

# **United Utilities Water Finance PLC**

## **Report and Financial Statements**

31 March 2021

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## **Directors, advisers and other information**

### **Directors**

PA Aspin  
SR Gardiner  
BF Murphy

### **Secretary**

UU Secretariat Limited

### **Auditor**

KPMG LLP  
St Peter's Square  
Manchester  
M2 3AE

### **Registered office**

Haweswater House  
Lingley Mere Business Park  
Lingley Green Avenue  
Great Sankey  
Warrington  
WA5 3LP

## Strategic report

### Business review

The company is a wholly owned subsidiary of United Utilities Water Limited.

### Principal activity and review of business

The principal activity of the company is the provision of long term finance for its immediate parent, United Utilities Water Limited (“UUW”). During the year the company continued to raise long term finance and in turn on-lent such finance to its immediate parent through back-to-back financing agreements. A management fee of £50,000 (2020: £50,000) has been charged in relation to the services provided.

The directors do not believe that further key performance indicators for the company are necessary to enhance the understanding of the development, performance or position of the business. The performance of this business is consolidated together with that of its parent and discussed in the annual report and financial statements of UUW.

### Principal risks and uncertainties

The United Utilities group manages its treasury operations centrally. Financial risk management and the implementation of associated hedging is carried out by the United Utilities Group PLC’s (UUG) treasury department. The group’s treasury management policies and operations are discussed in UUG’s annual report and financial statements.

The company raises debt finance for its immediate parent, UUW. Amounts raised are passed on to UUW on identical terms. UUW guarantees the company’s obligations under these arrangements. The principal risk of these arrangements is that UUW is unable to meet its obligations to the company.

Neither the activities of the company, nor those of its immediate parent, on whose behalf the company raises financing and which guarantees the borrowings of the company, have been materially impacted by the COVID-19 pandemic during the year.

### Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) of s172 Companies Act 2006, in the decisions taken during the year ended 31 March 2021. The company’s principal activity is that of a financing company. It does not have employees, business relationships with suppliers, customers or others and its operations do not impact on the community or the environment. Through their actions the directors operate the company in a manner consistent with the United Utilities group’s high standards of business conduct. The company’s ultimate holding company is United Utilities Group PLC, a copy of whose s172(1) Statement can be found in its 2021 annual report and financial statements. This sets out how the group’s decisions and policies affect employees, customers and other stakeholders, suppliers and the impact of the group’s operations on the community and the environment.

The Strategic report was approved by the board on 29 June 2021 and signed on its behalf by:

PA Aspin  
Director

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2021.

### Results and dividends

The company recorded a profit for the year of £42,000 (2020: £43,000). The directors have not recommended a final ordinary dividend for the year ended 31 March 2021 (2020: £nil).

### Going concern

The directors' considerations in preparing these financial statements on a going concern basis are set out in note 1.

### Directors

The directors who held office during the year and to date are given below:

PA Aspin  
SR Gardiner  
BF Murphy

During the year, directors' and officers' liability insurance was in force.

### Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
2. he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

### Auditor

The board has decided to recommend KPMG LLP to be reappointed as external auditor to the company at the forthcoming AGM and an authority for the directors to set the remuneration of the auditor will also be sought.

Approved by the board and signed on its behalf by:

PA Aspin  
Director  
29 June 2021

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

### **Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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; and
- the strategic and directors' reports include 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.

Signed on behalf of the board:

PA Aspin  
Director  
29 June 2021

## Independent auditor’s report

to the members of United Utilities Water Finance PLC

### 1. Our opinion is unmodified

We have audited the financial statements of United Utilities Water Finance PLC (“the Company”) for the year ended 31 March 2021 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company’s affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 22 July 2011. The period of total uninterrupted engagement is for the ten financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

### 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

<p><b>Carrying value of borrowings</b></p> <p>Carrying value of £3,024.1 million (2020: £2,155.3 million)</p> <p><i>Refer to page 15 (accounting policy), and pages 17 to 18 (financial disclosures).</i></p>	
<p><b>The Risk</b></p> <p><b>Appropriate input:</b></p> <p>The company has significant borrowings held at amortised cost. Due to the significance of these balances, there is a risk that the related financial liabilities are misstated.</p>	<p><b>Our Response</b></p> <p><b>Our procedures included:</b></p> <p><b>Control observation</b> - assessing controls over the identification, measurement and management of borrowings;</p> <p><b>Tests of details</b> – testing a sample of borrowings to source documentation.</p>

## Independent auditor's report

to the members of United Utilities Water Finance PLC

	<p><b>Reperformance</b> – independently reperforming calculations of carrying value and comparing to the client's result; and</p> <p><b>Assessing transparency</b> - considering the adequacy of the company's disclosures;</p> <p><b>Our results:</b></p> <p>The results of our testing were satisfactory and we found the carrying value of borrowings to be acceptable (2020: acceptable).</p>
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### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £8.0 million (2020: £8.0 million), determined with reference to a benchmark of total assets of £3,042 million (2020: £2,155.3 million), of which it represents 0.26% (2020: 0.37%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4 million (2020: £0.4 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

### 4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.



## **Independent auditor's report**

### **to the members of United Utilities Water Finance PLC**

#### **5. Fraud and breaches of laws and regulations – ability to detect**

##### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the company’s high level policies and procedures to prevent and detect fraud, including the internal audit function, and the company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes and audit committee/risk committee minutes relating to the ultimate parent, United Utilities Group PLC.
- Considering remuneration incentive schemes and performance targets for directors including Long Term Plan awards.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls and the risk that management may be in a position to make inappropriate accounting entries.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation.

##### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the financial nature of the company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## **Independent auditor's report**

### **to the members of United Utilities Water Finance PLC**

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **6. We have nothing to report on the strategic report and the directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **7. We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### **8. Respective responsibilities**

##### *Directors' responsibilities*

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report**

### **to the members of United Utilities Water Finance PLC**

#### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **9. The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ian Griffiths (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants ·  
1 St Peter's Square, Manchester, M2 3AE.  
29 June 2021

**Income statement**  
for the years ended 31 March

	Note	2021 £000	2020 £000
Operating income		50	50
<b>Operating profit</b>	2	50	50
Investment income	3	14,019	59,336
Finance expense	4	(14,017)	(59,333)
<b>Investment income and finance expense</b>		2	3
<b>Profit before tax</b>		52	53
Tax	5	(10)	(10)
<b>Profit after tax</b>		42	43

All of the results shown above relate to continuing operations.

The company had no comprehensive income in the current year or prior year other than the profit above. Accordingly, a separate statement of other comprehensive income has not been prepared.

## Statement of financial position

at 31 March

	Note	2021 £000	2020 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Trade and other receivables	6	3,024,102	2,155,290
<b>Current assets</b>			
Trade and other receivables	6	18,276	12,343
<b>Total assets</b>		<u>3,042,378</u>	<u>2,167,633</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	8	(3,024,102)	(2,155,290)
<b>Current liabilities</b>			
Trade and other payables	7	(17,976)	(12,085)
<b>Total liabilities</b>		<u>(3,042,078)</u>	<u>(2,167,375)</u>
<b>Total net assets</b>		<u>300</u>	<u>258</u>
<b>Capital and reserves attributable to equity holders of the company</b>			
Called up share capital	9	50	50
Profit and loss account		250	208
<b>Shareholders' funds</b>		<u>300</u>	<u>258</u>

The financial statements of United Utilities Water Finance PLC, registered number 9227416, were approved by the board of directors and authorised for issue on 29 June 2021. They were signed on its behalf by:

PA Aspin  
Director

## Statement of changes in equity

for the years ended 31 March

	Share capital £000	Profit and loss account £000	Total £000
At 1 April 2019	50	165	215
Profit after tax	-	43	43
At 31 March 2020	<u>50</u>	<u>208</u>	<u>258</u>
Profit after tax	-	42	42
At 31 March 2021	<u>50</u>	<u>250</u>	<u>300</u>

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and applicable company law.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) and so the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. As such the recognition and measurement requirements of IFRS as adopted in the United Kingdom have been applied, with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 accounts.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to cash flow statements and related party transactions.

Where required, equivalent disclosures are given in the group accounts of UUG. The group accounts of UUG are available to the public and can be obtained as set out in note 13.

The financial statements have been prepared in sterling and rounded to the nearest thousand unless otherwise stated.

#### **Going concern**

In preparing these financial statements on the going concern basis, the directors have considered the company's net assets position. The net assets are deemed to be fully recoverable. In addition, United Utilities Water Limited ("U UW") acts as guarantor in relation to the company's borrowings, which are long term in nature. The directors of United Utilities Water Finance PLC ("U UWF") are also senior leaders within U UW and the wider United Utilities group, two as officers and one as Treasurer. They are therefore in a position to form a reasonable expectation that U UW has adequate resources to guarantee U UWF's borrowings for a period of at least 12 months from the date of the approval of the financial statements, and that there are no material uncertainties to disclose.

They are satisfied that U UW will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the U UW and U UWF financial statements, which are approved concurrently, and that the severe but reasonable downside scenarios considered indicate that U UW will be able to operate within the amounts and terms (including compliance by U UW with the covenants on its EIB debt) of existing facilities.

For these reasons, the directors have concluded that the going concern basis on which U UWF's financial statements are prepared continues to be appropriate.

#### **Investment income**

Interest income is recognised in the profit and loss account in the period in which it is accrued.

#### **Finance expense**

Finance expense is recognised in the profit and loss account in the period in which it is accrued.

#### **Current tax**

Current tax, being UK corporation tax, is based on the taxable profit for the period and is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

#### **Financial instruments**

Financial assets and financial liabilities are recognised and derecognised on the company's statement of financial position on the trade date when the company becomes/ceases to be a party to the contractual provisions of the instrument.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments, and that are not quoted in an active market are classified as loans and receivables. Such assets are measured at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method less any impairment.

#### Borrowings

Bonds and loans are initially measured at fair value being the cash proceeds received net of any direct issue costs. They are subsequently measured at amortised cost applying the effective interest method. The difference between the net cash proceeds received at inception and the principal cash flows due at maturity is accrued over the term of the borrowing.

#### Foreign exchange

Foreign currency transactions arising during the period are translated into sterling at the rate of exchange ruling on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange applicable at that date. All profits and losses on translation arising during the period are included in the net profit and loss for the period.

### 2. Operating profit

A management fee of £50,000 (2020: £50,000) has been charged in relation to services provided to U UW during the year.

The company has no employees during the year other than the directors. The directors' emoluments are borne by other group companies and are not specifically recharged. The value of qualifying services rendered to the company by the directors is instead included in the value of the management fee. The directors' allocation of remuneration to this company is immaterial.

The auditor's remuneration for the statutory audit of the company was borne by another group undertaking in the current year. The amount attributable but not recharged to United Utilities Water Finance PLC was £34,000 (2020: £24,000). There were no non-audit services provided by the auditor to the company (2020: none).

### 3. Investment income

	2021 £000	2020 £000
Interest and charges receivable relating to amounts owed by immediate parent undertaking	48,747	40,261
Foreign exchange (losses)/gains on loans receivable from immediate parent undertaking	(34,728)	19,075
	<u>14,019</u>	<u>59,336</u>

Included in 'Interest receivable on amounts owed by immediate parent undertaking' for the year ended 31 March 2021 is £2,000 (2020: £3,000) of interest receivable on intercompany cash pool balances.

### 4. Finance expense

	2021 £000	2020 £000
Interest payable on borrowings held at amortised cost	48,745	40,258
Foreign exchange (gains)/losses on borrowings held at amortised cost	(34,728)	19,075
Bank charges	-	-
	<u>14,017</u>	<u>59,333</u>



## Notes to the financial statements

### 5. Tax

*(a) Analysis of the tax charge for the year*

	2021 £000	2020 £000
<b>Current tax:</b>		
Total current tax charge: group relief payable	10	10

*(b) Factors affecting the current tax charge for the year*

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £000	2020 £000
Profit before tax	52	53
Tax at the UK corporation tax rate of 19%	10	10
Actual current tax charge	10	10

### 6. Trade and other receivables

	2021 £000	2020 £000
Amounts owed by immediate parent undertaking:		
Loans	3,024,102	2,155,290
Interest receivable	17,917	12,034
Other	359	309
	3,042,378	2,167,633

At 31 March 2021 the company had £18,276,000 (2020: £12,343,000) of trade and other receivables classified as current.

The amounts owed by immediate parent undertaking are classified as loans and receivables and are on identical terms to the external borrowings raised by the company (see note 8). The fair value of these instruments was £3,134,650,000 as at 31 March 2021 (2020: £2,135,694,000).

### 7. Trade and other payables

	2021 £000	2020 £000
Accruals – interest payable on borrowings	17,916	12,034
Amounts owed to intermediate parent undertakings – group relief payable	60	51
	17,976	12,085

## Notes to the financial statements

### 8. Borrowings

The principal economic terms and conditions of outstanding borrowings, along with fair value and carrying value, were as follows:

	Currency	Year of final repayment	Fair value £000	2021 Carrying value £000	Fair value £000	2020 Carrying value £000
<b>Borrowings measured at amortised cost</b>						
0.013%+RPI 25m IL bond	GBP	2025	30,729	28,722	29,070	28,331
2.0% 450m bond	GBP	2025	470,592	447,566	451,795	446,957
2.867% 320m bond	HKD	2026	31,746	29,818	33,444	33,227
2.92% 739m bond	HKD	2026	73,248	68,862	77,205	76,734
1.129% 52m bond	EUR	2027	46,878	44,258	44,157	46,055
2.37% 830m bond	HKD	2027	79,625	77,339	82,742	86,183
0.01%+RPI 20m IL bond	GBP	2028	25,025	23,741	23,136	23,627
0.875% 300m bond	GBP	2029	284,838	296,953	-	-
2.058% 30m bond	EUR	2030	28,885	25,532	26,781	26,568
0.178%+RPI 35m IL bond	GBP	2030	46,090	40,194	42,227	39,647
2.625% 350m bond	GBP	2031	460,824	437,106	366,399	355,085
1.641% 30m bond	EUR	2031	28,005	25,533	25,730	26,569
2.9% 600m bond	HKD	2031	60,410	55,907	62,165	62,301
1.474% 35m bond	USD	2031	23,489	25,356	-	-
0.245%+CPI 20m IL bond	GBP	2031	23,967	21,516	20,688	21,355
0.01%+RPI 38m IL bond	GBP	2031	48,569	44,550	43,763	44,198
1.707% 28m bond	EUR	2032	26,125	23,830	23,813	24,797
1.653% 26m bond	EUR	2032	24,045	22,128	21,876	23,026
1.70% 30m bond	EUR	2033	27,839	25,532	25,298	26,569
2.0% 300m bond	GBP	2033	363,175	349,662	308,410	296,703
0.01%+RPI 26.5m IL bond	GBP	2036	35,734	32,969	30,280	32,796
0.379%+CPI 20m IL bond	GBP	2036	25,619	21,498	20,119	21,336
0.01%+RPI 29m IL bond	GBP	2036	38,924	34,190	32,362	33,881
0.093%+CPI 60m IL bond	GBP	2037	73,731	64,117	57,277	63,629
1.75% 250m bond	GBP	2038	224,789	248,060	232,121	247,955
0.01%+CPI 125m IL bond	GBP	2040	144,466	145,618	-	-
1.875% 300m bond	GBP	2042	287,701	295,274	-	-
0.359%+CPI 32m IL bond	GBP	2048	41,015	33,775	28,159	33,528
0.387%+CPI 33m IL bond	GBP	2057	44,388	34,496	26,677	34,233
			3,120,461	3,024,102	2,135,694	2,155,290

#### Index-linked debt:

- IL Index-linked debt – this debt is adjusted for movements in the Consumer or Retail Prices Indices with reference to a base CPI or RPI established at trade date
- CPI The UK general index of consumer prices (for all items) as published by the Office of National Statistics (May 2015=100)
- RPI The UK general index of retail prices (for all items) as published by the Office of National Statistics (Jan 1987=100)

Each of these borrowings are unconditionally and irrevocably guaranteed by U UW under the United Utilities PLC and United Utilities Water Finance PLC multi-issuer EUR 7 billion Euro Medium Term Note Programme. Amounts raised have been loaned to U UW on identical terms to the borrowings detailed in the table above (see note 6). Borrowings are unsecured.

## Notes to the financial statements

### 8. Borrowings (continued)

During the year, the group issued a further £75 million fixed rate notes as a fungible increase to the £350 million fixed rate notes issued in prior years. These notes were issued under the same terms with year of final repayment being 2031 and coupon rate of 2.625 per cent. The group issued a further £50 million fixed rate notes as a fungible increase to the £300 million fixed rate notes issued in the prior year. These notes were issued under the same terms with year of final repayment being 2033 and coupon rate of 2.0 per cent.

The fair values disclosed are classified under the IFRS 13 hierarchy, with £2,646,395,000 (2020: £1,068,249,000) of level 1 fair value measurements, being derived from quoted prices in active markets for identical liabilities and £488,254,000 (2020: £1,067,445,000) of level 2 fair value measurements, being derived from inputs other than quoted prices that are observable for the liability, either directly or indirectly.

### 9. Called up share capital

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
50,000 ordinary shares of £1.00 each	50	50

### 10. Financial risk management

The company is a financing subsidiary of U UW and its principal activity is raising listed debt on behalf of U UW, its immediate parent. All external borrowings are guaranteed by U UW and are on-lent to U UW on identical terms through intercompany loans.

The company's financial risks are not managed separately as they are integrated with the financial risks of the UUG group. The UUG group's financial risks, treasury management policies and operations are disclosed in UUG's annual report and financial statements.

#### *Credit risk:*

The company is exposed to credit risk on the debtor balances receivable from the immediate parent undertaking, U UW. At 31 March 2021, the maximum exposure to credit risk represent amounts owed by immediate parent undertaking of £3,042,378,000 (2020: £2,167,633,000). These balances are neither past due nor impaired.

#### *Liquidity risk:*

Principal and interest amounts due on external borrowings are matched by principal and interest amounts receivable from U UW, therefore the principal risk of the company's arrangements is that U UW is unable to meet its obligations to the company.

#### *Market risk:*

The company does not consider it is exposed to any significant concentrations of market risk. As the company on-lends all external borrowings to its immediate parent company on identical terms, any market risk exposure (foreign exchange, interest rate or inflation) on external borrowings is offset by an equal and opposite exposure on the company's loans receivable from its parent.

As such, movements in inflation, interest rates or movements in foreign currency rates will have no net impact on profit before taxation or equity, other than as stated below.

In addition to the borrowings loaned to its parent, the company has a short-term balance receivable from its parent on which interest accrues. A one per cent increase/decrease in interest rates would result in a £4,000 (2020: £3,000) increase/decrease in profit before taxation and equity. This is based on the position at the reporting date and is not indicative of the years then ended.

## Notes to the financial statements

### 11. Related party transactions

There have been no transactions with the directors of the company during the year.

In accordance with the exemption allowed under FRS 101, no disclosure is made of transactions with other wholly owned member companies which are consolidated into the UUG group.

### 12. Events after the reporting period

There were no material events after the reporting period to disclose.

### 13. Ultimate parent undertaking

The company's immediate parent undertaking is United Utilities Water Limited, a company incorporated and registered in England and Wales.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is United Utilities Group PLC, a company incorporated and registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by United Utilities Water Limited. The consolidated accounts of this group are available to the public and may be obtained from: The Company Secretary, United Utilities Water Limited, Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.

The largest group in which the results of the company are consolidated is that headed by United Utilities Group PLC. The consolidated accounts of this group are available to the public and may be obtained from: The Company Secretary, United Utilities Group PLC, Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP.