United Utilities Group PLC
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington WA5 3LP

Telephone 01925 234000

unitedutilities.com

EFRAG
35 Square de Meeus
B-1000 Brussels
Belgium

Direct Line: 01925 731500

22 June 2012

Dear Sirs

Consultation on Improving the Financial Reporting of Income Tax

I write on behalf of United Utilities Group PLC in response to the discussion paper which seeks to address whether IAS 12 'Income Taxes' should be improved or whether there should be a fundamental rethink and a new approach pursued. We welcome the opportunity to respond to EFRAG's proposals in this area.

As recommended by the discussion paper, this letter addresses only those areas of most relevance to United Utilities Group PLC.

The key point upon which we wish to comment is in relation to the possibility of discounting deferred tax balances.

Q1.7 The possibility of discounting deferred tax balances is discussed in paragraphs 2.44 to 2.50. In your view, should discounting of deferred tax amounts be required? Please explain.

We support the proposal to permit discounting as the majority of our timing differences will not reverse for a considerable period and accordingly the deferred tax liability is overstated if not discounted. Where the time value of money is material, provisions other than deferred tax must be discounted under International Financial Reporting Standards; we would therefore welcome the option to discount deferred tax to maintain consistency with other provisions of a long-term nature.

As a general point, we consider that the current accounting standard works well in that the disclosure is not overly complex which makes it comprehensible to most users of the accounts. However, a number of the suggested recommendations for additional detailed disclosures, including those around cash tax reconciliations, disclosure around uncertain tax positions and identified users' information, would, in our opinion, make the tax notes impenetrable to the vast majority of users and as such we do not support them.

Finally, we are concerned in relation to the proposed disclosure for future tax cash flows:

United Utilities Group PLC
Registered in England & Wales No. 6559020
Registered Office: Haweswater House,
Lingley Mere Business Park, Lingley Green Avenue,
Great Sankey, Warrington, WA5 3LP

Q1.6 The amounts currently disclosed provide limited information about future tax cash flows. How would you suggest the disclosures in IAS 12 be improved to provide better information about future cash flows? (Paragraphs 1.13 to 1.14 and 2.35 to 2.40)

We do not support this proposal. We do not believe that the financial statements should be used to forecast future cash flow. In our opinion this would be a potentially onerous reporting obligation which would be inconsistent with the overall principle that the financial statements are a record of historical financial performance.

We would be grateful if you could give our recommendations your full consideration.

Yours faithfully

Russ Houlden

Russ Houlden
Chief Financial Officer