

# Statutory accounts



*Solar installation at Drumaroad water treatment works, Castlewellan, County Down.*



# Statutory accounts

## Consolidated statement of financial position

	Note	At 31 March 2024 £000	At 31 March 2023 £000
<b>Assets</b>			
Property, plant and equipment	A1	4,064,433	3,778,775
Investment properties	A3	1,868	1,876
Intangible assets and goodwill	A4	83,640	78,043
Investments	A5	-	-
Employee benefits	E2	59,961	46,457
<b>Total non-current assets</b>		<b>4,209,902</b>	<b>3,905,151</b>
Inventories	A6	5,555	5,467
Trade and other receivables	C4	43,157	41,401
Unbilled revenue	C5	16,769	12,724
Prepayments		4,542	2,359
Cash and cash equivalents	A7	104,015	73,812
Assets classified as held for sale	A8	24	20
<b>Total current assets</b>		<b>174,062</b>	<b>135,783</b>
<b>Total assets</b>		<b>4,383,964</b>	<b>4,040,934</b>
<b>Equity</b>			
Share capital	B3	500,000	500,000
Statutory distributable reserve		171,690	171,690
Retained earnings		558,541	500,808
Fair value reserve		(76)	(76)
<b>Total equity attributable to owner of the Company</b>		<b>1,230,155</b>	<b>1,172,422</b>
<b>Liabilities</b>			
Loans and borrowings	B1	1,939,830	1,738,221
Interest rate swap	D2	679	986
Other payables	D2	879	1,893
Deferred income	C2	618,600	583,871
Provisions	D3	5,012	8,397
Deferred tax liabilities	F1	348,876	322,483
<b>Total non-current liabilities</b>		<b>2,913,876</b>	<b>2,655,851</b>
Loans and borrowings	B1	13,038	12,864
Trade payables	D2	199,424	177,173
Other payables	D2	20,121	18,901
Deferred income	C2	4,968	1,312
Provisions	D3	2,382	2,411
<b>Total current liabilities</b>		<b>239,933</b>	<b>212,661</b>
<b>Total liabilities</b>		<b>3,153,809</b>	<b>2,868,512</b>
<b>Total equity and liabilities</b>		<b>4,383,964</b>	<b>4,040,934</b>

The financial statements were authorised for issue by the Board of Directors on 8 July 2024 and were signed on its behalf by:



Dr Sara Venning,  
Chief Executive,  
8 July 2024

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Company statement of financial position

	Note	At 31 March 2024 £000	At 31 March 2023 £000
<b>Assets</b>			
Property, plant and equipment	A1	4,064,251	3,778,615
Investment properties	A3	1,868	1,876
Intangible assets	A4	68,278	61,444
Investments	A5	5,000	5,000
Employee benefits	E2	59,961	46,457
<b>Total non-current assets</b>		<b>4,199,358</b>	<b>3,893,392</b>
Inventories	A6	5,236	5,138
Trade and other receivables	C4	67,996	66,333
Unbilled revenue	C5	16,769	12,724
Prepayments		4,521	2,336
Cash and cash equivalents	A7	90,369	58,499
Assets classified as held for sale	A8	24	20
<b>Total current assets</b>		<b>184,915</b>	<b>145,050</b>
<b>Total assets</b>		<b>4,384,273</b>	<b>4,038,442</b>
<b>Equity</b>			
Share capital	B3	500,000	500,000
Statutory distributable reserve		171,690	171,690
Retained earnings		555,578	498,981
Fair value reserve		(76)	(76)
<b>Total equity attributable to owner of the Company</b>		<b>1,227,192</b>	<b>1,170,595</b>
<b>Liabilities</b>			
Loans and borrowings	B1	1,950,262	1,748,219
Other payables	D2	879	1,893
Deferred income	C2	618,600	583,871
Provisions	D3	5,012	8,397
Deferred tax liabilities	F1	340,557	313,719
<b>Total non-current liabilities</b>		<b>2,915,310</b>	<b>2,656,099</b>
Loans and borrowings	B1	12,955	12,074
Trade payables	D2	201,345	176,300
Other payables	D2	20,121	19,651
Deferred income	C2	4,968	1,312
Provisions	D3	2,382	2,411
<b>Total current liabilities</b>		<b>241,771</b>	<b>211,748</b>
<b>Total liabilities</b>		<b>3,157,081</b>	<b>2,867,847</b>
<b>Total equity and liabilities</b>		<b>4,384,273</b>	<b>4,038,442</b>

The Company's profit for the year ended 31 March 2024 was £70,366k (2023: £37,293k).

The financial statements were authorised for issue by the Board of Directors on 8 July 2024 and were signed on its behalf by:



Dr Sara Venning,  
Chief Executive,  
8 July 2024

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Consolidated statement of comprehensive income

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
<b>Revenue</b>	C1	<b>549,258</b>	479,278
Other income	C3	1,298	1,495
Operating expenses	D1	(392,566)	(375,589)
Research and development expenses		(318)	(187)
<b>Results from operating activities</b>		<b>157,672</b>	104,997
Finance income	B2	7,682	5,090
Finance costs	B2	(69,870)	(63,667)
<b>Net finance costs</b>		<b>(62,188)</b>	(58,577)
<b>Profit before income tax</b>		<b>95,484</b>	46,420
Income tax expense	F1	(23,982)	(5,349)
<b>(Loss)/ Profit for the year</b>		<b>71,502</b>	41,071
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss: Defined benefit plan actuarial gains/(losses)	F1	7,231	63,154
<b>Other comprehensive income for the period, net of income tax</b>		<b>7,231</b>	63,154
<b>Total comprehensive income for the period</b>		<b>78,733</b>	104,225
<b>(Loss)/ Profit attributable to:</b>			
Owner of the Company		71,502	41,071
<b>Total comprehensive income attributable to:</b>			
Owner of the Company		78,733	104,225

All profits relate to continuing operations.

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Consolidated statement of changes in equity

	Attributable to the owner of the Group					
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	Total equity £000
Balance at 1 April 2023	B3	500,000	171,690	500,808	(76)	1,172,422
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	71,502	-	71,502
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	9,642	-	9,642
Deferred tax arising on gains in defined benefit plan	F1	-	-	(2,411)	-	(2,411)
Deferred tax arising on gains in defined benefit plan (rate change)	F1	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	7,231	-	7,231
<b>Total comprehensive income for the period</b>		-	-	78,733	-	78,733
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to owner of the Company	B3	-	-	(21,000)	-	(21,000)
<b>Balance at 31 March 2024</b>		<b>500,000</b>	<b>171,690</b>	<b>558,541</b>	<b>(76)</b>	<b>1,230,155</b>

Dividends per share (GBP)

0.04

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Consolidated statement of changes in equity continued

	Attributable to the owner of the Group					
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	Total equity £000
Balance at 1 April 2022	B3	500,000	171,690	415,583	(76)	1,087,197
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	41,071	-	41,071
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	84,206	-	84,206
Deferred tax arising on gains in defined benefit plan	F1	-	-	(21,052)	-	(21,052)
Deferred tax arising on losses in defined benefit plan (rate change)	F1	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	<b>63,154</b>	-	<b>63,154</b>
<b>Total comprehensive income for the period</b>		-	-	<b>104,225</b>	-	<b>104,225</b>
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to owner of the Company	B3	-	-	(19,000)	-	(19,000)
<b>Balance at 31 March 2023</b>		<b>500,000</b>	<b>171,690</b>	<b>500,808</b>	<b>(76)</b>	<b>1,172,422</b>
Dividends per share (GBP)						0.04

# Statutory accounts

## Company statement of changes in equity

	Attributable to the owner of the Company					
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	Total equity £000
Balance at 1 April 2023	B3	500,000	171,690	498,981	(76)	1,170,595
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	70,366	-	70,366
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	9,642	-	9,642
Deferred tax arising on gains in defined benefit plan	F1	-	-	(2,411)	-	(2,411)
Deferred tax arising on gains in defined benefit plan (rate change)	F1	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	<b>7,231</b>	-	<b>7,231</b>
<b>Total comprehensive income for the period</b>		-	-	<b>77,597</b>	-	<b>77,597</b>
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to owner of the Company	B3	-	-	(21,000)	-	(21,000)
<b>Balance at 31 March 2024</b>		<b>500,000</b>	<b>171,690</b>	<b>555,578</b>	<b>(76)</b>	<b>1,227,192</b>
Dividends per share (GBP)						0.04

The Notes on pages 165 to 234 form part of these financial statements.

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Company statement of changes in equity continued

	Attributable to the owner of the Company					
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	Total equity £000
Balance at 1 April 2022	B3	500,000	171,690	417,534	(76)	1,089,148
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	37,293	-	37,293
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	84,206	-	84,206
Deferred tax arising on gains in defined benefit plan	F1	-	-	(21,052)	-	(21,052)
Deferred tax arising on losses in defined benefit plan (rate change)	F1	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	<b>63,154</b>	-	<b>63,154</b>
<b>Total comprehensive income for the period</b>		-	-	<b>100,447</b>	-	<b>100,447</b>
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to owner of the Company	B3	-	-	(19,000)	-	(19,000)
<b>Balance at 31 March 2023</b>		<b>500,000</b>	<b>171,690</b>	<b>498,981</b>	<b>(76)</b>	<b>1,170,595</b>

Dividends per share (GBP)

0.04

# Statutory accounts

## Consolidated statement of cash flows

	Note	Year to 31 March 2024 £000	Year to 31 March 2023 £000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>95,484</b>	46,420
Adjustments for:			
Depreciation	A1, A3	<b>98,906</b>	89,743
Amortisation of intangible assets	A4	<b>10,704</b>	9,327
Amortisation of deferred credit on adopted assets	C1	<b>(4,212)</b>	(4,085)
Gain on sale of property, plant and equipment	C3	<b>(175)</b>	(420)
Interest expense (net)	B2	<b>62,187</b>	58,577
Amortisation of goodwill	A4	<b>1,237</b>	6,322
Non-cash movement relating to pension		<b>873</b>	-
Tax refund/(paid)		<b>1,073</b>	778
		<b>266,077</b>	206,662
Changes in:			
- inventories		<b>88</b>	869
- trade and other receivables		<b>(3,410)</b>	(4,681)
- unbilled revenue		<b>(6,239)</b>	(2,117)
- trade and other payables		<b>25,106</b>	1,438
- provisions		<b>(3,415)</b>	941
- excess of pension charge over cash pension contributions		<b>(2,408)</b>	6,005
<b>Cash generated from operating activities</b>		<b>275,799</b>	209,117
<b>Cash flows from investing activities</b>			
Interest received		<b>4,180</b>	956
Proceeds from sale of property, plant and equipment		<b>193</b>	425
Insurance proceeds		-	-
Acquisition of property, plant and equipment, and intangible assets		<b>(368,090)</b>	(287,404)
Grants received		<b>821</b>	366
<b>Net cash used in investing activities</b>		<b>(362,896)</b>	(285,657)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>215,000</b>	155,000
Payment of finance lease liabilities		<b>(6,605)</b>	(5,730)
Payment of bank loans		<b>(6,298)</b>	(5,846)
Interest paid		<b>(63,797)</b>	(59,983)
Dividends paid	B3	<b>(21,000)</b>	(19,000)
<b>Net cash from financing activities</b>		<b>117,300</b>	64,441
<b>Net increase in cash and cash equivalents</b>		<b>30,203</b>	(12,099)
<b>Cash and cash equivalents at 1 April</b>	A7	<b>73,812</b>	85,911
<b>Cash and cash equivalents at 31 March</b>	A7	<b>104,015</b>	73,812

The Notes on pages 165 to 234 form part of these financial statements.

The Notes on pages 165 to 234 form part of these financial statements.

# Statutory accounts

## Company statement of cash flows

	Note	Year to 31 March 2024 €000	Year to 31 March 2023 €000
<b>Cash flows from operating activities</b>			
Profit before tax		94,793	39,777
Adjustments for:			
Depreciation	A1, A3	98,721	89,568
Amortisation of intangible assets	A4	10,704	9,327
Non-cash movement relating to pension		873	-
Gain on sale of property, plant and equipment	C3	(175)	(420)
Interest expense (net)		63,882	63,442
Amortisation of goodwill	C1	(4,212)	(4,085)
Tax refund/(paid)		323	1,222
		264,909	198,831
Changes in:			
- inventories		(99)	(713)
- trade and other receivables		(3,346)	3,589
- unbilled revenue		(6,235)	(2,114)
- trade and other payables		27,903	1,202
- provisions		(3,415)	941
- excess of pension charge over cash pension contributions		(2,408)	6,005
<b>Cash generated from operating activities</b>		<b>277,309</b>	<b>207,741</b>
<b>Cash flows from investing activities</b>			
Interest received		5,162	1,995
Proceeds from sale of property, plant and equipment		193	425
Acquisition of property, plant and equipment, and intangible assets		(367,948)	(285,946)
Loan to subsidiaries		(750)	-
Repayment of loan from subsidiaries		795	356
Grants received		821	366
<b>Net cash used in investing activities</b>		<b>(361,727)</b>	<b>(282,804)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		215,000	155,000
Payment of finance lease liabilities		(12,083)	(10,728)
Interest paid		(65,629)	(61,845)
Dividends paid	B3	(21,000)	(19,000)
<b>Net cash from financing activities</b>		<b>116,288</b>	<b>63,427</b>
<b>Net increase in cash and cash equivalents</b>		<b>31,870</b>	<b>(11,636)</b>
<b>Cash and cash equivalents at 1 April</b>	A7	<b>58,499</b>	<b>70,135</b>
<b>Cash and cash equivalents at 31 March</b>	A7	<b>90,369</b>	<b>58,499</b>

The Notes on pages 165 to 234 form part of these financial statements.

# Notes to the Statutory accounts

## 1. Key accounting policies

### a) Reporting entity

Northern Ireland Water Limited (the Company) is a company incorporated, domiciled and registered in Northern Ireland. The address of the Company's registered office is Westland House, 40 Old Westland Road, Belfast, BT14 6TE. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the supply of water and the collection and treatment of sewerage in Northern Ireland.

The Company is wholly owned by the Department for Infrastructure (DfI).

### b) Basis of preparation

#### Statement of compliance

These consolidated financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS Standards").

### c) Basis of measurement

#### Going concern

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities at 31 March 2024. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Parent Company operates and that there is a reasonable expectation that NI Water will continue to operate for 12 months from the date of approving the financial statements. However, material uncertainties exist which cast doubt on the ability of the organisation to continue as a going concern in the future. This is described in more detail below:

- NI Water is subject to economic regulation rather than market competition. As a result, the Parent Company provides water and sewerage services in Northern Ireland under the conditions in its Licence granted by the independent Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006, which designates NI Water as the sole Water and Sewerage Undertaker for Northern Ireland.
- Following the NI Assembly decision to defer the introduction of domestic water charges, NI Water receives funding by means of a subsidy provided by DfI. Due to the level of subsidy, NI Water is also designated as a NDPB and is subject to public sector spending rules i.e., public expenditure.
- NI Water submitted its Business Plan for the PC21 Price Control period (April 2021 to March 2027) to the Utility Regulator in January 2020. The Utility Regulator published the PC21 Final Determination in May 2021 endorsing the proposals outlined in the PC21 Business Plan and adding further challenge in some areas. The Board of NI Water accepted the PC21 Final Determination in July 2021, encouraged that the first year of PC21 (2021/22) was fully funded by DfI and the NI Executive and based on a continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers.
- Since then, there has been significant volatility in global energy prices which, combined with higher inflation more generally, has created a shortfall in Resource DEL<sup>6</sup> in each of the first three years of PC21. Shortfalls were successfully met by in-year bids to DfI in 2021/22 and 2022/23. In the absence of monitoring rounds during 2023/24, it was 13 March 2024 before DfI advised that it was able to secure an additional £27m to regularise 2023/24 Resource DEL allocation to £172m in line with NI Water's forecast.
- While NI Water's requirement for Capital DEL<sup>6</sup> cover was fully met in the first two years of PC21, 2023/24 has been challenging. NI Water's Operating Plan and Budget for 2023/24 set out a Capital DEL requirement of £370m reflecting the third year of PC21 Final Determination. NI Water reduced its requirement to £353m to reflect minimum Capital DEL allocation required to mitigate risk of prosecution, resulting in a shortfall of £31.8m to the Capital DEL allocation of £321.2m advised by DfI. DfI submitted a bid for additional capital funding to make up the shortfall but the Secretary of State did not make any additional in-year capital allocations. In December 2023, DfI sought an absolute assurance from NI Water Board that the £321.2m Capital DEL allocation would not be exceeded. An assurance was provided by the NI Water Board and management took steps to slow down the PC21 capital programme.

<sup>6</sup>Departmental Expenditure Limits (DEL) are government budgets. The budgets are split between Resource DEL (RDEL) for day-to-day spending and Capital DEL (CDEL) for investment.



# Notes to the Statutory accounts

## 1. Key accounting policies continued

### c) Basis of measurement continued

#### Going concern continued

#### 2024/25 Operating Plan and Budget

- NI Water's Operating Plan and Budget for the 2024/25 (Year 4 of PC21) sets out a Resource DEL requirement of £175.9m and a Capital DEL requirement of £470m to ensure that NI Water can deliver on its statutory and regulatory commitments. Operating Plan targets for 2024/25 reflect the Utility Regulator's PC21 Final Determination with adjustment for slippage in 2023/24 due to shortfall in Capital DEL funding and reprofiling for efficient delivery.
- On 23 May 2024, the DfI Minister wrote to NI Water advising indicative budget allocations for the 2024/25 financial year of £137.7m Resource DEL and £324.5m Capital DEL resulting in shortfalls of £38.2m and £145.5m respectively.

2024/25 Funding Position	RDEL £m	CDEL £m	Total £m
NI Water Operating Plan and Budget	175.9	470.0	645.9
DfI Indicative Allocations	137.7	324.5	462.2
	(38.2)	(145.5)	(183.7)

- On 21 June 2024, the DfI Permanent Secretary provided a letter of assurance confirming NI Water is authorised to borrow against its current loan note in order to finance its normal trading activities in 2024/25, ensuring that expenditure financed by loan funding is covered within its public expenditure budget agreed by the Department.

#### Outlook to end of PC21 Price Control period

- NI Water made its PC21 Mid-Term Review submission to the Utility Regulator on 29 September 2023. Following engagement with NI Water and principal stakeholders, the Utility Regulator published its Draft Determination on 2 May 2024 for an eight-week consultation period. The PC21 Mid-Term Review Draft Determination proposes the following:
  - Limited adjustments to PC21 output targets.
  - Average tariff increase of 4.6% for non-domestic consumers in each of the last two years of the PC21 period (2025/26 and 2026/27) to mitigate against an unprecedented increase in NI Water's power costs.
  - A capital allowance of c£2.4bn (nominal prices) for the full six-year price control period to maintain existing services and deliver the upgrades required to meet its quality, environmental and service level obligations.
- The Utility Regulator estimates that Capital DEL provision for the last three years of PC21 (2024/25 – 2026/27) would need to be £1,482m to deliver the planned investment and outputs. This is a reduction to NI Water's Mid-Term Review submission of £1,792m. NI Water plans to challenge some of the difference in its response to the Utility Regulator's consultation.
- The DfI Permanent Secretary has informed NI Water that it should be planning for a 'Reasonable Worst Case Scenario' of c.£321m Capital DEL in each of the last three years of PC21 which equates to £966m, a shortfall of £516m (35%) from Utility Regulator's Draft Determination.

Capital DEL	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
NI Water PC21 MTR Submission (Sept 2023)	562	666	564	1,792
Utility Regulator PC21 MTR Draft Determination (May 2024)	465	557	460	1,482
DfI Reasonable Worst Case Scenario (Nov 2023)	324	321	321	966
Shortfall in DfI Funding	(141)	(236)	(139)	(516)

- The DfI Permanent Secretary has also indicated that Resource DEL provision is likely to be similarly constrained going forward.

# Notes to the Statutory accounts

## 1. Key accounting policies continued

### c) Basis of measurement continued

#### Going concern continued

#### Outlook to end of PC21 Price Control period continued

Resource DEL	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
NI Water PC21 MTR Submission (Sept 2023)	169	151	143	463
Utility Regulator PC21 MTR Draft Determination (May 2024)	178	169	164	511
DfI Reasonable Worst Case Scenario (Nov 2023)	138	145	145	428
Shortfall in DfI Funding	(40)	(24)	(19)	(83)

- NI Water has access to cash through the loan note instrument which enables the Company to draw down loans up to £1.75bn from 1 April 2022 to 31 March 2027, subject to headroom restrictions. £215m was drawn down in 2023/24 bringing the cumulative total drawdown to £370m. In addition, the Company has access to a working capital facility of £20m.
- The availability of Resource and Capital DEL to enable delivery of PC21 outputs is the overriding constraint, irrespective of access to cash. A shortfall in Resource DEL allocation limits what cash NI Water can spend to run and operate its business. A shortfall in Capital DEL allocation creates a limit on what cash NI Water can invest in water and drainage infrastructure. NI Water is prohibited from spending any cash in excess of the DEL allocations without prior approval from DfI.
- The Board of NI Water finds itself in a difficult position and is concerned about future funding and the ability to discharge its statutory and regulatory duties and secure the continued provision of water and wastewater services. The Utility Regulator has informed NI Water that delivery of all outputs within PC21 are necessary to discharge its statutory and regulatory duties and this is underpinned in PC21 Mid-Term Review Draft Determination, with limited adjustment to PC21 output targets. The DfI has informed NI Water that it should prepare Operating Plans for the remaining three years of PC21 based on a projected Capital DEL of £321m, which is materially below the amounts determined by the Utility Regulator.
- As a Government owned company operating under a regulatory Licence, NI Water is unable to unilaterally decide which statutory or regulatory obligations it will or will not perform. Both the DfI and the Utility Regulator have statutory and regulatory obligations relating to funding. This includes a statutory obligation under Article 6 of the Water and Sewerage Services (NI) Order 2006 to ensure that NI Water is able to finance the proper carrying out of its functions.
- The current and anticipated shortfalls in Resource and Capital DEL allocations give rise to material uncertainty regarding going concern in the context of delivering a six-year PC21 programme of work as well as having the potential to lead to conflicting requirements in relation to:
  - Obligations to deliver services under the regulatory Licence;
  - Board's statutory duties;
  - Accounting Officer responsibility not to overspend against budget; and
  - Regularity of spend.
- The Board is keen to avoid a repeat of events in 2023/24 where it experienced a potential conflict between its budgetary authority and its regulatory obligations. The Board notes that in the event that a material mismatch continues to arise between anticipated funded expenditure limits and those required to deliver PC21, both the DfI and the Utility Regulator could consider the agreed procedures in the Memorandum of Understanding and Consequent Written Agreement. These procedures include reference to the PC21 Social & Environmental Guidance which informs how water and sewerage services are provided in Northern Ireland and sets out what NI Water will need to do to, meet its environmental obligations, continue to make improvements in service delivery and work to operate sustainably, taking account of climate change.
- The DfI has convened a forum to include the Utility Regulator and other key stakeholders in the Water Senior Stakeholder Group to engage in the development of a reasoned submission which will consider an agreed adjusted programme of outputs and outcomes for PC21.
- Until this forum has completed its work and a reasoned adjusted programme for PC21 is agreed, NI Water continues to face a significant mismatch between the PC21 output targets set by the Utility Regulator and the Capital DEL funding indicated by the DfI. NI Water is exposed to enforcement proceedings from the Utility Regulator which could result in the removal of NI Water's licence to operate, and the possibility of legal action by other stakeholders for failure to meet its statutory obligations.

# Notes to the Statutory accounts

## 1. Key accounting policies continued

### c) Basis of measurement continued

#### Going concern continued

#### Outlook to end of PC21 Price Control period continued

- In such circumstances, material uncertainties exist, which cast doubt on the ability of the organisation to continue as a going concern in the future.

Further information is included in Note G2 (liquidity risk).

### d) Functional and presentation currency

The consolidated financial statements are presented in pound sterling (GBP), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest thousand, unless otherwise indicated.

### e) Changes in accounting policies

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year.

### f) Critical accounting estimates and judgements

The preparation of the consolidated financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There were no critical accounting judgements identified by management. Information on estimation uncertainties that management deemed to have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Note A4 – intangibles assets and goodwill;
- Note C4 – trade and other receivables;
- Note E2 – measurement of defined benefit pension obligations;
- Notes D3 and D4 – provisions and contingencies;
- Note G1(s) and Note B4 – measurement of fair values; and
- Note F1 – deferred taxation.

Significant accounting policies are included at Note G1.

### g) Climate related financial disclosures

We have developed a Climate Risk Model to assess the financial impacts of physical and transitional risks over the next three decades. The results are high level and the financial impacts span a broad range depending on the policy adopted. Find out more at page 67.

We are keeping a watching brief on the impact of climate on the financial statements across areas such as provisions, impairment, contingent liabilities and accounting judgements and estimates. At the time of writing, management assess that there is no immediate impact on the financial statements but this will continue to be kept under review.

# Notes to the Statutory accounts

## 1. Key accounting policies continued

### Key themes for NI Water

	Page
<b>A. The assets we use</b> A1 Property, plant and equipment A2 Service concession arrangements A3 Investment properties A4 Intangible assets and goodwill A5 Investments	A6 Inventories A7 Cash and cash equivalents A8 Non-current assets held for sale A9 Leases 170-181
<b>B. How we are financed</b> B1 Loans and borrowings B2 Finance income and finance costs	B3 Capital and reserves B4 Financial instruments 182-196
<b>C. Revenue and receivables</b> C1 Revenue C2 Deferred income C3 Other income	C4 Trade and other receivables C5 Exposure to credit risk 197-199
<b>D. Purchases and payables</b> D1 Operating expenses D2 Trade and other payables D3 Provisions	D4 Contingencies D5 Operating leases 200-205
<b>E. Our employees</b> E1 Personnel numbers and expenses	E2 Employee benefits 206-210
<b>F. Taxation</b> F1 Taxation	211-214
<b>G. Supplementary notes to the accounts</b> G1 Significant accounting policies G2 Financial risk management G3 Employee benefits	G4 Related parties G5 Subsequent events 215-234



# Notes to the Statutory accounts

## A. The assets we use

NI Water uses a significant number of assets in its operations. We are continually investing in our assets both to maintain and to increase our capacity for service. For further information on our capital programme see pages 108 to 109.

This section sets out those assets the Group and Company intends to continue to use, those which are in the course of being disposed of and any disposals which have been completed in the year. Certain assets which are shown on the SOFP are being paid for through a PPP contract. Under such arrangements NI Water obtains substantially all the risks and rewards of ownership. Information is provided on Group and Company acquisitions during the year. This section also deals with the financing costs and obligations associated with such assets as well as leased assets.

For further information on the relevant accounting policies applied in this section please see Note G1.

### A1. Property, plant and equipment

	Company						Group	
	Land and buildings £000	Infrastructure assets £000	Operational assets* £000	Vehicle plant and equipment £000	Assets in the course of construction £000	Total £000	Vehicle plant and equipment £000	Total £000
<b>Cost or deemed cost</b>								
Balance at 1 April 2022	101,800	2,266,439	1,688,520	19,654	337,542	<b>4,413,955</b>	902	<b>4,414,857</b>
Additions	-	4,238	-	-	284,342	<b>288,580</b>	7	<b>288,587</b>
Additions - Right-of-use assets	-	-	-	-	-	-	12	<b>12</b>
Customer contributions	1	28,534	1,147	-	-	<b>29,682</b>	-	<b>29,682</b>
Disposals	-	(1,004)	-	(1,228)	-	<b>(2,232)</b>	-	<b>(2,232)</b>
Transfers	13,232	101,791	175,486	3,075	(293,584)	-	-	-
Transfer from investment properties	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>115,033</b>	<b>2,399,998</b>	<b>1,865,153</b>	<b>21,501</b>	<b>328,300</b>	<b>4,729,985</b>	<b>921</b>	<b>4,730,906</b>
Balance at 1 April 2023	115,033	2,399,998	1,865,153	21,501	328,300	<b>4,729,985</b>	921	<b>4,730,906</b>
Additions	-	4,217	-	-	340,227	<b>344,444</b>	3	<b>344,447</b>
Additions - Right-of-use assets	-	-	-	-	-	-	204	<b>204</b>
Customer contributions	-	39,018	907	-	-	<b>39,925</b>	-	<b>39,925</b>
Disposals	-	(859)	(15)	(831)	-	<b>(1,705)</b>	(170)	<b>(1,875)</b>
Transfers	1,294	66,182	151,045	3,345	(221,866)	-	-	-
Transfer from investment properties	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2024</b>	<b>116,327</b>	<b>2,508,556</b>	<b>2,017,090</b>	<b>24,015</b>	<b>446,661</b>	<b>5,112,649</b>	<b>958</b>	<b>5,113,607</b>

\*Includes civil structures, fixed plant and machinery, IT, furniture and laboratory equipment.

# Notes to the Statutory accounts

## A1. Property, plant and equipment continued

	Company					Group		
	Land and buildings £000	Infrastructure assets £000	Operational assets* £000	Vehicle plant and equipment £000	Assets in the course of construction £000	Total £000	Vehicle plant and equipment £000	Total £000
<b>Cost or deemed cost</b>								
Balance at 1 April 2022	(23,587)	(213,019)	(612,043)	(15,384)	-	<b>(864,033)</b>	(586)	<b>(864,619)</b>
Depreciation for the year	(1,422)	(20,900)	(65,438)	(1,506)	-	<b>(89,266)</b>	(125)	<b>(89,391)</b>
Depreciation for the year - Right-of-use assets	(274)	(10)	(14)	-	-	<b>(298)</b>	(50)	<b>(348)</b>
Disposals	-	1,004	-	1,223	-	<b>2,227</b>	-	<b>2,227</b>
<b>Balance at 31 March 2023</b>	<b>(25,283)</b>	<b>(232,925)</b>	<b>(677,495)</b>	<b>(15,667)</b>	-	<b>(951,370)</b>	<b>(761)</b>	<b>(952,131)</b>
Balance at 1 April 2023	(25,283)	(232,925)	(677,495)	(15,667)	-	<b>(951,370)</b>	(761)	<b>(952,131)</b>
Depreciation for the year	(1,677)	(21,896)	(73,001)	(1,882)	-	<b>(98,456)</b>	(123)	<b>(98,579)</b>
Depreciation for the year - Right-of-use assets	(249)	(10)	(2)	-	-	<b>(261)</b>	(62)	<b>(323)</b>
Disposals	-	859	14	816	-	<b>1,689</b>	170	<b>1,859</b>
<b>Balance at 31 March 2024</b>	<b>(27,209)</b>	<b>(253,972)</b>	<b>(750,484)</b>	<b>(16,733)</b>	-	<b>(1,048,398)</b>	<b>(776)</b>	<b>(1,049,174)</b>
<b>Carrying amounts</b>								
At 31 March 2023	89,750	2,167,073	1,187,658	5,834	328,300	3,778,615	160	3,778,775
At 31 March 2024	89,118	2,254,584	1,266,606	7,282	446,661	4,064,251	182	4,064,433

\*Includes civil structures, fixed plant and machinery, IT, furniture and laboratory equipment.

All surplus land and buildings have been transferred to investment properties and non-current assets held for sale (see Note A3).

Property, plant and equipment includes right-of-use assets of £651k (2023: £900k) related to leased properties that do not meet the definition of investment property (see Notes A9 and D5).

### Borrowing costs capitalisation

Included in the total net book value of property, plant and machinery is £12,326k (2023: £9,636k) of borrowing costs capitalised during the period using a capitalisation rate of 3.79% (2023: 3.48%) relating to the Parent Company.

# Notes to the Statutory accounts

## A1. Property, plant and equipment continued

### Leased assets (Group and Company)

	At 31 March 2024 £000	At 31 March 2023 £000
The net book value of land and buildings comprises:		
Freehold	87,430	87,810
Leasehold - long and short-term	1,688	1,940
<b>Total</b>	<b>89,118</b>	<b>89,750</b>
Land within this total is not depreciated and is shown as follows:		
Freehold and leasehold	24,237	23,986

### PPP assets

The cost and net book value of PPP assets included in property, plant and equipment are disclosed in Note A2. Commitments under operating leases are shown in Note D5.

### Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group and Company	
	At 31 March 2024 £000	At 31 March 2023 £000
Contracted	167,191	405,061

In addition to the above, at the end of the financial year the Group and Company had entered into commitments amounting to £2,639m (2023: £2,150m). These commitments relate to planned future capital spend. The contracted amount of £167m (2023: £405m) is in relation to actual spend contracted with suppliers to date.

## A2. Service concession agreements

The transfer of ownership of the assets and liabilities of Water Service from an agency of a Government Department to NI Water on 1 April 2007 included the transfer of a number of service concession arrangements with private sector Companies (PPP Companies) in the form of Private Finance Initiative contracts for the supply of water and wastewater services.

The capital cost of each contract is included within 'property, plant and equipment' (see Note A1) and as PPP creditor in 'loans and borrowings' (see Note B1) in the SOFP. No changes in the arrangements occurred during the year. A description of the arrangements, their significant terms, and the nature and extent of rights and obligations are outlined below.

### Kinnegar

A contract with Coastal Clear Water Limited was signed on 30 April 1999 for the provision of sewage treatment, which covered the upgrading of the Kinnegar Wastewater Treatment Works with a capital cost in the region of £11m. The contract is for 25 years with an end date of 30 April 2024. The cost and net book value of assets included in Property, Plant and Equipment at 31 March 2024 is £14.39m and £6.23m respectively (2023: £13.32m and £5.42m). The amount included in PPP Creditors at 31 March 2024 is £0.05m (2023: £0.46m).

### Omega

A contract with Glen Water Limited was signed on 6 March 2007 for the provision of sewage treatment/sludge disposal at six sites with a capital cost in the region of £132m. The contract is for 25 years with an end date of 5 March 2032. The cost and net book value of assets included in Property, Plant and Equipment at 31 March 2024 is £155.89m and £92.32m respectively (2023: £154.96m and £96.00m). The amount included in PPP Creditors at 31 March 2024 is £88.14m (2023: £94.00m).

# Notes to the Statutory accounts

## A2. Service concession agreements continued

### Alpha (Company only)

A contract with Dalriada Water Limited was signed on 30 May 2006 for the provision of bulk drinking water supplies. This has a capital cost in the region of £111m. The service provision commenced roll-out from November 2008. The contract is for 25 years with an end date of 29 May 2031. The cost and net book value of assets included in Property, Plant and Equipment at 31 March 2024 is £133.63m and £76.54m respectively (2023: £131.83m and £78.93m). The amount included in PPP Creditors at 31 March 2024 is £64.43m (2023: £69.96m). With the acquisition by the Group of Dalriada Water Limited during 2017/18 (see Note A5) the PPP creditor at group level is eliminated on consolidation.

### Significant terms

The key terms relate to the basis upon which the Group and Company pays for the services provided by the PPP Companies. The levels of such payments are subject to performance, volume and quality targets being met, which lead to fluctuations in the amount payable. The Group and Company also have the power to levy payment deductions where the level of service falls below pre-determined standards, primarily linked to the quality of the treated wastewater and drinking water. The contracts are structured such that either party may seek to amend the basis upon which the service is provided, primarily were driven by a change in law but also by agreement to a change in the level of service or a refinancing change. This is subject to a formal variation procedure and is ultimately dependent upon the parties reaching agreement on the contractual changes required to give effect to the specific variation.

### Nature and extent of rights and obligations

The Group and Company's primary obligations are to deliver fresh water and wastewater to the PPP Companies and thereafter the Group and Company pays for the treatment services provided, making the appropriate deduction where the PPP Companies fail to meet the appropriate performance standards. The PPP Companies provided the initial construction services through a sub-contract and also entered into sub-contracts for the operation and maintenance of these assets once satisfactorily commissioned. All such projects are in their operational phase. Sites are licensed or leased to the PPP Companies through the contract.

Termination in full or in part (in some circumstances) during the contractual period can arise for a number of reasons including default (by either the PPP Company or the Group and Company), force majeure, uninsurable events or voluntary termination by the Group and Company. Each contract contains a formula from which termination compensation payable by the Group and Company is derived. Other than each party's unilateral right to propose an amendment to a contract, the most likely circumstance which would give rise to the re-negotiation of a contract is as a result of a change in law which requires the manner in which the treatment and/or disposal service is delivered to be changed, in order to ensure it meets the requirements of such legislative changes. The contracts also stipulate a range of 'hand-back' conditions linked to the remaining life of certain assets.



# Notes to the Statutory accounts

## A3. Investment properties

	Group	Company
	Total £000	Total £000
<b>Cost or deemed cost</b>		
Balance at 1 April 2022	6,958	6,958
Disposals	-	-
Transfers to non-current assets held for sale	-	-
Transfers from non-current assets held for sale	6	6
Transfer to property, plant and equipment	-	-
<b>Balance at 31 March 2023</b>	<b>6,964</b>	<b>6,964</b>
Balance at 1 April 2023	6,964	6,964
Disposals	(2)	(2)
Transfers to non-current assets held for sale	(2)	(2)
Transfers from non-current assets held for sale	-	-
Transfer to property, plant and equipment	-	-
<b>Balance at 31 March 2024</b>	<b>6,960</b>	<b>6,960</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 April 2022	(5,084)	(5,084)
Disposals	-	-
Impairment loss	-	-
Depreciation for the year	(4)	(4)
Transfers to property, plant and equipment	-	-
<b>Balance at 31 March 2023</b>	<b>(5,088)</b>	<b>(5,088)</b>
Balance at 1 April 2023	(5,088)	5,088
Disposals	-	-
Impairment loss	-	-
Depreciation for the year	(4)	(4)
Transfers to property, plant and equipment	-	-
<b>Balance at 31 March 2024</b>	<b>(5,092)</b>	<b>(5,092)</b>
<b>Carrying amounts</b>		
At 31 March 2023	1,876	1,876
<b>At 31 March 2024</b>	<b>1,868</b>	<b>1,868</b>

### Impairment loss

During the year ended 31 March 2024, the Group and Company did not recognise any impairment loss for investment properties (2023: £Nil).

# Notes to the Statutory accounts

## A4. Intangible assets and goodwill

	Company			Group	
	Computer programs and software £000	Assets in the course of construction £000	Total £000	Goodwill £000	Total £000
<b>Cost</b>					
Balance at 1 April 2022	124,735	4,739	129,474	23,935	153,409
Additions	-	20,932	20,932	-	20,932
Transfers	21,651	(21,651)	-	-	-
Disposals	-	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>146,386</b>	<b>4,020</b>	<b>150,406</b>	<b>23,935</b>	<b>174,341</b>
Balance at 1 April 2023	146,386	4,020	150,406	23,935	174,341
Additions	-	17,538	17,538	-	17,538
Transfers	20,815	(20,815)	-	-	-
Disposals	-	-	-	-	-
<b>Balance at 31 March 2024</b>	<b>167,201</b>	<b>743</b>	<b>167,944</b>	<b>23,935</b>	<b>191,879</b>
<b>Amortisation and impairment losses</b>					
Balance at 1 April 2022	(79,635)	-	(79,635)	(1,014)	(80,649)
Amortisation for the year	(9,327)	-	(9,327)	-	(9,327)
Impairment for the year	-	-	-	(6,322)	(6,322)
Disposals	-	-	-	-	-
<b>Balance at 31 March 2023</b>	<b>(88,962)</b>	<b>-</b>	<b>(88,962)</b>	<b>(7,336)</b>	<b>(96,298)</b>
Balance at 1 April 2023	(88,962)	-	(88,962)	(7,336)	(96,298)
Amortisation for the year	(10,704)	-	(10,704)	-	(10,704)
Impairment for the year	-	-	-	(1,237)	(1,237)
Disposals	-	-	-	-	-
<b>Balance at 31 March 2024</b>	<b>(99,666)</b>	<b>-</b>	<b>(99,666)</b>	<b>(8,573)</b>	<b>(108,239)</b>
<b>Carrying amounts</b>					
At 31 March 2023	57,424	4,020	61,444	16,599	78,043
<b>At 31 March 2024</b>	<b>67,535</b>	<b>743</b>	<b>68,278</b>	<b>15,362</b>	<b>83,640</b>

### a) Impairment testing for goodwill

The recoverable amount of the goodwill was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The cash flow projections included specific estimates for the life of the finite contract and the discount rate was a post-tax measure estimated based on the historical industry average weighted-average equity cost of capital, at a market interest rate of 8.6%.

The key assumption used in the estimations of the recoverable amount reflects management's assessment of the performance of the concession arrangement and have been based on expected revenue and cost over the life of the PPP contract, discounted at the market rate.

Goodwill arising on acquisitions will be reviewed for impairment at each year end and will be written down to nil by the end of the PPP contract on the basis of the forecasted discounted profitability of the acquired companies. It is expected that the next impairment of goodwill will take place from 2026/27 onwards based on the current forecasts. Chemical costs borne by NI Water Alpha Ltd in the reporting year have been far in excess of previous estimates. These costs are forecast to continue for some time and impact of this on cashflows has resulted in an impairment of goodwill in the reporting year.

# Notes to the Statutory accounts

## A4. Intangible assets and goodwill continued

### Assets in the course of construction (AICC)

No borrowing costs were capitalised and included in the carrying value of AICC during the year.

£318k (2023: £187k) of research and development expenditure was recognised as an expense during the period. The following intangible assets are deemed to be significant to the Group and Company's financial statements:

Description	Carrying amount	Remaining amortisation period (years)
Strategic Sewerage Network Modelling	£6.0m	9
Metering and Billing	£4.3m	5
Wastewater networks modelling	£4.1m	7
NI Asset Management Plan 5	£3.5m	7
Mobile Work Management/Corporate Asset Register Support	£2.7m	7
Digital Services	£2.4m	5
Marine Modelling	£1.9m	8
Wastewater Treatment Works Sampling	£1.9m	6
Living With Water Programme Belfast Strategic Drainage Infrastructure Plan	£1.9m	10
Clean water model	£1.8m	7
Upper Falls	£1.7m	10
Altnahinch Pilot	£1.5m	7
PC21 Drainage Area Plans	£1.4m	8
Capital Maintenance Project Modelling	£1.2m	8
Integrated Environmental Model	£1.1m	8
Legionella Assessment Project	£1.1m	8
Decisions and Capabilities	£1.1m	7
Laganbank Sewer Investigation	£1.0m	9
Facilities Review	£0.8m	6
Asbestos Surveys	£0.8m	8
Sludge Strategy	£0.8m	7
Capital Efficiency Portfolio	£0.7m	7
Oracle	£0.6m	4
Intelligent Operations Tools and Technology	£0.6m	7
Climate Change Strategy	£0.6m	10
Major Projects Partnering	£0.6m	6
Health and Safety Professional Services	£0.5m	7
Director General 2 Register Refresh	£0.5m	10
SWELL Drainage Area Plan	£0.5m	10
Digital Client Side Support	£0.4m	4
Water Fittings Regulations	£0.4m	6
Small Business Research Initiative Energy Recovery	£0.4m	6
Energy Storage	£0.4m	5
Cyber Recovery Vault	£0.4m	6
Water Efficiency	£0.4m	7
Goodwill arising on acquisitions	£15.4m	8

The contractual commitments for the acquisition of intangible assets as at 31 March 2024 are £1,376k (2023: £9,550k).

# Notes to the Statutory accounts

## A5. Investments

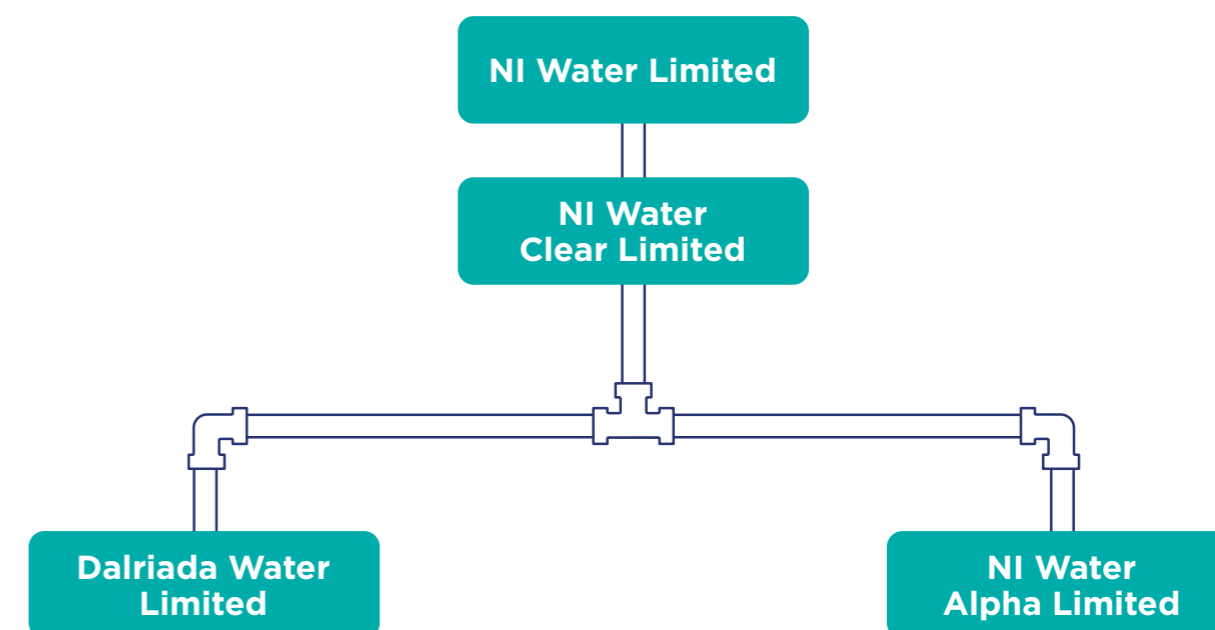
	Company	
	At 31 March 2024 £	At 31 March 2023 £
Investment in subsidiaries	5,000,001	5,000,001
<b>Total</b>	<b>5,000,001</b>	<b>5,000,001</b>

Principal subsidiary undertakings	Country of incorporation	Registered office address	% Ordinary shares and votes held	Principal activity
NI Water Clear Limited	Northern Ireland	Westland House, 40 Old Westland Road, Belfast BT14 6TE	100	Holding company
NI Water Alpha Limited*	Northern Ireland	Dunore Point Water Treatment Works, 9 Dunore Road, Aldergrove, Crumlin BT29 4DZ	100	Operation and maintenance of clean water treatment facilities
Dalriada Water Limited*	Northern Ireland	Dunore Point Water Treatment Works, 9 Dunore Road, Aldergrove, Crumlin BT29 4DZ	100	Construction and financing of clean water treatment facilities

\*Owned by NI Water Clear Limited.

### List of subsidiaries

Set out below is a list of subsidiaries of the Group.





# Notes to the Statutory accounts

## A6. Inventories

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Raw materials and consumables	5,555	5,467	5,236	5,138
<b>Total</b>	<b>5,555</b>	<b>5,467</b>	<b>5,236</b>	<b>5,138</b>

The estimated replacement cost of the stocks included above is not considered significantly different to the carrying value.

During the year raw materials, consumables and work in progress issued from stores and recognised within operating costs for the Group amounted to £7,578k (2023: £7,713k) (Company: £754k, 2023: £798k). The inventory held in stores is a component of total inventories. In the year ending 31 March 2024 the write-down of inventories to net realisable value amounted to £60k (2023: £60k). This relates to a provision against slow moving raw materials and consumables stock of £60k (2023: £60k). The write-downs are included in operating expenses.

## A7. Cash and cash equivalents

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Bank balances	102,964	72,785	89,318	57,472
Call deposits	1,051	1,027	1,051	1,027
<b>Cash and cash equivalents</b>	<b>104,015</b>	<b>73,812</b>	<b>90,369</b>	<b>58,499</b>

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note B4.

## A8. Non-current assets held for sale

The Company's Land Management Department is focused on selling the properties no longer required for operational purposes. Efforts to sell the assets have commenced and where the sale is expected by March 2024 these properties have been classified as held for sale in current assets.

The movement in non-current assets held for sale is as follows:

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Balance at 1 April	20	26	20	26
Net transfer from investment properties	2	-	2	-
Net transfer to investment properties	-	(6)	-	(6)
Net transfer from property, plant and equipment	2	-	2	-
Impairment/Depreciation	-	-	-	-
Disposals	-	-	-	-
<b>Balance at 31 March</b>	<b>24</b>	<b>20</b>	<b>24</b>	<b>20</b>

A gain of £0.1k (2023: £3k) on disposal of non-current assets held for sale is included within 'Other income' in the SOCI.

# Notes to the Statutory accounts

## A9. Leases

See accounting policies in Note G1(o).

### Leases as lessee (IFRS 16)

The Group leases lands and property. The leases for land typically run for a period of between 3 to 25 years, with an option to renew the leases after that date. The leases for property typically run for a period of 20 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The property lease was entered into many years ago while the land leases were entered into a few years ago. Previously, these leases were classified as operating leases under IAS 17. The Group has some leases for lands which are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The Group leases networked photocopiers, which were classified as operating leases under IAS 17. See Note D5.

The Group leases sea outfall pipes from the Crown Estate Commissioners which runs for a period of 50 years.

The Group leases motor vehicles under a number of leases, which were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

### a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note A1).

	Land and buildings £000	Infrastructure assets £000	Operational assets £000	Vehicle plant and equipment £000	Total £000
Balance at 1 April 2023	900	347	2	43	1,292
Depreciation charge for the year	(249)	(10)	(2)	(62)	(323)
Additions to right-of-use assets	-	-	-	204	204
<b>Balance at 31 March 2024</b>	<b>651</b>	<b>337</b>	<b>-</b>	<b>185</b>	<b>1,173</b>

	Land and buildings £000	Infrastructure assets £000	Operational assets £000	Vehicle plant and equipment £000	Total £000
Balance at 1 April 2022	1,174	357	16	81	1,628
Depreciation charge for the year	(274)	(10)	(14)	(50)	(348)
Additions to right-of-use assets	-	-	-	12	12
<b>Balance at 31 March 2023</b>	<b>900</b>	<b>347</b>	<b>2</b>	<b>43</b>	<b>1,292</b>

# Notes to the Statutory accounts

## A9. Leases continued

### Leases as lessee (IFRS 16) continued

#### b) Amounts recognised in profit or loss

2024 - Leases under IFRS 16	Profit or loss and cash flow £000
Interest on lease liabilities	14
Depreciation on right-of-use assets	314
Expenses relating to short-term leases	15
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	12
2023 - Leases under IFRS 16	Profit or loss and cash flow £000
Interest on lease liabilities	29
Depreciation on right-of-use assets	348
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	19

#### c) Amounts recognised in statement of cash flows

	At 31 March 2024 £000
Total cash outflow for leases	342

#### d) Extension options

Some property leases contain extension options exercisable by the Group up to one-year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has a break clause in relation to one of the property leases which wasn't exercised in 2020/21. Therefore, the lease liability in relation to this property lease has been included with the extension until the end of the lease in 2024/25.

The photocopier lease contract with Xerox ended on 31 May 2023. An annual contract is in place with Xerox until the contract is re-tendered.

# Notes to the Statutory accounts

## A9. Leases continued

### Leases as lessor

The Group leases out its lands and property consisting of its owned property. All leases are classified as operating leases from a lessor perspective.

#### a) Operating lease

The Group leases out its lands and property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2024 was £1,365k (2023: £1,365k).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2024 - Operating leases under IFRS 16	At 31 March 2024 £000	At 31 March 2023 £000
Less than one year	1,365	1,365
One to two years	1,365	1,365
Two to three years	1,365	1,365
Three to four years	1,365	1,365
Four to five years	1,360	1,365
More than five years*	116,875	118,235
<b>Total</b>	<b>123,695</b>	<b>125,060</b>

\*An indicative 99-year lease life has been assumed to provide the operating lease income for more than five years as most of the income is associated with long life leases in perpetuity.



# Notes to the Statutory accounts

## B. How we are financed

NI Water Limited is funded from a number of sources. This section contains the notes to the SOFP. It sets out the borrowings we receive from our Shareholder, the Dfl, which are used to partially finance our capital investment programme. We pay interest on our loans and receive interest on any funds which from time- to-time we have available for short-term investments. Our capital and reserves note shows the total equity attributable to the Shareholder including the dividend that is paid.

For further information on the relevant accounting policies applied in this section please see Note G1.

### B1. Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and liquidity risk, see Note B4.

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
<b>Non-current liabilities</b>				
Capital loan notes	1,809,560	1,594,560	1,809,560	1,594,560
Bank loans	47,847	54,416	-	-
Finance lease liabilities (PPP)	81,378	88,189	139,752	152,619
Finance lease liabilities (IFRS 16)	1,045	1,056	950	1,040
<b>Total</b>	<b>1,939,830</b>	<b>1,738,221</b>	<b>1,950,262</b>	<b>1,748,219</b>
<b>Current liabilities</b>				
Current portion of bank loans	6,018	6,298	-	-
Current portion of finance lease liabilities (PPP)	6,811	6,263	12,866	11,798
Current portion of finance lease liabilities (IFRS 16)	209	303	89	276
<b>Total</b>	<b>13,038</b>	<b>12,864</b>	<b>12,955</b>	<b>12,074</b>

#### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Group					
	Nominal interest rate	Year of maturity	At 31 March 2024		At March 2023	
			Face value £000	Carrying amount £000	Face value £000	Carrying amount £000
Capital loan notes	5.25%	2027	627,560	627,560	627,560	627,560
Capital loan notes	Gilt + 0.85%	2027	356,000	356,000	356,000	356,000
Capital loan notes	Gilt + 0.85%	2034	456,000	456,000	456,000	456,000
Capital loan notes	Gilt + 0.85%	2042	370,000	370,000	155,000	155,000
Bank loan - EIB	5.18%	2030	22,454	23,771	25,893	27,467
Bank loan - RBC	SONIA + Credit Adjustment Spread	2029	28,428	30,094	31,341	33,247
PPP finance lease liabilities - Omega	3.67%	2032	88,143	88,143	93,996	93,996
PPP finance lease liabilities - Kinnegar	3.99%	2024	46	46	456	456
Finance lease liabilities (IFRS 16)	2.20% - 2.70%	2020-69	1,254	1,254	1,359	1,359
<b>Total</b>			<b>1,949,885</b>	<b>1,952,868</b>	<b>1,747,605</b>	<b>1,751,085</b>

The secured bank loans are secured over contract finance debtor within Dalriada Water Limited with a carrying amount of £79,205k (2023: £87,016k).

# Notes to the Statutory accounts

## B1. Loans and borrowings continued

Terms and debt repayment schedule continued

	Company					
	Nominal interest rate	Year of maturity	At 31 March 2024		At March 2023	
			Face value £000	Carrying amount £000	Face value £000	Carrying amount £000
Capital loan notes	5.25%	2027	627,560	627,560	627,560	627,560
Capital loan notes	Gilt + 0.85%	2027	356,000	356,000	356,000	356,000
Capital loan notes	Gilt + 0.85%	2034	456,000	456,000	456,000	456,000
Capital loan notes	Gilt + 0.85%	2042	370,000	370,000	155,000	155,000
PPP finance lease liabilities - Alpha	5.81%	2031	64,429	64,429	69,965	69,965
PPP finance lease liabilities - Omega	3.67%	2032	88,143	88,143	93,996	93,996
PPP finance lease liabilities - Kinnegar	3.99%	2024	46	46	456	456
Finance lease liabilities (IFRS 16)	2.20%	2020-69	1,039	1,039	1,316	1,316
<b>Total</b>			<b>1,963,217</b>	<b>1,963,217</b>	<b>1,760,293</b>	<b>1,760,293</b>

The capital loan notes (denominated in GBP) have been issued under the instruments constituting £1,280,200k Fixed Coupon Unsecured loan notes 2027, £600,000k Fixed Coupon Unsecured loan notes 2034 and £1,750,000k Fixed Coupon Unsecured loan notes 2042. During the year to 31 March 2024, £215m of loan notes were issued under the £1,750,000k Fixed Coupon Unsecured loan notes 2042 instrument (2023: £155m issued under the £1,750,000k Fixed Coupon Unsecured loan notes 2042). Capital loan notes are issued to the Dfl and those issued under the £1,280,200k Fixed Coupon Unsecured loan notes instrument are repayable in full in 2027, those issued under the £600,000k Fixed Coupon Unsecured loan notes instrument are repayable in full in 2034 and those issued under the £1,750,000k Fixed Coupon Unsecured loan notes instrument are repayable in full in 2042. All loan notes in issue before 31 March 2010 carry a fixed rate of interest of 5.25%. Any loan notes issued after 31 March 2010 carry fixed interest rates of 0.85% above the reference gilt rate as published by the UK HM Government Debt Management Office on the day of issue of the loan note. The gilt rates applying to loan drawdowns subsequent to 31 March 2010 range from 0.43% to 4.93%.

#### Finance lease liabilities (PPP)

Finance lease liabilities relate to PPP contracts outlined in Note A2. Finance lease liabilities are payable as follows:

	Group					
	At 31 March 2024			At 31 March 2023		
	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000
Less than one year	15,982	9,171	6,811	15,899	9,636	6,263
Between one and five years	66,252	28,109	38,143	65,255	31,778	33,477
More than 5 years	51,540	8,305	43,235	68,518	13,806	54,712
<b>Total</b>	<b>133,774</b>	<b>45,585</b>	<b>88,189</b>	<b>149,672</b>	<b>55,220</b>	<b>94,452</b>

# Notes to the Statutory accounts

## B1. Loans and borrowings continued

### Finance lease liabilities (PPP) continued

	Company					
	At 31 March 2024			At 31 March 2023		
	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000
Less than one year	26,526	13,660	12,866	26,327	14,529	11,798
Between one and five years	114,370	40,779	73,591	111,306	46,744	64,562
More than 5 years	76,533	10,372	66,161	106,124	18,067	88,057
<b>Total</b>	<b>217,429</b>	<b>64,811</b>	<b>152,618</b>	<b>243,757</b>	<b>79,340</b>	<b>164,417</b>

### Finance lease liabilities (IFRS 16)

Finance lease liabilities relate to leases identified as finance leases under IFRS 16 as outlined in Note A9. Finance lease liabilities are payable as follows:

	Group					
	At 31 March 2024			At 31 March 2023		
	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000
Less than one year	187	(22)	209	312	9	303
Between one and five years	316	79	237	290	78	212
More than 5 years	995	187	808	1,048	204	844
<b>Total</b>	<b>1,498</b>	<b>244</b>	<b>1,254</b>	<b>1,650</b>	<b>291</b>	<b>1,359</b>

	Company					
	At 31 March 2024			At 31 March 2023		
	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000	Future minimum lease payments £000	Interest £000	Present value of minimum lease payments £000
Less than one year	110	20	90	285	8	277
Between one and five years	217	74	143	273	78	195
More than 5 years	994	188	806	1,048	204	844
<b>Total</b>	<b>1,321</b>	<b>282</b>	<b>1,039</b>	<b>1,606</b>	<b>290</b>	<b>1,316</b>

# Notes to the Statutory accounts

## B1. Loans and borrowings continued

### Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Group £000
<b>Balance at 1 April 2022</b>	<b>1,608,157</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	155,000
Payment of bank loans	(5,846)
Payment of finance lease liabilities	(5,730)
<b>Total changes from financing cash flows</b>	<b>143,424</b>
<b>Non-cash changes</b>	
New leases (IFRS 16)	56
Amortisation of fair value adjustment arising on consolidation of senior loan	(552)
<b>Total non-cash changes</b>	<b>(496)</b>
<b>Balance at 31 March 2023</b>	<b>1,751,085</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	215,000
Payment of bank loans	(6,298)
Payment of finance lease liabilities	(6,605)
<b>Total changes from financing cash flows</b>	<b>202,097</b>
<b>Non-cash changes</b>	
New leases (IFRS 16)	238
Amortisation of fair value adjustment arising on consolidation of senior loan	(552)
<b>Total non-cash changes</b>	<b>(314)</b>
<b>Balance at 31 March 2024</b>	<b>1,952,868</b>

# Notes to the Statutory accounts

## B2. Finance income and finance costs

### Recognised in profit or loss

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Interest income on bank deposits	4,233	1,007
Financial liabilities at fair value through profit or loss – net change in fair value	307	3,531
Amortisation of senior loan debt fair valued at acquisition date	552	552
Interest income on pension plan assets	2,590	-
<b>Net finance income</b>	<b>7,682</b>	<b>5,090</b>
Financing charges on pension scheme	-	(615)
Interest expense on financial liabilities measured at amortised cost	(59,956)	(52,472)
Interest on PPP financing arrangements	(9,900)	(10,537)
Interest expense on finance lease liability	(14)	(43)
<b>Finance costs</b>	<b>(69,870)</b>	<b>(63,667)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(62,188)</b>	<b>(58,577)</b>

All finance income and finance costs above relate to assets/(liabilities) not at fair value through profit or loss except for financial liabilities held at fair value. Of the above amount £68,669k (2023: £58,414k) was payable by the Company to the DfI in relation to loan notes issued (see Note B1 'Loans and borrowings' and Note G4 'Related parties'). Interest of £12,326k was capitalised by the Group in the year (2023: £9,636k).

## B3. Capital and reserves

### Share capital

	Company	
	Ordinary shares	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
<b>Allotted called up and fully paid</b>		
500m Ordinary shares of £1 each	500,000	500,000

### Ordinary shares

At 31 March 2024 the authorised share capital of the Company comprised 500 million ordinary shares (2023: 500m) with a par value of £1 each.

All issued shares are fully paid. The holder of ordinary shares is entitled to receive dividends as declared from time-to-time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Statutory distributable reserve

The statutory distributable reserve was established under enabling legislation.

# Notes to the Statutory accounts

## B3. Capital and reserves continued

### Dividends

The following dividends were declared and paid by the Company.

	Company	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
4.20 pence per allotted ordinary share (2023: 3.80 pence)	21,000	19,000

The dividends recorded in each financial year represent the final dividend of the preceding financial year.

## B4. Financial instruments

The Group and Company establishes an allowance for impairment of water, sewerage and trade effluent customer debt by applying a range of expected recovery rates to an aged debt profile. The expected recovery rates are based on the risk of default across different industries (derived from historical collection data and management judgement) with categorisation into high, medium or low risk. A recovery rate profile across the aging categories is set for each of the three risk categories, which reflects the relative risks of collection. All high and medium risk debt is 100% provided for if over one-year old, whereas the low risk category is 100% provided for when over three years old. Separate allowances are made for debt arising from test meters, those customers on repayment plans and for debt considered uncollectible. The impairment percentages are reviewed for accuracy on an annual basis. The Group and Company believes that the unimpaired amounts that are past due are still collectible.

The Group and Company also has debtors associated with miscellaneous income. The Group and Company establishes an allowance for impairment for this debt by applying a range of expected recovery rates to an aged debt profile based on historical collection data for this type of customer. A provision of 100% has been applied for all miscellaneous debt over one-year.

### Impairment losses

The ageing and impairment losses of loans and receivables at the reporting date were:

	Group			
	Gross	Impairment	Gross	Impairment
	At 31 March 2024		At 31 March 2023	
	£000	£000	£000	£000
Not past due	27,511	875	18,355	532
Past due 0-30 days	2,519	314	2,346	295
Past due 31-60 days	437	90	568	117
Past due 61-90 days	402	102	310	80
Past due 91-120 days	297	129	289	116
Past due 121-150 days	329	210	260	159
Past due 151-365 days	854	690	690	551
Past due 1-2 years	632	546	692	598
Past due 2+ years*	741	641	710	615
<b>Total</b>	<b>33,722</b>	<b>3,597</b>	<b>24,220</b>	<b>3,063</b>

\*Includes contractual debtors where there are fewer concerns over recoverability and therefore no provision for impairment.

The above figures include amounts relating to accrued income included in the SOFP. The Group and Company holds no collateral in respect of these financial assets. The aging of trade receivables is based on detailed trade receivables listings and management's best estimate of the debt profile. There are no individual customers who account for more than 5% of total net trade and other receivable balances.

All individual gross receivables included above have some element of provision for impairment.



# Notes to the Statutory accounts

## B4. Financial instruments continued

### Impairment losses continued

The ageing and impairment losses of loans and receivables at the reporting date were:

	Company			
	Gross	Impairment	Gross	Impairment
	At 31 March 2024		At 31 March 2023	
	£000	£000	£000	£000
Not past due	27,511	875	18,355	532
Past due 0-30 days	2,519	314	2,346	295
Past due 31-60 days	437	90	568	117
Past due 61-90 days	402	102	310	80
Past due 91-120 days	297	129	289	116
Past due 121-150 days	329	210	260	159
Past due 151-365 days	854	690	690	551
Past due 1-2 years	632	546	692	598
Past due 2+ years*	741	641	710	615
<b>Total</b>	<b>33,722</b>	<b>3,597</b>	<b>24,220</b>	<b>3,063</b>

\*Includes contractual debtors where there are fewer concerns over recoverability and therefore no provision for impairment.

The above figures include amounts relating to accrued income included in the SOFP. The Company holds no collateral in respect of these financial assets. The aging of trade receivables is based on detailed trade receivables listings and management's best estimate of the debt profile. There are no individual customers who account for more than 5% of total net trade and other receivable balances.

All individual gross receivables included above have some element of provision for impairment.

The ageing of loans and receivables at the reporting date can also be shown as follows:

	Group	
	At 31 March 2024 £000	At 31 March 2023 £000
Not past due	26,222	17,151
Past due 0-30 days	3,018	2,605
Past due 31-60 days	364	796
Past due 61-90 days	305	238
Past due 91-120 days	181	164
Past due 121-150 days	144	102
Past due 151-365 days	1,061	795
Past due 1-2 years	773	797
Past due 2+ years	1,654	1,572
<b>Total</b>	<b>33,722</b>	<b>24,220</b>

This analysis takes an alternative view of ageing with most customer balances allocated to the ageing category of the oldest invoice outstanding on that account. Certain customer balances have not been restated in this way as it has been assumed that there is no additional risk of non-collection on these accounts due to the existence of the older unpaid invoices on the account. These accounts include customers in the public sector, key accounts, customers on direct debit or repayment plans and accounts with invoices under query.

# Notes to the Statutory accounts

## B4. Financial instruments continued

### Impairment losses continued

	Company	
	At 31 March 2024 £000	At 31 March 2023 £000
Not past due	26,222	17,151
Past due 0-30 days	3,018	2,605
Past due 31-60 days	364	796
Past due 61-90 days	305	238
Past due 91-120 days	181	164
Past due 121-150 days	144	102
Past due 151-365 days	1,061	795
Past due 1-2 years	773	797
Past due 2+ years	1,654	1,572
<b>Total</b>	<b>33,722</b>	<b>24,220</b>

The movement in the allowance for impairment in respect of receivables during the year was as follows:

	Group and Company	
	At 31 March 2024 £000	At 31 March 2023 £000
Balance at 1 April	3,063	3,448
New provisions	2,816	2,221
Debt provision utilised	(415)	(415)
Provision released unused	(1,867)	(2,191)
<b>Balance at 31 March</b>	<b>3,597</b>	<b>3,063</b>

The Group uses an allowance matrix to measure the expected credit losses of the trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and industry within which the customer operates.

# Notes to the Statutory accounts

## B4. Financial instruments continued

### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

31 March 2024

	Group						
	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Capital loan notes	1,809,560	(2,386,283)	(37,747)	(37,541)	(75,287)	(1,115,825)	(1,119,883)
Bank loans	53,865	(50,557)	(3,229)	(2,790)	(16,739)	(27,799)	-
Finance lease liabilities (PPP)	88,189	(133,774)	(7,991)	(7,991)	(16,159)	(50,093)	(51,540)
Finance lease liabilities (IFRS 16)	1,254	(1,498)	(123)	(65)	(122)	(194)	(994)
Trade and other payables	217,288	(217,288)	(216,409)	-	-	(879)	-
Derivative financial instrument*	679	(679)	-	-	-	-	(679)
<b>Total</b>	<b>2,170,835</b>	<b>(2,790,079)</b>	<b>(265,499)</b>	<b>(48,387)</b>	<b>(108,307)</b>	<b>(1,194,790)</b>	<b>(1,173,096)</b>

\*Derivative financial instrument is related to the secured bank loan to fix the variable interest rate to a fixed interest rate.

# Notes to the Statutory accounts

## B4. Financial instruments continued

### Liquidity risk continued

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

31 March 2023

	Group						
	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Capital loan notes	1,594,560	(2,023,985)	(31,872)	(31,872)	(63,570)	(1,127,478)	(769,193)
Bank loans	60,714	(57,018)	(3,547)	(2,751)	(13,468)	(27,903)	(9,349)
Finance lease liabilities (PPP)	94,452	(149,935)	(8,081)	(8,081)	(15,982)	(49,273)	(68,518)
Finance lease liabilities (IFRS 16)	1,359	(1,650)	(161)	(151)	(123)	(167)	(1,048)
Trade and other payables	195,791	(195,792)	(193,899)	-	-	(1,893)	-
Derivative financial instrument*	986	(986)	-	-	-	-	(986)
<b>Total</b>	<b>1,947,862</b>	<b>(2,429,366)</b>	<b>(237,560)</b>	<b>(42,855)</b>	<b>(93,143)</b>	<b>(1,206,714)</b>	<b>(849,094)</b>

\*Derivative financial instrument is related to the secured bank loan to fix the variable interest rate to a fixed interest rate.

Details of the timing of the cash outflows in respect of provisions are set out in Note D3.

31 March 2024

	Company						
	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Capital loan notes	1,809,560	(2,386,283)	(37,747)	(37,541)	(75,287)	(1,115,825)	(1,119,883)
Finance lease liabilities (PPP)	152,618	(217,429)	(13,263)	(13,263)	(26,822)	(87,548)	(76,533)
Finance lease liabilities (IFRS 16)	1,039	(1,321)	(82)	(27)	(54)	(163)	(995)
Trade and other payables	222,345	(222,345)	(221,466)	-	-	(879)	-
<b>Total</b>	<b>2,185,562</b>	<b>(2,827,378)</b>	<b>(272,558)</b>	<b>(50,831)</b>	<b>(102,163)</b>	<b>(1,204,415)</b>	<b>(1,197,411)</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# Notes to the Statutory accounts

## B4. Financial instruments continued

Liquidity risk continued

31 March 2023

	Company						
	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Capital loan notes	1,594,560	(2,023,985)	(31,872)	(31,872)	(63,570)	(1,127,478)	(769,193)
Finance lease liabilities (PPP)	164,417	(244,018)	(13,295)	(13,295)	(26,526)	(84,779)	(106,123)
Finance lease liabilities (IFRS 16)	1,316	(1,606)	(142)	(143)	(110)	(163)	(1,048)
Trade and other payables	197,844	(197,843)	(195,950)	-	-	(1,893)	-
<b>Total</b>	<b>1,958,137</b>	<b>(2,467,452)</b>	<b>(241,259)</b>	<b>(45,310)</b>	<b>(90,206)</b>	<b>(1,214,313)</b>	<b>(876,364)</b>

Details of the timing of the cash outflows in respect of provisions are set out in Note D3.

### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group	
	Carrying amount	
	At 31 March 2024 £000	At 31 March 2023 £000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(1,922,774)	(1,717,838)
<b>Total</b>	<b>(1,922,774)</b>	<b>(1,717,838)</b>
<b>Variable rate instruments</b>		
Financial assets	104,015	73,812
Financial liabilities*	(30,094)	(33,247)
<b>Total</b>	<b>73,921</b>	<b>40,565</b>

\*Financial liabilities of £30,094k is at variable rate but the Group has entered into a derivative financial instrument contract to fix the interest rate payable.

# Notes to the Statutory accounts

## B4. Financial instruments continued

Profile continued

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Company	
	Carrying amount	
	At 31 March 2024 £000	At 31 March 2023 £000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(1,963,217)	(1,760,293)
<b>Total</b>	<b>(1,963,217)</b>	<b>(1,760,293)</b>
<b>Variable rate instruments</b>		
Financial assets	90,369	58,499
Financial liabilities*	-	-
<b>Total</b>	<b>90,369</b>	<b>58,499</b>

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. The Group designates derivatives (interest rate swaps) as interest rate hedges at fair value through profit or loss.

### Fair values versus carrying amounts

The following tables show the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Group					
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Fair value - hedging instruments £000	Total carrying amount £000
<b>31 March 2024</b>						
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	A7	-	104,015	-	-	104,015
Trade and other receivables	C5	-	13,458	-	-	13,458
Unbilled income	C5	-	16,769	-	-	16,769
<b>Total</b>		-	134,242	-	-	134,242
<b>Financial liabilities not measured at fair value</b>						
Finance lease liabilities (PPP)	B1	-	-	(88,189)	-	(88,189)
Finance lease liabilities (IFRS 16)	B1	-	-	(1,254)	-	(1,254)
Trade payables	D2	-	-	(199,424)	-	(199,424)
Other payables	D2	-	-	(21,000)	-	(21,000)
Loans and borrowings	B1	-	-	(1,809,560)	-	(1,809,560)
Bank loans	B1	-	-	(53,865)	-	(53,865)
<b>Financial liabilities measured at fair value</b>						
Interest rate swap	D2	-	-	-	(679)	(679)
<b>Total</b>		-	-	(2,173,292)	(679)	(2,173,971)



# Notes to the Statutory accounts

## B4. Financial instruments continued

Fair values versus carrying amounts continued

	Group					Total carrying amount £000
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Fair value - hedging instruments £000	

31 March 2023

Financial assets not measured at fair value

Cash and cash equivalents	A7	-	73,812	-	-	<b>73,812</b>
Trade and other receivables	C5	-	8,559	-	-	<b>8,559</b>
Unbilled income	C5	-	12,724	-	-	<b>12,724</b>
<b>Total</b>		-	<b>95,095</b>	-	-	<b>95,095</b>

Financial liabilities not measured at fair value

Finance lease liabilities (PPP)	B1	-	-	(94,452)	-	<b>(94,452)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,359)	-	<b>(1,359)</b>
Trade payables	D2	-	-	(177,173)	-	<b>(177,173)</b>
Other payables	D2	-	-	(20,794)	-	<b>(20,794)</b>
Loans and borrowings	B1	-	-	(1,594,560)	-	<b>(1,594,560)</b>
Bank loans	B1	-	-	(60,714)	-	<b>(60,714)</b>

Financial liabilities measured at fair value

Interest rate swap	D2	-	-	-	(986)	<b>(986)</b>
<b>Total</b>		-	-	<b>(1,949,052)</b>	<b>(986)</b>	<b>(1,950,038)</b>

The carrying amount of all financial assets and liabilities not measured at fair value, with the exception of loans, borrowings and finance lease liabilities, is considered to be a reasonable approximation of fair value. The fair value of loans and borrowings, which includes third party borrowings, is £1,747m (2023: £1,561m). Accounting policy 1(c) outlines the background to PC21. The uncertainty in relation to this would normally have an impact on the credit rating of loans and borrowings and the interest rate used to calculate fair values. It has been assumed that no change in the credit risk premium has occurred in relation to the capital loan notes of loans and borrowings because all loans and borrowings are provided by the Shareholder and the Group has no access to external finance markets for existing or future borrowings. Included within the £1,747m fair value of loans and borrowings are £54m in respect of bank loans which were fair valued on acquisition. As the bank loans were fair valued at the point of acquisition, the fair value is equivalent to the carrying amount. Further details on the terms and year end balances can be found in Note B1. The loans and borrowings are categorised within Level 2 in the fair value hierarchy as set out in the accounting policies. The derivative financial instrument (interest rate swap) is categorised within Level 2 in the fair value hierarchy as set out in the accounting policies. The investment securities are categorised within Level 1 in the fair value hierarchy.

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Loans and borrowings*	Discounted cash flows	Not applicable
Interest rate swaps	Swap models	Not applicable

\*Loans and borrowings include capital loan notes issued to the Company's sponsoring department, the Dfl, and third party bank borrowings.

# Notes to the Statutory accounts

## B4. Financial instruments continued

Fair values versus carrying amounts continued

	Company					Total carrying amount £000
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Fair value - hedging instruments £000	

31 March 2024

Financial assets not measured at fair value

Cash and cash equivalents	A7	-	90,369	-	-	<b>90,369</b>
Trade and other receivables	C5	-	41,226	-	-	<b>41,226</b>
Unbilled income	C5	-	16,769	-	-	<b>16,769</b>
<b>Total</b>		-	<b>148,364</b>	-	-	<b>148,364</b>

Financial liabilities not measured at fair value

Finance lease liabilities (PPP)	B1	-	-	(152,618)	-	<b>(152,618)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,039)	-	<b>(1,039)</b>
Trade payables	D2	-	-	(201,345)	-	<b>(201,345)</b>
Other payables	D2	-	-	(21,000)	-	<b>(21,000)</b>
Loans and borrowings	B1	-	-	(1,809,560)	-	<b>(1,809,560)</b>
<b>Total</b>		-	-	<b>(2,185,562)</b>	-	<b>(2,185,562)</b>

	Company					Total carrying amount £000
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Fair value - hedging instruments £000	

31 March 2023

Financial assets not measured at fair value

Cash and cash equivalents	A7	-	58,499	-	-	<b>58,499</b>
Trade and other receivables	C5	-	39,608	-	-	<b>39,608</b>
Unbilled income	C5	-	12,724	-	-	<b>12,724</b>
<b>Total</b>		-	<b>110,831</b>	-	-	<b>110,831</b>

Financial liabilities not measured at fair value

Finance lease liabilities (PPP)	B1	-	-	(164,417)	-	<b>(164,417)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,316)	-	<b>(1,316)</b>
Trade payables	D2	-	-	(176,300)	-	<b>(176,300)</b>
Other payables	D2	-	-	(21,544)	-	<b>(21,544)</b>
Loans and borrowings	B1	-	-	(1,594,560)	-	<b>(1,594,560)</b>
<b>Total</b>		-	-	<b>(1,958,137)</b>	-	<b>(1,958,137)</b>

# Notes to the Statutory accounts

## B4. Financial instruments continued

### Fair values versus carrying amounts continued

The carrying amount of all financial assets and liabilities not measured at fair value, with the exception of loans, borrowings and finance lease liabilities, is considered to be a reasonable approximation of fair value. The fair value of loans and borrowings is £1,693m (2023: £1,500m). Accounting policy 1(c) outlines the background to PC21. The uncertainty in relation to this would normally have an impact on the credit rating of loans and borrowings and the interest rate used to calculate fair values. It has been assumed that no change in the credit risk premium has occurred because all loans and borrowings are provided by the Shareholder and the Company has no access to external finance markets for existing or future borrowings. Further details on the terms and year end balances can be found in Note B1. The loans and borrowings are categorised within Level 2 in the fair value hierarchy as set out in the accounting policies. The investment securities are categorised within Level 1 in the fair value hierarchy.

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Loans and borrowings*	Discounted cash flows	Not applicable

\*Loans and borrowings include capital loan notes issued to the Company's sponsoring department, the Dfl.

# Notes to the Statutory accounts

## C. Revenue and receivables

This section sets out the income which NI Water receives from its customers and the amounts owed to it at year end. In accordance with the policy set by the Northern Ireland Executive the Group and Company does not bill its domestic customers and in lieu receives a subsidy from the Dfl. Non domestic customers are charged for our services. In addition we adopt assets (mainly underground sewers) and their value is included as income.

For further information on the relevant accounting policies applied in this section please see Note G1.

### C1. Revenue

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Customer subsidy provided by the Dfl	397,711	345,470
Customer income	106,207	92,027
Road drainage income provided by the Dfl	29,150	25,243
Transfers of assets from customers	4,212	4,085
Connection and infrastructure charges	9,358	9,800
Other third party contributions	2,620	2,653
<b>Total</b>	<b>549,258</b>	<b>479,278</b>

#### Customer subsidy provided by the Dfl

The customer subsidy provided by the Dfl primarily relates to the deferment of the introduction of domestic charges.

#### Customer income

The revenue has been received (excluding VAT) in the ordinary course of business for services provided and in respect of unbilled charges. These unbilled charges relate to measured customers who at the end of the financial year have consumed supplies that have not yet been billed. An estimate is made of the value of the outstanding charges at year end and this is recognised in revenue.

#### Road drainage income provided by the Dfl

This revenue from the Dfl Roads represents the recovery of the costs incurred by the Company in dealing with the run-off of water from roads and footpaths.

#### Transfers of assets from customers

In 2018/19 the Group and Company adopted IFRS 15 and changed its accounting policy such that the value of transfers of assets from customers £39,925k (2023: £29,682k) has been taken to a deferred credit reserve and amortised over the life of the related asset. The amount recognised as income in the current year is £4,212k (2023: £4,085k).

#### Connection and infrastructure charges

Connection charges relate to the cash charge to customers to connect a property to the water or sewerage network. This charge covers the capital cost of the connection. Infrastructure charges are also levied at the point of connection to the network. Infrastructure charges income is used to partly fund the overall capital programme. Connection and infrastructure charges are recognised in revenue when services have been supplied to the customer.

#### Other third party contributions

This includes customer contributions towards requisitioning of water or sewerage network pipes. The customer will only make a contribution when the scheme would be considered uneconomical without this contribution. Other third party contributions also include fees charged for the transfer of assets from customers ('adoption' of assets). Contributions in relation to requisitioning and other third party fees are recognised on receipt.

# Notes to the Statutory accounts

## C2. Deferred income

Deferred income classified as current consists of deferred revenue associated with the annual unmeasured water bill cycle and the portion of deferred government grants that will be recognised as income in the next year. Deferred income classified as non-current consists of the non-current portion of deferred government grants and adopted assets which have been recognised as deferred income under IFRS 15 Revenue.

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Government grants	22,866	23,846	22,866	23,846
Customer billing in advance	3,896	244	3,896	244
Adopted assets	596,806	561,093	596,806	561,093
<b>Total</b>	<b>623,568</b>	<b>585,183</b>	<b>623,568</b>	<b>585,183</b>
Non-current	618,600	583,871	618,600	583,871
Current	4,968	1,312	4,968	1,312
<b>Total</b>	<b>623,568</b>	<b>585,183</b>	<b>623,568</b>	<b>585,183</b>

The Group and Company credited £121k (2023: £327k) to capital grants during the year. The balance of grants noted above relates to awards made previously to Water Service. All grants have been recognised as deferred income and are being amortised over the useful economic life of the related asset. New grants received during the year of £121k relates to assets in the course of construction (AICC) and some of these projects have been commissioned with the associated grants amortised over the expected useful economic life of the related assets.

## C3. Other income

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Net gain on sale of property, plant and equipment	175	420
Amortisation of deferred grants and contributions	1,123	1,075
Insurance proceeds	-	-
<b>Total</b>	<b>1,298</b>	<b>1,495</b>

# Notes to the Statutory accounts

## C4. Trade and other receivables

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Trade and other receivables from related parties (see Note G4)	2,230	2,425	2,230	2,425
Trade and other receivables from subsidiaries	-	-	27,872	31,177
Trade receivables	11,228	6,134	11,124	6,006
Other receivables	29,699	32,842	26,770	26,725
<b>Total</b>	<b>43,157</b>	<b>41,401</b>	<b>67,996</b>	<b>66,333</b>
<b>Current</b>	<b>43,157</b>	<b>41,401</b>	<b>67,996</b>	<b>66,333</b>

At 31 March 2024 other receivables include VAT receivable of £9,835k (2023: £9,146k) for the parent Company.

## C5. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group		Company	
		At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Trade and other receivables	B4	13,458	8,559	41,226	39,608
Unbilled income	B4	16,769	12,724	16,769	12,724
Cash and cash equivalents	A7	104,015	73,812	90,369	58,499
<b>Total</b>		<b>134,242</b>	<b>95,095</b>	<b>148,364</b>	<b>110,831</b>

The total exposure to credit risk at the reporting date is with UK counterparties, and these are GBP denominated. All financial assets, which are subject to credit risk, are measured at amortised cost.

The maximum exposure to credit risk for trade and other receivables and unbilled income at the reporting date by type of counterparty was:

	Group		Company	
	Carrying amount			
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
End-user customers	30,227	21,283	57,995	52,332

The maximum exposure to cash and cash equivalents (Note A7) is £104,015k (2023: £73,812k). The majority of this balance relates to monies held at the Company's principal banker, Danske Bank, and monies held at Dalriada Water Limited's principal banker, Natwest Plc.



# Notes to the Statutory accounts

## D. Purchases and payables

This section sets out the costs incurred by NI Water to provide its services. In addition, it provides the notes to the accounts for the SOFP on creditors, provisions and leases.

For further information on the relevant accounting policies applied in this section please see Note G1.

### D1. Operating expenses

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Depreciation and other amounts written off tangible and intangible assets	109,610	99,070
Hire and contracted services	84,222	67,098
Staff costs	97,850	87,786
Power	58,392	83,048
Rates	27,837	28,908
Raw materials and consumables	24,806	21,436
Sundry operating expenses	12,977	1,431
Own work capitalised*	(24,365)	(19,510)
Impairment of goodwill	1,237	6,322
<b>Total operating expenses</b>	<b>392,566</b>	<b>375,589</b>

\*Own work capitalised includes payroll costs (see Note E1), materials and overheads.

Refer to page 141 for expenditure on research and development.

The net increase in inventories for the year was £88k (2023: £869k).

Impairment losses above are included within the 'operating expenses' line of the SOCI. The events and circumstances leading to the recognition of the impairment losses in investment properties are outlined in Note A3 and goodwill in Note A4.

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
<b>Auditors' remuneration:</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	159	92
Fees payable to the Company's auditor for other services: Audit of the accounts of subsidiaries	35	24
Audit of regulatory financial statements	38	12
Regularity audit opinion (Group)	17	25
<b>Total</b>	<b>249</b>	<b>153</b>
<b>Amounts receivable by the auditor in respect of:</b>		
Subsidy assurance opinion	12	12
<b>Total</b>	<b>12</b>	<b>12</b>
<b>Total fees paid to the Group auditor</b>	<b>261</b>	<b>165</b>

# Notes to the Statutory accounts

## D2. Trade and other payables

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Payments received on account	674	1,105	674	1,105
Trade payables	11,090	5,448	8,598	3,135
Taxation and social security	2,850	3,371	2,850	3,371
Accruals – operating expenditure	71,142	53,690	70,498	53,079
Accruals – capital expenditure	100,820	106,140	100,820	106,140
Accruals relating to related parties (see Note G4)	12,848	7,419	12,848	7,419
Accruals relating to subsidiaries	-	-	5,057	2,051
<b>Total</b>	<b>199,424</b>	<b>177,173</b>	<b>201,345</b>	<b>176,300</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note B4.

### Other payables

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Non-current – interest rate swap	679	986	-	-
Non-current – others	879	1,893	879	1,893
Current	20,121	18,901	20,121	19,651
<b>Total</b>	<b>21,679</b>	<b>21,780</b>	<b>21,000</b>	<b>21,544</b>

Non-current other payables relate to retentions from capital projects all of which will fall due within two to five years and interest rate swap.

### Exposure to currency risk

The Company is not exposed to any significant currency risks.

# Notes to the Statutory accounts

## D3. Provisions

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Balance at 1 April 2023	1,521	147	7,890	1,250	<b>10,808</b>
New Provisions	930	30	-	-	<b>960</b>
Utilised	(497)	(151)	(337)	-	<b>(985)</b>
Amounts released unused	(272)	69	(3,106)	(80)	<b>(3,389)</b>
<b>Balance at 31 March 2024</b>	<b>1,682</b>	<b>95</b>	<b>4,447</b>	<b>1,170</b>	<b>7,394</b>
Non-current	1,010	72	3,930	-	<b>5,012</b>
Current	672	23	517	1,170	<b>2,382</b>
<b>Total</b>	<b>1,682</b>	<b>95</b>	<b>4,447</b>	<b>1,170</b>	<b>7,394</b>

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Balance at 1 April 2022	1,989	208	6,320	1,348	<b>9,865</b>
New Provisions	810	74	-	-	<b>884</b>
Utilised	(710)	(93)	(140)	-	<b>(943)</b>
Remeasurement of prior year provision	-	-	1,710	-	<b>1,710</b>
Amounts released unused	(568)	(42)	-	(98)	<b>(708)</b>
<b>Balance at 31 March 2023</b>	<b>1,521</b>	<b>147</b>	<b>7,890</b>	<b>1,250</b>	<b>10,808</b>
Non-current	913	111	7,373	-	<b>8,397</b>
Current	608	36	517	1,250	<b>2,411</b>
<b>Total</b>	<b>1,521</b>	<b>147</b>	<b>7,890</b>	<b>1,250</b>	<b>10,808</b>

### Public and employer liability claims

The public liability and employer liability claims at 31 March 2024 relate to unsettled claims. The public liability claims principally relate to previous operational incidents and contractors' business interruption incidents in prior years. The provisions represent potential liabilities on these claims above the amount of insurance cover in place. Professional advice has been sought on the potential liability for individual claims. Claims submitted against the Group and Company are in excess of the provisions made as management have made best estimates of the required provisions based on past experience of similar claims. Until claims are progressed through the formal claims process some degree of uncertainty will remain as to the amount and timing of any final settlement figure. The employer liability claims principally relate to incidents incurred by employees on Group and Company premises. A related contingent liability has also been disclosed at Note D4. The contingent liability for public and employer liability of £0.4m represents an amount relating to the value of claims received above the provision included in the financial statements.

# Notes to the Statutory accounts

## D3. Provisions continued

### Omega Obligation Provision

The provision at 31 March 2024 is in relation to settlement of a dispute with Glen Water in August 2021. The settlement both extinguishes past claims and gives rise to the construction/ refurbishment of assets as well as a constructive obligation in respect of sharing annual electricity and sludge savings. Since the timing and value of payments for sludge savings have been set out in the contract, this obligation has been recognised as an accrual (£3.9m). The full benefits of the electricity gain share are less certain in terms of timing and value and as a result have been recognised as a provision (£4.4m; 2023: £7.9m) based on prevailing power rates in the 2023/24 year.

### Other provisions

Other provisions relate to management's best estimates of the value of entitlement in relation to holiday pay totalling £1,170k (2023: £1,250k).

The expected timing of any resulting outflows of economic benefits is as follows:

#### 31 March 2024

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Within one year	672	23	517	1,170	<b>2,382</b>
In the second to fifth years	1010	72	3,930	-	<b>5,012</b>
Over five years	-	-	-	-	<b>-</b>
<b>Total</b>	<b>1,682</b>	<b>95</b>	<b>4,447</b>	<b>1,170</b>	<b>7,394</b>

#### 31 March 2023

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Within one year	608	36	517	1,250	<b>2,411</b>
In the second to fifth years	913	111	3,870	-	<b>4,894</b>
Over five years	-	-	3,503	-	<b>3,503</b>
<b>Total</b>	<b>1,521</b>	<b>147</b>	<b>7,890</b>	<b>1,250</b>	<b>10,808</b>

Provisions greater than one-year are not discounted on the basis of materiality.

# Notes to the Statutory accounts

## D4. Contingencies

The Group and Company is disputing liability in some public and employer liability cases. The estimate of the financial effect is £0.4m (2023: £0.5m). It has been estimated that there is less than a 50% chance of these cases leading to a loss. If such a loss should arise there is no possibility of any reimbursement. A summary of contingent liabilities is set out below:

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Public and employer liability	444	492	444	492
<b>Total</b>	<b>444</b>	<b>492</b>	<b>444</b>	<b>492</b>

### Debenture to the Dfl

The Dfl has entered into deeds of guarantee with the concessionaires of the Alpha and Omega PPP contracts to guarantee all future liabilities of the Company under these contracts.

The Group and Company has entered into an environmental indemnity with the Dfl and the Department of the Environment (from 9 May 2016 Department of Agriculture, Environment and Rural Affairs (DAERA)) in respect of any future environmental liabilities arising for NI Water. The Group and Company has registered a debenture to counter indemnify the Dfl in relation to these three guarantees. Under this debenture the Group and Company pledges to the Dfl by way of first floating charge and as a continuing security for the payment and discharge of the secured liabilities all of the Group and Company's rights to and title, and interest on property, assets rights and revenues. No provision has been made in the financial statements in respect of this guarantee as the conditions under which the liability would crystallise have not been breached.

### Parent Company guarantee

In accordance with the share acquisition by the Group of: (i) Dalriada Water (Holdings) Limited; and (ii) Northern Ireland Water Alpha Limited (formerly named Kelda Water Services (Alpha) Limited) (the "OpCo"), a Parent Company guarantee to Dalriada Water Limited (the "ProjectCo"), previously provided by Kelda Group Limited, has novated to Northern Ireland Water Limited. The guarantee guarantees the performance by the OpCo of the OpCo's obligations and liabilities under the terms of a principal sub-contract between the ProjectCo and the OpCo. Under the terms of the project agreement, the ProjectCo earns a Unitary Charge from Northern Ireland Water Limited in return for providing the required quantity of water to Northern Ireland Water Limited at each of the specified sites to the specified water quality standards.

### Contingent assets

The Group and Company receives performance bonds from customers in relation to requisition of water mains and sewerage services. The balance of cash bonds held at 31 March 2024 is £18.5m (2023: £18.2m) and this balance is included in accruals (see Note D2). Bonds are only recognised as a capital contribution if customers are in default of agreed conditions. The Group and Company has also received a number of paper performance bonds issued by various financial institutions. These are not recognised in the financial statements. Value placed on paper bonds held at 31 March 2024 is £34.1m (2023: £35.9m). These items are considered contingent assets as an inflow of economic benefits is considered to be remote.

### Contingent liability

A legal ruling has been made regarding age discrimination arising from pension scheme transitions arrangements. Court of appeal judgements were made in cases affecting Judges' pensions (McCloud) and firefighter pensions (Sergeant) which had previously been considered by employment tribunals. The ruling may have implications for other pension schemes, including the NI Water Pension Scheme, which have implemented transitional arrangements for benefits changes. In 2023/24 pension service costs have been increased by £0.9m (2023: £nil) to reflect the likely outcome for the Scheme.

# Notes to the Statutory accounts

## D5. Operating leases

### Leases as lessee

Total future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Less than one year	14	12	14	12
Between one and five years	2	2	2	2
More than 5 years	-	-	-	-
<b>Total</b>	<b>16</b>	<b>14</b>	<b>16</b>	<b>14</b>

The Group and Company leases lands, vehicle GPS and motor vehicles which are recognised as operating leases as they fall within the following IFRS 16 exemptions:

- lease term ends within 12 months of the date of initial application; and
- leases of low value assets.

During the year ended 31 March 2024 an amount of £12k (2023: £19k) (Company: £12k, 2023: £19k) was recognised as an expense in profit or loss in respect of operating leases.



# Notes to the Statutory accounts

## E. Our employees

This section sets out information about employee numbers and costs and then provides information on the Group and Company's main pension scheme. The analysis provided in the pension notes is based on IAS 19 estimate of the scheme's assets and liabilities as at 31 March 2024. The value shown in the SOFP calculated on IAS 19 Employee Benefits basis is subject to a number of factors. In this section we provide information to explain the following:

- why the pension liabilities on the SOFP have changed from one-year to another;
- what makes up the charge in the income statement in the year; and
- the amount of the scheme assets and liabilities totalling the net defined benefit pension liability on the SOFP.

The movement in the IAS 19 Employee Benefits estimate of the defined benefit scheme liability during the year, is the item which singularly has the greatest impact on the SOFP.

Most of our employees are members of the NI Water Pension Scheme which is a defined benefit scheme. A number of our employees are members of a defined contribution scheme.

Further information on the analysis of the NI Water Pension Scheme assets and the assumptions underlying the liabilities are set out in Note G3.

For further information on the relevant accounting policies applied in this section please see Note G1.

## E1. Personnel numbers and expenses

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Group		Company	
	No. of employees Year to 31 March 2024	No. of employees Year to 31 March 2023	No. of employees Year to 31 March 2024	No. of employees Year to 31 March 2023
Directors	8	7	8	7
Non-industrial staff	999	932	969	904
Industrial staff	501	484	501	484
<b>Total staff</b>	<b>1,508</b>	<b>1,423</b>	<b>1,478</b>	<b>1,395</b>

The gender of persons employed by the Group (including Directors) during the year ended 31 December 2023, analysed by category, was as follows\*:

	Group					
	No. of employees Year to 31 December 2023			No. of employees Year to 31 December 2022		
	Male	Female	Total	Male	Female	Total
Directors and senior managers	57	22	79	55	19	74
Non-industrial staff	649	309	958	607	286	893
Industrial staff	505	8	513	487	6	493
<b>Total staff</b>	<b>1,211</b>	<b>339</b>	<b>1,550</b>	<b>1,149</b>	<b>311</b>	<b>1,460</b>

\*Based on statutory returns made to the Equality Commission on a calendar year basis.

# Notes to the Statutory accounts

## E1. Personnel numbers and expenses continued

The gender of persons employed by the Company (including Directors) during the year ended 31 December 2023, analysed by category, was as follows\*:

	Company					
	No. of employees Year to 31 December 2023			No. of employees Year to 31 December 2022		
	Male	Female	Total	Male	Female	Total
Directors and senior managers	57	22	79	55	19	74
Non-industrial staff	620	306	926	581	284	865
Industrial staff	505	8	513	487	6	493
<b>Total staff</b>	<b>1,182</b>	<b>336</b>	<b>1,518</b>	<b>1,123</b>	<b>309</b>	<b>1,432</b>

\* Based on statutory returns made to the Equality Commission on a calendar year basis.

The aggregate payroll costs for the Group of these persons were as follows:

	Group	
	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Wages and salaries	76,082	59,403
Social security costs	7,161	6,445
Other pension costs	14,607	21,938
<b>Total payroll costs</b>	<b>97,850</b>	<b>87,786</b>

An amount of £21,169k (2023: £16,945k) of the above payroll costs has been capitalised as it relates to work carried out by the Group that adds to the value of property, plant and equipment and intangible assets.

### E1a Key management personnel short-term employee benefit

Detailed information concerning key management personnel's remuneration, bonus payments and pensions is included in the Directors' remuneration report on pages 146 to 149. Key management includes all Board and Executive Committee members. Apart from NI Water Limited, the Directors of the Companies in the Group did not receive any emoluments for their services from the date of acquisition.

In summary, key management personnel compensation comprised:

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
Short-term employee benefits	1,281	1,095
Post-employment benefits	335	279
<b>Total benefits</b>	<b>1,616</b>	<b>1,374</b>

The emoluments of the highest paid Director were £187k (2023: £180k). There are 4 (2023: 4) Executive Directors in the Group's pension scheme.

There are amounts included in the SOCI in respect of actuarial gains and losses attributable to key management personnel, however, it is considered impractical to provide a breakdown of the actuarial gains/losses relating to individual members. While some elements resulting in gains/losses are easy to measure on an individual basis e.g. the effect of salary increases, others would involve allocating a share in investment returns and other scheme experience (deaths/retirements) which cannot be attributed to individual members.

# Notes to the Statutory accounts

## E1. Personnel numbers and expenses continued

### E1b Exit packages

The exit packages for employees who left the Company during the year are reported below. The majority of the exit packages relate to the Voluntary Exit schemes which were used to facilitate the targeted reduction in headcount. The Voluntary Exit schemes are similar to the Northern Ireland Civil Service (NICS) scheme and incorporate the provisions of relevant age discrimination legislation. All applications are considered in terms of overall cost and business need. Overall cost in individual cases is based on length of service and pensionable pay figures. Ill-health retirement costs are met by the pension scheme and are not included in the exit packages.

Exit package cost band £000	Number of compulsory redundancies 31 March 2024	Number of other departures agreed 31 March 2024	Total number of exit packages by cost band 31 March 2024	Number of compulsory redundancies 31 March 2023	Number of other departures agreed 31 March 2023	Total number of exit packages by cost band 31 March 2023
0 - 10	-	3	3	-	2	2
10 - 25	-	8	8	-	13	13
25 - 50	-	1	1	-	3	3
50 - 100	-	-	-	-	-	-
Above 100	-	-	-	-	-	-
<b>Total number</b>	-	<b>12</b>	<b>12</b>	-	<b>18</b>	<b>18</b>
<b>Total cost (£'000)</b>	-	<b>189</b>	<b>189</b>	-	<b>351</b>	<b>351</b>

### E1c Off-payroll engagements

In accordance with the Department of Finance (DoF) disclosure guidance - FD (DoF) 02/20, the Company had the following 'off-payroll' engagements at a cost of over £245 per day and engaged for over six months. None of the subsidiaries in the Group had off-payroll engagements as defined by the DoF guidance in the year.

Table 1 - Temporary off-payroll worker engagements as at 31 March 2024	Number
Number of existing engagements as of 31 March 2024	<b>89</b>
Of which have:	
Existed for less than one year at time of reporting	<b>42</b>
Existed for between one and two years at time of reporting	<b>19</b>
Existed for between two and three years at time of reporting	<b>18</b>
Existed for between three and four years at time of reporting	<b>10</b>
Existed for four or more years at time of reporting	-

Table 2 - All temporary off-payroll workers engaged at any point during the year ended 31 March 2024	Number
Number of off-payroll workers engaged during the year ended 31 March 2024	<b>42</b>
Of which:	
Number determined as out-of-scope of IR35	<b>39</b>
Number determined as in-scope of IR35	<b>3</b>
Number of engagements reassessed for compliance or assurance purposes during the year	
Of which: Number of engagements that saw a change to IR35 status following review	-
Number of engagements where the status was disputed under provisions in the off-payroll legislation	
Of which: Number of engagements that saw a change to IR35 status following review	-

Table 3 - Off-payroll engagements of board members (and/or senior officials with significant financial responsibility) between 1 April 2023 and 31 March 2024	Number
Number of off-payroll engagements of board members, (and/or senior officials with significant financial responsibility), during the financial year.	-
Total number of individuals on payroll and off-payroll that have been deemed "board members, (and/or senior officials with significant financial responsibility)", during the financial year. This figure should include both on payroll and off-payroll engagements.	<b>4</b>

# Notes to the Statutory accounts

## E2. Employee benefits

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

### Components of defined benefit cost

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
<b>Service cost</b>		
Current service costs (operating costs - staff costs)	<b>11,567</b>	20,222
Past service costs (operating costs - staff costs)	<b>454</b>	-
<b>Total service cost</b>	<b>12,021</b>	20,222
<b>Net interest (credit)/cost:</b>		
Interest expense	<b>12,049</b>	9,788
Interest income	<b>(14,639)</b>	(9,173)
<b>Net interest (credit)/cost</b>	<b>(2,590)</b>	615
<b>Administration expenses and taxes</b>	<b>1,300</b>	1,200
<b>Defined benefit cost included in profit</b>	<b>10,731</b>	22,037

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

### Net defined benefit (asset)/liability reconciliation

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
Opening defined benefit liability	<b>(46,457)</b>	29,055
Defined benefit cost included in profit	<b>10,731</b>	22,037
Total measurements included in Other Comprehensive Income	<b>(9,642)</b>	(84,206)
Cash flows - employer contributions	<b>(14,593)</b>	(13,343)
<b>Closing defined benefit liability</b>	<b>(59,961)</b>	(46,457)
<b>Actual return on plan assets</b>	<b>13,805</b>	(32,047)

### Remeasurement gains and losses are recognised directly in the statement of comprehensive income

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
<b>Remeasurements (recognised in other comprehensive income)</b>		
Effect of changes in demographic assumptions	<b>(5,635)</b>	-
Effect of changes in financial assumptions	<b>(7,023)</b>	(148,128)
Effect of experience adjustments	<b>2,182</b>	22,702
Return on plan assets excluding interest income	<b>834</b>	41,220
<b>Total remeasurements included in Other Comprehensive Income</b>	<b>(9,642)</b>	(84,206)

# Notes to the Statutory accounts

## E2. Employee benefits continued

### Significant assumptions used in this disclosure

#### Weighted-average assumptions to determine benefit obligation

	Conditions at 31 March 2024	Conditions at 31 March 2023
Rate of increase in salaries	<b>5.00% until 2025, 3.60% thereafter</b>	2.70% until 2024, 3.70% thereafter
Rate of increase in pensions in payment and deferred pensions	<b>3.05%</b>	3.10%
Discount rate	<b>4.90%</b>	4.80%
Inflation assumption - RPI	<b>2.90%</b>	3.00%
Inflation assumption - CPI	<b>2.60%</b>	2.70%

For more information in relation to the Company's defined benefit pension scheme, see Note G3.

# Notes to the Statutory accounts

## F. Taxation

This section sets out information about the total tax charge and tax liabilities, including current and deferred tax. The current tax charge is the tax payable on this year's taxable profits. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences in the accounting and tax bases of profit.

For further information on the relevant accounting policies applied in this section please see section G1.

### F1. Taxation

#### Group Income tax expense

	Year to 31 March 2024 £000	Year to 31 March 2023 £000
<b>Tax recognised in profit or loss current tax expense</b>		
Current year	-	-
Adjustment for prior years	-	59
<b>Total</b>	<b>-</b>	<b>59</b>
<b>Deferred tax</b>		
Origination of temporary differences	-	-
Adjustment to prior years	<b>933</b>	3,865
Tax rate changes / differences	-	-
Current year (charge)/ credit	<b>(24,915)</b>	(9,273)
<b>Total</b>	<b>(23,982)</b>	<b>(5,408)</b>
<b>Total income tax (expense)/credit</b>	<b>(23,982)</b>	<b>(5,349)</b>

#### Tax recognised in other comprehensive income for the year ended 31 March

	Group					
	Year to 31 March 2024			Year to 31 March 2023		
	Before tax £000	Tax benefit/ (expense) £000	Net of tax £000	Before tax £000	Tax benefit/ (expense) £000	Net of tax £000
Defined benefit plan actuarial (losses)/gains	<b>9,642</b>	<b>(2,411)</b>	<b>7,231</b>	84,206	(21,052)	63,154
<b>Total</b>	<b>9,642</b>	<b>(2,411)</b>	<b>7,231</b>	84,206	(21,052)	63,154



# Notes to the Statutory accounts

## F1. Taxation continued

### Reconciliation of effective tax rate

	Group			
	%	Year to 31 March 2024 £000	%	Year to 31 March 2023 £000
(Loss)/Profit for the year	-	71,502	-	41,071
Total income tax expense/(credit)	-	23,982	-	5,349
<b>Profit before income tax</b>	-	<b>95,484</b>	-	<b>46,420</b>
Income tax using the Company's domestic tax rate	25.00	23,871	19.00	8,820
Non-taxable Income	(0.00)	(2)	(7.60)	(3,510)
Non-deductible goodwill	0.00	-	-	-
Other Non-deductible expenses	1.00	955	3.70	1,738
Tax rate changes/differences	0.00	-	4.80	2,226
Effect of DT only current year movements	0.10	91	-	-
Adjustment to prior years	(1.00)	(933)	(8.40)	(3,925)
<b>Total</b>		<b>23,982</b>	<b>11.50</b>	<b>5,349</b>

### Factors affecting Group future tax charge

The corporation tax rate enacted at the balance sheet date is 25% and the deferred tax for 2023/24 has been calculated at the appropriate tax rate which is expected to apply when the assets are realised or liabilities settled.

The future tax charge may also be impacted by the following:

- A restriction on the use of brought forward losses (including capital losses) may affect Groups that were previously loss making that become profit making and have profits over £5m. This measure may result in cash tax being payable before all of the trading losses brought forward have been utilised.
- In order to reduce the impact of loss restriction, consideration will be given to disclaiming capital allowances where this maximises the tax benefit to the Group.
- Structures and Buildings Allowances were introduced for eligible costs incurred where contracts were entered on or after 29 October 2018. Structures and Buildings allowances will be available when the asset is brought into use.
- Full expensing capital allowances are available for eligible costs incurred from 1 April 2023. The tax relief is available in the form of 100% first year allowance for qualifying plant and machinery assets and a 50% first year allowance for qualifying special rate assets. The Chancellor's 2023 Autumn Statement made the full expensing provisions permanent (and this will not expire on 31 March 2026 as previously expected).

The Group considers itself to be a qualifying infrastructure company for the Public Infrastructure Exemption and does not anticipate that the corporate interest restriction rules will impact on the deductibility of interest payable by members of the Group.

# Notes to the Statutory accounts

## F1. Taxation continued

### Deferred tax assets and liabilities

The following are the deferred tax assets and liabilities recognised by the Group and Company and movements thereon during the current and prior reporting periods:

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Property, plant and equipment	-	-	348,268	366,637	348,268	366,637
Transfers of assets from customers*	(149,202)	(140,273)	149,202	140,273	-	-
Intangible assets	-	(241)	681	-	681	(241)
Employee benefits	-	-	14,986	10,664	14,986	10,664
Provisions	(4,797)	(1,011)	-	-	(4,797)	(1,011)
Tax losses carried forward	(9,265)	(52,355)	-	-	(9,265)	(52,355)
Fair value adjustment to senior debt	(827)	(965)	-	-	(827)	(965)
Financial instruments	(170)	(246)	-	-	(170)	(246)
<b>Net tax (assets)/liabilities</b>	<b>(164,261)</b>	<b>(195,091)</b>	<b>513,137</b>	<b>517,574</b>	<b>348,876</b>	<b>322,483</b>

\*Transfers of assets from customers form part of property, plant and equipment in the SOFP.

	Company					
	Assets		Liabilities		Net	
	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000	At 31 March 2024 £000	At 31 March 2023 £000
Property, plant and equipment	-	-	339,319	357,355	339,319	357,355
Transfers of assets from customers*	(149,202)	(140,273)	149,202	140,273	-	-
Intangible assets	-	(241)	681	-	681	(241)
Employee benefits	-	-	14,991	10,670	14,991	10,670
Provisions	(4,762)	(1,011)	-	-	(4,762)	(1,011)
Tax losses carried forward	(9,672)	(53,054)	-	-	(9,672)	(53,054)
<b>Net tax (assets)/liabilities</b>	<b>(163,636)</b>	<b>(194,579)</b>	<b>504,193</b>	<b>508,298</b>	<b>340,557</b>	<b>313,719</b>

\*Transfers of assets from customers form part of property, plant and equipment in the SOFP.

# Notes to the Statutory accounts

## F1. Taxation continued

### Movement in deferred tax balance during the year

	Group				Balance at 31 March 2024 £000
	Balance at 31 March 2023 £000	Recognised in profit £000	Recognised in other comprehensive income £000	Consolidation adjustments – profit or loss £000	
Property, plant and equipment	366,637	(18,369)	-	-	<b>348,268</b>
Intangible assets	(241)	922	-	-	<b>681</b>
Employee benefits	10,664	1,911	2,411	-	<b>14,986</b>
Provisions	(1,011)	(3,786)	-	-	<b>(4,797)</b>
Tax losses carried forward	(52,355)	43,090	-	-	<b>(9,265)</b>
Fair value of adjustment to senior debt	(965)	138	-	-	<b>(827)</b>
Financial instruments	48	76	-	-	<b>124</b>
Re-categorisation	(294)	-	-	-	<b>(294)</b>
<b>Total</b>	<b>322,483</b>	<b>23,982</b>	<b>2,411</b>	<b>-</b>	<b>348,876</b>

	Company				Balance at 31 March 2024 £000
	Balance at 31 March 2023 £000	Recognised in profit £000	Recognised in other comprehensive income £000	Reclassification £000	
Property, plant and equipment	357,355	(18,036)	-	-	<b>339,319</b>
Intangible assets	(241)	922	-	-	<b>681</b>
Employee benefits	10,670	1,910	2,411	-	<b>14,991</b>
Provisions	(1,011)	(3,751)	-	-	<b>(4,762)</b>
Tax losses carried forward	(53,054)	43,382	-	-	<b>(9,672)</b>
<b>Total</b>	<b>313,719</b>	<b>24,427</b>	<b>2,411</b>	<b>-</b>	<b>340,557</b>

### Confirmation over income tax treatments

Dalriada Water Limited has moved to a financial asset basis of accounting for its PFI contract with NI Water Limited. The tax impact has been calculated on the basis that the Company will continue to be entitled to capital allowances, which has been agreed with HMRC in 2018/19.

# Notes to the Statutory accounts

## G. Supplementary notes to the accounts

This section sets out supplementary notes to the accounts. This includes our accounting policies (note that key accounting policies are included at pages 165 to 169), financial risk, details on retirement benefits, related party information and events subsequent to the year end date.

### G1. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

#### (a) Basis of consolidation

##### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a) (ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets/liabilities acquired. Any goodwill that arises is tested annually for impairment (see (i) (i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (b)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

##### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. (see Note A5 – List of subsidiaries).

##### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Financial instruments

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through the Statement of Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (b) Financial instruments continued

#### (ii) Classification and subsequent measurement

##### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

###### (b) Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Financial assets at amortised cost – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI – these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI – these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (b) Financial instruments continued

#### (ii) Classification and subsequent measurement continued

##### Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a nonderivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

###### Intra-group financial instruments

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

#### (iii) Derivative financial instruments and hedging

##### Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a nonfinancial item that becomes a firm commitment for which fair value hedge accounting is applied – see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.



# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (b) Financial instruments continued

#### (iii) Derivative financial instruments and hedging continued

##### Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

#### (iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to the credit risk.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### Write-offs

The gross carrying amount of financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (c) Impairment of financial assets

#### (i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, that the loss event had a negative effect on the estimated future cash flows of that asset and it can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group and Company on terms that the Group and Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. The bad debt provision is based on applying expected recovery rates, based on actual historical cash collection performance, to an aged debt profile. For other investments (equity shares) any impairment is initially recognised through other comprehensive income and the cumulative loss is reclassified to profit or loss if impairment occurs for a second consecutive year.

#### (ii) Receivables

The Group and Company considers evidence of impairment for receivables. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group and Company uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment was determined by reference to a previous UK GAAP revaluation. The Group and Company elected to apply the optional exemption to use this previous revaluation as deemed cost at 1 April 2009, the date of transition (see Note A1). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located (when there is an obligation to remove the asset), and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

#### (ii) Assets in the course of construction

Assets in the course of construction are separately classified within property, plant and equipment until the date of commission at which stage they are transferred. Depreciation on these assets is not charged until they are brought into use.

#### (iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (d) Property, plant and equipment continued

#### (iv) Infrastructure assets

The infrastructure assets comprise a network of water and wastewater systems including mains, sewers, impounding and storage reservoirs for treated water, dams, sludge pipelines and sea outfalls. All items of property, plant and equipment within infrastructure assets are subject to depreciation. In accordance with the transition provisions of IFRS 1 (revised), the Group and Company identified the carrying value of these assets as at the inception of the Group and Company and has treated this value as deemed cost. Following this assessment, the assets, and all subsequent enhancement and replacement expenditure, have been subject to depreciation over their useful economic lives. All subsequent maintenance expenditure is chargeable directly to the SOCI.

#### (v) Transfers of infrastructure assets from customers (adopted assets)

The Group and Company adopts infrastructure assets from customers, e.g., water and sewer pipes from property developers, which it must then use either to connect the customers to the network or to provide the customers with ongoing access to a supply of services. In some cases, the Group and Company receives cash from customers that must be used only to acquire or construct an infrastructure asset in order to connect the customer to the network or provide the customer with ongoing access to a supply of services.

Adopted assets are valued using the unit costs set during the relevant price control period (PC21 is the six-year control which commenced on 1 April 2021).

The value of assets transferred from customers is taken to a deferred credit reserve and amortised over the life of the assets.

#### (vi) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and Company will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The estimated useful lives for the current and comparative periods are as follows:

Asset Type	Asset Life
Infrastructure assets	100 - 150 years
Operational assets	40 - 80 years
Buildings	30 - 60 years
Fixed plant	3 - 40 years
Vehicles, mobile plant and equipment	4 - 10 years
Office equipment	3 - 10 years
Radio monitoring equipment	20 years

### (e) Investment properties

Investment properties are properties held as surplus to operational requirements or for capital appreciation; but not for immediate sale, use in the supply of services, or for administrative purposes. As permitted by IAS 40, investment properties are measured using the cost model specified in IAS 16 whereby properties are recorded initially at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses. When property changes use from operational, or occupied, to surplus property it is reclassified from property plant and equipment to investment property. Transfers between classes do not change the carrying amount of the property transferred or the cost of the property for measurement or disclosure purposes (see (i) for further details).

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (f) Intangible assets

#### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

#### (ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group and Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009.

Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

#### (iii) Software-as-a-Service Arrangements (SaaS)

SaaS acquired by the Group and Company are not capitalised but are expensed as incurred. The configuration and customisation costs incurred in implementing these (SaaS) are also recognised as an expense, unless the criteria for recognising a separate asset are met. This is in line with the first agenda decision (March 2019) and second agenda decision (April 2021) issued by the IFRS Interpretations Committee.

#### (iv) Other intangible assets

Other intangible assets that are acquired by the Group and Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (v) Intangible assets in the course of development

Intangible assets in the course of development, e.g., internally generated software, are separately classified within intangible assets, as assets in the course of construction, until the date of commission at which stage they are transferred. Amortisation on these assets is not charged until they are brought into use.

#### (vi) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as occurred.

#### (vii) Amortisation

Amortisation is based on the cost of the asset, less its residual value. Amortisation is recognised in the 'operating expenses' line of the SOCI on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

The useful lives are finite and are as follows for the current and comparative periods:

Asset Type	Asset Life
Computer software	3 - 7 years
Capital studies non-infrastructure	7 years
Capital studies infrastructure	10 years

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (g) PPP leased assets

Leases in terms of which the Group and Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### Public Private Partnership (PPP) transactions

Where public service obligations are met in conjunction with other operators through a partnership arrangement the principles of IFRIC 12 are applied. Assets are included within property, plant and equipment and amounts due to PPP partners are included in PPP credits. Assets included in property plant and equipment are depreciated in accordance with normal accounting policies. The present value of the PPP financing is included within loans and borrowings and payments made are split between capital repayments and interest.

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### (i) Impairment of non-financial assets

#### (i) Non-financial assets

The carrying amounts of the Group and Company's non-financial asset, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset, or its related cash-generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The Company's corporate assets do not generate separate cash inflows.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. However, an impairment loss recognised for goodwill cannot be reversed.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (j) Non-current assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The principal assets within this category are non-operational land and buildings. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group and Company's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial asset, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group and Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### (k) Employee benefits

#### (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (ii) Defined benefit plans

The Company operates a defined benefit pension scheme for all employees. The assets of the scheme are held separately from those of the Company. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. To calculate the present value of economic benefit, consideration is given to any applicable minimum funding requirements. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### (iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring, in line with the policy on provisions (see (l) for further details). If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

#### (iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### (l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.



# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (m) Revenue recognition

Revenue is recognised when the risks and rewards of ownership are transferred to the customer, recovery of consideration is probable and the amount of revenue can be reliably measured. Revenue is not recognised until the service has been provided to the customer and is shown net of value added tax. Where services have been provided, but for which no invoice has been raised at the year end, an estimate of the value is included in revenue. For measured customers, this includes an estimate of the value of water and wastewater services supplied to customers between the date of the last meter reading and the year end. For unmeasured customers billed in advance, income is deferred and released to the income statement throughout the year.

Revenue comprises: the customer subsidy provided by the DfI primarily relating to the deferment of the introduction of domestic charges that were planned for 1 April 2007; charges to customers for water and wastewater services and related services; road drainage income from the DfI; transfers of assets from customers, e.g., sewer adoptions from developers; connection and infrastructure charges; other third party contributions and sundry income sources e.g. aerial site rentals.

### (n) Government grants

New government grants and legacy grants to Water Service (pre 1 April 2007) were credited to 'deferred income' within liabilities at fair value and are released to profit or loss evenly over the expected useful life of the relevant asset, in accordance with the provisions of the Companies Act 2006. The Company receives government assistance, in the form of a customer subsidy, provided by the DfI primarily in relation to the deferment of the introduction of domestic charges that were planned for 1 April 2007. The customer subsidy is presented in revenue in the SOCI (see Note C1). A capital subsidy is received from the DfI in relation to requisitioning of water and sewerage infrastructure for older properties. Similarly to all capital contributions from customers, and in accordance with IFRIC 18, this is credited directly to revenue within the SOCI (see Note G4 - Related parties).

### (o) Leases

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (o) Leases continued

#### (i) As a lessee continued

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the SOFP.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note G1(b)(ii)(b)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (o) Leases continued

#### (ii) As a lessor continued

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the underlying asset. At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

### (p) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise: interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (q) Income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the SOFP date.

Current tax for the current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the current and prior years exceeds the amount payable, the excess is recognised as an asset. The benefits relating to a tax loss that can be carried back to recover current tax of a previous year are held as an asset.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the SOFP liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SOFP date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (q) Income tax continued

#### Deferred tax continued

For investment property that is measured at depreciated cost, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax assets and liabilities are measured at the tax rates that apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the SOFP date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Current tax and deferred tax for the year

Current and deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity in which case the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### (r) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Exchange differences are taken to profit or loss.

### (s) Determination of fair values

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A number of the Company's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities. Management have established a control framework with respect to the measurement of fair values and regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group and Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note B4 – financial instruments.

# Notes to the Statutory accounts

## G1. Significant accounting policies continued

### (t) Application of new and revised International Financial Reporting Standards (IFRSs)

At the date of authorisation of these consolidated financial statements, the following standards and amendments have been adopted for the first time, none of which had a material impact on the consolidated or Company's financial statements:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)\*

\*The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately from their release on 23 May 2023, and new disclosure requirements about the Pillar Two exposure that apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

The accounting policies set out above have, unless otherwise stated, been applied consistently in the consolidated and company financial statements to all periods presented. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2024 and have not been applied in preparing these financial statements. The standards and interpretations not adopted are outlined below:

	Effective Date - periods beginning on or after
Non-current Liabilities with Covenants (Amendments to IAS 1 and Classification of liabilities as current or non-current (Amendments to IAS 1))	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely

The Directors do not expect that the adoption of the standards and interpretations listed above will have material impact on the Group and Company financial statements.

## G2. Financial risk management

### Overview

This note presents information about the Group and Company's exposure to financial risks. These risks are managed within the risk management framework of the Group and Company as described below.

Further quantitative disclosures are included throughout these financial statements.

### Credit risk

Credit risk is the risk that the Group and Company is exposed to loss if a customer or counterparty to a financial instrument fails to meet its financial obligations and arises principally from the Group and Company's receivables from customers and banking relationships for deposits and interest rate swaps.

### Trade and other receivables

NI Water has a statutory obligation to provide water and sewerage services to customers within its region. Approximately 72% (2023: 72%) of the Group and Company's revenue is in the form of a customer subsidy provided by the DfI. This primarily relates to the deferment of the introduction of domestic charges that were planned for 1 April 2007. Excluding the subsidy from the DfI, there is no concentration of credit risk with respect to trade receivables.

# Notes to the Statutory accounts

## G2. Financial risk management continued

### Trade and other receivables continued

The credit risk in relation to the remaining 28% (2023: 28%) is mitigated by the application of credit control policies and procedures determined by the Group and Company and applied by a third party collection agent. Regular reviews of receivables are carried out together with prompt follow-up of unpaid invoices. Depending upon the customers' circumstances, repayments plans can be offered up to a period of 12 months. Further information on aging of receivables and bad debt provision is set out in Note B4.

### Banking relationships: Investment Deposits and Interest Rate Swaps

The Group and Company may be exposed to credit-related loss in the event of non-performance by bank counterparties. In accordance with Shareholder Governance Arrangements banking services are primarily transacted through the NICS contract. As approved by the DfI, and by the DoF, other banking relationships have been used to manage counterparty risks which arise from deposits of funds available for short-term investment and the use of Swaps to fix interest rates on borrowings in Dalriada Water Limited. The interest rate swaps are in place in Dalriada Water Limited for the period between 2006 and 2030 for notional principal amounts which equate to the portion of expected bank debt which is at variable interest rates.

Financial counterparty risks are managed by employing credit limits and continuous monitoring procedures. Deposits in the Company are only placed with banks other than the main relationship bank (MRB) if the counterparty holds an investment grade credit rating as issued by the main credit rating agencies of Standard and Poors, Moody's or Fitch. The maximum exposure with any bank other than the MRB is limited to £30m and no more than 50% of total cash balances may be held with any bank other than the MRB. The MRB may hold up to 100% of cash balances. In Dalriada Water Limited, in accordance with the contract, the "Account Bank" must meet certain credit ratings as issued by Standard and Poor's or Moody's. This is reviewed annually and approved by the funders.

### Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting their obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group and Company's approach to managing liquidity is to ensure, as far as possible, that sufficient liquidity exists to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and Company's reputation.

The Treasury Function employs a continuous forecasting and monitoring process to manage cash, funding and liquidity risks.

The Group and Company are financed through a combination of retained earnings, Capital Loan Instruments provided by the DfI, working capital facility provided by the DfI and long-term bank borrowings in Dalriada Water Limited.

Funds available for deposit based on forecasted liquidity requirements and in accordance with the Shareholder governance arrangements and Group and Company Treasury policies are invested by the Treasury Function in short-term bank deposits. Dalriada Water Limited is restricted contractually to no longer than 6 monthly bank deposits to satisfy the scheduled calculation dates (30 September and 31 March) and with approved banks at certain credit rating levels.

The Capital Loan Note provided by the DfI provides the Company with the ability to draw funds until 31 March 2027. The Company also maintains a £20m working capital facility provided by the DfI available for the period to at least 31 December 2027. Borrowings on the facility are repayable on demand. This facility was not utilised at 31 March 2024.

In Dalriada Water Limited liquidity risk is principally managed through the use of long-term borrowings with an amortisation profile that matches the expected availability of funds from the Company's operating reserves. Additionally, in accordance with contractual requirements Dalriada Water Limited maintains reserve bank accounts to provide short-term liquidity against future debt service and capital maintenance expenditure requirements.

The Group and Company's net current liabilities can be met using the existing loan facilities (see Note B1). The Company recognises the commitment for repayment of the 2027 Capital Loan Note on 31 March 2027. Discussions to manage this obligation are being progressed with the DfI.

Further investigation in respect of liquidity risk is set out in Note B4.



# Notes to the Statutory accounts

## G2. Financial risk management continued

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

During 2022/23, global energy prices continued to rise to unprecedented levels with wholesale gas costs in Europe hitting an all-time high. Higher gas, coal and carbon costs have been driving up the prices in the all-island wholesale electricity market, the Single Electricity Market (SEM).

Inflation – as measured by the Consumer Price Index (CPI) – rose by 10.1% in the 12 months to March 2023. High inflation risk impacts both operating costs and capital costs with implications for both our Resource DEL and Capital DEL budget allocation from the DfI.

### Foreign Exchange Risk

The Group and Company are not generally exposed to significant foreign exchange transactions with the majority of transactions, assets and liabilities being in the domestic currency.

The Company has been engaged in two EU Interreg applications denominated in Euros which may expose it to foreign exchange risk. Grant receipts in Euros are exchanged to the domestic currency as close to the day of receipt as possible. Grant receipts for partners in the EU Interreg grants are transacted in Euro.

### Interest Rate Risk

#### Investment Deposits

Interest rates on fixed term deposits are fixed for the period of investment. The average period of deposit is less than one month. The Group and Company also maintains instant access investment accounts on which interest is earned at rates based on the Bank of England Base rate.

#### Borrowings

Borrowings by NI Water Limited on capital loan note borrowings are at fixed rates agreed with the DfI.

Borrowings by Dalriada Water Limited are at fixed rates either agreed directly with the lender EIB or through the use of interest rate swaps on the secured bank loan with Royal Bank of Canada (RBC). The RBC syndicated loan uses Sterling Overnight Interbank Average (SONIA) plus Credit Adjustment Spread as the reference interest rate swapped to a fixed rate through the use of three Interest Rate Swap Derivative Agreements.

NI Water also has access to a working capital facility provided by the DfI, unused at the year-end, on which interest is charged at a floating rate of the Bank of England Base rate + 0.50%.

### Capital management

The Company's capital consists of 500 million £1 ordinary shares, a statutory distributable reserve and a retained earnings reserve. A report on capital is prepared for the Board on an annual basis to ensure adequate cover exists for the payment of the Company's dividend.

### Other risks

Further details on risks are contained on pages 84 to 86 and 128 to 131.

# Notes to the Statutory accounts

## G3. Employee benefits

### Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### Defined benefit pension scheme

The Company operates a defined benefit pension scheme, the Northern Ireland Water Limited Pension Scheme (NIWLPS), which is open to all employees. Members had the option of transferring their pensionable service from the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) and a bulk transfer was paid in respect of liabilities transferred in August 2010. The Scheme has a number of different benefit structures applying to different categories of members. All but one of these are closed to new entrants.

### Composition of the scheme

The scheme is open to new entrants and therefore the service cost as a percentage of pensionable salaries is expected to remain broadly steady over time (subject to changes in market conditions). Accrued liabilities are based on calculations carried out by a qualified independent actuary. A full calculation of the liabilities was carried out at the date of the Scheme's latest actuarial valuation (31 March 2023) for IAS 19.

### Assumed life expectancies on retirement at age 60

	31 March 2024				31 March 2023			
	Non-industrial		Industrial		Non-industrial		Industrial	
	Male	Female	Male	Female	Male	Female	Male	Female
Retiring today (member aged 60)	25.9	28.1	24.2	26.4	26.9	28.8	25.2	27.2
Retiring in 20 years (member age 40)	27.8	30.0	26.1	28.3	28.8	30.7	27.1	29.1

### The weighted-average target asset allocations were as follows:

	Total scheme assets at 31 March 2024	Total scheme assets at 31 March 2023
<b>Asset category</b>		
a. Equity instruments	6.5%	24.75%
b. Debt instruments:		
(i) Corporate bonds	47.0%	15.0%
(ii) Gilts	14.0%	6.75%
c. Property	-	13.5%
d. Other	32.5%	40.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

	Total scheme assets at 31 March 2024 £000	Total scheme assets at 31 March 2023 £000
<b>Fair value of plan assets</b>		
a. Cash	5,361	5,406
b. Equities	26,556	80,037
c. Debt instruments	131,680	69,627
d. Property	37,520	37,178
e. Other	122,504	107,893
<b>Total market value of assets</b>	<b>323,621</b>	<b>300,141</b>

The Scheme's overall allocation to equities is approximately 1.3% UK and 5.2% in overseas equities.

Assets shown as 'Investment funds' includes allocation to the following funds: Diversified Growth, Secured Finance, Infrastructure and Sustainable Opportunities.

# Notes to the Statutory accounts

## G3. Employee benefits continued

These investments are intended to reduce the reliance on equity markets, diversify the sources of risk to which the fund is exposed and provide exposure to a wide variety of equity, bond, currency, commodity and other alternatives markets.

### Defined benefit obligation by participant status

	Total at 31 March 2024 £000	Total at 31 March 2023 £000
Actives	170,653	154,762
Vested deferreds	24,873	22,116
Retirees	68,134	76,806
<b>Total defined benefit obligation</b>	<b>263,660</b>	<b>253,684</b>

### Change in the fair value of plan assets

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
Fair value of plan assets at end of prior year	300,141	323,037
Movement in year:		
Interest income	14,639	9,173
Contributions by plan participants	2,156	2,016
Contributions by employer	14,593	13,343
Actuarial gain/(loss)	(834)	(41,220)
Benefits paid	(5,774)	(5,008)
Administration expenses paid from plan assets	(1,300)	(1,200)
Insurance premiums for risk benefits	-	-
<b>Total</b>	<b>323,621</b>	<b>300,141</b>

### Analysis of the present value of the defined benefit obligations

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
At the beginning of the year	253,684	352,092
Movement in year:		
Current service cost	11,567	20,222
Interest expense	12,049	9,788
Past service costs	454	-
Remeasurements:		
a. Effect of changes in demographic assumptions	(5,635)	-
b. Effect of changes in financial assumptions	(7,023)	(148,128)
c. Effect of experience adjustments	2,182	22,702
Contributions by plan participants	2,156	2,016
Insurance premiums for risk benefits	-	-
Benefits paid	(5,774)	(5,008)
<b>Total</b>	<b>263,660</b>	<b>253,684</b>

# Notes to the Statutory accounts

## G3. Employee benefits continued

### Amounts recognised in the statement of financial position

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
Defined benefit obligation	(263,660)	(253,684)
Fair value of plan assets	323,621	300,141

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
<b>Deficit in the scheme - pension asset/(liability)</b>	<b>59,961</b>	<b>46,457</b>
Related deferred tax asset	11,218	10,668
<b>Net pension asset/(liability)</b>	<b>71,179</b>	<b>57,125</b>

The overall return on the Scheme's assets over the year was positive with a gain of around £14m (2023: loss of £32m), equivalent to an annual return of around 5% pa (2023: -10%) ignoring cashflows. The main reason for this was the higher than expected returns on index linked government bonds and property.

The total benefits paid out of the Scheme during the year ending 31 March 2024 were £5,774k (2023: £5,008k), of which £121k (2023: £374k), were in respect of individual transfer value activity, both transfers out and in. An increase in lump sums on retirement is the main reason why the total benefit payments increased compared to the previous year.

### Sensitivity of key assumptions

The sensitivities to assumptions shown below are broadly symmetrical, i.e., an increase or decrease in the assumption will result in a similar movement in either direction.

### Impact of:

	Change in liability 2023/24 %	Change in liability 2023/24 £000	Change in liability 2022/23 %	Change in liability 2022/23 £000
+ or - 0.50% in discount rate	8.4%	22,200	9.9%	25,200
+ or - 0.25% in salary inflation	0.4%	1,100	0.6%	1,500
+ or - 0.25% in rate of inflation	4.3%	11,400	5.4%	13,700
Increase in life expectancy of one year	2.5%	6,500	2.3%	5,900
Reduce long-term improvements to 0.25%	-1.8%	(4,700)	-0.9%	(2,200)

### Expected cash flows for the following year

	£000
Expected employer contributions	14,534
Expected total benefit payments:	
Year 1	9,663
Year 2	10,185
Year 3	11,181
Year 4	10,292
Year 5	10,558
Then for next 5 years (Total)	57,726

# Notes to the Statutory accounts

## G4. Related parties

### Parent and ultimate controlling party

The Company is a Government owned Company and 100% owned by its ultimate controlling party, the DfI. The results of the Company will not be within the annual financial statements prepared by the DfI, nor in the financial statements of any other entity. Inter-Company debtor and creditor balances with the DfI and other government bodies will be supplied to the DfI for the Whole of Government Accounts.

The Company transacts with other Government Departments, Agencies, and NDPBs, in the normal course of business and in accordance with standard business terms.

Related party disclosures with the DfI are as follows:

	At 31 March 2024 £000	At 31 March 2023 £000
<b>Subsidy</b>		
Revenue subsidy from the DfI (credited to revenue)	397,711	345,470
Revenue relating to road drainage (credited to revenue)	29,150	25,243
Other receivables - subsidy (included in other receivables - Note C4)	2,160	2,150
Other sales to the DfI (credited to revenue)	562	905
Trade receivables - other sales to the DfI (included in trade receivables - Note C4)	70	275
<b>Purchases</b>		
Purchases from the DfI (included in operating costs or capital expenditure)	43	2,801
Accruals - purchases from the DfI (included in accruals - Note D2)	163	280
<b>Loans and borrowings</b>		
Loans from the DfI during the year	215,000	155,000
Balance on loans from the DfI at year end - Note B1	1,809,560	1,594,560
Loan interest to the DfI - Note B2*	68,669	58,414
Loan interest owed to the DfI at year end	12,685	7,138
<b>Dividends</b>		
Dividend to Shareholder - Note B3	21,000	19,000

\*Loan interest stated before capitalisation of £12,326k (2023: £9,636k) of interest.

No guarantees are given to or received from the DfI in relation to the previous balances. There are no provisions for doubtful debts related to the amounts above and no expense recognised in the year in respect of bad and doubtful debts due from the DfI.

### Key management personnel's compensation

Details of the key management personnel's post-employment defined benefit plan and termination benefits are included in the Directors' remuneration report on pages 146 to 149. Key management personnel's compensation is disclosed in Note E1a.

### Key management personnel's and Directors' transactions

The key personnel and Directors did not carry out any transactions with related parties of the Group.

## G5. Subsequent events

There were no other subsequent events that need to be brought to the attention of the users of the financial statements.

# Independent Auditors' Report to the Members of Northern Ireland Water Limited

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Northern Ireland Water Limited ('the Company') and its consolidated undertakings ('the Group') for the year ended 31 March 2024 set out on pages 156 to 234, which comprise the consolidated statement of financial position, company statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and related notes, including the material accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is UK Law, UK adopted international accounting standards and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to note 1c in the financial statements, which indicates that Northern Ireland Water Limited faces a significant shortfall between the output targets agreed with the Utility Regulator and the funding indicated by the Department for Infrastructure. Northern Ireland Water Limited is therefore exposed to enforcement proceedings from the Utility Regulator in respect of Northern Ireland Water Limited's licence to operate, and the possibility of legal action by other stakeholders in the event that Northern Ireland Water Limited fails to meet its statutory obligations.

As stated in note 1c, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations. However, as set out in note 1c in the financial statements, they have also concluded that there is a material uncertainty that may cast significant doubt over their 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").



# Independent Auditors' Report to the Members of Northern Ireland Water Limited

## Report on the audit of the financial statements continued

### Material uncertainty related to going concern continued

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group and the Company's ability to continue to adopt the going concern basis of accounting included reviewing cash flow forecasts prepared by management for a period greater than 12 months, obtaining and reviewing correspondence received by the Group and Company from the Utility Regulator and the Department for Infrastructure, held discussions with the Utility Regulator to understand the implications of underfunding on the current price control period, held discussions with those charged with governance on the actions they are proposing to take, and the potential implications of the underfunding for the required spend on operational and capital activities in line with the price control plan and obtaining a letter of support from the Department for Infrastructure.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Group's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Group's regulatory and legal correspondence; and reading Board, Audit and Risk committee minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

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 employment law, environmental law.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition. We did not identify any additional fraud risks.

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

# Independent Auditors' Report to the Members of Northern Ireland Water Limited

## Report on the audit of the financial statements continued

### Detecting irregularities including fraud continued

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 (irregularities) 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 remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report, the corporate governance report, the directors' remuneration report and the statement of directors' responsibilities. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 the other information.

### Opinions on other matters prescribed by the Companies Act 2006

Based solely on our work on the other information undertaken during the course of the audit:

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

### 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

# Independent Auditors' Report to the Members of Northern Ireland Water Limited

## Respective responsibilities and restrictions on use

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 153, 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 Group and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

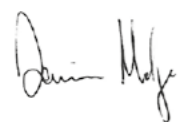
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### Report on other legal and regulatory requirements

In our opinion, in all material respects, the expenditure (disbursed) and income (received) have been applied to the purposes intended by the Partnership Agreement between Department for Infrastructure and Northern Ireland Water Limited as set out in their direction to the Company revised on 10 January 2020.

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

Our 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.



**Dominic Mudge - Senior Statutory Auditor  
for and on behalf of KPMG Statutory Auditor**

The Soloist Building  
1 Lanyon Place  
Belfast BT1 3LP  
10 July 2024