

Financial performance

NI Water is required to prepare two sets of accounts to report on financial performance:

- Statutory Group Accounts prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of Companies Act 2006 (“IFRS Standards”) covering NI Water Limited (both our appointed (regulated) and non-appointed (non-regulated) businesses) and our subsidiaries; and
- Regulatory Accounts for NI Water Limited for our appointed (regulated) business prepared under the Regulatory Accounting Guidelines issued by the Utility Regulator.

Our appointed business relates to the provision of certain water and wastewater services under our Instrument of Appointment (the Regulatory licence). We are the monopoly supplier of these services.

Our non-appointed business operates in competitive markets and is ring fenced from our appointed activities to prevent cross subsidisation. Non-appointed activities include septic tank emptying, and rental of aerial masts to the telecommunications sector.

Pages 154 to 238
Read our Statutory Accounts.
The Regulatory Accounts are published separately. See the latest Regulatory accounts at:
<https://www.niwater.com/publications/>

In November 2017 NI Water Limited acquired Kelda Water Services' holdings in a number of companies which are contracted to provide bulk drinking water supplies under a Public Private Partnership arrangement. Further information on the Group can be found at Note A5 to the Statutory Accounts.

The financial performance section refers to NI Water (the Group) unless otherwise indicated.

Consolidated Statement of Comprehensive Income

Our Consolidated Statement of Comprehensive Income (SOCl) is presented on page 158 is summarised below.

Summary Consolidated Statement of Comprehensive Income

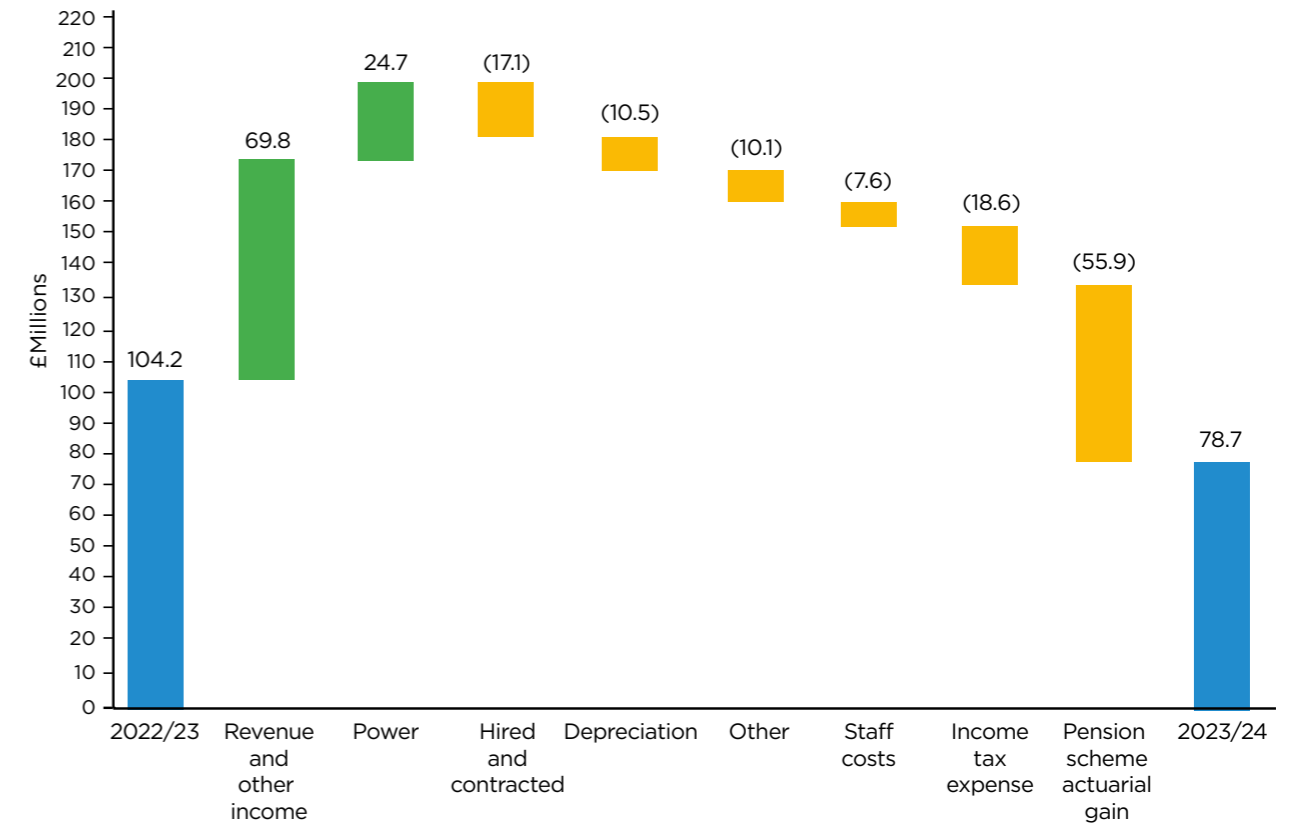
	Year to 31 March 2024 £m	Year to 31 March 2023 £m
Revenue	549.3	479.3
Results from operating activities	157.7	105.0
Net finance charges	(62.2)	(58.6)
Profit before tax	95.5	46.4
Income tax expense	(24.0)	(5.3)
Profit for the year	71.5	41.1
Other comprehensive income, net of income tax	7.2	63.2
Total comprehensive income for the period	78.7	104.2

Revenue has been stated excluding the value of adopted assets (£39.9m) (2022/23: £29.7m) following the adoption of IFRS 15 “Revenue from Contracts with Customers” in 2018/19. It is considered that the adoption of assets creates a long-

term obligation to maintain the related assets and therefore the revenue should be spread over the life of the assets through a deferred credit release (£4.2m) (2022/23: £4.1m).

Financial performance

Movement in total consolidated comprehensive income for the period



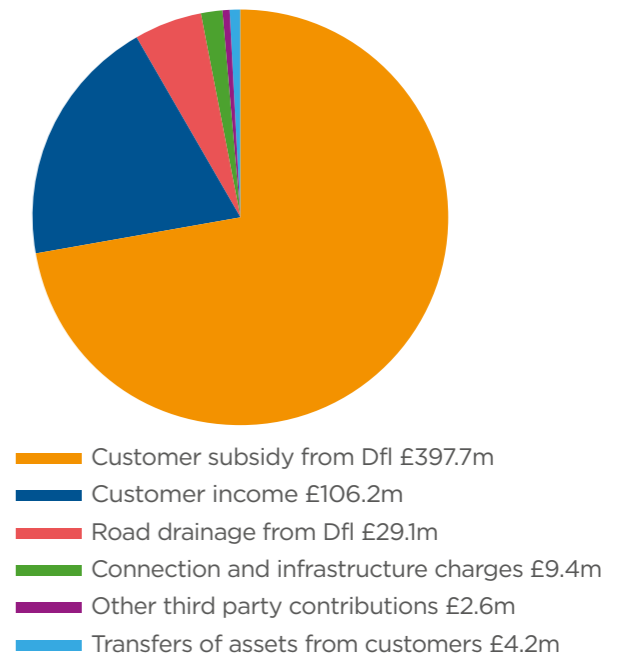
Revenue

Domestic consumers are not charged directly for water and wastewater services. As a result, NI Water is dependent on Government subsidy for 72% of its total revenue.

The customer subsidy from Government covered the full domestic charge and this arrangement will remain in place until 2027.

Revenue was £549.3m for the year to 31 March 2024 (2023: £479.3m). Included in revenue was £426.9m (2023: £370.7m) received from the DfI, being subsidy of £397.7m (2023: £345.5m) and road drainage charges of £29.1m (2023: £25.2m). All the revenue was in relation to NI Water Limited as subsidiary revenue was all within the Group.

Sources of revenue 2023/24



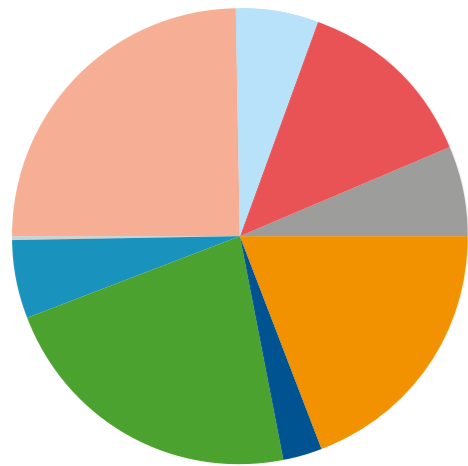
See Statutory Accounts Note C1.

Financial performance

Operating activities

Operating expenses in 2023/24 of £392.6m (2023: £375.6m) increased from last year. The increase primarily resulted from higher hired and contracted services, higher staff costs and higher depreciation costs as a result of the increased asset base offset by lower power costs. Results from operating activities before interest for the year was £157.7m (2023: £105.0m).

Operating expenses 2023/24



- Raw materials and consumables: £24.8m
- Power: £58.4m
- Rates: £27.8m
- Hire and contracted services: £84.2m
- Other operating expenses: £13.0m
- Staff costs: £97.9m
- Own work capitalised: (£24.4m)
- Impairment of goodwill: £1.2m
- Depreciation: £109.6m

NI Water is one of the largest users of electricity in Northern Ireland. We spent around £58m on power in 2023/24.

Finance income and costs

The net finance costs are primarily due to interest on our borrowings of £60.0m (2023: £52.5m) and our Public Private Partnership (PPP) liabilities of £9.9m (2023: £10.5m). This was partly offset by £0.3m (2023: £3.5m) fair value increase in the value of financial liabilities and fair value impairment of senior loan debt and bank interest received of £4.8m (2023: £1.6m) and net interest income on the pension fund of £2.6m (2023: net finance cost £0.6m). See Statutory Accounts Note B2.

Taxation

The tax charge for the year was £24.0m (2023: £5.3m) for which payment is deferred to future years. The effective tax rate for the year to 31 March 2024 was 25.1% (2023: 11.5%). The higher tax charge in the year was largely due to the increase in taxable profit and the increase in the rate of corporation tax from 19% to 25% from 1 April 2023. See Statutory Accounts Note F1.

Pension scheme actuarial gain

In 2023/24 there was an actuarial gain of £7.2m (2023: £63.2m gain). See page 108 and Statutory Accounts Note E2 and G3.

Distributions

The Board declared and paid a dividend of £21.0m in 2023/24 (2023: £19.0m). The Board will consider a proposal to declare a dividend of £24.0m later this year. See Statutory Accounts Note B3.

The dividend to the DfI represents a return to the taxpayer on the amount invested in the Company.

Financial performance

Capital structure

The Consolidated Statement of Financial Position (SOFP) at 31 March 2024 as presented on page 156 is summarised below.

Our net debt¹ figure was £1,849.5m at 31 March 2024 (2023: £1,678.3m).

Gearing (the ratio of net debt to equity and net debt) was 60.1% (2023: 58.9%).

Total assets increased by 8.5% to £4,384.0m (2023: £4,041.0m).

Summary Consolidated Statement of Financial Position

	At 31 March 2024 £m	At 31 March 2023 £m
Total non-current assets	4,209.9	3,905.2
Total current assets	174.1	135.8
Total Assets	4,384.0	4,041.0
Equity	1,230.2	1,172.4
Total non-current liabilities	2,913.9	2,655.9
Total current liabilities	239.9	212.7
Total liabilities	3,153.8	2,868.6
Total equity and liabilities at 31 March	4,384.0	4,041.0

Liquidity

Operating activities generated a net cash inflow of £275.8m (2023: £209.1m). Net cash outflows of £362.9m (2023: £285.7m) related to investing activities. Net financing activities created a cash inflow of £117.3m (2023: inflow £64.4m).

Our working capital requirements are met from a committed working capital facility of £20m and from available positive cash balances.

Interest is accrued on the working capital facility at floating interest rates based on Bank of England Base Rate.

Investing activities included the acquisition of property, plant and equipment of £368.1m (2023: £287.4m), interest received of £4.2m (2023: £1.0m), proceeds from the sale of property, plant and equipment of £0.2m (2023: £0.4m) and grants received of £0.8m (2023: £0.4m).

Working capital represents the funds available for day-to-day operations. It includes inventories, trade receivables and trade payables.

¹Refer to Notes A7 and B4 in the Statutory Accounts. Net debt consists of loans from the DfI of £1,809.6m (2023: £1,594.6m), external loans relating to subsidiaries of £53.9m (2023: £60.7m), derivative financial instruments of £0.7m (2023: £1.0m); and finance leases of £89.4m (on consolidation Alpha finance lease excluded) (2023: £95.8m) less cash and cash equivalents of £104.0m (including £13.6m from consolidated entities), (2023: £73.8m (including £15.3m from consolidated entities)).

Pension funding

The pension scheme was valued (net of the associated deferred tax liability/asset) as an asset of £60.0m at 31 March 2024 (2023: asset of £46.5m). This was made up of a total market value of assets of £323.6m (2023: £300.1m) less actuarial value of liabilities £263.6m (2023: £253.6m). See Statutory Notes E2 and G3.

NI Water's pension scheme is a separate legal entity which is run by a Board of Trustees.

Investing in our water and wastewater infrastructure

We have invested £3.5bn in Northern Ireland's water and wastewater infrastructure since our formation in 2007/08.

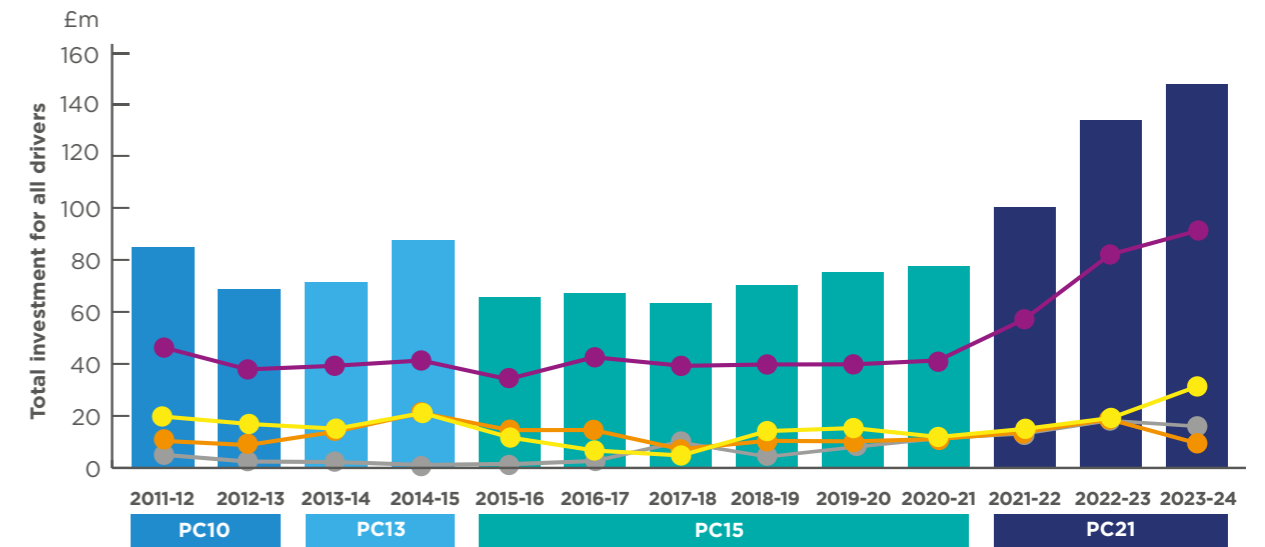
Around £342m of capital investment was delivered during 2023/24. £191m was invested in maintaining the current assets and a further £150.6m was invested to deliver quality enhancements, improve service and accommodate growth. Funding of £329m has been allocated for 2024/25.

Investment in 2023/24 included the completion of three wastewater treatment works, remediation of five unsatisfactory intermittent discharges and laying approximately 194km of new, renewed and relined water mains.



Investment analysed by investment driver

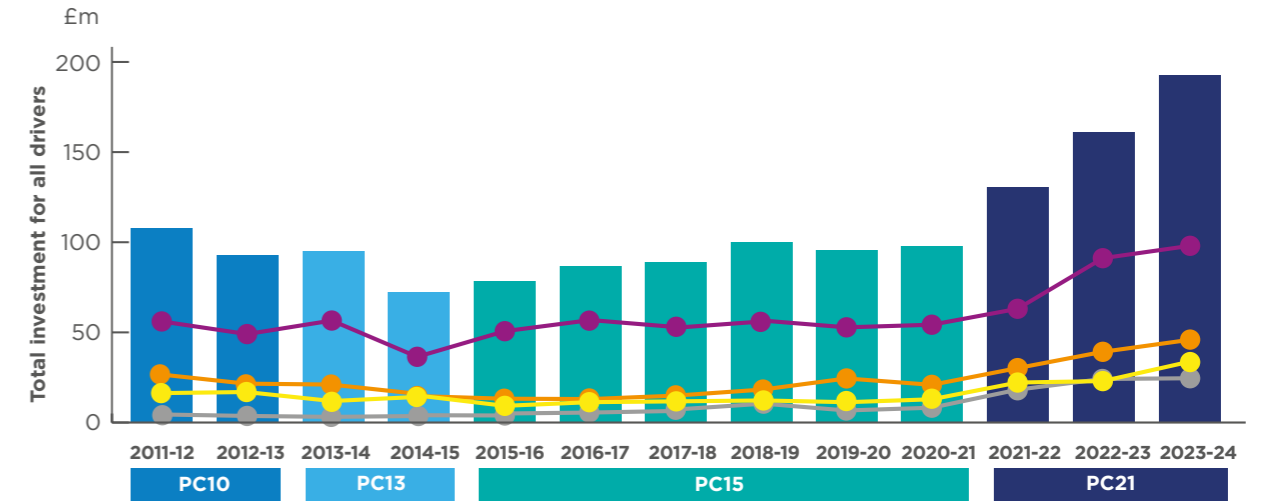
Water service



Type of investment driver

- **Maintain** our drinking water network and our treatment works
- **Improve** our drinking water network and our treatment works
- **Enhance** our customer service such as reducing low pressure and supply interruptions
- **Support** new customers and additional demand from existing customers

Wastewater service



Type of investment driver

- **Maintain** our sewerage network and our treatment works
- **Improve** our sewerage network and our treatment works
- **Enhance** our customer service such as reducing internal flooding
- **Support** new customers and additional demand from existing customers

This Strategic Report was approved by the Board of Directors on 8 July 2024 and signed on its behalf by Mark Ellesmere, Company Secretary.

Mark Ellesmere
Company Secretary
8 July 2024