

3 June 2008

**STRONG OPERATIONAL AND FINANCIAL PERFORMANCE
CAPITAL PROGRAMME ON TRACK**

Preliminary results¹ for the year ended 31 March 2008

£m (except dividends)	Year ended		% Change
	31 March 2008	31 March 2007	
Operating profit from continuing operations	663.2	642.1	+3%
Underlying operating profit from continuing operations ²	677.2	630.6	+7%
Profit before tax from continuing operations	478.3	502.3	-5%
Underlying profit before tax from continuing operations ²	475.6	407.5	+17%
Total dividends per ordinary share (pence)	46.67	44.93	+3.9%

Basic earnings per share (pence)	Year ended	
	31 March 2008	31 March 2007
Continuing operations	47.3	40.9
Continuing and discontinued operations	103.3	49.4

¹ Contribution from United Utilities Electricity, facilities management operations, industrial liquid waste operations and telecoms and the profits or losses on disposal of each of these operations are treated as discontinued operations in these results. Results from continuing operations for the year ended 31 March 2007 have therefore been re-presented

² Underlying operating profit from continuing operations and underlying profit before tax from continuing operations are defined in the underlying profit measure table on page 14

- Underlying operating profit² up 7% to £677 million
- Completed sale of United Utilities Electricity for a substantial premium to its regulatory asset value
- Proposed £1.5 billion return of value to shareholders scheduled for August
- Capital expenditure in regulated activities up 45% to £826 million and in line with regulatory assumptions
- Focus on core skills delivers operational improvements: outperformed tougher leakage target
- Enhanced liquidity: pre-funded for capital investment programmes through to 2010
- Extended major outsourcing contracts with Southern Water and British Gas Trading

Commenting, Philip Green, Chief Executive, said:

“We have had a successful year. We sold United Utilities Electricity for a substantial premium to its regulatory asset value, addressed the portfolio and capital structure of the group and announced a new dividend policy. We remain on course to return £1.5 billion to shareholders and I am pleased to report another good set of financial results.

“We are on track to deliver our regulatory capital programme and have spent £826 million on our infrastructure during the year. Our focus on improving operational performance is delivering results. We have improved the level of customer service we are providing and for the second year running have achieved Ofwat’s leakage target.

“We are confident of delivering a strong financial performance over the remainder of this regulatory period and continued investment in our assets will help to raise environmental standards further and improve the service we offer to customers.”

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A presentation to investors and analysts starts at 9.00 am on Tuesday 3 June 2008, at the Auditorium, Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB. The presentation can be accessed via a one-way listen in conference call facility by dialling: +44 (0) 20 7162 0025. A recording of the call will be available for seven days following 3 June 2008 on +44 (0) 20 7031 4064, access code 795933.

The presentation, with further information on United Utilities, will be available at 9.00 am on the day at: <http://www.unitedutilities.com>.

CHIEF EXECUTIVE'S REVIEW

Financial performance

United Utilities has delivered a good financial performance in the year ended 31 March 2008. Underlying profit before tax² increased by 17% to £476 million and underlying operating profit² was up by 7% to £677 million.

The group is pre-funded for its capital investment programme through to 2010. We recently improved our liquidity position by enhancing our committed medium-term bank facilities. This provides us with increased flexibility in terms of when and how we raise further debt finance.

Our regulated activities have delivered strong growth in the period with operating profit up 5%, an increase of 8% on an underlying basis². This growth primarily reflects the regulated price increase which supports high levels of essential investment in our infrastructure. This investment enables us to deliver better service for customers and make environmental improvements.

Capital investment in our regulated water and wastewater operations, including infrastructure renewals expenditure, amounted to £826 million during the year. This is 45% higher than last year as we are now in the peak phase of our current capital expenditure programme. We have agreed a new strategy with Ofwat for processing and disposing of sewage sludge, based on increasing capacity at an existing site rather than developing a new site. Our capital investment programme has been re-profiled to reflect this agreement and we are now broadly in line with regulatory assumptions. This new strategy will reduce our carbon footprint compared with the original solution.

Our business improvement initiatives are delivering cost savings and we remain confident of delivering our regulatory outputs and meeting our efficiency targets across this price review period.

In our non-regulated activities, underlying operating profit² was slightly higher than the prior year reflecting the first time inclusion of the results of the outsourcing contract with Electricity North West. We have a strong order book worth over £6 billion in revenue and we were pleased to announce recently that we have extended the contract with Southern Water through to March 2015. In January we also agreed an 18 month extension to our metering contract with British Gas Trading to June 2010. In addition, we have recently been selected as preferred bidder by Townsville City Council in Australia to undertake its water supply upgrade project.

Sale of United Utilities Electricity, capital structure and £1.5 billion return to shareholders

Following the sale of United Utilities Electricity (UUE) and the review of the group's capital structure, as outlined in our half year results published on 29 November 2007, the Board intends to return to shareholders a total of £1.5 billion or 170 pence per share. We expect to issue a circular that contains further details of the corporate restructuring and the proposed £1.5 billion return on 6 June. The return of value to shareholders is scheduled for August 2008. The Board is targeting a credit rating of A3 for United Utilities Water PLC and, following the return of value, is anticipating a group net debt to regulatory capital value gearing level towards the upper end of Ofwat's range (55% to 65% for the 2005-10 price control period) by 2010.

Operational performance

Improving operational performance is an integral part of our vision to be a world class operator of utility infrastructure. We continue to make good progress. The business outperformed its 2007/08 leakage target of 465 megalitres per day, a tougher target than the previous year, underlining our commitment to higher performance. We are also pleased to report a 60% reduction in the number of serious pollution incidents compared with two years ago. We have continued to remove properties from our sewer

flooding register and have now achieved a net reduction of 32% over the last two years and remain on course to achieve our medium term target of a 50% reduction.

Since 2005, we have closed the operational efficiency gap to the most efficient water companies and this has been reflected in Ofwat's recent relative efficiency assessments. Improving customer service is a key area for us and since 2005 we have markedly improved customer satisfaction levels from below 50% to 73%. We believe there are more improvements to come.

Climate change and sustainability

United Utilities takes a long-term view of its operations and we see mitigation of and adaptation to climate change as key elements of our future plans. We were pleased to note Ofwat's increased focus on climate change and sustainability in its recently published methodology document relating to the next price review.

Our carbon action plan is progressing well through schemes which, in addition to helping the environment, also contribute to improving the efficiency of the group. These schemes include increasing the efficiency of our pumping stations and using our wastewater processes to generate electricity and heat.

Adaptation to climate change and flooding risk is now of increasing importance and will influence investment in the water industry in both the short and long term. We are actively involved in deliberations with our regulators ahead of the next price review and would expect significant levels of capital investment to continue beyond 2010.

Outlook

We are building on the performance improvements already achieved supported by our focus on core skills. The key elements of our strategy are to continue to improve operational performance, successfully execute our capital investment programme and meet our efficiency targets, prepare for the next water price review and deliver our non-regulated growth strategy. The Board expects United Utilities to continue to deliver a strong financial performance over the remainder of this regulatory period, underpinned by allowed price rises to fund substantial investment in our networks.

OPERATING PERFORMANCE

REGULATED ACTIVITIES

Financial highlights

- Regulated revenue increased by 7% to £1,416 million
- Regulated operating profit increased by 5% to £612 million, with underlying operating profit² up 8%

Revenue from regulated activities increased by 7% to £1,416 million, principally as a result of an allowed price increase of 8.3% (including inflation), offset to a small extent by lower water consumption and trade effluent volumes and retrospective claims by unmetered customers. The increase in price supports the investment of significant sums in improving the company's infrastructure which provides vital clean water and wastewater services to customers.

Reported operating profit for the year increased by 5%. After adjusting for a number of one-off items in the current and prior years (as outlined in the underlying profit measures table on page 14), underlying operating profit² for the year increased by 8% to £614 million. This growth in underlying profit primarily reflects the allowed price increase offset by a higher depreciation expense as a consequence of increased capital spend and growth in infrastructure renewals expenditure which was 19% higher than the prior year, in line with the planned profile of the renewals programme.

Capital investment in the period, including £120 million of infrastructure renewals expenditure, was £826 million. This represents a 45% increase in expenditure compared with the prior year and reflects the peak phase of the company's 2005-10 investment programme. A revised strategy on processing and disposing of sewage sludge has recently been agreed with Ofwat. After adjusting for this strategy, cumulative capital expenditure on water and wastewater assets was broadly in line with regulatory assumptions as at 31 March 2008. The business remains on course to meet its regulatory efficiency targets and deliver its outputs across the 2005-10 period.

It is likely that there will be additional investment, mainly in respect of unsatisfactory intermittent discharge (UID) projects that were not part of United Utilities' 2005-10 regulatory contract. A large proportion of this investment, if endorsed by Defra and Ofwat, is expected to fall into the 2010-15 period and be considered as part of the forthcoming price review. United Utilities estimates that the additional funding likely to be required to complete this UID programme, which is designed to meet statutory obligations and deliver environmental benefits, could be in the order of £700 million.

Operational performance

United Utilities has a vision to be a world class operator of utility infrastructure and is targeting an upper quartile position among UK water companies on key operational measures in the medium term. The business continues to upgrade its infrastructure and replaced 650 kilometres of water mains during 2007/08. The company supplies a high quality of drinking water, with a mean zonal compliance water quality performance of 99.94% for the year. United Utilities was ranked first among the UK's water and sewerage companies in 2006/07 by Ofwat for both water and sewerage in its most recent asset serviceability assessment, reflecting the company's long-term stewardship of its assets.

United Utilities is making good progress against its key performance indicators and remains on course to meet its targets:

- **Relative efficiency** – United Utilities has closed the operational efficiency gap to the most efficient water companies over the last two years. For the water service, the company has narrowed the gap from 16% to 12% and for the wastewater service from 27% to 18% (based on United Utilities' internal estimates). This is reflected in Ofwat's 2006/07 assessment of United Utilities as band B for

the water service and band C for the wastewater service and represents a one band improvement for both services over the two-year period.

- **Security of water supply** – United Utilities outperformed the tougher economic level of leakage rolling target of 465 megalitres per day, as set by Ofwat for 2007/08. This is the second consecutive year that United Utilities has met or outperformed its leakage target. In addition, there were no water restrictions on customers during the year.
- **Pollution** – one water and eight wastewater Category 1&2 incidents were recorded in 2007 compared with the base position of two water and 21 wastewater incidents in 2005. The business has again outperformed its target of a 50% reduction in the medium term.
- **Sewer flooding** – United Utilities continues to remove properties from the sewer flooding register. It has set a medium term target of reducing the number of properties on this register by 50% compared with a start point of 641 properties in 2005/06. This target is based on properties at risk of experiencing at least one sewer flooding incident in ten years. Further progress has been made in 2007/08 with 434 properties now on the register. This represents a 32% reduction over the last two years and the business remains on track to meet its medium term target.
- **Overall customer satisfaction** – Good progress was made in 2007/08 and 73% of United Utilities’ water and wastewater customers surveyed who had made an enquiry were satisfied with the overall service they received. This compares with a start point satisfaction level of less than 50% in 2005. These satisfaction levels are based on a comprehensive independent survey conducted on behalf of United Utilities each month. Going forward, the business has a strong focus on resolving customer queries on the first contact which should improve customer satisfaction and lower the cost of service.

Although United Utilities has delivered real progress, there is more to do in improving operational performance. During 2007/08 there was a higher level of sewer flooding incidents influenced by adverse weather conditions. This together with environmental underperformance at our Fleetwood wastewater treatment works will lead to a lower Overall Performance Assessment (OPA) score from Ofwat for 2007/08, compared with the prior year.

Efficiency initiatives

United Utilities is confident of meeting its regulatory efficiency targets despite increasing cost pressures in areas such as power and property rates.

The company’s principal efficiency initiatives include an integrated performance management project, which increases remote operational site management and optimises chemical and power usage, and its asset improvement programme which is improving the efficiency of operational pumps. These schemes are key elements of United Utilities’ plan to mitigate its carbon emissions, alongside its combined heat and power assets which recycle energy generated from wastewater treatment processes.

Other key initiatives include a workforce management project, which is designed to improve data systems, deliver more efficient field operations and enhance customer service, and supply chain management which has now been centralised and is delivering procurement economies. There is a strong drive to improve customer service and the business is focusing on reducing the number of customer queries, improving staff productivity, implementing improved cash collection procedures and enhancing the overall customer experience.

Regulatory developments

Strategic Direction Statement

Consistent with its approach to longer term asset planning, in December 2007 United Utilities published its strategic direction statement (SDS) which considers the needs of the North West region out to 2035. The SDS enables the company to set its plans for the next price review period (2010-15) in this longer term context, develop sustainable solutions and respond to future challenges.

The six key elements identified in the SDS are:

- **Responsible long-term stewardship of networks.** This includes protecting health and the environment, improving the company's understanding of network performance and investing in research and new technology with clear efficiency and service benefits.
- **Listening and responding to the views of customers and other stakeholders.** Ensuring that the company's plans meet the changing needs and priorities of customers and other stakeholders and provide good value for money. United Utilities recently undertook a substantial customer survey which identified key areas where customers are willing to pay for improvements including supply interruptions, sewer flooding, odour and reductions in greenhouse gas emissions. Customer priorities can help shape future investment programmes, aligning expenditure to those areas that customers consider most important.
- **Making water resources more sustainable and resilient.** This means improving both our own and customers' water efficiency, ensuring the company enhances and protects its network and developing water resources to help address increasing drought risk and meet supply and demand requirements.
- **An integrated approach to drainage to reduce flooding risk.** Storm water volumes entering the sewer system need to be reduced and the government's proposal to transfer responsibility for private sewers from householders to water companies will facilitate a more integrated approach to this challenge.
- **Reduce the group's carbon impact.** The company aims to halve its greenhouse gases by 2035, supported by achieving energy neutrality for its wastewater operations.
- **Bills to rise, on average, no faster than incomes.** United Utilities believes that the water and wastewater services it provides are already of good value, but there will be future upward pressure on costs.

The implications of climate change on drought and flood risk are set to feature strongly in United Utilities' plans for decades to come and these implications will be incorporated in the company's forthcoming price review submission. The importance of this is recognised by the government which intends to publish a draft Floods and Water Bill for consultation later in the year.

2009 water price review

United Utilities' preparations for the forthcoming price review are well advanced and the company is in active deliberations with its regulators and other key stakeholders. In March 2008, Ofwat published its methodology for the 2009 water price review which will set price limits for the five year period starting 1 April 2010. In many respects, the methodology is similar to that used in previous price reviews but United Utilities is pleased to note the increased focus on the issues of climate change and sustainability.

Following the outcome of the group's recent capital structure review, the Board announced that it will be targeting an A3 credit rating for United Utilities Water PLC which it believes best mirrors Ofwat's assumptions for the 2005-10 regulatory period. The Board believes this to be an appropriate investment grade rating to allow the company to raise finance to fund its substantial capital investment programmes.

United Utilities believes that Ofwat should ensure that companies can at least maintain an A3 rating and should consider recent developments in the credit markets. The raising of debt finance is particularly important given the likely scale of investment that is still required in the water industry to replace and refurbish ageing infrastructure, address flooding risk and climate change and deliver further statutory environmental obligations and customer priorities. United Utilities believes significant investment will be required during the next price review period (2010-15) and beyond.

United Utilities has been consistent in its approach that the regulator should consider both short and long term economic data in the price review. Sub-prime debt problems and US recession fears have seen higher risk premiums on the cost of debt and difficulties experienced by the monoline credit insurance industry have implications for the raising of further index-linked debt.

NON-REGULATED ACTIVITIES

Financial highlights

- Non-regulated revenue increased by 30% to £949 million
- Non-regulated underlying operating profit² marginally increased to £62 million

Non-regulated revenue in the year increased by 30% to £949 million compared with the prior year, reflecting the contribution from the first year of the electricity distribution outsourcing contract. Underlying operating profit² was slightly higher than last year. This reflects the first time inclusion of contribution from the group's electricity outsourcing activities, partly offset by the expected reduction in contribution from the Southern Water contract where the investment profile peaked in 2006/07. Reported operating profit was down 19% compared with 2006/07 reflecting £12 million of restructuring costs, principally relating to the company's planned efficiency delivery in its gas and electricity outsourcing activities.

Business update

The non-regulated business incorporates the former United Utilities Contract Solutions' activities and applies the core utility skills of the regulated business through outsourcing contracts. United Utilities holds major water and wastewater utility outsourcing contracts, working on behalf of Dwr Cymru Welsh Water, Southern Water and Scottish Water and is the leading utility infrastructure outsourcing company in the UK. United Utilities also has three Scottish PFI operations and currently operates in Bulgaria, Estonia, Poland, the Philippines and Australia.

United Utilities holds the only outsourced contracts to operate electricity and gas distribution networks in the UK, working on behalf of Electricity North West and Northern Gas Networks (NGN). United Utilities' electricity outsourcing contract extends through to 2015 and is projected to generate revenues of around £1.5 billion over the eight-year period, with the potential for the contract to be extended by a further five years to 2020. United Utilities also has a 15% stake in NGN, which provides a steady income stream.

In addition, United Utilities has a meter installation contract with British Gas Trading which was extended to 30 June 2010 earlier this year, building on a good performance on the contract to date. Furthermore, this provides an enhanced revenue stream to United Utilities through rental income from meter ownership. Last month, the group was also awarded a three-year contract to provide the Greater Manchester Waste Disposal Authority with water, electricity and gas connections to 27 sites across the Manchester region. Whilst this is a relatively small contract, it is a useful addition to the contract portfolio.

United Utilities has a strong order book worth over £6 billion in revenue which secures long-term income streams for the group. This was further enhanced through the recent extension of the contract with Southern Water, which now runs through to 31 March 2015. Overall, the business is pleased with its performance across the contract portfolio, reinforced by positive feedback received from its customers during the year.

The group continues to seek opportunities to grow its non-regulated business by applying its core skills where it identifies opportunities to generate additional shareholder value with little impact on the risk profile of the group. In addition to the UK utility outsourcing market, United Utilities is currently focusing business development resources on specific opportunities in the UK municipal solid waste treatment market, Australia and the fast-developing Gulf region.

In line with its business development strategy, United Utilities was recently named preferred bidder for the water supply upgrade project in Townsville, Australia. The project involves upgrading the water

facilities in Townsville and designing, building and operating two water treatment plants. Facilities are due to be completed and operational by mid-2010 and upon award, United Utilities expects to hold a 20-year operations and maintenance contract with a minimal equity investment requirement. The project forms part of a AUD\$300 million water and sewerage infrastructure programme in Townsville.

OTHER ACTIVITIES

Operating profit from other activities for the year ended 31 March 2008 was £1 million. This segment includes central costs and the contribution from United Utilities Property Solutions (UUPS). UUPS is the property sales and management business of United Utilities PLC and it made an operating profit of £19 million in the year. It owns a land and property portfolio and is expected to continue to deliver a positive contribution for the next few years, although due to the nature of the business, profits may not follow a smooth profile.

FINANCIAL PERFORMANCE

Revenue and operating profit from continuing operations

Revenue from continuing operations rose 19% to £2,363 million, reflecting the allowed price rise in the regulated business and the first year of the electricity distribution outsourcing contract in the non-regulated business.

Group operating profit from continuing operations increased by 3% to £663 million, with group underlying operating profit from continuing operations² up by 7%. This increase was underpinned by a strong performance in the regulated business.

Investment income and finance expense

Finance expense of £332 million was £74 million higher than in the prior year. This expense included a £43 million fair value loss on debt and derivative instruments, whereas the prior year included a £26 million fair value gain. This volatility in financing expense reflects the fact that, in order to hedge the interest cost implicit in the regulatory contracts, the group fixes interest rates for the duration of each five-year review period for the majority of its debt using interest rate swaps. IAS 39 limits the use of hedge accounting for these commercial hedges, thereby increasing the potential volatility of the income statement. In addition, the impact of changes in credit spread on debt accounted for at fair value through profit or loss can result in significant additional volatility. However, this volatility has no cash flow impact. Interest expense on swaps (on a pre-IAS 39 basis) and debt under the fair value option was £42 million, £16 million lower than the prior year.

Investment income was £147 million, compared with £118 million in the prior year partly reflecting the higher level of cash held following the sale of UUE. The underlying cost of net borrowing for continuing operations of £207 million is lower than the prior year and reflects a lower average net debt and a reduction in the group's average net borrowing rate from around 6.3% to 5.8%. The group redeemed a €1 billion 6.625% bond in November 2007 which has served to reduce the underlying cost of net borrowings, partly offset by the impact of higher inflation on the index-linked debt. However, the higher inflation rates will result in increased allowed revenues and growth in the regulatory capital value of United Utilities Water since both of these are linked to the UK retail price index (RPI).

Profit before taxation

Profit before taxation decreased by 5% to £478 million. Adjusting for the impact of restructuring costs, other one-off items, fair value movements in respect of debt and derivative instruments and the expected short-term interest benefit associated with the cash proceeds from the sale of UUE, underlying profit before taxation² was £476 million, 17% ahead of the year ended 31 March 2007.

Taxation

The current tax charge relating to continuing operations is £89 million and the current tax effective rate is 19% compared with 11% in the prior year. The increase in current tax primarily relates to the fair value movement in derivatives, and is matched by an equal and opposite movement in deferred tax, resulting in no net impact on the total effective rate. Deferred tax has been calculated after taking into account the reduction in the corporation tax rate from 30% to 28% with effect from April 2008. The deferred tax credit on continuing operations arising from the restatement of the opening deferred tax liability is £82 million. The overall deferred tax credit relating to continuing operations is £27 million compared with a deferred tax charge in the prior year of £90 million.

Excluding the impact of the change in corporation tax rate, the total tax charge relating to continuing operations would be £144 million or 30%, compared with a £144 million charge or 29% in the prior year. A total tax charge of £62 million relating to continuing operations has been recognised for the year ended 31 March 2008.

The company is forecasting a one-off deferred tax charge in 2008/09 relating to the abolition of industrial buildings allowances. This one-off adjustment is anticipated to be over £200 million and is likely to result in a significant increase in the effective tax rate for the year ended 31 March 2009; however the cash impact will be spread over a period of approximately 20 years.

Discontinued operations

UUE, which principally comprised the group's electricity distribution assets, is treated as a discontinued operation in the results for the year ended 31 March 2008. In the period 1 April 2007 to 19 December 2007, profit after tax generated from UUE was £122 million compared with £119 million for the year ended 31 March 2007. The profit on disposal of UUE amounted to £371 million.

United Utilities had previously announced its intention to dispose of its industrial liquid waste operations and facilities management operations in line with its strategy to focus on its core skills. The contribution from these operations has therefore also been treated as discontinued. In 2007/08, the group completed the disposal of its industrial liquid waste operations to Group Tradebe, the parent company of Advanced Waste Solutions Limited, and its facilities management operations were sold to Europa Facility Holdings Limited. In the period 1 April 2007 to 26 October 2007, a loss after tax of £0.1 million was recorded from the group's industrial liquid waste operations compared with a profit after tax of £1.7 million for the year ended 31 March 2007. The facilities management operations made a profit after tax of £1.3 million for the period 1 April 2007 to 22 February 2008 compared with a profit after tax of £3.4 million for the year ended 31 March 2007. These results have all been included within discontinued operations in the consolidated income statement.

United Utilities sold its 22.63% stake in THUS Group plc earlier in the financial year, which completed its exit from the telecoms sector. The £10 million loss on disposal of the stake in THUS Group plc is treated as an adjustment to the consideration arising on the disposal of Your Communications and so both the loss and the group's share of THUS' results prior to disposal are disclosed as discontinued operations.

Earnings per share

Basic earnings per share relating to continuing operations increased by 16% to 47.3 pence.

Dividends per share and future dividend policy

The Board is proposing a final dividend of 31.47 pence per ordinary share in respect of the year ended 31 March 2008. Taken together with the interim dividend of 15.20 pence per ordinary share, the total proposed dividend for 2007/08 is 46.67 pence per ordinary share. This is an increase of 3.87%, consistent with the group's previous policy of growing dividends in line with inflation (based on the issued share capital prior to the share reduction associated with the £1.5 billion proposed return of value to shareholders, as summarised on page 15 of this announcement). The inflationary increase is based on the RPI element included within the allowed regulated price increase in United Utilities Water for the 2007/08 financial year (i.e. the movement in RPI between November 2005 and November 2006).

The proposed final dividend is expected to be paid on 8 August 2008 to shareholders on the register at the close of business on 27 June 2008. The ex-dividend date for the final dividend is 25 June 2008.

As announced at the group's half year results on 29 November 2007, the Board has outlined a new dividend policy which will apply from 2008/09 to reflect the revised composition and earnings profile of the group. In light of the sale of UUE and the proposed £1.5 billion return of value to shareholders, the dividend per share from 2008/09 will be reduced by 30% compared with the proposed 2007/08 dividend per share. Thereafter, the group's revised dividend policy is intended to target a sustainable and growing level of dividends. The new target real growth rate of RPI+2% will be applied from 2009/10 to the 2008/09 dividend per share.

Cashflow

Cash generated from the group's continuing operations for the year ended 31 March 2008 was £877 million compared with £811 million in the prior year. High levels of capital expenditure continue, principally in the regulated water and wastewater investment programmes. The group's net capital expenditure on property, plant and equipment for 2007/08 was £630 million, excluding infrastructure renewals expenditure which is included as an operating cost in the income statement under IFRS.

Cash and short-term deposits at 31 March 2008 amounted to £1,811 million which, inclusive of medium term committed bank facilities and net of short-term debt, results in total available liquidity of £2,494 million. During the year United Utilities redeemed a €1 billion 6.625% bond from existing cash resources primarily generated from issuances of index-linked debt.

The group retains an excellent pre-funded position for its capital investment programmes through to 2010 and enhanced its liquidity further by arranging or extending the maturity dates of £500 million of committed medium-term bank credit facilities since 30 September 2007. Furthermore, the group is in discussions with the European Investment Bank, with which it has a long-standing relationship, regarding a new £400 million term loan for United Utilities Water PLC.

Net debt, including derivatives at 31 March 2008 was £2,903 million, a decrease of £741 million compared with 31 March 2007 (after adjusting for £482 million of net debt relating to discontinued operations which has exited the group). This movement principally reflects the receipt of cash proceeds from the sales of UUE and the group's stake in THUS Group plc, plus cashflow from operating activities, offset by expenditure on the regulated water and wastewater capital investment programmes and payments of interest, tax and dividends. This reduction in net borrowings is expected to be short-term since the group intends to return £1.5 billion to shareholders, as outlined in its 2007/08 half year results announced on 29 November 2007. Details of the return will be published in the circular scheduled to be issued on 6 June, with the return of value expected in August 2008.

Gearing (net borrowings divided by the regulatory capital value) decreased to 39% at 31 March 2008, compared with 52% at 31 March 2007. Following the proposed £1.5 billion return to shareholders, gearing will increase and is expected to move United Utilities towards the upper end of Ofwat's assumed range of 55% to 65% by the end of this regulatory review period. The Board will continue to target an A3 credit rating for United Utilities Water PLC.

In the year ended 31 March 2008, the group issued a total of £185 million of long-term, index-linked notes through its multi-issuer euro medium-term note programme. This comprised a £50 million issue at a real interest rate of 1.702% with a 50.5 year maturity, a £100 million issue at a real interest rate of 1.585% with a 50 year maturity and a £35 million issue at a real interest rate of 1.66% with a 30 year maturity.

United Utilities now has index-linked funding totalling approximately £1.5 billion, including indexation of the principal. However as a result of the current economic climate and the uncertainty in the monoline insurance sector, the group sees limited opportunity for further index-linked debt issuance.

The principal amount of the index-linked borrowings is adjusted to track movements in RPI. This form of liability is a good match for the group's regulated assets, which are also linked to RPI, and delivers a cashflow benefit to United Utilities since compensation for inflationary risk is provided via adjustment to the principal rather than through regular cash payments.

Underlying profit

In considering the results for the year, the directors have adjusted the group's statutory measures for fair value movements on debt and derivative instruments and those significant items identified as non-recurring. Operating profit and profit before taxation from continuing operations are reconciled to underlying operating profit from continuing operations and underlying profit before taxation from continuing operations as follows:

<i>Continuing operations</i> Operating profit for the year ended 31 March 2008	Regulated £m	Non- regulated £m	Other £m	Total £m
Operating profit per published results	611.6	50.6	1.0	663.2
Restructuring costs	2.6	11.6	(0.2)	14.0
Underlying operating profit	614.2	62.2	0.8	677.2

<i>Continuing operations</i> Operating profit for the year ended 31 March 2007 (Re-presented)	Regulated £m	Non- regulated £m	Other £m	Total £m
Operating profit per published results	581.0	62.6	(1.5)	642.1
Restructuring costs	5.3	0.3	5.0	10.6
Settlement claims ³	(27.6)	(3.0)	-	(30.6)
Ofwat transfer pricing fine	8.5	-	-	8.5
Total adjustments	(13.8)	(2.7)	5.0	(11.5)
Underlying operating profit	567.2	59.9	3.5	630.6

<i>Continuing operations</i> Profit before taxation	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Profit before taxation per published results	478.3	502.3
Operating profit adjustments (see above)	14.0	(11.5)
Fair value losses / (gains) on debt and derivative instruments	42.7	(26.0)
Interest on swaps and interest on debt under fair value option	(41.7)	(57.3)
Interest associated with cash proceeds from UUE sale ⁴	(17.7)	-
Underlying profit before taxation	475.6	407.5

Notes

³ During the prior year, the group's regulated and non-regulated activities benefited from one-off credits worth £27.6 million and £3.0 million respectively. These credits were in respect of settlement of claims made by the group against contractors and the end of the statutory period of potential claims against the group. Although such claims are a regular occurrence in the ongoing business of United Utilities, these particular claims were unusual in size.

⁴ The interest associated with the cash proceeds from the sale of UUE has been deducted to provide a more representative view of underlying performance. Since the group intends to return £1.5 billion to shareholders later in the year, the cash proceeds from the sale are expected to result in a short-term net debt and interest reduction.

£1.5 billion return of value to shareholders

As a result of the sale of UUE and the review of the group's capital structure, outlined in its half year results published on 29 November 2007, the Board intends to return to shareholders a total of £1.5 billion or 170 pence per share. This substantial total return is analysed in the table below.

Proposed return of value to shareholders	£m	Pence per share*
Net equity proceeds from sale**	1,050	119
Additional return to create more efficient capital structure	450	51
Total proposed return via B share scheme	1,500	170

* Based on 880 million ordinary shares in issue at the time the sale was agreed

** £1,782 million sale price less UUE net debt of £686 million at fair value at the date of disposal, including United Utilities' group debt apportioned to the electricity business, and transaction costs of £46 million

The proposed return of value will be in the form of a redeemable B share scheme providing shareholders (other than shareholders in certain overseas jurisdictions) with a choice of receiving the return as capital or income and the option to spread the return over two financial years.

In order to implement the B share scheme and increase the group's distributable reserves, the company intends to propose a change to its corporate structure. The proposed change, which is subject to court and shareholder approval, involves a scheme of arrangement to introduce a new parent company above United Utilities PLC. The reserves created by the implementation of the new structure will be available for the proposed return of value and the declaration of future dividends.

The scheme of arrangement will involve the new parent company acquiring all of the shares in United Utilities PLC and issuing new shares. This will comprise the issue of new ordinary shares and redeemable B shares to facilitate the return of value. The number of new ordinary shares issued will be reduced from the existing number of ordinary shares, commensurate with the return of value, with a view to aiding comparability of share price and earnings per share before and after the return of value. Following the implementation of the new structure, United Utilities' shareholders will hold shares in the new parent company equivalent to their previous percentage holding in United Utilities PLC. The new structure will be implemented at the same time as the return of value.

The necessary steps to achieve the above corporate restructuring are expected to be completed during the summer, enabling the return of value to take place in August 2008.

Indicative return timetable

6 June 2008	Circular expected to be posted to shareholders
June/July 2008	Court meeting and general meeting for scheme of arrangement to create new parent company
25 July 2008	Annual general meeting (AGM)
July/August 2008	Issue of redeemable B shares, listing of new parent company and issue of new parent company ordinary shares
8 August 2008	Payment of 2007/08 final dividend under current policy
August 2008	Return of value – first option to redeem B shares
February 2009	Payment of 2008/09 interim dividend under new policy
April 2009	Return of value – all remaining B shares redeemed

The circular, which will detail the process and timetable for the return of value and the creation of the new parent company, is expected to be issued on 6 June. The creation of the new parent company will require court approval and shareholder approval at a general meeting. Details of the general meeting will be contained in the circular.

Consolidated income statement

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
<i>Continuing operations</i>		
Revenue	2,362.9	1,986.7
Other income	21.3	8.9
Employee benefits expense	(317.5)	(254.1)
Depreciation and amortisation expense	(248.2)	(221.3)
Infrastructure renewals expenditure	(120.1)	(101.2)
Other operating costs	(1,035.2)	(776.9)
Total operating expenses	(1,699.7)	(1,344.6)
Operating profit	663.2	642.1
Investment income (note 2)	146.7	118.3
Finance expense (note 3)	(331.6)	(258.1)
Investment income and finance expense	(184.9)	(139.8)
Profit before taxation	478.3	502.3
Taxation (note 4)	(62.0)	(143.9)
Profit for the year from continuing operations	416.3	358.4
<i>Discontinued operations</i>		
Profit for the period from discontinued operations (note 5)	492.9	75.1
Profit for the year	909.2	433.5
Earnings per share from continuing and discontinued operations (note 6)		
Basic	103.3p	49.4p
Diluted	103.2p	49.2p
Earnings per share from continuing operations (note 6)		
Basic	47.3p	40.9p
Diluted	47.3p	40.7p
Dividend per ordinary share (note 7)	46.67p	44.93p

Consolidated balance sheet	31 March 2008 £m	Re-presented 31 March 2007 £m
ASSETS		
Non-current assets		
Property, plant and equipment	7,591.8	8,894.6
Goodwill	2.3	5.0
Other intangible assets	85.3	115.5
Investments	155.5	202.4
Trade and other receivables	28.2	21.6
Retirement benefit surplus	-	61.3
Derivative financial instruments	44.3	15.2
	7,907.4	9,315.6
Current assets		
Inventories	63.3	62.8
Trade and other receivables	456.2	418.2
Cash and short-term deposits	1,810.5	2,403.3
Derivative financial instruments	99.0	61.0
	2,429.0	2,945.3
Total assets	10,336.4	12,260.9
LIABILITIES		
Non-current liabilities		
Trade and other payables	(125.5)	(414.3)
Borrowings	(3,788.9)	(4,854.9)
Retirement benefit obligations	(101.2)	-
Deferred tax liabilities	(1,164.0)	(1,550.5)
Provisions	(18.7)	(30.4)
Derivative financial instruments	(53.2)	(173.5)
	(5,251.5)	(7,023.6)
Current liabilities		
Trade and other payables	(771.9)	(749.2)
Borrowings	(878.4)	(1,509.5)
Current income tax liabilities	(66.9)	(168.0)
Provisions	(21.0)	(8.5)
Derivative financial instruments	(136.7)	(67.3)
	(1,874.9)	(2,502.5)
Total liabilities	(7,126.4)	(9,526.1)
Total net assets	3,210.0	2,734.8
EQUITY		
Capital and reserves attributable to equity holders of the company		
Share capital	881.6	879.8
Share premium account	1,429.3	1,421.9
Revaluation reserve	158.8	158.8
Treasury shares	(0.3)	(0.3)
Cumulative exchange reserve	7.6	(4.2)
Other reserves	58.1	24.3
Retained earnings	674.9	254.5
Shareholders' equity	3,210.0	2,734.8

Consolidated cashflow statement

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Operating activities		
Cash generated from operations	876.9	810.8
Interest paid	(299.9)	(341.8)
Interest received and similar income	119.1	99.8
Tax paid	(98.6)	(17.8)
Net cash generated from operating activities (continuing operations)	597.5	551.0
Net cash generated from operating activities (discontinued operations)	99.5	204.3
	697.0	755.3
Investing activities		
Disposal of investments	0.6	-
Disposal of associated company	75.8	-
Disposal of subsidiaries	1,152.7	206.4
Net cash outflow from group reorganisation	(15.0)	-
Purchase of property, plant and equipment	(644.5)	(548.5)
Purchase of other intangible assets	(25.3)	(5.0)
Proceeds from sale of property, plant and equipment	15.0	27.0
Net cash generated from/(used in) investing activities (continuing operations)	559.3	(320.1)
Net cash used in investing activities (discontinued operations)	(161.0)	(125.1)
	398.3	(445.2)
Financing activities		
Proceeds from issue of ordinary shares	9.2	18.5
Cash (used in)/proceeds from structured financing	(170.1)	81.4
Proceeds from borrowings	1,068.9	1,600.8
Repayment of borrowings	(2,297.2)	(821.0)
Dividends paid to equity holders of the company	(400.4)	(387.3)
Dividends received from discontinued operations	100.0	36.0
Net cash (used in)/generated from financing activities (continuing operations)	(1,689.6)	528.4
Net cash (used in)/generated from financing activities (discontinued operations)	(190.1)	51.9
	(1,879.7)	580.3
Effects of exchange rate changes (continuing operations)	148.9	6.4
Net (decrease)/increase in cash and cash equivalents (continuing operations)	(383.9)	765.7
Net (decrease)/increase in cash and cash equivalents (discontinued operations)	(251.6)	131.1
	(635.5)	896.8
Cash and cash equivalents at beginning of the year	2,340.7	1,443.9
Cash and cash equivalents at end of the year	1,705.2	2,340.7

Consolidated statement of recognised income and expense	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Actuarial (losses)/gains on defined benefit pension schemes	(126.4)	46.5
Revaluation of investments	34.9	8.9
Fair value (losses)/gains on cashflow hedges	(1.5)	2.8
Foreign exchange adjustments	11.8	(6.4)
Tax on items taken directly to equity	35.8	(14.8)
Net (expense)/income recognised directly in equity	(45.4)	37.0
Profit for the year	909.2	433.5
Total recognised income and expense for the year	863.8	470.5

Reconciliation of movements in consolidated equity	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Total net income recognised for the year	863.8	470.5
Dividends	(400.4)	(387.3)
New share capital issued	9.2	18.5
Other movements	2.6	2.2
Net increase in equity for the year	475.2	103.9
Opening equity attributable to equity holders of the company ⁵	2,734.8	2,630.9
Closing equity attributable to equity holders of the company	3,210.0	2,734.8

⁵ £2,630.9 million in respect of the opening balance for the year ended 31 March 2007 includes £1.7 million in relation to minority interests

Cash generated from continuing operations

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Profit before taxation from continuing operations	478.3	502.3
Adjustment for investment income and finance expense	184.9	139.8
Operating profit from continuing operations	663.2	642.1
Adjustments for:		
Depreciation of property, plant and equipment	226.0	213.8
Amortisation of other intangible assets	22.2	7.5
Profit on disposal of property, plant and equipment	(5.7)	(3.4)
Equity-settled share-based payments charge	2.6	3.9
Other non-cash movements	3.9	-
Changes in working capital:		
(Increase)/decrease in inventories	(4.1)	4.0
Increase in trade and other receivables	(81.3)	(66.6)
Increase in provisions and payables	50.1	9.5
Cash generated from continuing operations	876.9	810.8

Segmental analysis by class of business

Continuing operations

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Revenue		
Regulated activities	1,416.3	1,320.8
Non-regulated activities	949.2	729.2
Other activities	41.3	53.0
	<hr/> 2,406.8	<hr/> 2,103.0
Inter-segment revenue	(43.9)	(116.3)
External revenue	<hr/> 2,362.9	<hr/> 1,986.7

Continuing operations

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Operating profit/(loss)		
Regulated activities	611.6	581.0
Non-regulated activities	50.6	62.6
Other activities	1.0	(1.5)
	<hr/> 663.2	<hr/> 642.1

For management purposes, the group is organised into two principal operating divisions, being regulated and non-regulated activities. These divisions form the basis on which the above primary segment information is reported.

The regulated activities segment previously included the results of United Utilities Electricity (UUE). Following the sale of UUE, which principally comprised the group's electricity distribution assets, on 19 December 2007, the results of this business are treated as discontinued and are not included in the continuing operations regulated activities segment (see note 5). The regulated segment therefore only includes the regulated results of United Utilities Water PLC.

The non-regulated activities segment previously included the contribution from the group's industrial liquid waste and facilities management operations. Following the sale of these operations on 26 October 2007 and 22 February 2008 respectively, these non-regulated activities are also treated as discontinued (see note 5). The non-regulated continuing operations segment therefore relates to the group's utility outsourcing contracts in the United Kingdom and overseas.

In April 2007, the operations and maintenance of UUE's assets was outsourced under an Asset Services Agreement to United Utilities Electricity Services Limited (UUES), a newly incorporated group company. UUES' results from this date are reported within continuing operations as part of the non-regulated activities segment. The results of UUE, including those for the year ended 31 March 2007, when UUE operated its own assets, have been reported in full as discontinued.

In addition, the other activities segment previously included some residual activities associated with UUE, but not related to regulated electricity distribution. These residual activities were sold, along with UUE, and hence have been treated as discontinued and are no longer included in the continuing operations other activities segment. The other activities segment therefore includes the results of United Utilities Property Solutions Limited, the parent company and other group holding companies.

NOTES

1. Basis of preparation

The results for the year ended 31 March 2008 have been prepared on the basis of accounting policies consistent with those set out in the annual report to shareholders for the year ended 31 March 2007.

The financial information set out in this statement relating to the year ended 31 March 2008 does not constitute statutory accounts for that period as defined in section 240 of the Companies Act 1985. Statutory accounts for 2008 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on those accounts; their report is unqualified and does not contain a statement under either section 237(2) or (3) of the Companies Act 1985.

The financial information set out in this statement relating to the year ended 31 March 2007 does not constitute statutory accounts for that period. Full statutory accounts of United Utilities PLC in respect of that financial period which received an unqualified audit opinion and did not contain a statement under either section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

The group adopted IFRS 7 'Financial Instruments: Disclosures' during the year ended 31 March 2008 and accordingly the comparative results for the year ended 31 March 2007 have been re-presented to reflect the revised disclosure requirements.

The comparative results for the year ended 31 March 2007 have been re-presented to reflect the disclosure of United Utilities Electricity, the group's industrial liquid waste and facilities management operations and its associate within discontinued operations (see note 5).

The comparatives for the year ended 31 March 2007 have also been re-presented to reflect the removal of the category for current asset investments from the balance sheet. Properties previously held as current asset investments are now classified as inventories as the directors' believe this provides a fairer presentation of the nature of these assets.

The comparatives for the year ended 31 March 2007 have also been re-presented to incorporate within equity a category for other reserves to include revaluation of investments and fair value gains/(losses) on cash flow hedges and the associated tax on these items. The amounts were previously disclosed within retained earnings but are now classified within other reserves as the directors believe this provides a fairer presentation of these items.

The comparatives have been re-presented for retirement benefits to reflect the group's participation in the Northern Gas Networks Pension scheme. The group recorded a related deferred tax asset and investment offsetting the impact on net assets at 31 March 2007 to £nil.

2. Investment income

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Interest receivable on short-term bank deposits held at amortised cost	67.8	69.8
Foreign exchange gains on forward contracts	55.4	30.9
	<hr/> 123.2	100.7
Expected return on pension schemes' assets	128.6	92.5
Interest cost on pension schemes' obligations	(105.1)	(74.9)
	<hr/> 23.5	17.6
Net pension interest income	<hr/> 146.7	118.3

3. Finance expense

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Interest payable	(288.9)	(284.1)
Fair value (losses)/gains on debt and derivative instruments	(42.7)	26.0
	<u>(331.6)</u>	<u>(258.1)</u>

As previously reported, the group follows a policy of economic hedging its interest rate and currency exposures, with particular regard to the five-year regulatory period. Including the interest element of swaps and interest on debt under the fair value option within interest payable, as opposed to within fair value (losses)/gains, and adjusting for the reclassification of interest income and expenditure associated with the group's defined benefit pension schemes, would give an economic underlying cost of net borrowings of £207.4 million (2007: £240.7 million):

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Finance expense	(331.6)	(258.1)
Fair value losses/(gains)	42.7	(26.0)
Add back interest on swaps and debt under fair value option	(41.7)	(57.3)
Underlying interest payable	(330.6)	(341.4)
Investment income	146.7	118.3
Adjustment for net pension interest income	(23.5)	(17.6)
Underlying cost of net borrowings	<u>(207.4)</u>	<u>(240.7)</u>

4. Taxation

	Year ended 31 March 2008 £m	Re-presented Year ended 31 March 2007 £m
Current taxation:		
UK corporation tax	(108.9)	(84.6)
Foreign tax	(2.7)	(3.1)
Prior year adjustments	23.0	34.1
	<u>(88.6)</u>	<u>(53.6)</u>
Deferred taxation:		
Current year	(37.5)	(73.0)
Prior year adjustments	(17.6)	(17.3)
Change in taxation rate	81.7	-
	<u>26.6</u>	<u>(90.3)</u>
	<u>(62.0)</u>	<u>(143.9)</u>

5. Discontinued operations

In line with its declared strategy of concentrating on its core skills of managing water, wastewater, electricity and gas networks, the group completed the disposal of United Utilities Electricity (UUE) to North West Electricity Networks Limited on 19 December 2007 for a total enterprise value of £1,782 million.

The group continues to seek opportunities to grow its non-regulated business by applying its core skills where it identifies opportunities to generate additional shareholder value with little impact on the risk profile of the group. In addition to the UK utility outsourcing market, United Utilities is currently focusing business development resources on specific opportunities in the UK municipal solid waste treatment market, Australia and the fast-developing Gulf region. In line with this strategy, the group sold its industrial liquid waste and facilities management operations and made its final exit from the telecoms sector during the year. On 26 October 2007, the

5. Discontinued operations (continued)

group sold its industrial liquid waste operations to Group Tradebe for consideration of £3.7 million and on 22 February 2008, the group completed the sale of its facilities management operations to Europa Facility Holdings Limited for consideration of £9.0 million.

The group sold its 22.63 per cent stake in THUS Group plc on 19 June 2007 for consideration of £75.8 million, which completed United Utilities' exit from the telecoms sector. The sale is treated as an adjustment to consideration arising on the disposal of Your Communications and, as such, both the loss on disposal and the group's share of THUS' results prior to the disposal are disclosed within discontinued operations.

On 26 March 2007, the group sold the Vertex business to a consortium of US-based private equity firms.

The results of UUE, the group's industrial liquid waste and facilities management operations and its share of results from its associate have been disclosed, along with the profit/(loss) on disposal, as discontinued operations in the group's financial statements. The detailed trading results and the profit/(loss) on disposal of each discontinued operation are shown below. Cashflows in relation to discontinued operations are separately disclosed in the group's cashflow statement.

There is no tax charged on the profits resulting from the disposal of the discontinued operations during the year ended 31 March 2008 as these were tax exempt sales of shares.

	Year ended 31 March 2008	Year ended 31 March 2007
	£m	£m
United Utilities Electricity	493.0	118.5
Industrial liquid waste	(5.0)	1.7
Facilities management	10.4	3.4
Telecoms (including loss on disposal of THUS Group plc shares of £10.0 million)	(5.5)	18.7
Vertex	-	(67.2)
Profit for the year from discontinued operations	492.9	75.1

United Utilities Electricity

	Period ended 19 December 2007	Year ended 31 March 2007
	£m	£m
Total external revenue	223.7	315.4
Depreciation and amortisation	(10.0)	(64.2)
Other operating expenses	(60.4)	(72.3)
Operating profit	153.3	178.9
Investment income and finance expense	(17.1)	(31.2)
Profit before taxation	136.2	147.7
Taxation on profit	(14.4)	(29.2)
Profit for the period/year from discontinued operations	121.8	118.5
Profit on disposal of discontinued operations	371.2	
Total profit for the period from discontinued operations	493.0	

5. Discontinued operations (continued)

Industrial liquid waste

	Period ended 26 October 2007 £m	Year ended 31 March 2007 £m
Total external revenue	5.3	16.0
Depreciation and amortisation	(0.2)	(2.4)
Other operating expenses	(5.2)	(11.5)
Operating (loss)/profit	(0.1)	2.1
Investment income and finance expense	-	0.3
(Loss)/profit before taxation	(0.1)	2.4
Taxation on (loss)/profit	-	(0.7)
(Loss)/profit for the period/year from discontinued operations	(0.1)	1.7
Loss on disposal of discontinued operations	(4.9)	
Total loss for the period from discontinued operations	(5.0)	

Facilities management

	Period ended 22 February 2008 £m	Year ended 31 March 2007 £m
Revenue		
External sales	5.7	4.9
Intra-group sales	21.6	38.4
Total revenue	27.3	43.3
Depreciation and amortisation	(0.1)	(0.6)
Other operating expenses	(26.4)	(38.3)
Operating profit	0.8	4.4
Investment income and finance expense	0.5	0.5
Profit before taxation*	1.3	4.9
Taxation on profit	-	(1.5)
Profit for the period/year from discontinued operations	1.3	3.4
Profit on disposal of discontinued operations	9.1	
Total profit for the period from discontinued operations	10.4	

* Profit before taxation includes profit generated from intercompany trading of £0.2 million in the period ended 22 February 2008 and £4.1 million in the year ended 31 March 2007.

Vertex

	Period ended 26 March 2007 £m
Revenue	
External sales	303.4
Intra-group sales	89.5
Total revenue	392.9
Depreciation and amortisation	(14.2)
Other operating expenses	(363.7)
Operating profit	15.0
Investment income and finance expense	4.2
Profit before taxation*	19.2
Taxation on profit	(5.9)
Profit for the period from discontinued operations	13.3
Loss on disposal of discontinued operations before taxation and assumption of deferred contingent consideration	(65.1)
Assumption of deferred contingent consideration	(13.5)
Loss on disposal of discontinued operations before taxation	(78.6)
Taxation on loss on disposal of discontinued operations	(1.9)
Total loss for the period from discontinued operations	(67.2)

5. Discontinued operations (continued)

* Profit before taxation for the period ended 26 March 2007 includes profit generated from intercompany trading of £8.7 million.

6. Earnings per share

Basic earnings per share and diluted earnings per share have been calculated by dividing profit for the year by the following weighted average number of shares in issue:

	Basic million	Diluted Million
Year ended 31 March 2008	880.4	880.6
Year ended 31 March 2007	876.8	880.6

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations 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 year are as follows:

	Year ended 31 March 2008	Re-presented Year ended 31 March 2007
From continuing and discontinued operations		
Basic	103.3p	49.4p
Diluted	103.2p	49.2p
From continuing operations		
Basic	47.3p	40.9p
Diluted	47.3p	40.7p

7. Dividends

	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Dividends relating to the year comprise:		
Interim dividend	133.8	128.3
Final dividend	277.4	266.6
	<u>411.2</u>	<u>394.9</u>
	Year ended 31 March 2008 £m	Year ended 31 March 2007 £m
Dividends deducted from shareholders' equity:		
Final dividend	266.6	259.0
Interim dividend	133.8	128.3
	<u>400.4</u>	<u>387.3</u>

The final dividend of 31.47 pence per ordinary share (2007: final dividend of 30.30 pence per ordinary share) will be paid on 8 August 2008 to shareholders on the register at the close of business on 27 June 2008. The ex-dividend date for the final dividend is 25 June 2008.

The interim dividend of 15.20 pence per ordinary share (2007: interim dividend of 14.63 pence per ordinary share) was paid on 11 February 2008 to shareholders on the register at the close of business on 21 December 2007.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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