performance Assessment for 2023
- Accelerating spill reductions, making improvements at over 1,100 storm overflows by 2030
- Continued focus on leakage, with innovative techniques helping us to fix more leaks
- Supporting customers, with over 475,000 households on Priority Services register and almost 400,000 customers supported through affordability schemes so far this AMP
- Strong performance across Measures of Experience, ranking 1st place for the first time on developer experience (D-MeX) and 1st placed WaSC[6] for retailer experience (R-MeX)

Financial highlights

- Underlying operating profit of £336m, reported operating profit of £333m
- Underlying EPS of 26.8p, up from 13.2p, reported EPS of 15.1p
- Low level of gearing at 60% and solid credit ratings providing future financial flexibility
- £2.6 billion of liquidity extending into FY27; AMP8 funding underway
- Interim dividend of 17.28p, in line with policy

Financial framework for current AMP7 regulatory period and FY25 guidance

- Targeting to achieve an FY25 net ODI reward at least in line with FY24
- Narrowed capex range to the upside, with revised guidance now £950 million to £1.1 billion
- Forecast average real RoRE7 of 6-8%
- RCV growth of 4-5% nominal compound annual growth rate
- Maintain gearing within target range of 55-65%

Regulatory update

- Draft determination received in July, confirming efficiency of our base costs and a significant increase in totex compared with previous periods
- Response submitted in August, providing further detail to support our investment plans and highlighting other areas for consideration by Ofwat
- Final Determination expected on 19 December 2024

Enquiries
Investors and Analysts

Chris Laybutt - Investor Relations and Clean Energy Strategy Director	+44 7769 556 858
Jenny Platt - Investor Relations Manager	+44 7733 064 907
Media	
Gaynor Kenyon - Corporate Affairs Director	+44 7753 622 282
Graeme Wilson / Louise Male - Teneo Communications	+44 207 260 2700

Half year results presentation webcast - Thursday 14 November 2024
There will be a presentation available on our website from 7am at the following link:
www.unitedutilities.com/corporate/investors/results-and-presentations/full-and-half-year-results/

This will be followed by a Q&A with management at 9am, which can be accessed as follows:
https://us06web.zoom.us/j/89864389458?pwd=emXtREKkkn8Kd3KIicjbx33hUx8RNI.1
Meeting ID: 898 6438 9458, Passcode: 932761

Notes

[1] Underlying measures are defined in the tables in the underlying profit section below.

[2] Revenue for the six months to 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in 'Other income' rather than in revenue.

[3] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).

[4] 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).

[5] Outcome Delivery Incentive

[6] Water and Sewerage Company

[7] Return on regulatory equity

OPERATIONAL REVIEW

Protecting and enhancing the environment for a greener North West

We have a responsibility and a passionate enthusiasm for safeguarding the natural environment across our region and delivering nature-positive solutions for both near-term and long-term improvement. It was announced in July that we were one of only three companies to achieve the highest 4-star rating from the Environment Agency for 2023, and we are the only company to have been 'green' against serious pollutions for 13 consecutive years. Still, we are dedicated to going further.

Improving rivers across the North West is one of our strategic priorities - we put forward one of the most ambitious AMP8 storm overflow reduction programmes in the sector, targeting improvements at more than 440 locations, and our Storm Overflow Taskforce is creating and delivering bespoke plans for each one. We are already making early progress on 154 overflows as part of the accelerated infrastructure delivery programme approved by Ofwat last year, deploying rapid solutions to achieve swift reductions in storm overflow usage at high-spilling sites. This early work is delivering real improvements, and the plan we put forward for AMP8 targets a 30,000 spill reduction by 2030. Last week, we announced that we are taking our accelerated programme further, bringing forward work to reduce spills from an additional 700 overflows, meaning we will now be making improvements at more than 1,100 sites by 2030. This brings our accelerated wastewater service improvements to a total of £500 million.

In addition to the significant investment we are making to improve rivers across the North West, we are working with other stakeholders to help deliver even more progress. Our Wonderful Windermere programme is taking a holistic approach to phosphorus removal, looking beyond our own impact and acting as a catchment convenor to facilitate third parties to reduce their inputs into the mere as well. Our team of River Rangers continues to build strong relationships with key local community groups, and our Environmental Investment Fund has enabled us to support a range of local community environmental programmes, including supporting river clean ups and citizen science projects, with 40,000 beneficiaries across the North West.

Alongside spill reductions and phosphorus removal, we are acutely focused on continuing to minimise pollution - we want to maintain our strong performance in minimising serious pollutions whilst also driving total pollutions across the lower categories down further. We will be using innovative thermal imaging drones and state-of-the-art artificial intelligence to help us predict, spot, and prevent pollution incidents. Our analysis shows that a quarter of our incidents are due to power supply disruption, often during storm conditions. Bringing forward investment to increase power supply resilience for our treatment works and pumping stations will enable us to continue operations during these outages, helping us to avoid around 30 pollution incidents per year.

We also continue to work hard on reducing the customer impact of sewer flooding, and dedicated effort on this has driven a noticeably improved response time, helping us to deal with incidents more quickly and help anyone affected. With increasing rainfall events, particularly as we have seen in the last six months with a very wet summer, this continues to be an important focus area.

We remain committed to playing our part in the fight against climate change, and the Science Based Targets initiative (SBTi) has now validated that our science-based greenhouse gas emissions reduction targets conform with the SBTi Corporate Net Zero Standard. This means we are the first (and only) UK water company to have validated science-based targets for the near-term, long-term and net zero.

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

Delivering great service is one of our strategic priorities, and we have made a solid start to the year on all of Ofwat's measures of experience. We continue to deliver a strong performance on C-MeX (customer experience), on which we have been a high performer throughout AMP7, having been the fourth-ranked water and sewerage company (WaSC) in the first quarter survey. We were ranked number one for the first time on D-MeX (developer experience), and were the top performing WaSC for R-MeX (retailer experience). These are important measures of our service, and as we enter AMP8 these experience measures will increase in importance.

Ensuring we provide great quality drinking water at all times is at the heart of our Water Quality First programme, which has helped us to achieve a 26 per cent reduction in drinking water complaints so far this AMP. We are making good progress with our Vyrnwy modernisation programme, upgrading the aqueduct that takes water from Wales to Liverpool and Cheshire to improve water quality for more than a million customers. Last quarter we held our third annual Water Quality First week, showcasing the work our teams do across the company to protect water quality for customers every day and promoting ways that everyone can help to improve our water service for customers.

Our reservoir levels remain strong at around 75 per cent full, and we remain committed to reducing leakage across the network, delivering a programme of improvement with an increasing focus in the second half. With real benefits being seen from satellite imagery of all our water mains, this is accelerating the time to locate and fix leaks. We also have further innovative projects and opportunities from partnership-working and using telecoms fibre networks to detect leaks.

Supporting customers, employees and communities for a stronger North West

Affordability continues to be a hugely important area of focus for us and for customers across the North West. We have helped almost 400,000 households with affordability support so far in AMP7 and our plan for AMP8 steps this up even further, with £525 million of support helping one in six households in the region, allowing us to deliver the required step-up in investment without an increase in water poverty - a very important feature of the plan.

We are also leading the sector on vulnerability support. Our multi-award winning Priority Services offering, which helps vulnerable customers in our region with additional tailored support, now has more than 475,000 customers on its register.

Growing and nurturing talent is a priority, particularly with the step-up in activity we are seeing in the coming years. We continue to invest in early careers, helping to provide resilience in our talent pipeline as well as supporting jobs and the local economy. We welcomed a further 125 new graduates and apprentices in our September 2024 intake - our largest cohort this AMP. We have now recruited 500 graduates and apprentices in the last five years, and have exceeded our target of 100 green apprenticeships by 2025 as we continue to invest in a greener North West.

Diversity and inclusion continue to be a priority, and this year's graduate intake saw our highest ever proportion of ethnic minorities, at 52 per cent, alongside 35 per cent of appointments being made to female applicants. We have been included in the Women in Work (WiW) top 100 Gender Equity Measures Report for 2024, and recognised in the 2024 Corporate Religious Equity, Diversity and Inclusion (REDI) Index as one of the top 10 companies in the FTSE 100.

We have now been accredited with the Fair Tax Mark for six years in a row, and we continue to demonstrate strong underlying performance across a range of trusted ESG ratings. We have issued a further £495 million under our Sustainable Finance Framework in the six-month period, bringing the total net proceeds raised so far under the framework to £2.2 billion.

Regulatory update

In July we received a draft determination from Ofwat, which provided initial feedback on the 2025-30 business plan that we submitted in October last year. We were pleased to see that many aspects of our plan were accepted by Ofwat, including recognition of our "sector leading" efforts to manage affordability issues for customers who would otherwise struggle to pay their bills, our base costs were confirmed as efficient, and we know that AMP8 will see a significant increase in total expenditure (totex) compared with previous periods.

There were other areas where Ofwat made recommendations, suggested revised targets, and asked for further information on some of our proposed programmes of work. In August, we submitted a detailed response to the draft determination, providing Ofwat with a number of points to consider about their approach to our investment plans and service performance targets, as well as vast amounts of further detail to support the investment that we and customers want to see in order to deliver a real step change for the North West.

The key areas we raised in our response were:

- **Totex allowance** - we've provided a suite of robust evidence in relation to the costs submitted in our plan. The biggest challenge to costs in the draft determination was on our storm overflow reduction plan. This is an area of investment that matters deeply to us, customers and communities. In our response we demonstrate why the regional characteristics of the North West, in particular the unique geography of our rural and environmentally-sensitive sites, requires additional funding to ensure we are able to deliver this important step change.
- **Gated schemes** - we support the concept of a gated mechanism and believe this approach can work well when applied to the right schemes, where there is genuine uncertainty, and where financing costs are properly funded. There were schemes to which this approach was applied in the draft determination that are not suitable. In our response we have suggested that some schemes be removed from the gated process, but have suggested others that could be suitable for this approach, such as the new investment programme at Windermere.
- **ODIs** - we fully support Ofwat's aim to set performance targets that are stretching but achievable, allowing us to deliver meaningful improvements, at the right pace of change, and with the right level of investment support. In our response we have focused on those ODIs where this balance is too skewed to the downside in the draft determination. Overall, there needs to be better calibration between targets, incentive rates, and the application of caps and collars. Ofwat has recognised that this is an area that needs to be re-evaluated.
- **Overall balance** - across many areas, including cost allowances, modelled approaches and financing arrangements, there was an overall punitive balance in the draft determination that should be addressed and recalibrated before final determinations are published. Also, the Price Control Deliverable (PCD) framework proposed would force restrictive and inflexible approaches, so we have suggested a more flexible PCD regime, focused on the outcomes that matter rather than intermediate outputs.
- **Risk and return** - although the draft determination did reflect an uplift compared with the early view WACC, we are concerned that it was still set at an unattractive level. Given the very substantial investment requirements across the sector in AMP8 and for the next 20 years, the risk and return balance needs to be set in a way that encourages the debt and equity that is needed.

We continue to engage constructively with Ofwat ahead of the Final Determination in December, and we are mobilised and well-positioned to deliver. We already have around 45 infrastructure partners in contract and on board, and this month we are announcing a further 30 local suppliers. We have already started work on delivering the step change in infrastructure delivery that is needed to enable enhanced performance for customers, communities and the environment in the coming years. We will continue to engage fully with Ofwat's investigation into how all water and wastewater companies in England and Wales manage their wastewater assets, and we also look forward to positive engagement with the new independent commission into the water sector, announced by the Government in October and to be chaired by Sir Jon Cunliffe.

AMP7 FINANCIAL FRAMEWORK

Our five-year financial framework reflects 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 2023/24 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 activity 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 regulatory 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 regulatory capital value (RCV). As at 30 September 2024 our gearing is at the midpoint of this range at 60 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 using the CPIH annual rate from the November prior (i.e. the 2024/25 dividend is equal to the 2023/24 dividend indexed for the movement in CPIH between November 2022 and November 2023).

FY25 OUTLOOK AND GUIDANCE

ODI rewards

We are forecasting to achieve a net customer ODI reward for 2024/25 at least in line with FY24.

Revenue

Revenue is expected to increase by c.10%, driven by the inflationary mechanism and the impact of prior period adjustments in respect of consumption.

Underlying operating costs

Operating costs including IRE are expected to increase by more than inflation due to business rates, regulatory charges and IRE.

Depreciation

With continued growth in our asset base and accelerated investments ahead of AMP8, depreciation is expected to increase by £30 million to £40 million.

Underlying net finance expense

Underlying net finance expense is expected to be broadly unchanged year on year. As at 31 March 2024, we had £4.7 billion of index-linked debt exposure, giving rise to a £47 million swing in our annual interest charge for every 1 per cent change in inflation.

Underlying tax

Our current tax charge is expected to be nil in 2024/25, reflecting expected benefits in relation to 'full expensing' and the 50 per cent first year allowances on longer life assets.

Capital expenditure

Capex in 2024/25 is expected to be in the range of £950 million to £1.1 billion. In addition to our AMP7 base programme, this reflects capital expenditure for the year in relation to additional investment and AMP8 accelerated capital programmes.

FINANCIAL REVIEW

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

	Reported	Underlying[1]

	2024	2023	% change	2024	2023	% change
Revenue[2]	**1,082.0**	975.4	+10.9%	**1,082.0**	975.4	+10.9%
Operating expenses[2]	**(414.5)**	(415.3)	-0.2%	**(413.8)**	(394.7)	+4.8%
Infrastructure renewals expenditure	**(93.6)**	(106.1)	-11.8%	**(92.0)**	(96.2)	-4.4%
Depreciation and amortisation	**(240.5)**	(213.4)	+12.7%	**(240.5)**	(213.4)	+12.7%
Operating profit	**333.4**	240.6	+38.6%	**335.7**	271.1	+23.8%
Net finance expense	**(193.4)**	(79.5)	+143.3%	**(153.4)**	(179.7)	-14.6%
Share of profits/(losses) of JVs	**0.6**	(1.1)	n/a	**0.6**	(1.1)	n/a
Profit before tax	**140.6**	160.0	-12.1%	**182.9**	90.3	+102.5%
Tax charge	**(37.5)**	(43.2)	-13.2%	**-**	-	-
Profit after tax	**103.1**	116.8	-11.7%	**182.9**	90.3	+102.5%
EPS (pence)	**15.1**	17.1	-11.7%	**26.8**	13.2	+102.5%

	2024	2023	% change
Interim DPS (pence)	**17.28**	16.59	+4.2%
Net regulatory capex (£m)	**466.9**	371.8	+25.6%
RCV[3] (£m)	**14,946**	14,406	+3.7%
Net debt (£m)	**9,051**	8,541	+6.0%
RCV gearing[4] (%)	**60%**	59%	+1.0%

[1] Underlying measures are defined in the underlying profit section below.

[2] Revenue and operating expenses for the six months to 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in 'Other income' rather than in revenue.

[3] United Utilities Water Limited's adjusted RCV (adjusted for actual spend, timing differences and including full expected value of AMP7 ex-post adjustment mechanisms).

[4] 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).

We have delivered a robust underlying financial performance for the half year. Revenue increased 11 per cent, mainly driven by the inflationary mechanism and the impact of prior period adjustments in respect to consumption. This revenue increase, partly offset by an increase in underlying operating costs, resulted in an underlying operating profit of £336 million, a 24 per cent increase compared to the prior half year. Reported operating profit was slightly lower than underlying at £333 million, reflecting an adjusting item in respect of the residual costs associated with a fractured outlet pipe at our Fleetwood Wastewater Treatment Works in June 2023.

Non-cash interest expense on our index-linked debt declined, resulting in an underlying profit after tax of £183 million and an underlying earnings per share of 26.8 pence. Reported profit after tax was lower at £103 million, with reported earnings per share of 15.1 pence. Adjusted items between underlying and reported are set out in the underlying profit section below.

Our balance sheet continues to be one of the strongest in the sector. With RCV gearing at 60% and £2.6 billion of liquidity extending into FY27, alongside solid credit ratings, we have future flexibility as we approach AMP8.

Revenue

	£m
Six months to 30 September 2023*	975.4
Regulatory revenue impact	96.5
Other impacts	10.1
Six months to 30 September 2024	**1,082.0**

* Revenue for the six months to 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in 'Other income' rather than in revenue.

Revenue was up £107 million, at £1,082 million, mainly driven by the inflationary mechanism and the impact of prior period adjustments in respect of consumption.

In the first half of 2024/25, we had a £97 million increase in the revenue cap due to regulatory adjustments. This was driven by a 4.2 per cent CPIH-linked increase alongside prior period adjustments in respect to consumption, partly offset the by k-factor.

Other revenue impacts largely reflect increases in consumption.

Operating profit

	£m
Underlying - Six months to 30 September 2023	271.1
Revenue increase	106.6
Underlying operating cost increases	(19.1)
Depreciation increase	(27.1)
IRE decrease	4.2
Underlying operating profit - Six months to 30 September 2024	**335.7**
Adjusted items*	(2.3)
Reported - Six months to 30 September 2024	**333.4**

* Adjusted items are set out in the underlying profit section below.

Underlying operating profit at £336 million was £65 million higher than the first half of last year, primarily reflecting higher revenue. Underlying operating costs have increased by around 5 per cent compared to the prior half year, in line with expectations. Depreciation has increased by £27 million, reflecting accelerated depreciation of £10 million in relation to decommissioning of assets following completion of the new West Cumbria water treatment works, as well as an increase due to growth in the underlying asset base.

Reported operating profit increased by £93 million on the same period last year, reflecting the £65 million increase in underlying operating profit as well as a reduction in the impact associated with responding to a fractured outlet pipe at our Fleetwood Wastewater Treatment Works of £28 million compared to the prior half year.

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 1.6 per cent of statutory revenue.

Profit before tax

	£m
Underlying - Six months to 30 September 2023	90.3
Underlying operating profit increase	64.6
Underlying net finance expense decrease	26.3
Share of JVs profits increase	1.7
Underlying profit before tax - Six months to 30 September 2024	**182.9**
Adjusted items *	(42.3)
Reported - Six months to 30 September 2024	**140.6**

* Adjusted items are set out in the underlying profit section below.

Underlying profit before tax of £183 million compared to a £90 million profit before tax in the first half of last year. The £93 million difference reflects the £65 million increase in underlying operating profit and a £26 million decrease in underlying net finance expense, as well as small increase of profits of joint ventures of £1.7 million (from a £1.1 million share of losses in the prior half year to a £0.6 million share of profits). Underlying profit before tax reflects adjustments as outlined in the underlying profit section below.

Reported profit before tax decreased by £19 million to £141 million reflecting a £114 million increase in reported net finance expense, partially offset by a £93 million increase in reported operating profit, and a small increase in the share of profits of joint ventures of £1.7 million, as noted above.

- Net finance expense

  The underlying net finance expense of £153 million was £26 million lower than the same period last year mainly due to significantly lower inflation resulting in a £90 million decrease in the non-cash indexation on our debt and derivative portfolio, partly offset by a reduction in capitalised interest of £25 million, a reduction in pension interest income of £7 million, and the combined impact of debt issuances and rising interest rates resulting in higher net interest payable of £31 million.

  Cash interest of £84 million was £24 million higher than the first half of last year, reflecting both the increase in debt and higher interest rates. 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 £193 million was £114 million higher than the first half of last year, reflecting a £140 million reduction in net fair value gains on debt and derivatives (excluding interest on debt and derivatives under fair value option) from a £100 million fair value gain last year to £40 million fair value loss this year, partly offset by the £26 million decrease in underlying net finance expense.

- Joint ventures

  The group earned a share of the profits of Water Plus for the six months ended 30 September 2024 of £0.6 million all of which has been recognised in the income statement. This compares to a share of the losses of Water Plus of £1.1 million for the six months ended 30 September 2023.

Profit after tax and earnings per share

	PAT £m	Earnings per share Pence/share
Underlying - Six months to 30 September 2023	90.3	13.2
Underlying profit before tax increase	92.6	
Reduction in underlying tax charge	-	
Underlying profit after tax - Six months to 30 September 2024	**182.9**	**26.8**
Adjusted items *	(79.8)	
Reported - Six months to 30 September 2024	**103.1**	15.1

* Adjusted items are set out in the underlying profit section below.

The underlying profit after tax of £183 million was £93 million higher than the £90 million underlying profit after tax in the first half of last year, reflecting the £93 million increase in underlying profit before tax.

Reported profit after tax was lower at £103 million and reported earnings per share at 15.1 pence with the adjusted items between underlying and reported set out in the underlying profit section below.

- 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 2024 for the sixth year running.

  In addition to corporation tax, the group makes further contributions to the public finances, typically of around £260 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 corporation 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 2024 and in the previous half year.

  For the six months to 30 September 2024, we recognised a deferred tax charge of £38 million, compared with £43 million for the same period last year.

  The total effective tax rate was 27 per cent for the six months to 30 September 2024, the same as the previous half year.

  In the period, there were £3 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 announced an interim dividend of 17.28 pence per ordinary share in respect of the six months ended 30 September 2024. This is an increase of 4.2 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 4.2 per cent increase is based on the CPIH element included within allowed regulated revenue for the

The 4.2 per cent increase is based on the CPIH element included within allowed regulated revenue for the 2024/25 financial year (i.e. the movement in CPIH between November 2022 and November 2023).

The interim dividend is expected to be paid on 13 January 2025 to shareholders on the register at the close of business on 29 November 2024. The ex-dividend date for the interim dividend is 28 November 2024. The election date for the Dividend Reinvestment Plan is 18 December 2024.

Cash flow
Net cash generated from operating activities for the six months to 30 September 2024 was £473 million, £92 million higher than £381 million in the same period last year, principally due to increased revenue. This is partially offset by higher net interest paid on debt and derivatives due to issuances during the prior and current year. The net cash generated from continuing operating activities supports the dividends paid of £226 million and partially funds some of the group's net capital expenditure of £441 million, with the balance being funded by net borrowings and cash and cash equivalents.

Pensions
As at 30 September 2024, the group had an IAS 19 net pension surplus of £284 million, compared with a surplus of £268 million at 31 March 2024. This £16 million increase has been driven mainly by £9 million of remeasurement gains, as an increase in the discount rate assumption and a decrease in the long-term average RPI assumption reduce the defined benefit obligation by more than the value of the schemes' assets. 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 2024	8,762.7
Cash generated from operations	(550.8)
Net capital expenditure	441.1
Dividends	226.3
Indexation	93.1
Interest	83.9
Fair value movements	26.5
Exchange rate movements on bonds and term borrowings	(38.6)
Other	6.3
At 30 September 2024	**9,050.5**

Net debt at 30 September 2024 was £9,051 million, compared with £8,763 million at 31 March 2024. This comprises gross borrowings with a carrying value of £10,698 million, net derivative liabilities hedging specific debt instruments of £44 million and cumulative indexation on inflation swaps of £122 million and is net of cash and bank deposits of £1,813 million.

Gearing, measured as group net debt including a £72 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 £14.9 billion, was 60 per cent at 30 September 2024, slightly higher than the 59 per cent at 31 March 2024 but still comfortably within our target range.

- Cost of debt

  As at 30 September 2024, the group had approximately £3.6 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 £3.5 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 4.3 per cent being lower than the rate of 6.0 per cent last half year. More information on this can be found in the average effective interest rate table below.

  The group has fixed the interest rates on its non index-linked debt in line with its 10-year reducing balance basis at an average effective nominal interest rate of 3.4% for the current financial year. The rate for the current financial year will continue to be impacted by any additional fixing undertaken in line with the group's hedging policy over the course of the current financial year.

- Credit ratings

  UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with

UUW's senior unsecured debt obligations are rated A3 with Moody's Investors Service (Moody's), A- with Fitch Ratings (Fitch) and BBB+ with Global Ratings Services (S&P). United Utilities PLC's senior unsecured debt obligations are rated Baa1 with Moody's, A- with Fitch and BBB- with S&P. Following the Draft Determination, Moody's and S&P this week placed our ratings on negative outlook, reflecting an assessment of the stability and supportiveness of the regulatory environment for all UK water companies. Fitch ratings remain on a 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 is currently funding its AMP8 (2025-30) investment programme.

  In the six months to September 2024, we raised c£830 million of term funding. This includes a £350m 27-year sustainable public bond issued in May, and c£372m issued over August and September comprising taps of our existing EUR 3.75% bond due 2034, our GBP 5.25% bond due 2046, and our GBP 1.75% bond due 2038.

- <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 2024, approximately 38 per cent of the group's net debt was in RPI-linked form, representing around 24 per cent of UUW's regulatory capital value (RCV), 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 16 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 2024, we had liquidity out into FY27, 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. 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.
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 2024 £m**	**6 months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Operating profit per published results	**333.4**	**240.6**	**480.2**
Fleetwood outfall pipe fracture	2.3	30.5	37.6
Underlying operating profit	**335.7**	**271.1**	**517.8**
Net finance expense			
	£m	**£m**	**£m**
Finance expense	(245.1)	(119.9)	(389.3)
Allowance for expected credit losses - loans to joint ventures	-	-	(2.4)
Investment income	51.7	40.4	85.6
Net finance expense per published results	**(193.4)**	**(79.5)**	**(306.1)**
Adjustments:			
Fair value losses/(gains) on debt and derivative instruments, excluding interest on derivatives and debt under fair value option	40.0	(100.2)	12.9
Underlying net finance expense	**(153.4)**	**(179.7)**	**(293.2)**
	£m	**£m**	**£m**
Share of profits/(losses) of joint ventures	**0.6**	**(1.1)**	**(4.1)**
Profit before tax per published results	**140.6**	**160.0**	**170.0**
Adjustments:			
In respect of operating profit	2.3	30.5	37.6
In respect of net finance expense	40.0	(100.2)	12.9
Underlying profit before tax	**182.9**	**90.3**	**220.5**
Profit after tax per published results	**103.1**	**116.8**	**126.9**
Adjustments:			
In respect of profit before tax	42.3	(69.7)	50.5
Deferred tax adjustment	37.5	43.2	48.9
Tax in respect of adjustments to underlying profit before tax	-	-	1.0
Underlying profit after tax	**182.9**	**90.3**	**227.3**
Earnings per share			
	£m	**£m**	**£m**
Profit after tax per published results (a)	103.1	116.8	126.9
Underlying profit after tax (b)	182.9	90.3	227.3
Weighted average number of shares in issue, in millions (c)	681.9	681.9	681.9

Earnings per share per published results, in pence (a/c)	15.1	17.1	18.6
Underlying earnings per share, in pence (b/c)	26.8	13.2	33.3
Dividend per share, in pence	17.28p	16.59p	49.78p

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.

	6 months ended	6 months ended	Year ended
Average effective interest rate	**30 September 2024**	**30 September 2023**	**31 March 2024**
	£m	**£m**	**£m**
Underlying net finance expense	**(153.4)**	**(179.7)**	**(293.2)**
Adjustments:			
Net pension interest income	(6.4)	(14.2)	(28.6)
Adjustment for capitalised borrowing costs	(31.0)	(55.8)	(81.0)
Net finance expense for effective interest rate	**(190.8)**	**(249.7)**	**(402.8)**
Average notional net debt[1]	**(8,886)**	**(8,351)**	**(8,504)**
Average effective interest rate	**4.3%**	**6.0%**	**4.7%**
Effective interest rate on index-linked debt	4.6%	8.0%	6.2%
Effective interest rate on other debt	3.9%	3.4%	2.9%

[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 2024.

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 assessments remain dynamic by reflecting new and emerging circumstances.

The common themes are under continuous review, however at present they are:

- **Causal factor themes:** Asset health; Culture; Demographic change; Economic conditions; Extreme weather / climate change; Legislative and regulatory change; and Technology and data.
- **Consequence themes relate directly to stakeholders:** Environmental impact; Investors; Non-compliance; People; Service delivery; and Supply chain.

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 costs, fines, regulatory penalties and compensation. Reputational impact represents the impact on stakeholder trust and the six capitals.

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

1. Price Review 2024 outcome

Risk exposure: The potential that the Final Determination provides an unfavourable outcome relative our company ambitions to create 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, and other influencing factors notably changing demographics, climate change and asset health.

Control/mitigation: We have responded to Ofwat's Draft Determination and continue to undertake market analysis and answer any queries that come from Ofwat. We are also scenario planning with mitigation and tolerance levels being considered in preparation for the Final Determination in December.
Assurance: Second line assurance is undertaken regarding the response to ongoing Ofwat queries. Following receipt, the final determination will be analysed, followed by a series of Board and Executive meetings to determine our response.

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 scheme to replace the tunnel sections of the aqueduct has 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. Credit Rating
Risk exposure: Credit ratings are important for access to capital, meeting regulatory requirements and to give confidence to investors of our financial health. A potential downgrade in credit rating, leading to increased cost of funding, can occur due to external factors (such as inflation and/or a change in sector risk assessment by a ratings agency), financial and/or operational performance; and a large capital programme which is not matched by equity support where necessary.
Control/mitigation: We continuously monitor financial markets, manage key financial and treasury risks within defined policy parameters, and we will review the capital structure once we have clarity following Ofwat's Final Determination for PR24.
Assurance: Second line assurance is 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.

4. Recycling of biosolids to agriculture
Risk exposure: We believe that recycling of biosolids to agriculture is the most practical environmental option, however, a reduction in the agricultural landbank could have significant implications to operations and expenditure into the long term, with a total loss being the worst case scenario. Threats include the quality of biosolids, changes in public or political perception; changes in regulations and/or the willingness of farmers or landowners to receive biosolids.
Control/mitigation: Treatment, sampling and testing ensures that quality standards are met, and we work closely with farmers, landowners and contractors to ensure compliance with regulations. In addition, we work closely with regulators and lawmakers to influence policy from an informed postilion.
Assurance: The bioresources team ensures compliance with the UK Biosolids Assurance Scheme (BAS) and other codes of practice. Second line assurance is undertaken by the assurance team, with third line assurance provided by internal audit, and external auditors certifying our BAS accreditation.

5. Failure to treat wastewater
Risk exposure: The capacity to remove contaminants and purify organic matter from wastewater in compliance with permits and regulatory standards. The risk is influenced by population growth, extreme weather amplified by climate change, increased surface runoff due to residential and commercial developments, and adherence of third parties with trade effluent permits.
Control/mitigation: Preventative asset maintenance and inspection regimes are in place. Site teams operate under environmental compliance ways of working and application of a robust sampling regime ensure we comply with our permits. Sensors and alarms are in place at critical control points, which are monitored by the Integrated Control Centre (ICC). Effective systems are in place to manage the risk from industrial customers and traders through trade effluent control.
Assurance: Second line assurance is provided by the assurance team who assess site standards and compliance with quality and environmental standards. The risk and control environment is subject to regular internal audits and external assurance of regulatory reporting.

6. Wastewater network failure

Risk exposure: Our sewer network can fail to operate effectively, resulting in unpermitted storm overflow activations, sewer flooding and environmental damage. Causes include blockages, operational failures or inadequate hydraulic capacity relative to population growth, extreme weather, asset health, and legal/regulatory change.
Control/mitigation: Key preventative measures include proactive maintenance and inspection regimes, customer campaigns and a sewer rehabilitation programme. Sewer network performance is subject to dynamic monitoring, and the Better Rivers programme is improving the capacity of the network.
Assurance: Second line assurance is provided by the assurance team, engineering technical governance and the flood review panel. The risk is subject to regular internal audits and external assurance of regulatory reporting.

7. Capital Delivery programme
Risk exposure: The delivery of the capital programme to time, cost and quality is under constant challenge due to ongoing exposure to natural hazards, and the capacity and capability of third parties and internal resource. This risk will be amplified with the proposed increased size and scale of the capital programme in subsequent AMPs.
Control/mitigation: All projects are subject to planning and project management within a managed programme of capital works. There is a transformation programme in place to ensure readiness of the significant increased capital programme in AMP8.
Assurance: The engineering team provides technical governance and the programme management office (PMO) assures against delivery obligations. The assurance team undertakes health, safety, environmental and quality inspections, and internal audit undertake third line assurance against performance metrics as well as audits of specific projects and programme management.

8. Cyber
Risk exposure: There is an increasing and constantly changing cyber threat landscape, with the potential for data and technology assets to be compromised, leading to a major impact to key business processes and operations.
Control/mitigation: Multiple layers of control exist including a secure perimeter, segmented internal network zones, training and access controls. Constant monitoring and forensic response capability also exists.
Assurance: Second line assurance is provided by the security team, which monitors multiple sources of threat intelligence, and the security steering group provides oversight. Independent assurance is provided by annual internal audits and various technical audits, including penetration testing, is regularly undertaken by external specialist.

9. Water availability
Risk exposure: The availability of raw water is one of the most sensitive risks to climate change. 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, based on in house, industry and regulatory assumptions, 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.

10. Failure to treat sludge
Risk exposure: Treating sludge to the appropriate quality relates to the capacity of our assets to cope with increasing volume relative to changing demographics, asset health and legislative/regulatory change, such as the Industrial Emissions Directive (IED).
Control/mitigation: We adopt a Throughput, Reliability, Availability and Maintainability (T RAM) approach for our facilities, balance capacity and demand, undertake regular testing and analysis of sludge, and operate a programme of asset cleaning.
Assurance: Bioresources production planning team provides first line assurance on managing sludge treatment plant performance and capacity. Second line assurance is provided through our internal environmental, regulatory and technical advisers, and assurance team. Third line assurance is undertaken by the internal audit team.

A. Dam failure

A. Dam failure
Risk exposure: The integrity of dams is fundamental to water storage and the safety of society downstream. Flood damage, overtopping, earthquake or erosion could, in remote circumstances, result in an uncontrolled release of a significant volume of water with catastrophic implications.
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: There are 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. Financing performance
Risk exposure: Inflation is fundamental to the economic regulation of the water sector affecting wholesale revenues, regulatory asset values, return on investment, and indexed link debt. Periods of low inflation impact the value of the company and its profitability.
Control/mitigation: The impact of interest rates and inflation is mitigated through hedging and forward buying of commodities such as energy. Business planning, including sensitivity analysis, takes into account ongoing monitoring of markets and regulatory developments.
Assurance: Second line assurance and oversight is provided by the board and treasury committee in addition to monthly executive performance meetings. The risk is also subject to cyclical internal audit reviews.

C. Terrorism
Risk exposure: Terrorism is a threat to our business with terrorist groups looking to advance their political agendas by causing harm and destruction. Although deemed remote, there is a risk to our assets leading to the subsequent loss or contamination of supply and/ or pollution of the environment.
Control/mitigation: Assets are protected in accordance with the Security and Emergency Measures Direction (SEMD), and we liaise with the National Protective Security Authority (NPSA), regional counter terrorist units, local agencies, and emergency services.
Assurance: 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.

D. Process Safety
Risk exposure: Our activities include processes that are inherently hazardous, with the storage of toxic and explosive gases across multiple sites (two of which fall under the Control of Major Accident Hazard (COMAH) regulations).
Control/mitigation: Multi layers of protection are in place including: design standards; maintenance and operating regimes; work authorisation procedures; and emergency planning and training.
Assurance: Second line assurance is undertaken by both the assurance and health and safety teams, with third line assurance being undertaken through periodic internal audits. The Health and Safety Executive also carries out regulatory inspections.

E. Loss of deposits / hedging
Risk exposure: Treasury activities include the depositing of cash and holding of derivative instruments. There is a risk of loss to the group if a banking counterparty were to fail and the group were unable to recover its financial assets held with that counterparty.
Control/mitigation: Credit limits by counterparty are established, refreshed annually and reviewed in the event of any credit rating action. Counterparty credit exposures, credit default swap levels and share price volatility are monitored daily by the treasury function.
Assurance: Credit exposure is reported monthly to the treasury committee through the operational compliance report. The treasury function is subject to regular internal audits.

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 financial statements, the following three cases are worthy of note:

- In relation to the Manchester Ship Canal Company matter reported in previous years, the Supreme Court issued a ruling in July 2024 that overturned a number of rulings in lower courts that had previously gone in UUW's favour. This latest Supreme Court ruling provided 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, and brought the long-running litigation to a close. Specifically, the ruling clarified that common law claims in nuisance/trespass may be brought by MSCC (and those with proprietary rights in watercourses/water bodies) against water and wastewater companies where the relevant legal thresholds for bringing a claim have been met. No such common law nuisance/trespass claims have been received by UUW to date from either MSCC or any third party, with the likely receipt of any such claims, and their potential success and any financial implications, being unclear at the reporting date.
- 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 that 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. The Argentine Court has scheduled various hearings to receive the testimony of fact witnesses and experts (starting in May 2023 and ongoing). UUIL will vigorously resist the proceedings given the robust defences that UUIL has been advised that it has on procedural and substantive grounds.

- Collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative (PCR), Professor Carolyn Roberts. It is alleged that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the 2025-30 regulatory price control period) as a result of UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) is at least £141 million. The certification hearing for the claim to determine whether or not it should be allowed to proceed, was held in late September 2024. The outcome of this is expected in 2025, although the timing of the legal process beyond potential certification is uncertain UUW believes the claim is without merit and will robustly defend it should it be certified. Similar claims have also been issued and served against five other water and wastewater companies.

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.

Consolidated income statement

		Re-presented*
	Six months	**Six months**

	ended 30 September 2024 £m	ended 30 September 2023 £m	Year ended 31 March 2024 £m
Revenue (note 3)	**1,082.0**	975.4	1,949.5
Other income	**8.8**	8.3	18.8
Staff costs	**(107.7)**	(104.8)	(205.1)
Other operating costs (note 4)	**(303.3)**	(306.2)	(602.4)
Allowance for expected credit losses - trade and other receivables	**(12.3)**	(12.6)	(22.0)
Depreciation of property, plant and equipment	**(224.3)**	(195.9)	(406.1)
Amortisation of intangible assets	**(16.2)**	(17.5)	(32.7)
Infrastructure renewals expenditure	**(93.6)**	(106.1)	(219.8)
Total operating expenses	**(748.6)**	(734.8)	(1,469.3)
Operating profit	**333.4**	240.6	480.2
Investment income (note 5)	**51.7**	40.4	85.6
Finance expense (note 6)	**(245.1)**	(119.9)	(389.3)
Allowance for expected credit losses - loans to joint ventures	**-**	-	(2.4)
Investment income and finance expense	**(193.4)**	(79.5)	(306.1)
Share of profits / (losses) of joint ventures	**0.6**	(1.1)	(4.1)
Profit before tax	**140.6**	160.0	170.0
Current tax credit	**-**	-	5.8
Deferred tax charge	**(37.5)**	(43.2)	(48.9)
Tax (note 7)	**(37.5)**	(43.2)	(43.1)
Profit after tax	**103.1**	116.8	126.9
Earnings per share (note 8)			
Basic	**15.1p**	17.1p	18.6p
Diluted	**15.1p**	17.1p	18.6p
Dividend per ordinary share (note 9)	**17.28p**	16.59p	49.78p

All of the results shown above relate to continuing operations.

*The consolidated income statement for the six months ended 30 September 2023 has been re-presented to reflect £6.6 million of income not derived from the output of the group's ordinary activities in Other income rather than in Revenue. These balances were previously reported as £1.7 million and £982.0 million respectively.

Consolidated statement of comprehensive income

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Profit after tax	**103.1**	116.8	126.9
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges - effective portion of fair value movements	**1.9**	(25.5)	(63.0)
Tax on items that may be reclassified to profit or loss	**(0.5)**	6.4	15.8
Reclassification of items taken directly to equity	**2.6**	(0.2)	1.8
Tax reclassified to income statement	**(0.6)**	0.1	(0.5)
	3.4	(19.2)	(45.9)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gains/(losses) on defined benefit pension			

Remeasurement gains/(losses) on defined benefit pension schemes (note 10)	**8.6**	(347.6)	(368.5)
Change in credit assumptions for debt reported at fair value through profit or loss	**(0.6)**	6.9	0.7
Cost of hedging - cross currency basis spread adjustment	**(1.5)**	(1.4)	4.8
Tax on items taken directly to equity	**(1.7)**	120.6	151.1
	4.8	(221.5)	(211.9)
Total comprehensive income	**111.3**	(123.9)	(130.9)

Consolidated statement of financial position

	30 September 2024 £m	Restated* 30 September 2023 £m	31 March 2024 £m
ASSETS			
Non-current assets			
Property, plant and equipment	**13,383.3**	12,823.9	13,044.3
Intangible assets	**115.8**	127.9	124.5
Interests in joint ventures	**13.0**	15.4	12.4
Inventories - other	**-**	8.0	-
Trade and other receivables	**72.4**	74.4	73.7
Retirement benefit surplus (note 10)	**284.2**	268.9	268.0
Derivative financial instruments	**319.8**	457.4	361.5
	14,188.5	13,775.9	13,884.4
Current assets			
Inventories - properties held for resale	**2.9**	3.4	3.0
Inventories - other	**19.2**	9.1	18.5
Trade and other receivables	**325.0**	267.7	226.8
Current tax asset	**93.8**	98.9	100.1
Cash and cash equivalents (note 11)	**1,084.9**	383.8	1,399.3
Bank deposits (note 11)	**728.2**	445.0	-
Derivative financial instruments	**14.3**	31.0	21.3
	2,268.3	1,238.9	1,769.0
Total assets	**16,456.8**	15,014.8	15,653.4
LIABILITIES			
Non-current liabilities			
Trade and other payables	**(1,026.1)**	(913.4)	(957.9)
Borrowings (note 12)	**(10,001.2)**	(8,979.2)	(9,345.8)
Deferred tax liabilities	**(1,970.9)**	(1,964.2)	(1,930.6)
Derivative financial instruments	**(251.1)**	(294.2)	(255.2)
	(13,249.3)	(12,151.0)	(12,489.5)
Current liabilities			
Trade and other payables	**(534.8)**	(495.2)	(413.3)
Borrowings (note 12)	**(696.7)**	(169.4)	(655.6)
Provisions	**(19.2)**	(13.9)	(13.5)
Derivative financial instruments	**(18.4)**	(11.0)	(25.4)
	(1,269.1)	(689.5)	(1,107.8)
Total liabilities	**(14,518.4)**	(12,840.5)	(13,597.3)
Total net assets	**1,938.4**	2,174.3	2,056.1
EQUITY			
Share capital	**499.8**	499.8	499.8
Share premium account	**2.9**	2.9	2.9
Other reserves (note 16)	**313.4**	333.2	311.1
Retained earnings	**1,122.3**	1,338.4	1,242.3
Shareholders' equity	**1,938.4**	2,174.3	2,056.1

*The consolidated statement of financial position for the six months ended 30 September 2023 has been restated to reflect £445.0m of deposits with a maturity of greater than three months from placement on a separate line, which were previously presented together with cash and cash equivalents. See Note 11 for further detail. There is no impact on profit or net assets from this restatement.

Consolidated statement of changes in equity

Six months ended 30 September 2024

	Share capital £m	Share premium account £m	(1)Other reserves £m	Retained earnings £m	Total £m
At 1 April 2024	499.8	2.9	311.1	1,242.3	2,056.1
Profit after tax	-	-	-	103.1	103.1
Other comprehensive income/(expense)					
Remeasurement gains on defined benefit pension schemes (note 10)	-	-	-	8.6	8.6
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	(0.6)	(0.6)
Cash flow hedges - effective portion of fair value movements	-	-	1.9	-	1.9
Cost of hedging - cross-currency basis spread adjustment	-	-	(1.5)	-	(1.5)
Tax on items recorded within other comprehensive income	-	-	(0.1)	(2.1)	(2.2)
Reclassification of items taken directly to equity	-	-	2.6	-	2.6
Tax reclassified to income statement	-	-	(0.6)	-	(0.6)
Total comprehensive income	-	-	2.3	109.0	111.3
Dividends (note 9)	-	-	-	(226.3)	(226.3)
Equity-settled share-based payments	-	-	-	2.3	2.3
Exercise of share options - purchase of shares	-	-	-	(5.0)	(5.0)
At 30 September 2024	**499.8**	**2.9**	**313.4**	**1,122.3**	**1,938.4**

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 expense	-	-	(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**

Year ended 31 March 2024

	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	-	-	-	126.9	126.9
Other comprehensive income/(expense)					
Remeasurement losses on defined benefit pension schemes (note 10)	-	-	-	(368.5)	(368.5)
Change in credit assumption for debt reported at fair value through profit or loss	-	-	-	0.7	0.7
Cash flow hedges - effective portion of fair value movements	-	-	(63.0)	-	(63.0)
Cost of hedging - cross-currency basis spread adjustment	-	-	4.8	-	4.8

Tax on items recorded within other comprehensive income	-	-	14.6	152.3	166.9
Reclassification of items taken directly to equity	-	-	1.8	-	1.8
Tax reclassified to income statement	-	-	(0.5)	-	(0.5)
Total comprehensive expense	-	-	(42.3)	(88.6)	(130.9)
Dividends (note 9)	-	-	-	(320.0)	(320.0)
Equity-settled share-based payments	-	-	-	2.1	2.1
Purchase of shares to satisfy exercise of share options	-	-	-	(3.8)	(3.8)
At 31 March 2024	499.8	2.9	311.1	1,242.3	2,056.1

(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 2024	Restated* Six months ended 30 September 2023	Restated* Year ended 31 March 2024
	£m	£m	£m
Operating activities			
Cash generated from operations (note 14)	550.8	440.7	865.4
Interest paid	(113.9)	(77.3)	(175.6)
Interest received and similar income	30.0	17.5	50.7
Tax paid	(0.1)	-	-
Tax received	6.5	-	4.6
Net cash generated from operating activities	473.3	380.9	745.1
Investing activities			
Purchase of property, plant and equipment	(436.0)	(356.8)	(749.5)
Proceeds from disposal of property, plant and equipment	0.7	-	4.8
Purchase of intangible assets	(6.8)	(3.1)	(14.6)
Grants and contributions received	1.0	1.0	27.9
Loans repaid by joint ventures	1.5	1.5	-
Placement of deposits with maturity greater than three months (note 11)	(768.7)	(445.0)	(445.0)
Receipt of deposits with maturity greater than three months (note 11)	40.5	-	445.0
Net cash used in investing activities	(1,167.8)	(802.4)	(731.4)
Financing activities			
Proceeds from borrowings net of issuance costs	685.1	749.2	1,610.0
Repayment of borrowings	(64.1)	(70.1)	(248.5)
Dividends paid to equity holders of the company (note 9)	(226.3)	(206.9)	(320.0)
Exercise of share options - purchase of shares	(5.0)	(3.8)	(3.8)
Net cash generated from financing activities	389.7	468.4	1,037.7
Net (decrease)/increase in cash and cash equivalents	(304.8)	46.9	1,051.4
Cash and cash equivalents at beginning of the period(1)	1,379.3	327.9	327.9
Cash and cash equivalents at end of the period(1)	1,074.5	374.8	1,379.3

(1) Cash and cash equivalents is stated net of £10.4 million (30 September 2023: £9.0 million; 31 March 2024: £20.0 million; 1 April 2023: £12.5 million) of book overdrafts, which are included in borrowings in the statement of financial position, and does not include £728.2 million of bank deposits maturing in more than three months from placement (30 September 2023: £445.0 million; 31 March 2024 and 1 April 2023: £nil). See note 11 for further details.

*The consolidated statement of cash flows for the six months ended 30 September 2023 and the year ended 31 March 2024 has been restated so as to show, within investing activities, the gross cash outflows and inflows arising from the placement and receipt of deposits with maturity greater than three months from the placement date. For the six months ended 30 September 2023 these balances were previously presented within financing activities, and for the year ended 31 March 2024 these balances were previously presented on a net basis, and as such were not included on the face of the statement of cash flows. See Note 1 'Basis of preparation and accounting policies' for further detail.

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 2024 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 2024.

The comparative figures for the year ended 31 March 2024 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 2024 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 2024.

Adoption of new and revised standards

There were no new standards, interpretations and amendments, effective for the six months ended 30 September 2024, that had a material impact on the group's financial statements, or that were not early adopted in previous years.

Amendments to IAS 1 'Presentation of Financial Statements'

The amendments to IAS 1 'Presentation of Financial Statements' clarify how the right to defer settlement of a liability and the conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024. Whilst the adoption of the amendment has not resulted in a change in the classification of the liabilities of the group, additional disclosure has been included within the notes to the financial statements in respect of liabilities which are subject to compliance with financial covenants.

Going concern

The interim condensed consolidated financial statements for the six months ended 30 September 2024 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. The directors have considered the magnitude of potential impacts resulting from events and changes in conditions since the authorisation of the prior period financial statements and uncertain future events or changes in conditions in forming this assessment. This includes the potential impacts that could arise from Ofwat's AMP8 price review determination, and the possible outcomes of ongoing regulatory investigations.

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 liquidity forecasts, considered in the context of events and changes in conditions since the authorisation of the prior period financial statements, 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

Whilst the impact of inflationary pressures has fallen in recent months, interest rates continue to be held at a higher level than previous years. The group remains mindful of the detrimental impact this may have on the affordability of mortgage and other debt in addition to ongoing cost of living pressures, which may have a significant impact on many of the group's customers. Critical accounting judgements and key sources of estimation uncertainty have been kept under review during the period to 30 September 2024. The group considers the estimate most likely to be impacted by ongoing developments relates to the group's allowance for expected credit losses in respect of household receivables.

Accounting estimate - allowance for expected credit losses in respect of household trade receivables:
Cash collection rates remain similar to those in the previous year. However, the group remains conscious that the recoverability of household trade receivables may be impacted by cost of living pressures affecting 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.

In determining this allowance, the group continues to model a three year average of cash collection rates to inform the provision required to normalise collection performance for factors that occur over a longer period of time.

Provisioning rates were updated for the group's 31 March 2024 year end reporting to incorporate recent cash collection performance, incorporating periods of relatively strong cash collection but also periods where cash collection had been more challenging. These revised provisioning rates continue to be applied within the group's half-year reporting and are supported by ongoing monitoring of recent collection performance.

The modelled assessment of future collection has been considered alongside a small provisioning overlay that is held to take account of ongoing uncertainty arising from continuing cost of living pressures, and supports a charge of 1.6 per cent of household revenue as at 30 September 2024, which is slightly higher than the position at 31 March 2024.

Additional collection data gathered over the second half of the year will be used to develop the assumptions made in determining the year end allowance for expected credit losses.

Restatement of prior period comparative information

The consolidated statement of financial position for the six months ended 30 September 2023 has been restated to reflect £445.0m of deposits with a maturity of greater than three months from placement on a separate line, which were previously presented together with cash and cash equivalents. Further detail is included within Note 11. There is no impact on profit or net assets from this restatement.

The consolidated statement of cash flows for the six months ended 30 September 2023 and the year ended 31 March 2024 has been restated so as to show, within investing activities, the gross cash outflows and inflows arising from the placement and receipt of deposits with maturity greater than three months from the placement date. While these deposits have been placed in order to manage the group's finance expenses associated with holding cash from debt issuances during the period that will not be required until later periods, and therefore represent part of the group's financing activities, IAS 7 indicates that such cash flows should be classified as investing activities and that they do not qualify for net presentation. For the six months ended 30 September 2023 these balances were previously presented within financing activities in the 'Placement of deposits with maturity greater than three months' caption, and for the year ended 31 March 2024 these balances were previously presented on a net basis, and as such were not included on the face of the statement of cash flows. An outflow and inflow of £445.0m is now shown within 'Placement of deposits with maturity greater than three months' and 'Receipt of deposits with maturity greater than three months' respectively. There is no impact on profit or net assets from this restatement.

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

	Six months ended 30 September 2024 £m	Re-presented* Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Wholesale water charges	**450.1**	411.4	819.9
Wholesale wastewater charges	**559.1**	500.1	990.8
Household retail charges	**49.3**	46.3	93.1
Other	**23.5**	17.6	45.7
	1,082.0	975.4	1,949.5

*Revenue for the six months ended 30 September 2023 has been re-presented so as to include £6.6 million of income not derived from the output of the group's ordinary activities in other income rather than in revenue. This income, which had previously been included in the 'other' category in the above table, related to amounts receivable under government renewable energy schemes and the sale of energy generated to the grid, which is a by-product, rather than an output, of the group's ordinary activities. As such, it does not meet the criteria to be recognised as revenue from contracts with customers in accordance with IFRS 15 and so it has instead been reflected as other income in the consolidated income statement.

The £106.6 million increase in revenue for the half year ended 30 September 2024 compared with the prior year is largely attributable to increases in tariff prices, which have been impacted by the allowed inflationary increase and the impact of regulatory mechanisms under which prices are 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 property sales and income from activities, typically performed opposite property developers, which impact the group's capital network assets. This includes 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 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Power	**73.0**	74.3	164.3
Materials	**69.0**	67.8	127.1
Hired and contracted services	**57.8**	69.1	128.7
Property rates	**47.6**	42.0	82.0
Regulatory fees	**21.0**	18.9	39.3
Insurance	**11.8**	10.6	13.3
Accrued innovation costs	**4.3**	2.9	6.0
Loss on disposal of property, plant and equipment	**2.9**	4.2	6.7
Other expenses	**15.9**	16.4	35.0
	303.3	306.2	602.4

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 in the six months to 30 September 2023 and £37.6 million in the year to 31 March 2024, with a further £2.3 million incurred in the six months to 30 September 2024.

These costs have been presented as an adjusting item in arriving at the group's underlying operating profit

These costs have been presented as an adjusting item in arriving at the group's underlying operating profit position in its Alternative Performance Measures, and were split between operating costs of £0.7 million (30 September 2023: £20.6 million; 31 March 2024: £23.6 million) and infrastructure renewal expenditure of £1.6 million (30 September 2023: £9.9 million; 31 March 2024: £14.0 million).

The majority of the operating costs associated with this incident were 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.

Excluding the costs attributable to the incident at Fleetwood, other operating costs for the six months to September 2024 have increased by around £18 million compared with the same period in the prior year, largely in relation to hired and contracted services and property rates.

5. Investment income

	Six months ended 30 September 2024 £m	**Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Interest receivable	**45.3**	26.2	57.0
Net pension interest income (note 10)	**6.4**	14.2	28.6
	51.7	40.4	85.6

6. Finance expense

	Six months ended 30 September 2024 £m	**Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Interest payable	**193.5**	214.8	379.8
Net fair value losses/(gains) on debt and derivatives	**51.6**	(94.9)	9.5
	245.1	119.9	389.3

Interest payable is stated net of £31.0 million (30 September 2023: £55.8 million; 31 March 2024: £81.0 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 £82.3 million (30 September 2023: £160.0 million; 31 March 2024: £225.9 million) non-cash inflation expense in relation to the group's index-linked debt.

Net fair value losses/(gains) on debt and derivative instruments includes £0.8 million expense (30 September 2023: £17.7 million income; 31 March 2024: £29.3 million income) due to net interest on derivatives and debt held under fair value option, and £10.8 million expense (30 September 2023: £23.0 million expense; 31 March 2024: £25.9 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 2024 was 27 per cent, which is the same rate as for the same period in the prior 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 2024 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 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Profit after tax attributable to equity holders of the company	103.1	116.8	126.9
Weighted average number of shares in issue in millions			
Basic	681.9	681.9	681.9
Diluted	683.4	683.2	683.5
Earnings per share in pence			
Basic	15.1	17.1	18.6
Diluted	15.1	17.1	18.6

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 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Dividends relating to the period comprise:			
Interim dividend	**117.8**	113.1	113.1
Final dividend	-	-	226.3
	117.8	113.1	339.4
Dividends deducted from shareholders' equity comprise:			
Interim dividend	**-**	-	113.1
Final dividend	**226.3**	206.9	206.9
	226.3	206.9	320.0

The interim dividends for the six months ended 30 September 2024 and 30 September 2023, and the final dividend for the year ended 31 March 2024, have not been included as liabilities in the respective condensed consolidated financial statements at 30 September 2024 and 30 September 2023, and the consolidated financial statements at 31 March 2024, because they were approved after the reporting date.

The interim dividend of 17.28 pence per ordinary share (year ended 31 March 2024: interim dividend of 16.59 pence per ordinary share, final dividend of 33.19 pence per ordinary share) is expected to be paid on 3 February 2025 to shareholders on the register at the close of business on 20 December 2024. The ex-dividend date for the interim dividend is 19 December 2024.

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 2024 % p.a.	Six months ended 30 September 2023 % p.a.	Year ended 31 March 2024 % p.a.
Discount rate	**5.00**	5.45	4.80
Pension increases	**3.15**	3.40	3.25
Pensionable salary growth (pre-2018 service):			
ESPS	**3.15**	3.40	3.25
UUPS	**3.15**	3.40	[illegible]

UUPS	**3.15**	3.40	3.25
Pensionable salary growth (post-2018 service):			
ESPS	**3.15**	3.40	3.25
UUPS	**2.70**	2.85	2.80
Price inflation - RPI	**3.15**	3.40	3.25
Price inflation - CPI[1]	**2.70**	2.85	2.80

[1] The CPI price inflation assumption represents a single weighted average rate derived from an assumption of 2.25 per cent pre-2030 and 2.95 per cent post-2030.

As at 30 September 2024, corporate bond yields have increased relative to 31 March 2024, leading to a higher IAS 19 discount rate. Credit spreads have widened slightly since the year end, which, all else being equal, decreases the defined benefit obligation ('DBO') by more than the value of the assets as the assets are less exposed to changes in corporate bond spreads than the DBO. The forecasted long-term rate of inflation has fallen since the assumption made at the previous year end. Demographic assumptions for mortality rates are consistent with those at the previous year end.

The discount rate is consistent with a high quality corporate bond rate, with 5.00 per cent being equivalent to gilts + 60bps credit spread (30 September 2023: 4.75 per cent being equivalent to gilts + 70bps credit spread; 31 March 2024: 4.30 per cent being equivalent to gilts + 50bps credit spread).

In line with previous reporting periods, mortality assumptions continue to be based on the Continuous Mortality Investigation's ('CMI') mortality tables. As at 30 September 2024, 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 40% to take account of the indirect impacts of the Covid-19 pandemic in the medium term. The mortality assumptions are consistent with those applied at the year-end with life expectancies virtually identical compared with our best estimate using the CMI2023 base tables. For the full year position, the mortality assumption will be considered alongside the results of the triennial valuation as at 31 March 2024 at which point updated demographic information will be used to inform the assumption.

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 2024 £m	**Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Current service cost	**1.2**	1.5	2.8
Past service cost	**-**	-	(4.6)
Administrative expenses	**2.4**	1.7	4.0
Pension expense charged to operating profit	**3.6**	3.2	2.2
Net pension interest income credited to investment income (note 5)	**(6.4)**	(14.2)	(28.6)
Net pension income credited to the income statements before tax	**(2.8)**	(11.0)	(26.4)

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 2024 £m	**Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
At the start of the period	**268.0**	600.8	600.8
Income recognised in the income statement	**2.8**	11.0	26.4
Contributions	**4.8**	4.7	9.3
Remeasurement gains/(losses) gross of tax	**8.6**	(347.6)	(368.5)
At the end of the period	**284.2**	268.9	268.0

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

	30 September 2024 £m	**30 September 2023 £m**	**31 March 2024 £m**

Fair value of schemes' assets	**2,479.4**	2,375.4	2,552.4
Present value of defined benefit obligations	**(2,195.2)**	(2,106.5)	(2,284.4)
Net retirement benefit surplus	**284.2**	268.9	268.0

The overall increase in the net retirement benefit surplus has been driven mainly by the £8.6 million of remeasurement gains. These gains are attributable to an increase in the discount rate assumption and decrease in the long-term average RPI assumption, both of which reduce the value of the DBO, and are partially offset by actual inflation being higher than assumed at 31 March 2024 alongside changes in financial conditions over the period which have resulted in a decrease in the value of the schemes' assets.

Included within the significant remeasurement losses recorded in the prior year was c.£220 million relating to the IAS 19 impact of a buy-out transaction that took place in July 2023, further details of which are included in the audited financial statements for the year ended 31 March 2024.

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 2024. 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.

The funding valuation as at 31 March 2024 is expected to complete within the current financial year at which point the updated demographic assumptions will be available to inform the mortality assumptions, amongst other inputs, for the purpose of year end reporting.

Defined contribution schemes

During the period the group made £15.9 million (30 September 2023: £16.0 million; 31 March 2024: £32.4 million) of contributions to defined contribution schemes, which are included in staff costs.

11. Cash and bank deposits

	Six months ended 30 September 2024 £m	**Restated* Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Cash at bank and in hand	**3.6**	5.4	3.7
Bank deposits with maturity less than three months	**1,081.3**	378.4	1,395.6
Cash and short-term deposits	**1,084.9**	383.8	1,399.3
Book overdrafts (included in borrowings - see note 12)	**(10.4)**	(9.0)	(20.0)
Cash and cash equivalents - statement of cash flows	**1,074.5**	374.8	1,379.3

	Six months ended 30 September 2024 £m	**Restated* Six months ended 30 September 2023 £m**	**Year ended 31 March 2024 £m**
Bank deposits with maturity greater than three months	**728.2**	445.0	-

*Cash and short-term deposits for the six months ended 30 September 2023 has been restated so as to exclude £445.0

million of bank deposits with maturity greater than three months from the placement date and present these on a separate line item within the consolidated statement of financial position, 'Bank deposits'. The balance on 'Bank deposits' is now £445.0m and the balance on 'Cash and cash equivalents' is now £383.8m. Previously these amounts were combined within a caption 'Cash and bank deposits' with a balance of £828.8m.

Cash and short-term deposits 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 three months or less.

During the six month periods ended 30 September 2024 and 30 September 2023 the group entered into a number of bank deposits with scheduled maturities before the end of the relevant financial year but more than three months from the placement date. As these deposits are not held for the purpose of meeting short-term cash commitments (i.e. arising within three months), 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 deposits expected to be realised within the financial year in which they were placed 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 2024 were as follows:

- On 28 May 2024, the group issued £350 million fixed rate notes, due May 2051.
- On 5 August 2024, the group issued EUR175 million fixed rate notes as a fungible increase to the EUR650m notes, due May 2034. On issue, the EUR bond was immediately swapped to £147.4 million of principal outstanding.
- On 5 September 2024, the group issued £150 million fixed rate notes as a fungible increase to the £250 million fixed rate notes, due January 2046.
- On 13 September 2024, the group issued £75 million fixed rate notes as a fungible increase to the £325 million fixed rate notes, due February 2038.

On 26 September 2024, the group agreed to issue NOK1.5 billion fixed rate notes, due October 2035. The settlement of this bond occurred on the 3 October 2024, meaning it does not form part of the borrowings balance at 30 September 2024.

During the six months ended 30 September 2024, extensions to six existing undrawn committed borrowing facilities were approved, with amounts available under these facilities totalling £200 million. No new facilities were entered into during the period.

Borrowings at 30 September 2024 include £68.0 million in relation to lease liabilities (30 September 2023: £58.5 million; 31 March 2024: £59.2 million), of which £64.9 million (30 September 2023: £55.4 million; 31 March 2024: £56.2 million) was classified as non-current and £3.1 million (30 September 2023: £3.1 million; 31 March 2024: £3.0 million) was classified as current.

As at 30 September 2024, there were £921 million of borrowings with a single counterparty that are subject to compliance with financial covenants in respect of the level of gearing and interest cover of United Utilities Water Limited, a subsidiary of the group. Compliance with these covenants is monitored by the group on a quarterly basis and reported to the counterparty annually. The group was compliant with these financial covenants at the reporting date.

13. Fair values of financial instruments

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

	30 September 2024		30 September 2023		31 March 2024	
	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	**70.6**	**70.6**	44.7	44.7	74.7	74.7
Derivative financial assets - held for trading	**255.6**	**255.6**	411.1	411.1	298.9	298.9
Derivative financial assets - cash flow hedge	**7.9**	**7.9**	32.6	32.6	9.2	9.2
Financial liabilities at fair value through profit or loss						
Derivative financial liabilities - fair value hedge	**(213.0)**	**(213.0)**	(272.3)	(272.3)	(232.2)	(232.2)
Derivative financial liabilities - held for trading	**(18.5)**	**(18.5)**	-	-	(4.5)	(4.5)
Derivative financial liabilities - cash flow hedge	**(38.0)**	**(38.0)**	(32.9)	(32.9)	(43.9)	(43.9)
Financial liabilities designated at fair value through profit or loss	**(327.1)**	**(327.1)**	(341.0)	(341.0)	(338.9)	(338.9)
Financial instruments for which fair value does not approximate carrying value						
Financial liabilities in fair value hedge relationships	**(3,564.9)**	**(3,563.8)**	(2,583.5)	(2,576.2)	(3,459.0)	(3,414.6)
Other financial liabilities at amortised cost	**(6,190.6)**	**(6,807.0)**	(5,407.5)	(6,231.4)	(5,785.5)	(6,247.9)
	(10,018.0)	**(10,633.3)**	(8,148.8)	(8,965.4)	(9,481.2)	(9,899.2)

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 £3,353.8 million (30 September 2023: £2,281.6 million; 31 March 2024: £3,158.5 million) for financial liabilities in fair value hedge relationships, and £2,899.2 million (30 September 2023: £1,997.9 million; 31 March 2024: £2,573.4 million) for other financial liabilities at amortised cost.

The £521.1 million increase in 'level 1' fair value liability measurements compared with the position at 31 March 2024 (30 September 2023: £197.9 million decrease compared with 31 March 2023; 31 March 2024: £1,254.5 million increase compared with 31 March 2023) primarily reflects debt issuances in the period.

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 2024.

The principal reason for the increase in the difference between the fair value and carrying value of the group's borrowings at 30 September 2024 compared with the position at 31 March 2024 is due to a widening of credit spreads.

14. Cash generated from operations

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Operating profit	333.4	240.6	480.2
Adjustments for:			
Depreciation of property, plant and equipment	224.3	195.9	406.1
Amortisation of intangible assets	16.2	17.5	32.7
Loss on disposal of property, plant and equipment	2.9	4.2	6.7
Amortisation of deferred grants and contributions	(10.1)	(8.3)	(17.4)
Equity-settled share-based payments charge	2.3	0.2	2.1
Pension contributions paid less pension expense charged to operating profit	(1.2)	(1.5)	(7.1)
Changes in working capital:			
Increase in inventories	(0.6)	(6.2)	(7.2)
Increase in trade and other receivables	(84.9)	(69.2)	(26.9)
Increase/(decrease) in trade and other payables	62.8	66.7	(4.2)
Increase in provisions	5.7	0.8	0.4
Cash generated from operations	550.8	440.7	865.4

15. Net debt

Movements in net debt during the period were as follows:

	Six months ended 30 September 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
At the start of the period	**8,762.7**	8,200.8	8,200.8
Net capital expenditure	**441.1**	359.0	731.4
Dividends (note 9)	**226.3**	206.9	320.0
Interest	**83.9**	59.8	124.8
Indexation (note 6)	**93.1**	183.0	251.9
Exchange rate movement on bonds and term borrowings	**(38.6)**	(16.6)	(35.2)
Net tax receipt	**(6.4)**	-	(4.6)
Non-cash movements in lease liabilities	**8.7**	0.5	3.8
Repayment of loans by joint ventures	**(1.5)**	(1.5)	-
Other	**5.5**	4.0	0.1
Fair value movements	**26.5**	(14.6)	35.1
Cash generated from operations (note 14)	**(550.8)**	(440.7)	(865.4)
At the end of the period	**9,050.5**	8,540.6	8,762.7

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.

Net debt at the end of each period comprised:

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Borrowings	**10,697.9**	9,148.6	10,001.4
Derivative financial instruments (liabilities)	**269.5**	305.2	280.6
Derivative financial instruments (assets)	**(334.1)**	(488.4)	(382.8)
Cash and cash equivalents (see note 11)	**(1,084.9)**	(383.8)	(1,399.3)
Bank deposits (see note 11)	**(728.2)**	(445.0)	-
Net debt - as agreed to statement of financial position	**8,820.2**	8,136.6	8,499.9
Adjustments to exclude the fair value of:			
Interest rate derivatives fixing future nominal interest rates	**136.4**	255.7	173.8
Inflation derivatives fixing future real interest rates	**124.1**	148.6	123.8
Electricity derivatives fixing future electricity costs	**(30.2)**	(0.3)	(34.8)
Net debt - as adjusted to align to the group's definition	**9,050.5**	8,540.6	8,762.7

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 2024

	Capital redemption reserve £m	Merger reserve £m	Cost of hedging reserve £m	Cash flow hedge reserve £m	Total £m
At 1 April 2024	1,033.3	(703.6)	8.7	(27.3)	311.1
Changes in fair value recognised in other comprehensive income	-	-	(1.5)	1.9	0.4
Amounts reclassified from other					

comprehensive income to profit or loss	-	-	-	2.6	2.6
Tax on hedge effectiveness taken directly to equity	-	-	0.4	(0.5)	(0.1)
Tax on items recorded within other comprehensive income	-	-	-	(0.6)	(0.6)
At 30 September 2024	**1,033.3**	**(703.6)**	**7.6**	**(23.9)**	**313.4**

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 items recorded within other comprehensive income	-	-	0.4	0.1	0.5
At 30 September 2023	**1,033.3**	**(703.6)**	**4.1**	**(0.6)**	**333.2**

Year ended 31 March 2024

	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	-	-	4.8	(63.0)	(58.2)
Amounts reclassified from other comprehensive income to profit or loss	-	-	-	1.8	1.8
Tax on hedge effectiveness taken directly to equity	-	-	(1.2)	15.8	14.6
Tax on items recorded within other comprehensive income	-	-	-	(0.5)	(0.5)
At 31 March 2024	**1,033.3**	**(703.6)**	**8.7**	**(27.3)**	**311.1**

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

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

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

17. Contingent liabilities

Property Searches

In April 2020, a group of over 100 Property Search Companies ('PSCs') served proceedings on all of the water and sewerage undertakers in England and Wales, including UUW, for an unspecified amount of compensation alleging that amounts paid in respect of CON29DW water and drainage search reports should have been provided to them either free of charge or for a nominal fee in accordance with the Environmental Information regulations. The initial phase of this litigation was concluded in December 2023, and a High Court judgement in favour of the water and sewerage undertakers was announced in June 2024. The High Court refused permission to appeal the ruling, and as PSCs have not subsequently appealed directly to the Court of Appeal, the litigation is no longer live. Accordingly, the group no longer has a contingent liability in respect of this case.

Ofwat and Environment Agency investigations
In November 2021, Ofwat and the Environment Agency ('EA') launched separate industry-wide investigations into how companies manage their wastewater assets.

In July 2024 Ofwat announced that it is opening an enforcement case under which it will investigate UUW following detailed analysis of the company's environmental performance and data about the frequency of spills from storm overflows. At the same time, Ofwat opened similar enforcement cases investigating three other companies in the sector. Having already opened enforcement cases against the other seven companies, all 11 water and wastewater companies in England and Wales are now formally within the scope of Ofwat's enforcement activities. If a company is found to have breached its legal obligations this could result in a financial penalty of up to 10 per cent of relevant wastewater turnover (which in UUW's case would be around £100 million), and/or a requirement to rectify any obligations deemed to be required as a consequence of those findings. Ofwat has proposed penalties for three companies to date, ranging from 5 per cent to 9 per cent of relevant wastewater turnover. UUW has received and responded to a notice under s203 of the Water Industry Act 1991 requesting information relating to the performance and operation of its wastewater assets, and continues to fully comply with Ofwat through the investigation process. Ofwat stated that whilst it has concerns with the sector that it must investigate, the opening of enforcement cases does not automatically imply that companies have breached their legal obligations or that a financial penalty will necessarily follow. To date Ofwat has not given a firm indication of the expected timeframe for its ongoing investigation, or any subsequent action.

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

Prof Carolyn Roberts collective action
As disclosed in the group's financial statements for the year ended 31 March 2024, collective proceedings in the Competition Appeal Tribunal ('CAT') were issued on 8 December 2023 against UUW and United Utilities Group PLC on behalf of approximately 5.6 million domestic customers following an application by the Proposed Class Representative ('PCR'), Professor Carolyn Roberts. It is alleged that customers have collectively paid an overcharge for sewerage services during the claim period (which runs from 1 April 2020 and may continue into the early years of the 2025-30 regulatory price control period) as a result of UUW allegedly abusing a dominant position by allegedly providing misleading information to regulatory bodies. The estimated total aggregate amount the PCR is claiming against UUW (including interest) is at least £141 million. The certification hearing for the claim to determine whether or not it should be allowed to proceed, was held in late September 2024. The outcome of this is expected in 2025, although the timing of the legal process beyond potential certification is uncertain. UUW believes the claim is without merit and will robustly defend it should it be certified. Similar claims have also been issued and served against five other water and wastewater companies.

18. Financial and other commitments

The group has credit support guarantees as well as general performance commitments and potential liabilities under contract that may give rise to financial outflow. The group has determined that the possibility of any outflow arising in respect of these potential liabilities is remote and, as such, there are no financial liabilities to be disclosed in this regard (30 September 2024: none, 31 March 2023: none).

At 30 September 2024, there were commitments for future capital expenditure and infrastructure renewals expenditure contracted, but not provided for, of £234.8 million (30 September 2024: £377.4 million, 31 March 2023: £342.7 million).

	30 September 2024 £m	30 September 2023 £m	31 March 2024 £m
Property, plant and equipment	**217.3**	357.7	327.0
Intangible assets	**3.3**	4.5	1.1
Infrastructure renewals expenditure	**14.2**	15.2	14.6
Total commitments contracted but not provided for	**234.8**	377.4	342.7

19. 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 2024 £m	Six months ended 30 September 2023 £m	Year ended 31 March 2024 £m
Sales of services	**175.3**	140.1	334.4
Charitable contributions advanced to related parties	**0.1**	0.1	0.2
Interest income and fees recognised on loans to related parties	**3.0**	2.8	5.6
Amounts owed by related parties	**100.0**	101.3	100.8

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 2024 amounts owed by joint ventures, as recorded within trade and other receivables in the statement of financial position, were £99.9 million (30 September 2023: £101.3 million; 31 March 2024: £100.8 million), comprising £27.5 million (30 September 2023: £26.9 million; 31 March 2024: £27.1 million) of trade balances, which are unsecured and will be settled in accordance with normal credit terms, and £72.4 million (30 September 2023: £74.4 million; 31 March 2024: £73.7 million) relating to loans.

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

- £70.8 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 £3.2 million allowance for expected credit losses; and
- £1.6 million receivable being the £11.5 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 £0.4 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 2024 of £12.5 million, comprising £11.5 million receivable measured at fair value, and £1.0 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 2024.

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.

20. Events after the reporting period

20. Events after the reporting period

Other than in respect of the NOK1.5 billion fixed rate notes that the group agreed to issue on 26 September 2024, and for which settlement of the bond occurred on 3 October 2024 as described in note 12, there have been no material events subsequent to 30 September 2024 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 of the directors in respect of the half-yearly financial report

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 for use in the UK;
- the interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure Guidance 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 Guidance 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
Clare Hayward
Michael Lewis
Doug Webb

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

Louise Beardmore
Chief Executive Officer

13 November 2024

Phil Aspin
Chief Financial Officer

13 November 2024

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 2024 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 2024 is not financial statements in the half-yearly financial report for the six months ended 30 September 2024 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 are 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

13 November 2024