United Utilities Group PLC
22 May 2014

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2014

Continuing operations	Year ended	
	31 March 2014	31 March 2013 (Restated[1])
Revenue	£1,704.5m	£1,636.0m
Underlying operating profit[2]	£641.3m	£604.2m
Operating profit	£636.9m	£601.6m
Total dividends per ordinary share (pence)	36.04p	34.32p
Regulatory capital expenditure[3]	£836m	£787m
RCV gearing[4]	58%	60%

[1] In accordance with the revised accounting standard IAS 19 'Employee benefits' which applies retrospectively, the prior year has been restated
[2] Underlying profit measures have been provided to give a more representative view of business performance and are defined in the underlying profit measure tables on page 14
[3] Regulatory capex represents fixed asset additions and infrastructure renewals expenditure using regulatory accounting guidelines; there is no equivalent GAAP measure
[4] Regulatory capital value or RCV gearing calculated as group net debt/United Utilities Water's RCV adjusted for actual capex (outturn prices)

- **Delivering for our customers**
  - further improvements in customer satisfaction, as measured through Ofwat's SIM mechanism
  - strong performance on Ofwat and Environment Agency KPI assessments
  - reinvesting c£280m of outperformance for customer and environmental benefits
  - below inflation growth in average household bills for the ten-year period 2010-20
- **Effective delivery of capital investment programme**
  - further improvement on capex delivery; Time: Cost: Quality index (TCQi) up to 98%
  - accelerated capital investment programme with a £49m increase to £836m in 2013/14
  - initiated c£40m of transitional investment to aid a smoother and more effective start to AMP6
- **Strong financials**
  - underlying operating profit up £37m to £641m
  - RCV gearing 2% lower at 58%, well within Ofwat's assumed range
  - final dividend of 24.03 pence per share (total for the year of 36.04 pence), in line with policy
- **Growth in Business Retail**
  - continuing to offer and develop a range of value-added services
  - largest new entrant and second largest water retailer in Scotland

Steve Mogford, Chief Executive Officer, said:

"Customer satisfaction continues to improve, underpinned by strong operational and environmental performance, and we believe there is scope to deliver further improvements. We are continuing to improve the quality, reliability and resilience of our assets and increased capital investment in our network to £836 million this year. We are reinvesting around £280 million of our outperformance, providing benefits for customers and the environment.

"We have been building our retail capability over the last two years and have rapidly secured a position as the second largest water retailer in Scotland. Our experience in Scotland will place the company in a strong position, in advance of full opening of the English market for business customers in 2017.

"We are working closely with Ofwat, ahead of submission of our revised business plan at the end of June, as customers are set to benefit from below inflation growth in average household bills for the decade to 2020."

For further information on the day, please contact:

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A presentation to investors and analysts starts at 9.00 am on Thursday 22 May 2014, at the Auditorium, Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The presentation can be accessed via a live listen in conference call facility by dialling: +44 (0) 20 7031 0088, access code 944454. A recording of the call will be available for seven days following Thursday 22 May 2014 on +44 (0) 20 7031 4064, access code 944454.

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

KEY OPERATIONAL PROGRESS

Improving our operational performance and delivering benefits for our customers and the environment remain top priorities for United Utilities (UU). We have made significant progress on these key priorities since the start of the 2010-15 regulatory period, as outlined below:

- **Significant improvements in customer service –** Every year since 2010, we have continued to improve the customer experience, as demonstrated through Ofwat's customer service measure the service incentive mechanism (SIM). Over the three years to 2013/14, we have moved up from last position to joint seventh place, out of the 19 water companies, on Ofwat's qualitative SIM measure. Continuing our improving trend, complaints to the Consumer Council for Water (CCW) have fallen by a further 11% in 2013/14 and, importantly, for the second consecutive year we had zero complaints warranting investigation by the CCW. We are encouraged with our progress, as we narrow the gap further to the leading performers, although recognise that we still have more to do.

- **Strong operational performance –** We performed well again across a broad front, as measured in Ofwat's latest (2012/13) key performance indicators report. The balance of ratings across the fourteen assessments indicated that UU was again an above average performer, in respect of the ten water and sewerage companies. We were also pleased to be an upper quartile performer in the Environment Agency's most recent assessment. The good performance has continued through 2013/14. This performance has helped provide benefits for customers, for example in terms of better customer service and very high levels of reliability and availability of water supply and wastewater services, alongside a range of environmental benefits.

- **Effective capital delivery drives customer and environmental benefits –** We continue to drive more effective and efficient delivery of our capital programme. This is reflected in a significant improvement in our Time: Cost: Quality index (TCQi) score from around 50% in 2010/11 to 98% for 2013/14. We again met our water and wastewater asset serviceability standards in 2013/14 and have confidence that our performance in respect of meeting our 2010-15 regulatory commitments will be much improved, compared with the 2005-10 period. We have now invested £2.9 billion across the first four years of this regulatory period, and have delivered a smoother investment profile to support efficient delivery of outputs and reduce risk.

- **Leakage target –** We have met or outperformed our regulatory leakage target in each of the last eight years and our aim is to meet the target each year.

- **Regulatory outperformance on track –** We have set clear targets for the 2010-15 period and are ahead of schedule in delivering these targets. As outlined previously, we expect to reinvest around £280 million of outperformance, across 2010-15, for the benefit of our customers and the environment. This comprises c£200 million of capex outperformance, c£40 million of financing outperformance being reinvested in private sewers costs and c£40 million of tax benefits being used to provide a special customer discount for 2014/15 along with further contributions to our trust fund.

- **Corporate responsibility –** We retained our 'World Class' rating in the Dow Jones Sustainability Index for the sixth consecutive year. We also have the highest 'Platinum Big Tick' ranking in Business in the Community's Corporate Responsibility Index. We are one of only seven FTSE 100 companies to hold both accolades.

- **Extending our presence in the retail water market for business customers –** We have been building our capability and experience over the last two years to help ensure we are in a strong position as the competitive business retail market evolves and are very active in this expanding market. After obtaining a Scottish water supply licence in 2012 we have already won around 150 customers, covering around 2,000 sites and representing annual revenue in 2014/15 of around £10 million. We are the largest new entrant and have now established a position as the second largest water retailer in Scotland. We also have a significant pipeline of opportunities and are continuing to offer and develop our range of value-added services.

FINANCIAL OVERVIEW

The group has delivered another good set of financial results for the year ended 31 March 2014.

- **Revenue –** up by £69 million to £1,705 million, principally as a result of the impact of the regulated price increase for 2013/14 of 4.0% nominal (1.0% real price increase, plus 3.0% RPI inflation). This follows on from real price decreases of 4.3% in 2010/11 and 0.2% in 2011/12, with an allowed real price increase of 0.6% in 2012/13.

- **Underlying operating profit –** increased by £37 million to £641 million, benefiting from the rise in revenue and tight cost control.

- **Capex –** total regulatory capital investment in the year, including £165 million of infrastructure renewals expenditure, was £836 million, representing an increase of 6% compared with last year and reflecting continued good progress on the capital investment programme.

- **Underlying profit before tax –** up £38 million, to £390 million, marginally above the increase in underlying operating profit as net finance expense decreased slightly, mainly due to the impact of lower RPI inflation on the group's index-linked debt.

- **Reported profit after tax –** this benefited from a £157 million deferred tax credit, which follows the UK Government's announced 3% staged reduction in the mainstream tax rate down to 20% by 2015/16. A similar credit of £53 million, reflecting a 1% reduction in the mainstream tax rate, was recognised in 2012/13. Reported profit after tax also benefitted from a one-off current tax credit of £141 million and a deferred tax credit of £13 million, both relating to recently agreed matters with Her Majesty's Revenue and Customs (HMRC) in relation to prior years, covering a period of over ten years in total. In addition, fair value gains on the group's debt and derivative instruments had a positive impact on this measure. As outlined previously, we are sharing the net cash tax benefits with our customers.

- **Capital structure –** the group has a robust capital structure with gearing (measured as group net debt to regulatory capital value), as at 31 March 2014, having reduced to 58%. This level remains well within Ofwat's assumed range of 55% to 65%, supporting a solid investment grade credit rating. United Utilities Water PLC (UUW) has a long-term credit rating of A3 from Moody's with a stable outlook.

- **Financing headroom –** the group benefits from headroom to cover its projected financing needs into 2016, following the agreement of a £500 million term loan with the European Investment Bank (EIB) in the second half of 2013/14 to support the delivery of our capital investment programme. This headroom provides good flexibility in terms of when and how further debt finance is raised to help refinance maturing debt and fund the ongoing regulated capital investment programme.

- **Dividend –** in line with our policy, the board has proposed a final dividend of 24.03 pence per ordinary share, an increase of 5.0%, taking the total dividend for 2013/14 to 36.04 pence.

PRICE REVIEW 2014 – BUSINESS PLAN

On 2 December 2013, we submitted our business plan, covering the 2015-20 period, to Ofwat. This followed a period of extensive consultation with around 27,000 customers and other key stakeholders and the plan received high levels of customer acceptability.

Ofwat provided an initial view on our plan through its pre-qualification decisions publication in March 2014 and subsequently shared detailed feedback with the company, which we are currently assessing. In line with our expectations and consistent with the company specific adjustments we highlighted when we submitted our initial business plan in December, two key areas we are focusing on are wastewater total expenditure (totex) and retail average cost to serve. Ofwat's initial view on wastewater totex indicated a £1.1 billion difference, compared with our business plan submission. In our submission, we asked for around £1 billion of wastewater totex to be given specific consideration. We are in detailed dialogue with Ofwat to understand this difference and provide any further evidence required to support our submission. We are also revising our outcome delivery incentives to include more symmetrical reward/penalty mechanisms. In addition, we are focusing on a number of adjustments relating to the 2010-15 period. These adjustments include a range of economic, performance and scope differences, compared with the assumptions made at the 2009 price review.

We are continuing to work closely with our regulators, customers and other stakeholders to finalise the revisions to our business plan which are due to be submitted by 27 June 2014. Ofwat is due to publish draft determinations on 29 August 2014 and final determinations on 12 December 2014.

BOARD CHANGES

Nick Salmon will stand down at the forthcoming AGM, on 25 July 2014, after over nine years as a non-executive director. Mark Clare, who was appointed as a non-executive director on 1 November 2013, will replace Nick as senior independent director. Mark is also a member of the Audit Committee and the Nomination Committee.

OUTLOOK

We are encouraged by our operational and customer service performance improvements and believe we can improve further. Our improved capital delivery performance, with continued substantial investment in our assets, will deliver further benefits for our customers and the environment. We are ahead of schedule and remain confident of delivering our 2010-15 regulatory outperformance targets. We intend to continue with our dividend policy of targeting 2% per annum growth above the rate of RPI inflation through to at least 2015, underpinned by a robust capital structure. We are well progressed with our revised business plan and are on track to submit this to Ofwat next month.

KEY CORPORATE DATES

The forthcoming key corporate dates are expected to be:

Ex-dividend date for 2013/14 final dividend	18 June 2014
Record date for 2013/14 final dividend	20 June 2014
Interim management statement for the period from 1 April 2014	25 July 2014
Annual General Meeting	25 July 2014
Payment of 2013/14 final dividend to shareholders	1 August 2014
Pre-close trading update	24 September 2014
Announcement of half year results for the six months ending 30 September 2014	26 November 2014
Ex-dividend date for 2014/15 interim dividend	17 December 2014
Record date for 2014/15 interim dividend	19 December 2014
Payment of 2014/15 interim dividend to shareholders	2 February 2015

OPERATIONAL PERFORMANCE

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

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

Best service to customers

Customer service – our continuing strong focus on dealing effectively with customer enquiries has helped us deliver further improvements in our performance, as measured by Ofwat's service incentive mechanism (SIM). This is also reflected in a reduction in the number of customer complaints received, which has contributed to improvements in opex efficiency. In addition, the number of customer complaints made to the Consumer Council for Water (CCW) in 2013/14 has reduced by a further 11%, compared with 2012/13. We are pleased to report that the total number of escalated complaints assessed by the CCW was again zero in 2013/14. This has helped us improve our SIM performance further, as detailed in the KPIs section below. We were particularly encouraged with our qualitative SIM performance for the fourth quarter of 2013/14, where we achieved fourth position out of the 19 water companies. We believe that our improvements should move the company to a neutral position on the SIM incentive assessment, the outcome of which will be assessed by Ofwat based on performance across the 2011/12 to 2013/14 period.

Leading North West service provider – we were pleased to have been consistently ranked third out of ten leading organisations in the North West, through an independent brand tracker survey which is undertaken quarterly. We are behind only Marks & Spencer and John Lewis, but ahead of seven other major organisations covering utilities, telecoms, media and banking services.

Robust water supply – our customers continue to benefit from our robust water supply and demand balance, along with high levels of water supply reliability. In addition, we continue to supply a high level of water quality, with mean zonal compliance continuing to be over 99.9%.

Mitigating sewer flooding – we have continued to invest heavily in schemes designed to mitigate the risk of flooding of our customers' homes, including incidence based targeting on areas more likely to experience flooding and defect identification through CCTV sewer surveys. Our wastewater network will continue to benefit from significant investment going forward as we adapt to weather patterns likely to result from climate change.

Asset serviceability – we have a range of actions to help support the serviceability of our assets. We are improving the robustness of our water treatment processes, refurbishing service reservoir assets, continuing with our comprehensive mains cleaning programme and optimising water treatment to reduce discoloured water events.

Improving customer service remains a significant area of management focus and we see opportunities to deliver further benefits for our customers.

Key performance indicators:

- **Serviceability –** Long-term stewardship of assets is critical and Ofwat measures this through its serviceability assessment (Ofwat defines serviceability as the capability of a system of assets to deliver a reference level of service to customers and to the environment now and in the future). We are currently assessed as 'improving' for our wastewater non-infrastructure assets and 'stable' for our water infrastructure, water non-infrastructure and wastewater infrastructure assets. The aim is to continue to hold at least a 'stable' rating for all four asset classes, which aligns with Ofwat's target.

- **Service incentive mechanism (SIM) –** UU continued its progress on Ofwat's combined (qualitative and quantitative) SIM assessment for 2012/13, moving up a further three places to joint 13th of the 21 water companies, compared with 2011/12. Further progress has continued in 2013/14, with a quantitative SIM score (which measures customer contacts) of 135 points, representing a further 25% improvement compared with 2012/13. On the qualitative measure (which measures customers' satisfaction in respect of how their enquiries were handled), UU has improved its 2013/14 average score by 0.13 points to 4.56 points, significantly closing the gap to the top performers. From 2013/14, Ofwat assesses SIM out of 19 water companies and UU's qualitative SIM improvement moves it to joint 7th position. Our continued progress is encouraging.

<u>Lowest sustainable cost</u>

Power and chemicals – our asset optimisation programme continues to provide the benefits of increased and more effective use of operational site management to optimise power and chemical use and the development of more combined heat and power assets to generate renewable energy. We have substantially locked in the cost of our power requirements through to 2015, via hedging, securing outperformance across the 2010-15 period.

Proactive network management – we are implementing a more proactive approach to asset and network management, with the aim of improving our modelling and forecasting to enable us to address more asset and network problems before they affect customers, thereby reducing the level of reactive work and improving efficiency.

Debt collection – we are continuing to enhance our proactive approach to debt collection and are implementing a detailed action plan. We recognise the financial difficulties facing many of our customers and provide a range of options to help those who are struggling to pay their bills, including our charitable trust, which have helped many customers back onto manageable payment plans. We have again delivered a good performance and have sustained bad debts at 2.2% of regulated revenue for 2013/14, consistent with the 2012/13 full year position, mitigating the impact of recent benefit changes on customers' ability to pay.

Pensions – UU placed its pension provision on a more sustainable footing in 2010 and has subsequently taken additional steps to de-risk the pension scheme further. Further details on the group's pension provision are provided in the pensions section on page 13.

Capital delivery and regulatory commitments – the business is strongly focused on delivering its commitments efficiently and on time and has a robust commercial capital delivery framework in place. Regulatory capital investment in the year, including £165 million of infrastructure renewals expenditure, was £836 million. Including transitional spend of around £40 million, we would expect to deliver a similar level of investment for 2014/15. Following our rapid increase in our internal Time: Cost: Quality index (TCQi) score from around 50% in 2010/11 to approximately 90% in 2012/13, we have further improved our score to 98% for 2013/14. This has already exceeded our internal target of 95%, which we were aiming to achieve by the end of this regulatory period in 2015. We received a shortfalling revenue penalty of over £80 million at the last price review in 2009 but, with our improved TCQi performance, we expect to significantly reduce the penalty risk at the 2014 price review. We remain on track to deliver the five-year programme within the regulatory allowance of around £3.6 billion (excluding costs associated with private sewers, transitional investment and non-regulated investment) and we are reinvesting capex outperformance to deliver further customer benefits.

Private sewers – in 2013/14, private sewers opex was £8 million, IRE was £15 million and enhancement capex was £16 million. This brings cumulative private sewers spend since they were transferred in October 2011 to £22 million for opex, £35 million for IRE and £37 million for enhancement capex, at the lower end of our estimates. As such, our total spend is now expected to be moderately below our 2011-15 total cost estimate of £160 million.

Key performance indicators:

- **Financing outperformance –** UU has secured over £300 million of financing outperformance across the 2010-15 period, when compared with Ofwat's allowed cost of debt of 3.6% real, based on an average RPI inflation rate of 2.5% per annum. As outlined previously, we expect to reinvest around £40 million of our financing outperformance in private sewers costs which were not reflected in price limits for the current period.

- **Operating expenditure outperformance –** The business is targeting total operating expenditure outperformance over the 2010-15 period of at least £50 million, or approximately 2%, compared with the regulatory allowance. This is in addition to the base operating expenditure efficiency targets set by Ofwat, which equate to a total of approximately £150 million over the five years. We are ahead of schedule and expect to deliver cumulative operating expenditure outperformance of over £50 million across the 2010-15 period.

- **Capital expenditure outperformance –** UU is continuing to deliver significant efficiencies in the area of capital expenditure and expects to meet Ofwat's allowance after adjusting, through the regulatory methodology, for the impact of lower construction output prices. As outlined previously, we expect to reinvest around £200 million of capital expenditure outperformance for the benefit of our customers and the environment.

Responsible manner

Acting responsibly is fundamental to the manner in which we undertake our business and the group has for many years included corporate responsibility factors in its strategic decision making. Our environmental and sustainability performance across a broad front has received external recognition. UU continues to be rated 'World Class' in the Dow Jones Sustainability Index and has retained the highest ranking, 'Platinum Big Tick', in Business in the Community's Corporate Responsibility Index. We are one of only seven FTSE 100 companies (and the only water company) to hold both accolades.

Leakage – our strong, year round, operational focus on leakage and the implementation of a range of initiatives, such as active pressure management, enabled us to again beat our leakage target for 2013/14. Our leakage performance, alongside the network resilience improvements we are making, are helping us to maintain a robust water supply and demand balance, and deliver high levels of reliability for our customers.

Environmental performance – this is a high priority for UU and we are pleased to be an upper quartile company in the Environment Agency's 2012/13 performance metrics (the latest available), as described in the KPIs section below.

Carbon footprint – we are committed to reducing our carbon footprint and increasing our generation of renewable energy. In 2013/14, our carbon footprint totalled 449,042 tonnes of carbon dioxide equivalent, a reduction of 11% compared with the previous year. We set a target of achieving at least a 21% reduction in carbon emissions by 2015, measured from a 2005/06 baseline, and we were encouraged with our performance in 2013/14 which was 23% below the baseline. The recent completion of our innovative, award winning, £100m+ recycling and energy plant at our Davyhulme wastewater site has contributed to our highest ever renewable energy production in 2013/14 of 133 GWh. This represents c17% of our total electricity consumption, up from c13% last year, and has helped us avoid energy purchase costs of around £10 million, as well as attracting renewable incentives of around £5 million. In addition, we have plans in place to further increase renewable energy production over the next few years.

Employees – a committed, capable and motivated workforce is central to delivering our vision and we remain strongly focused on high levels of employee development and engagement. In our most recent employee opinion survey, we achieved an engagement score of 79%, which is close to the UK high performing norm even at a time of significant change. We continue to be successful in attracting and retaining people and have continued to expand our apprentice and graduate programmes, having recruited a further 24 graduates and 32 apprentices in 2013/14 and with plans to add a similar number in 2014/15. As part of our health and safety improvement programme, we implemented a number of initiatives throughout the year. We launched a manager's guide for health and safety responsibilities and our transformation project, covering 13 key areas of focus across the business, is progressing well. These initiatives helped reduce the employee accident frequency rate to 0.137 accidents per 100,000 hours, compared with a rate of 0.188 last year. However, we recognise we have more to do to and health and safety will continue to be a significant area of focus, as we strive for continuous improvement.

Communities – we continue to support partnerships, both financially and in terms of employee time through volunteering, with other organisations across the North West that share our objectives. This year we set up Catchment Wise, our new approach to tackling water quality issues in lakes, rivers and coastal waters across the North West. As a first step, we have provided matched funding to all of the DEFRA Catchment partnerships in our region and a further £500,000 has been made available as part of a competitive improvement fund to make a difference on the catchments. Our 'Beachcare' employee volunteering scheme, working in partnership with the Environment Agency, Keep Britain Tidy and the Local Authority, helps to keep our region's beaches tidy and this is just one example of over 26,000 hours of volunteering time. We also contributed approximately £2 million to support local communities, through schemes such as providing debt advisory services and our Community Fund, offering grants to local groups impacted by our capital investment programme.

Key performance indicators:

- **Leakage –** UU met its economic level of leakage rolling target for the eighth consecutive year in 2013/14, with a performance of 452 megalitres per day versus the regulatory target of 463 megalitres per day. The aim is to meet our regulatory leakage target each year.

- **Environmental performance –** On the Environment Agency's latest assessment (2012/13 draft report), which covers a broad range of operational metrics, UU is an upper quartile company. Based on our performance across the range of metrics, this would indicate joint 2nd position among the ten water and sewerage companies. This represents another step up on the previous year when UU was in 3rd position and aligns with our medium-term goal of being a first quartile company on a consistent basis.

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

FINANCIAL PERFORMANCE

Revenue

UU has delivered a good set of financial results for the year ended 31 March 2014. Revenue increased by £69 million to £1,705 million, principally reflecting a 4.0% nominal (1.0% real price increase plus 3.0% RPI inflation) allowed regulated price increase.

Operating profit

Underlying operating profit increased by 6% to £641 million, primarily as a result of an increase in revenue and benefiting from tight cost control with operating costs up at a lower rate than revenue. Reported operating profit similarly increased by 6% to £637 million.

Investment income and finance expense

The underlying net finance expense of £252 million was broadly in line with the prior year. The indexation of the principal on our index-linked debt amounted to a net charge in the income statement of £83 million, compared with a net charge of £86 million last year. The group had approximately £2.9 billion of index-linked debt as at 31 March 2014. The lower RPI inflation charge contributed to the group's average underlying interest rate of 4.6% being lower than the rate of 4.9% for the prior year.

Reported investment income and finance expense of £92 million was significantly lower than the £290 million expense in 2012/13. This £198 million reduction principally reflects a change in the fair value gains and losses on debt and derivative instruments, from a £42 million loss last year to a £129 million gain in 2013/14. The £129 million fair value gain in 2013/14 is largely due to gains on the regulatory swap portfolio, resulting from a significant increase in medium-term sterling interest rates during the period and the unwinding of the opening liability position. The group uses these swaps to fix interest rates on a substantial proportion of its debt to better match the financing cash flows allowed by the regulator at each price review. The group fixed the majority of its non index-linked debt for the 2010-15 financial period, providing a net effective nominal interest rate of approximately 5%.

Profit before tax

Underlying profit before tax was £390 million, £38 million higher than last year, due to the £37 million increase in underlying operating profit and the £1 million decrease in underlying net finance expense. This underlying measure adjusts for the impact of one-off items, principally from restructuring within the business, and other items such as fair value movements in respect of debt and derivative instruments. Reported profit before tax increased by £233 million to £545 million.

Taxation

For 2013/14, we paid corporation tax of £65 million which represents an effective cash tax rate of 12%, 11% lower than the mainstream rate of corporation tax of 23%. For 2012/13, we paid corporation tax of £55 million (18%), 6% lower than the mainstream rate for that year. For both years, the key reconciling items to the respective mainstream rates were tax deductions on capital investment and pension contributions and timing differences in relation to certain unrealised profits/losses on treasury derivatives where the corresponding profits or losses are only taxed when realised.

For 2013/14, the company also received an exceptional cash tax refund of £96 million in relation to prior years' tax matters, covering a period of over 10 years in total. The amount principally related to tax deductions on capital expenditure and included the revised tax treatment for capital expenditure at water and sewage treatment works agreed between the Industry and HMRC, following the abolition of industrial buildings allowances. Taking account of this one-off repayment, the net effective cash tax rate for 2013/14 reduced to a credit of 6%.

The current tax charge was £77 million in the year, compared with £81 million in the previous year. In addition, there was a current tax credit of £141 million relating to matters agreed with HMRC in respect of prior years. On top of the £96 million cash refund, the £141 million current tax credit also includes the release of an accounting accrual, which is a non-cash item.

For 2013/14, the group recognised a deferred tax charge of £41 million, compared with a credit of £3 million in 2012/13. In addition, the group has recognised a deferred tax credit of £157 million relating to the 3% staged reduction in the mainstream rate of corporation tax, substantively enacted on 2 July 2013, to reduce the rate to 20% by 2015/16. A deferred tax credit of £53 million relating to a similar 1% reduction in the mainstream rate of corporation tax was included in 2012/13. The group also recognised a deferred tax credit of £13 million relating to prior years' matters.

An overall tax credit of £194 million has been recognised for 2013/14. Excluding the deferred tax impact of the future reduction in the corporation tax rate and the adjustments relating to recently agreed matters in relation to prior years, the total tax charge would have been £117 million or 22% compared with a £78 million charge or 25% in the previous year. This reduction in total tax rate is due to the decrease in the mainstream rate of corporation tax from 24% for 2012/13 to the current rate of 23%, together with the year-on-year movement in tax disallowable items.

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

Profit after tax

Underlying profit after tax of £305 million was £41 million higher than the previous year, principally reflecting the increase in underlying profit before tax. Reported profit after tax was £739 million, compared with £288 million last year, impacted by the £171 million improvement in fair value gains on debt and derivative instruments and the £218 million increase in the net tax credit between the two periods.

Earnings per share

Underlying earnings per share increased from 38.7 pence to 44.7 pence. This underlying measure is derived from underlying profit after tax. This includes the adjustments for the deferred tax credits in both 2013/14 and 2012/13, associated with the reductions in the corporation tax rate and an adjustment for the tax credit arising from agreement of prior years' tax matters in 2013/14. Basic earnings per share increased from 42.2 pence to 108.3 pence.

Dividend per share

The board has proposed a final dividend of 24.03 pence per ordinary share in respect of the year ended 31 March 2014. Taken together with the interim dividend of 12.01 pence per ordinary share, paid in February, this produces a total dividend per ordinary share for 2013/14 of 36.04 pence. This is an increase of 5.0%, compared with the dividend relating to the previous year, in line with group's dividend policy of targeting a growth rate of RPI+2% per annum through to at least 2015. The inflationary increase of 3.0% is based on the RPI element included within the allowed regulated price increase for the 2013/14 financial year (i.e. the movement in RPI between November 2011 and November 2012).

The final dividend is expected to be paid on 1 August 2014 to shareholders on the register at the close of business on 20 June 2014. The ex-dividend date is 18 June 2014.

Cash flow

Net cash generated from continuing operating activities for the year ended 31 March 2014 was £805 million, compared with £631 million last year. This mainly reflects the receipt of the exceptional tax refund, an improvement in working capital cash flows, impacted by the reduction in the total pension contribution payments between the two periods, and an increase in operating profit. The group's net capital expenditure was £683 million, principally in the regulated water and wastewater investment programmes. This excludes infrastructure renewals expenditure which is treated as an operating cost under International Financial Reporting Standards (IFRS).

Net debt including derivatives at 31 March 2014 was £5,532 million, compared with £5,451 million at 31 March 2013. This slight increase reflects expenditure on the regulatory capital expenditure programmes and payments of dividends, interest and tax, alongside an increase in the principal of our index-linked debt, largely offset by operating cash flows, fair value gains on our debt and derivative instruments and the one-off tax refund.

Debt financing and interest rate management

Gearing (measured as group net debt divided by UUW's regulatory capital value adjusted for actual capital expenditure) decreased to 58% at 31 March 2014, compared with 60% at 31 March 2013, remaining well within Ofwat's 55% to 65% assumed gearing range. The group's pension accounting position has moved to a deficit of £177 million at 31 March 2014, on an IFRS basis, compared with a small pension surplus of £15 million as at 31 March 2013. Taking account of the group's pension deficit, and treating it as debt, gearing would be 60%.

UUW has long-term credit ratings of A3/BBB+ and United Utilities PLC had long-term credit ratings of Baa1/BBB- from Moody's Investors Service and Standard & Poor's Ratings Services respectively. The split rating reflects differing methodologies used by the credit rating agencies. Standard & Poor's currently have the group's ratings on positive outlook, citing improving financial metrics and operational performance.

Cash and short-term deposits at 31 March 2014 amounted to £127 million. In December 2013, UUW agreed a new £500 million term loan facility with the European Investment Bank. As at 31 March 2014, UUW had drawn down £100 million on this facility as a floating rate amortising term loan with semi-annual repayments, a final maturity in 18 years and an initial capital repayment holiday of two and a half years. The remaining £400 million is expected to be drawn down in tranches over the next year or so. The group also renewed £100 million of committed bank facilities prior to 31 March 2014 and a further £50 million since the year end. The group has headroom to cover its projected financing needs into 2016.

The group has access to the international debt capital markets through its €7 billion euro medium-term note programme which provides for the periodic issuance by United Utilities PLC and UUW of debt instruments on terms and conditions determined at the time the instruments are issued. The programme does not represent a funding commitment, with funding dependent on the successful issue of the debt securities.

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

Long-term sterling inflation index-linked debt provides a natural hedge to assets and earnings. At 31 March 2014, approximately 53% of the group's net debt was in index-linked form, representing around 31% of UUW's regulatory capital value, with an average real interest rate of 1.7%. 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, which is approximately 25 years.

Where nominal debt is raised in a currency other than sterling and/or with a fixed interest rate, to manage exposure to long-term interest rates, the debt is generally swapped to create a floating rate sterling liability for the term of the liability. To manage exposure to medium-term interest rates, the group fixes underlying interest costs on nominal debt out to ten years on a reducing balance basis. This is supplemented by fixing substantially all remaining floating rate exposure across the forthcoming regulatory period around the time of the price control determination.

In line with this, the group fixed interest costs for a substantial proportion of the group's debt for the duration of the 2010-15 regulatory period around the time of the 2009 price review. In addition, we have already fixed just over half of our floating rate exposure over the 2015-20 period. Following Ofwat's 2015-20 cost of debt guidance, which was published as part of its risk and reward guidance in January, we intend to fix underlying interest rates on substantially all of the group's projected nominal debt for the duration of the 2015-20 regulatory period, during 2014/15.

Liquidity

Short-term liquidity requirements are met from the group's normal operating cash flow and its short-term bank deposits and supported by committed but undrawn credit facilities. In addition to its €7 billion euro medium-term note programme, the group has a €2 billion euro-commercial paper programme, both of which do not represent funding commitments.

In line with the board's treasury policy, UU aims to maintain a robust liquidity position. Available headroom at 31 March 2014 was £864 million based on cash, short-term deposits, medium-term committed bank facilities, along with the undrawn portion of the EIB term loan facility, net of short-term debt.

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

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

Pensions

As at 31 March 2014, the group had an IAS 19 net retirement benefit, or pension, deficit of £177 million, compared with a net pension surplus of £15 million at 31 March 2013. This £192 million adverse movement principally reflects the movement of long-term market rates during the period, particularly influenced by the significant reduction in corporate credit spreads. In contrast, the scheme specific funding basis does not suffer from volatility due to credit spread movements as it uses a prudent, fixed credit spread assumption. Therefore, the recent credit spread movements have not had a material impact on the deficit calculated on a scheme specific funding basis or the level of deficit repair contributions.

The triennial actuarial valuations of the group's defined benefit pension schemes were carried out as at 31 March 2013 and the overall funding position has improved since March 2010. Following the de-risking measures we have implemented over recent years, our pension funding position remains well placed and in line with our expectations. There has been no material change to the scheduled cash contributions as assessed at the previous valuations in 2010. The group has already completed early all scheduled deficit repair payments through to March 2015.

Further detail is provided in note 9 ("Retirement benefit (obligations)/surplus") of these condensed consolidated financial statements.

Underlying profit

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

Continuing operations

Operating profit	**Year ended 31 March 2014**	**Restated[1] Year ended 31 March 2013**
	£m	**£m**
Operating profit per published results	**636.9**	**601.6**
One-off items[2]	4.4	2.6
Underlying operating profit	**641.3**	**604.2**

Net finance expense		
	£m	**£m**
Finance expense	(99.2)	(292.1)
Investment income	7.0	2.3
Net finance expense per published results	**(92.2)**	**(289.8)**
Net fair value (gains)/losses on debt and derivative instruments	(129.2)	41.5
Adjustment for interest on swaps and debt under fair value option	8.1	8.3
Adjustment for net pension interest (income)/expense	(1.3)	1.5
Adjustment for capitalised borrowing costs	(19.4)	(14.3)
Adjustment for release of tax interest accrual	(13.3)	-
Adjustment for interest receivable on tax settlement	(4.5)	-
Underlying net finance expense	**(251.8)**	**(252.8)**

Profit before tax		
	£m	**£m**
Profit before tax per published results	**544.7**	**311.8**
One-off items[2]	4.4	2.6
Net fair value (gains)/losses on debt and derivative instruments	(129.2)	41.5
Adjustment for interest on swaps and debt under fair value option	8.1	8.3
Adjustment for net pension interest (income)/expense	(1.3)	1.5
Adjustment for capitalised borrowing costs	(19.4)	(14.3)
Adjustment for release of tax interest accrual	(13.3)	-
Adjustment for interest receivable on tax settlement	(4.5)	-
Underlying profit before tax	**389.5**	**351.4**

Profit after tax		
	£m	**£m**
Underlying profit before tax	**389.5**	**351.4**
Reported tax credit/(charge)	193.9	(24.0)
Deferred tax credit – change in tax rate	(156.8)	(53.0)
Agreement of prior years' UK tax matters	(154.3)	(0.7)
Tax in respect of adjustments to underlying profit before tax	32.6	(9.5)
Underlying profit after tax	**304.9**	**264.2**

Earnings per share		
	£m	**£m**
Profit after tax per published results (a)	738.6	287.8
Underlying profit after tax (b)	304.9	264.2
Weighted average number of shares in issue, in millions (c)	681.9m	681.9m
Earnings per share per published results, in pence (a/c)	108.3p	42.2p
Underlying earnings per share, in pence (b/c)	**44.7p**	**38.7p**

[1] In accordance with the revised accounting standard IAS 19 'Employee benefits' which applies retrospectively, 2012/13 has been restated
[2] Principally relates to restructuring costs within the business

Underlying operating profit reconciliation

The table below provides a reconciliation between group underlying operating profit and United Utilities Water PLC historical cost regulatory underlying operating profit (non-GAAP measures) as follows:

Continuing operations **Underlying operating profit**	**Year ended 31 March 2014 £m**	**Restated[1] Year ended 31 March 2013 £m**
Group underlying operating profit	**641.3**	**604.2**
Underlying operating profit not relating to United Utilities Water	(7.1)	(0.8)
Infrastructure renewals accounting	46.8	32.6
Other differences	2.1	1.9
United Utilities Water statutory underlying operating profit	**683.1**	**637.9**
Revenue recognition	(0.2)	1.7
Infrastructure renewals accounting	6.1	5.1
Non-appointed business	(7.4)	(6.2)
United Utilities Water regulatory underlying operating profit	**681.6**	**638.5**

[1] In accordance with the revised accounting standard IAS 19 'Employee benefits' which applies retrospectively, 2012/13 has been restated

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is managed through the individual responsibility of each business area, supported by our Corporate Risk Framework, which aims for continuous improvement. With an overarching mandate and commitment by the board, the framework consists of four key areas:

• Governance;
• Approach;
• Process; and
• Guidance.

The application of the framework involves the regular assessment of the internal and external risk environment by the business. We focus on the factors that could limit or prevent the achievement of our company objectives and involves the prioritised implementation of controls to mitigate exposure and build resilience and sustainability.

The most significant risks and the group's risk profile summary are reported to the executive and the board twice a year. This supports the determination of the nature and extent of those risks we are willing to take in pursuing our objectives in line with good corporate governance practice. In addition the audit committee regularly reviews the framework's effectiveness, and the group's compliance with it, reporting its findings to the board.

Key features and developments over the last year

Key features for 2013/14 relate to the ongoing dominance of regulatory risks and the uncertainty which these continue to pose.

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

- In 2009, United Utilities International Limited (UUIL) was served with notice of a 'class action' in Argentina. The action relates to allegations about a US$230 million bond relating to Inversora Electrica de Buenos Aires S.A. (IEBA) that UUIL had a 45 per cent shareholding in (but sold in 2005). IEBA owned an Argentine electricity distribution network. The amount of the claim remains unspecified and UUIL continues to defend the matter vigorously.

- In March 2010, Manchester Ship Canal Company (MSCC) issued proceedings against United Utilities Water PLC (UUW) alleging that UUW was trespassing as a result of it discharging into the canal. MSCC is seeking damages and other relief. UUW won a 'summary judgment' application regarding a significant element of the claim but an appeal of that judgment was considered by the Supreme Court at the beginning of May. We await the court's decision.

Also notable was the extent of mitigating activity across the business in response to the changing regulatory environment and our commitment to be a leading water and wastewater company and service provider. This included significant progress in customer satisfaction, operational service performance and environmental assessments carried out by the Environment Agency. In addition there was a step forward following activities tied to our ongoing commitment to a continuous and secure supply of water with a successful inspection of the largest aqueduct in Europe, detecting no urgent structural maintenance required. Ongoing business change and transformation programmes also featured heavily during the year in both the wholesale and business retail businesses preparing for the opening of the English market in 2017. This included the successful acquisition of customers in Scotland which provides not only a source of income for the group, but also a platform to learn and develop expertise. Ongoing innovative initiatives also played a key part in business transformation with a focus on reducing operating cost and the cost to serve.

Looking ahead

Following the price determination, we expect our risk profile to return to one based on operational performance, compliance and delivery risk. The ongoing development of the non-household market, including the extent of competitor activity and customer switching rates will continue to be a focus as will the uncertainty surrounding the form of upstream competition for water and sewerage services.

Determination of the principal risks

The five principal risks summarised below have been determined by considering our entire risk profile relative to the five principal risk categories contained within our Corporate Risk Framework (Strategic, Financial, Operational, Compliance and Hazard), drawing out key circumstances where there is a potential for material effect. In each case the summary illustrates a list of current issues and uncertainties along with the extent of control/mitigation.

1. The regulatory environment

Current issues or areas of uncertainty include:
i) The PR14 price determination will reflect a lower assumed weighted average cost of capital (WACC) and may reflect lower cost allowances than incorporated in our proposed business plan. Regulatory penalties relating to the current regulatory period are also possible
ii) Market reform (see 2 below)
iii) Compliance with regulations (see 4 below)

Potential impact
Our proposed business plans are subject to final determination from Ofwat which may reflect a different view of the appropriate scope and/or cost of delivering customer benefits. Longer term and less frequent changes to the mechanism may also cause increased costs of administration and also reduce income and margin. The water and wastewater sectors in England and Wales have benefitted from a stable and transparent regulatory regime based on a regulatory capital value. The evolution of regulation in the sector may involve incremental changes to this model, more variations in returns and, consequently, changes to the risk and return profile of companies operating in the sector.

Control mitigation
Our business plan has been prepared based on extensive research and consultation from a wide range of stakeholders including customers, environmental and quality regulators and others in order to ensure that it is both affordable and sustainable, meets statutory and legal obligations, strikes an appropriate balance between the needs of customers and the environment, whilst still being financeable by investors.

We engage in relevant government and regulatory consultations and initiatives which may affect the future strategic decisions made about policy and regulation in the sectors where we operate. In addition, we proactively consider all the opportunities and threats associated with any potential change, exploiting opportunities and mitigating risks where appropriate.

2. Competition in the market

Current issues or areas of uncertainty include:
i) Market reform including competition in the non-household retail sector
ii) Competitor positioning in the market
iii) Upstream reform
iv) Compliance with regulations (see 4 below)

Potential impact
The opening of the market for retail services to non-household customers in England generates both opportunities to gain market share and scale and risks of losing market share and margin erosion. Longer term, upstream competition has the potential to generate issues relating to underutilisation or stranding of assets, although there is much uncertainty surrounding the development of upstream competition.

Control mitigation
We look to retain existing and acquire new customers by striving to meet their needs more effectively. We monitor competitor activity and target a reduction in operating costs. We continue to engage with government and regulators on the shape of future competition and are actively engaged in the Open Water programme.

3. The economy

Current issues or areas of uncertainty include:
i) Stability of the world economy
ii) Speed of economic recovery
iii) Stability of financial institutions
iv) Socio-economic deprivation in the North West
v) Welfare Reform and the impact on domestic bad debt

Potential impact
Adverse market conditions can impact the group's profitability and financial condition in a number of ways. These range from price rises for goods and services affecting profit and cash flow to the availability and/or cost of funding and hedging. It may also lead to increased customer bad debt with the North West suffering a higher level of socio-economic deprivation than any other region of the UK. Differentials to predicted financial instrument yields can also affect the economic return on the RCV and on our pension schemes with a requirement for the group to make additional contributions. In extreme but remote cases adverse conditions can affect our debt obligations and credit rating and the ability of our financial counterparties to meet their debt obligations to us.

Control mitigation
Refinancing is long-term with staggered maturity dates to minimise the effect of short-term downturns. Counterparty credit, exposure and settlement limits exist to reduce any potential future impacts. These are based on a number of factors, including the credit rating and the size of the asset base of the individual counterparty. The group also employs hedging strategies to stabilise market fluctuation for inflation, interest rates and commodities (notably energy prices). Sensitivity analysis is carried out as part of the business planning process, influencing the various financial limits employed. Continuous monitoring of the markets takes place including equity movements.

Within our operations, contract and category management covers supplier price and price volatility of goods and services and the effect of the economy on our customers is monitored. We adopt best practice collection techniques including the segmentation of customers based on their credit risk profile.

4. Failure to comply with applicable law or regulations

Current issues or areas of uncertainty include:
i) Ongoing legal, economic, environmental and regulatory requirements associated with operating in a highly regulated business
ii) Market reform (see 2 above)
iii) Material litigation

Potential impact
In addition to general UK and international laws, our activities are subject to significant additional obligations. In the context of changes in the regulatory environment there is a risk that we fail to adopt policies/processes to ensure compliance with emerging requirements. It is also difficult to predict the impact of future changes to laws or regulations or the introduction of new law or regulations that affect us and, from time to time, interpretation of existing laws or regulations may also change or the approach to enforcement may become more rigorous. We could face a range of impacts from this. These include financial payments, penalties (of up to 10 per cent of relevant regulated turnover), the imposition of an enforcement order requiring additional capital /operating expenditure or compensation following litigation. It could also lead to high levels of scrutiny by regulators, enforcement agencies or authorities with associated increase in operational costs. In more extreme but remote circumstances, impacts could ultimately include licence revocation or the appointment of a special administrator.

Control mitigation
The group has robust processes in place to identify risks to its compliance with legal and regulatory obligations and seeks to take appropriate action to ensure compliance. This includes continually monitoring legislative and regulatory developments, the training of employees in new developments and the participation in consultations to influence their outcome, either directly or through industry trade associations for wider issues. Funding for any additional compliance costs in the regulated business is sought as part of the price determination process. The group also robustly defends litigation where appropriate and seeks to minimise its exposure by establishing provision and seeking recovery wherever possible.

5. Operational and Hazardous Events

Current issues or areas of uncertainty include:
i) Future abstraction licencing
ii) Supply demand balance in West Cumbria
iii) Weather conditions
iv) Population growth
v) Investment requirements in wastewater infrastructure
vi) Excavation, tunnelling and construction work

Potential impact
Caused by both internal and external factors, operational impacts can range from performance related issues, such as leakage or discharge consent breaches to service related issues such as operational /asset failures and the effect on quality, supply or flooding. In exceptional and extremely remote circumstances which may include human error or malicious intervention, the impact could be more significant ranging from environmental damage, economic and social disruption to loss of life.

Depending on the circumstances the company could be exposed to increased regulatory scrutiny, regulatory penalties and/or additional operating or capital expenditure. In the more extreme situations the group could also be fined for breaches of statutory obligations, be held liable to third parties and sustain reputational damage.

Control mitigation
Controls and mitigation relate to our core business processes, focusing on preventing negative impacts in order to support high levels of customer service and operation in a reasonable manner. Forecasting and monitoring is a fundamental element of our operational activity, with robust quality assurance procedures, risk assessments and rigorous sampling/testing regimes in place. Ongoing network maintenance and capital programmes aim to enhance standards and integration across the water and wastewater networks for both service and resilience. We also undertake major education programmes in both water usage and appropriate disposal into the sewer network in an attempt to minimise operational issues. In support of this, physical and technological security measures to protect the operational capability from malicious or accidental activity and governance and inspection regimes exist for key infrastructure assets (including

aqueducts, dams, reservoirs and treatment works). We have also developed a strong safety and health and environmental culture throughout the organisation supported by health and safety management (HSMS) and environmental management systems (EMS) which are certified to OHSAS18001 and ISO14001 respectively.

Recognising that events can materialise we operate long-standing responsive controls. These include well tested and appropriately resourced incident response, business continuity, disaster recovery and escalation procedures which continue to be refined. We also maintain insurance cover in relation to losses and liabilities likely to be associated with significant risks, although potential liabilities arising from catastrophic events could exceed the maximum level of cover that can be obtained cost-effectively. The licence of the regulated business also contains a ‘shipwreck’ clause that, if applicable, may offer a degree of recourse to Ofwat/customers (by way of an interim determination) in the event of a catastrophic incident.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This financial report contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this financial report and the company undertakes no obligation to update these forward-looking statements. Nothing in this financial report should be construed as a profit forecast.

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

Consolidated income statement

	Year ended 31 March 2014 £m	Restated* Year ended 31 March 2013 £m
Continuing operations		
Revenue	**1,704.5**	1,636.0
Employee benefits expense:		
- excluding restructuring costs	**(131.7)**	(130.4)
- restructuring costs	**(4.4)**	(2.6)
Total employee benefits expense	**(136.1)**	(133.0)
Other operating costs	**(430.7)**	(414.1)
Other income	**3.5**	3.1
Depreciation and amortisation expense	**(339.2)**	(329.2)
Infrastructure renewals expenditure	**(165.1)**	(161.2)
Total operating expenses	**(1,067.6)**	(1,034.4)
Operating profit	**636.9**	601.6
Investment income (note 3)	**7.0**	2.3
Finance expense (note 4)	**(99.2)**	(292.1)
Investment income and finance expense	**(92.2)**	(289.8)
Profit before taxation	**544.7**	311.8
Current taxation charge	**(76.7)**	(80.7)
Current taxation credit – adjustment in respect of prior years	**141.0**	6.5
Deferred taxation (charge)/credit	**(40.5)**	3.0
Deferred taxation credit/(charge) - adjustment in respect of prior years	**13.3**	(5.8)
Deferred taxation credit - change in taxation rate	**156.8**	53.0
Taxation (note 5)	**193.9**	(24.0)
Profit after taxation from continuing operations	**738.6**	287.8
Discontinued operations		
Profit after taxation from discontinued operations (note 6)	**0.8**	14.6
Profit after taxation	**739.4**	302.4
Earnings per share		
from continuing and discontinued operations (note 7)		
Basic	**108.4p**	44.3p
Diluted	**108.2p**	44.3p
Earnings per share		
from continuing operations (note 7)		
Basic	**108.3p**	42.2p
Diluted	**108.1p**	42.2p
Dividend per ordinary share (note 8)	**36.04p**	34.32p

* The comparatives have been restated to reflect the requirements of IAS 19 (Revised) ‘Employee Benefits’. See note 1 for details.

Consolidated statement of comprehensive income

	Year ended 31 March 2014 £m	Restated* Year ended 31 March 2013 £m
Profit after taxation	**739.4**	302.4
Other comprehensive income		
Remeasurement (losses)/gains on defined benefit pension schemes (note 9)	**(200.8)**	35.0
Taxation on items taken directly to equity (note 5)	**40.9**	(8.4)
Foreign exchange adjustments	**(1.2)**	0.6
Total comprehensive income	**578.3**	329.6

* The comparatives have been restated to reflect the requirements of IAS 19 (Revised) 'Employee Benefits'. See note 1 for details.

With the exception of foreign exchange adjustments, none of the items in the table above will be prospectively reclassified to profit or loss.

Consolidated statement of financial position

	31 March 2014 £m	31 March 2013 £m
ASSETS		
Non-current assets		
Property, plant and equipment	**9,361.7**	8,990.7
Goodwill	**4.9**	5.0
Other intangible assets	**115.2**	99.9
Investments	**6.9**	5.7
Trade and other receivables	**1.3**	2.2
Retirement benefit surplus (note 9)	-	15.1
Derivative financial instruments	**456.0**	659.2
	9,946.0	9,777.8
Current assets		
Inventories	**42.5**	39.6
Trade and other receivables	**335.5**	326.9
Cash and short-term deposits	**127.2**	201.7
Derivative financial instruments	**56.9**	62.0
	562.1	630.2
Total assets	**10,508.1**	10,408.0
LIABILITIES		
Non-current liabilities		
Trade and other payables	**(452.2)**	(419.8)
Borrowings	**(5,956.4)**	(6,007.4)
Retirement benefit obligations (note 9)	**(177.4)**	-
Deferred taxation liabilities	**(1,050.4)**	(1,219.0)
Provisions	**-**	(3.4)
Derivative financial instruments	**(52.3)**	(196.2)
	(7,688.7)	(7,845.8)
Current liabilities		
Trade and other payables	**(388.1)**	(440.1)
Borrowings	**(112.9)**	(166.1)
Current income taxation liabilities	**(35.4)**	(71.5)
Provisions	**(16.3)**	(8.8)
Derivative financial instruments	**(50.8)**	(3.8)
	(603.5)	(690.3)
Total liabilities	**(8,292.2)**	(8,536.1)
Total net assets	**2,215.9**	1,871.9
EQUITY		
Share capital	**499.8**	499.8
Share premium account	**2.9**	2.9
Revaluation reserve	**158.8**	158.8
Cumulative exchange reserve	**(5.6)**	(4.4)
Merger reserve	**329.7**	329.7
Retained earnings	**1,230.3**	885.1
Shareholders' equity	**2,215.9**	1,871.9

Consolidated statement of changes in equity

Year ended 31 March 2014

	Share capital	Share premium account	Revaluation reserve	Cumulative exchange reserve	Merger reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2013	499.8	2.9	158.8	(4.4)	329.7	885.1	1,871.9
Profit after taxation	-	-	-	-	-	739.4	739.4
Other comprehensive income							
Remeasurement losses on defined benefit pension schemes (note 9)	-	-	-	-	-	(200.8)	(200.8)
Taxation on items taken directly to equity (note 5)	-	-	-	-	-	40.9	40.9
Foreign exchange adjustments	-	-	-	(1.2)	-	-	(1.2)
Total comprehensive (expense)/income	-	-	-	(1.2)	-	579.5	578.3
Transactions with owners							
Dividends (note 8)	-	-	-	-	-	(237.9)	(237.9)
Equity-settled share-based payments	-	-	-	-	-	4.4	4.4
Exercise of share options – purchase of shares	-	-	-	-	-	(0.8)	(0.8)
At 31 March 2014	**499.8**	**2.9**	**158.8**	**(5.6)**	**329.7**	**1,230.3**	**2,215.9**

Year ended 31 March 2013 (Restated*)

	Share capital	Share premium account	Revaluation reserve	Cumulative exchange reserve	Merger reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2012	499.8	2.4	158.8	(5.0)	329.7	778.9	1,764.6
Profit after taxation	-	-	-	-	-	302.4	302.4
Other comprehensive income							
Remeasurement gains on defined benefit pension schemes (note 9)	-	-	-	-	-	35.0	35.0
Taxation on items taken directly to equity (note 5)	-	-	-	-	-	(8.4)	(8.4)
Foreign exchange adjustments	-	-	-	0.6	-	-	0.6
Total comprehensive income	-	-	-	0.6	-	329.0	329.6
Transactions with owners							
Dividends (note 8)	-	-	-	-	-	(223.5)	(223.5)
New share capital issued	-	0.5	-	-	-	-	0.5
Equity-settled share-based payments	-	-	-	-	-	1.7	1.7
Exercise of share options – purchase of shares	-	-	-	-	-	(1.0)	(1.0)
At 31 March 2013	**499.8**	**2.9**	**158.8**	**(4.4)**	**329.7**	**885.1**	**1,871.9**

* The comparatives have been restated to reflect the requirements of IAS 19 (Revised) ‘Employee Benefits’. See note 1 for details.

Consolidated statement of cash flows

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Operating activities		
Cash generated from continuing operations	**941.6**	852.2
Interest paid	**(169.1)**	(168.3)
Interest received and similar income	**2.7**	2.4
Tax paid	**(65.4)**	(55.2)
Tax received	**95.5**	-
Net cash generated from operating activities (continuing operations)	**805.3**	631.1
Net cash used in operating activities (discontinued operations)	**(0.8)**	(1.4)
Investing activities		
Purchase of property, plant and equipment	**(663.1)**	(625.6)
Purchase of other intangible assets	**(39.4)**	(35.3)
Proceeds from sale of property, plant and equipment	**2.8**	2.9
Grants and contributions received	**16.4**	16.3
Purchase of investments	**(1.9)**	(3.0)
Proceeds from sale of investments	**0.1**	0.9
Net cash used in investing activities (continuing operations)	**(685.1)**	(643.8)
Financing activities		
Proceeds from issue of ordinary shares	**-**	0.5
Proceeds from borrowings	**372.0**	147.9
Repayment of borrowings	**(344.8)**	(39.4)
Exercise of share options – purchase of shares	**(0.8)**	(1.0)
Dividends paid to equity holders of the company	**(237.9)**	(223.5)
Net cash used in financing activities (continuing operations)	**(211.5)**	(115.5)
Effects of exchange rate changes (continuing operations)	**(0.1)**	-
Net decrease in cash and cash equivalents (continuing operations)	**(91.4)**	(128.2)
Net decrease in cash and cash equivalents (discontinued operations)	**(0.8)**	(1.4)
Cash and cash equivalents at beginning of the year	**182.5**	312.1
Cash and cash equivalents at end of the year	**90.3**	182.5

Cash generated from continuing operations

	Year ended 31 March 2014 £m	Restated/ re-presented* Year ended 31 March 2013 £m
Operating profit	**636.9**	601.6
Adjustments for:		
Depreciation of property, plant and equipment	**314.4**	305.9
Amortisation of other intangible assets	**24.8**	23.3
Loss on disposal of property, plant and equipment	**6.4**	6.6
Loss on disposal of other intangible assets	**-**	3.2
Amortisation of deferred grants and contributions	**(7.4)**	(7.1)
Equity-settled share-based payments charge	**4.4**	1.7
Other non-cash movements	**(2.0)**	(1.9)
Changes in working capital:		
(Increase)/decrease in inventories	**(2.9)**	7.8
Increase in trade and other receivables	**(4.7)**	(26.5)
(Decrease)/increase in trade and other payables	**(25.4)**	9.3
Increase in provisions	**4.1**	1.9
Pension contributions paid less pension expense charged to operating profit	**(7.0)**	(73.6)
Cash generated from continuing operations	**941.6**	852.2

* The comparatives have been restated to reflect the requirements of IAS 19 (Revised) 'Employee Benefits'. See note 1 for details. The comparatives have also been re-presented to include increase in provisions of £1.9 million and pension contributions paid less pension expense charged to operating profit of £73.6 million as separate categories, rather than within decrease in provisions and retirement benefit obligations as previously presented.

NOTES

1. Basis of preparation and accounting policies

The condensed consolidated financial statements for the year ended 31 March 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The accounting policies, presentation and methods of computation have been prepared on a basis consistent with the United Utilities Group PLC audited financial statements for the year ended 31 March 2014, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), including International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The adoption of the following standards and interpretations, at 1 April 2013, has had no material impact on the group's financial statements.

IAS 19 (Revised) 'Employee Benefits'
The impact of the changes in this standard is to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit (obligations)/surplus. In addition, the standard clarifies that administration costs relating to the administration of benefits should be recognised as an employee benefits expense through the income statement, rather than as a deduction from the return on plan assets which was previously recognised through other comprehensive income. The standard's application is retrospective and hence requires the restatement of the year ended 31 March 2013.

The impact in the year ended 31 March 2014 has been an increase in employee benefit expense of £2.2 million (2013: £2.9 million), a decrease in finance expense of £nil (2013: £10.0 million) and an offsetting gain to remeasurement gains and losses within other comprehensive income of £2.2 million (2013: £7.1 million loss). These amendments have had no overall impact on the retirement benefit (obligations)/surplus in the statement of financial position.

The impact on taxation in the year ended 31 March 2014 has been a deferred taxation credit of £0.4 million (2013: £1.6 million charge) and an offsetting charge to other comprehensive income of £0.4 million (2013: £1.6 million credit).

IFRS 13 'Fair Value Measurement'
The standard provides guidance on the measurement of fair value where required by existing accounting standards. The application of the standard is prospective and, hence, impacts the year ended 31 March 2014 only. The impact in the year ended 31 March 2014 has been a £0.3 million credit to finance expense and a corresponding reduction in derivative liabilities, due to the inclusion of the group's own credit risk in measuring the fair value of its liabilities.

Amendments to IAS 1 'Presentation of items of Other Comprehensive Income'
The impact of the amendments is that items, which may be reclassified to profit and loss in the future, are presented separately in the statement of other comprehensive income from those that would never be reclassified to profit and loss.

The condensed consolidated financial statements do not include all of the information and disclosures required for full annual financial statements, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and should be read in conjunction with the group's annual report and financial statements for the year ended 31 March 2014.

The comparative figures for the year ended 31 March 2013 do not comprise the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern
The directors have a reasonable expectation that the group has adequate resources available to it to continue its operational existence for the foreseeable future and have therefore continued to adopt the going concern policy in preparing the financial statements. This conclusion is based upon, amongst other matters, a review of the group's financial projections together with a review of the cash and committed borrowing facilities available to the group as well as consideration of the group's capital adequacy. In addition, the directors also considered, amongst other matters, the primary legal duty of United Utilities Water PLC's economic regulator, to ensure that the companies can finance their functions.

2. Segment reporting

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

3. Investment income

	Year ended 31 March 2014 £m	**Year ended 31 March 2013 £m**
Continuing operations		
Interest receivable	**1.2**	2.3
Interest receivable on tax settlement	**4.5**	-
Net pension interest income (note 9)	**1.3**	-
	7.0	2.3

4. Finance expense

	Year ended 31 March 2014 £m	**Restated Year ended 31 March 2013 £m**
Continuing operations		
Interest payable	**(228.4)**	(249.1)
Net fair value gains/(losses) on debt and derivative instruments	**129.2**	(41.5)
	(99.2)	(290.6)
Net pension interest expense (note 9)	**-**	(1.5)
	(99.2)	(292.1)

The group has fixed interest costs for a substantial proportion of the group's net debt for the duration of the current regulatory pricing period. In addition, the group has hedged currency exposures for the term of each relevant debt instrument. The group has hedged its position through the use of interest rate and cross currency swap contracts where applicable.

The underlying net finance expense for the continuing group of £251.8 million (31 March 2013: £252.8 million) is derived as shown in the table below.

	Year ended 31 March 2014 £m	**Restated Year ended 31 March 2013 £m**
Continuing operations		
Finance expense	**(99.2)**	(292.1)
Investment income	**7.0**	2.3
Net fair value (gains)/losses on debt and derivative instruments	**(129.2)**	41.5
Interest on swaps and debt under fair value option	**8.1**	8.3
Adjustment for net pension interest (income)/expense (note 9)	**(1.3)**	1.5
Adjustment for capitalised borrowing costs	**(19.4)**	(14.3)
Adjustment for release of tax interest accrual	**(13.3)**	-
Adjustment for interest receivable on tax settlement	**(4.5)**	-
Underlying net finance expense	**(251.8)**	(252.8)

5. Taxation

Continuing operations	Year ended 31 March 2014 £m	Restated Year ended 31 March 2013 £m
Current taxation		
UK corporation taxation	**75.3**	79.4
Foreign taxation	**1.4**	1.3
Adjustments in respect of prior years	**(141.0)**	(6.5)
Total current taxation (credit)/charge for the year	**(64.3)**	74.2
Deferred taxation		
Current year	**40.5**	(3.0)
Adjustments in respect of prior years	**(13.3)**	5.8
	27.2	2.8
Change in taxation rate	**(156.8)**	(53.0)
Total deferred taxation credit for the year	**(129.6)**	(50.2)
Total taxation (credit)/charge for the year	**(193.9)**	24.0

The current taxation charge is £76.7 million for the year ended 31 March 2014 representing a current taxation effective rate of 14 per cent compared with 26 per cent for the year ended 31 March 2013. The reduction is principally due to fair value movements, which give rise to a corresponding current year deferred taxation charge. In addition, there is a current taxation credit of £141.0 million, and an associated deferred taxation credit of £13.3 million relating to recently agreed matters in relation to prior years.

The deferred taxation credits for the years ended 31 March 2014 and 31 March 2013 include a credit of £156.8 million and £53.0 million respectively to reflect the staged reductions in the mainstream rate of corporation tax from 24 per cent in the year ended 31 March 2013 to 20 per cent, effective from 1 April 2015.

Taxation on items taken directly to equity

The taxation (credit)/charge relating to items taken directly to equity is as follows:

Continuing operations	Year ended 31 March 2014 £m	Restated Year ended 31 March 2013 £m
Current taxation		
Relating to other pension movements	**(1.9)**	(15.6)
Deferred taxation		
On remeasurement (losses)/gains on defined benefit pension schemes	**(40.2)**	8.1
Relating to other pension movements	**1.7**	15.0
Change in taxation rate	**(0.5)**	0.9
	(39.0)	24.0
Total taxation (credit)/charge on items taken directly to equity	**(40.9)**	8.4

6. Discontinued operations

Discontinued operations represent the retained obligations of businesses sold in prior years. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the post-tax results of discontinued operations are disclosed separately in the consolidated income statement and consolidated statement of cash flows.

The profit after taxation from discontinued operations is analysed as follows:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Transaction and other costs of disposal	**0.8**	14.6
Profit after taxation from discontinued operations	**0.8**	14.6

During the year ended 31 March 2014, the profit after taxation from discontinued operations of £0.8 million (2013: £14.6 million) relating primarily to the release of accrued costs of disposal in respect of certain elements of the group's non-regulated disposal programme.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit after taxation by the following weighted average number of shares in issue:

	Basic million	Diluted million
Year ended 31 March 2014	**681.9**	**683.2**
Year ended 31 March 2013	681.9	682.8

The difference between the weighted average number of shares used in the basic and diluted earnings per share calculations arises due to the group's operation of share-based payment compensation arrangements. The difference represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings per Share'.

The basic and diluted earnings per share for the current and prior years are as follows:

	Year ended 31 March 2014	Restated Year ended 31 March 2013
From continuing and discontinued operations		
Basic	**108.4p**	44.3p
Diluted	**108.2p**	44.3p
From continuing operations		
Basic	**108.3p**	42.2p
Diluted	**108.1p**	42.2p

8. Dividends

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Dividends relating to the year comprise:		
Interim dividend	**81.9**	78.0
Final dividend	**163.9**	156.0
	245.8	234.0

8. Dividends (continued)

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Dividends deducted from shareholders' equity comprise:		
Interim dividend	**81.9**	78.0
Final dividend	**156.0**	145.5
	237.9	223.5

The proposed final dividends for the years ended 31 March 2014 and 31 March 2013 were subject to approval by equity holders of United Utilities Group PLC and hence have not been included as liabilities in the consolidated financial statements at 31 March 2014 and 31 March 2013 respectively.

The final dividend of 24.03 pence per ordinary share (2013: final dividend of 22.88 pence per ordinary share) is expected to be paid on 1 August 2014 to shareholders on the register at the close of business on 20 June 2014. The ex-dividend date for the final dividend is 18 June 2014.

The interim dividend of 12.01 pence per ordinary share (2013: interim dividend of 11.44 pence per ordinary share) was paid on 3 February 2014 to shareholders on the register as at the close of business on 20 December 2013.

9. Retirement benefit (obligations)/surplus

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

	Year ended 31 March 2014 %pa	Year ended 31 March 2013 %pa
Discount rate	**4.3**	4.6
Pensionable salary growth and pension increases	**3.3**	3.3
Price inflation	**3.3**	3.3

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

	Year ended 31 March 2014 £m	Restated Year ended 31 March 2013 £m
Continuing operations		
Current service cost	**(17.2)**	(15.9)
Curtailments/settlements arising on reorganisation	**(1.7)**	(0.6)
Administrative expenses	**(2.2)**	(2.9)
Pension expense charged to operating profit	**(21.1)**	(19.4)
Net pension interest income (note 3)/(expense) (note 4)	**1.3**	(1.5)
Net pension expense charged before taxation	**(19.8)**	(20.9)

9. Retirement benefit (obligations)/surplus (continued)

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

	Year ended 31 March 2014 £m	**Restated Year ended 31 March 2013 £m**
At the start of the year	**15.1**	(92.0)
Expense recognised in the income statement	**(19.8)**	(20.9)
Contributions paid	**28.1**	93.0
Remeasurement (losses)/gains gross of taxation	**(200.8)**	35.0
At the end of the year	**(177.4)**	15.1

Under the prescribed IAS19 basis, pension scheme liabilities are calculated based on current accrued benefits. Expected cash flows are projected forward allowing for RPI and the current member mortality assumptions. These projected cash flows are then discounted by an AA corporate bond rate, which comprises an underlying interest rate and a credit spread.

The group has de-risked its pension schemes through hedging strategies applied to the underlying interest rate and the forecast RPI. The underlying interest rate has been largely hedged through external market swaps, the value of which is included in the schemes' assets, and the forecast RPI has been largely hedged through the Inflation Funding Mechanism (IFM), with RPI in excess of 3.0% p.a. being funded through an additional schedule of deficit contribution.

As a consequence, the reported statement of financial position under IAS19 remains volatile to changes in credit spread which have not been hedged, primarily due to the difficulties in doing so over long durations; changes in inflation, as the IFM results in changes to the IFM deficit contributions rather than a change in the schemes' assets; and, to a lesser extent, changes in mortality as management has decided not to hedge this exposure due to its lower volatility in the short-term.

In contrast, the schemes' specific funding basis, which forms the basis for regular (non-IFM) deficit repair contributions, is unlikely to suffer from volatility due to credit spread or inflation. This is because a prudent, fixed credit spread assumption is applied, and inflation linked contributions are included within the IFM.

In the IAS19 assessment of financial position at 31 March 2014, although the discount rate has fallen by 0.3% this masks a rise in underlying interest rates offset by a credit spread reduction of 0.5%. This credit spread reduction results in substantially all of the reported £192.5 million deterioration. During the year ended 31 March 2014, there has not been any material change in the deficits on a scheme specific funding basis and therefore the level of deficit repair contributions.

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

	31 March 2014 £m	**31 March 2013 £m**
Present value of defined benefit obligations	**(2,554.4)**	(2,426.9)
Fair value of schemes' assets	**2,377.0**	2,442.0
Net retirement benefit (obligations)/surplus	**(177.4)**	15.1

10. Related party transactions

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

The following transactions were carried out with the group's joint ventures and other investments:

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Sales of services	**1.6**	1.3
Purchases of goods and services	**0.8**	0.7

Amounts owed by the group's joint ventures and other investments are as follows:

	31 March 2014 £m	31 March 2013 £m
Amounts owed by related parties	**1.4**	1.0

Sales of services to related parties were on the group's normal trading terms.

The amounts outstanding are unsecured and will be settled in accordance with normal credit terms. The group has issued guarantees of £5.2 million (2013: £5.2 million) in support of its joint ventures.

No provision has been made for doubtful receivables in respect of the amounts owed by related parties (2013: £nil).

11. Contingent liabilities

The group has entered into performance guarantees as at 31 March 2014 where a financial limit has been specified of £47.1 million (2013: £72.1 million).

12. Changes in circumstances significantly affecting the fair value of financial assets and financial liabilities

From 1 April 2013 to 31 March 2014 market interest rates have increased, and sterling has strengthened against the US dollar, which has decreased the fair value of the group's borrowings and derivative assets.

The group's borrowings have a carrying amount of £6,069.3 million (31 March 2013: £6,173.5 million). The fair value of these borrowings is £6,336.4 million (2013: £6,470.0 million). The group's derivatives measured at fair value are a net asset of £409.8 million (2013: £521.2 million).

13. Events after the reporting period

There are no events arising after the reporting date that require recognition or disclosure in the financial statements for the year ended 31 March 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility statement below has been prepared in connection with the company's full annual report for the year ended 31 March 2014. Certain parts thereof are not included within this announcement.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the directors consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

Dr John McAdam	
Steve Mogford	
Dr Catherine Bell CB	
Mark Clare	(appointed 1 November 2013)
Russ Houlden	
Brian May	
Nick Salmon	
Sara Weller	

This responsibility statement was approved by the board on 21 May 2014 and signed on its behalf by:

………………………..	……………………….
Steve Mogford	Russ Houlden
Chief Executive Officer	Chief Financial Officer