

Northern Ireland Water Alpha Limited

Annual report and financial statements

Registered number NI050159

Year ended 31 March 2024

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Directors and advisers

Directors

R Larkin
S Venning

Company secretary

M Ellesmere

Independent auditors

KPMG
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

Registered office

9 Dunore Road
Aldergrove
Crumlin
Co. Antrim
BT29 4DZ

Bankers

Danske
Donegall Square West
Belfast
BT1 6JS

Strategic report

The directors present their strategic report for the year ended 31 March 2024.

Principal activities and review of business

On 30 May 2006 Northern Ireland Water Alpha Limited, formerly Kelda Water Services (Alpha) Limited, ('the Company') entered into a contract with Dalriada Water Limited to design, upgrade, construct, operate and maintain four clean water treatment works in Northern Ireland. These services are provided to Dalriada Water Limited which in turn entered into a Public Private Partnership (PPP) concession agreement with the Northern Ireland Water Service, an executive agency of the Department for Regional Development, to deliver Project Alpha – a project to design, build and finance four clean water treatment works around Lough Neagh and to operate and maintain these works over a 25 year period. The Authority has subsequently been incorporated as a Government Company (GoCo) and is now referred to as Northern Ireland Water Limited (NIW).

On 20 November 2017 NI Water Clear Limited purchased the Company and Dalriada Water Limited. NI Water Clear Limited is wholly owned by NIW. The contract between Dalriada Water Limited and NIW continues to operate. At the same time the Company changed its name to Northern Ireland Water Alpha Limited.

The Company's principal source of income is from operating the clean water treatment works together with carrying out all of the routine and major life cycle maintenance for the remaining life of the concession. Performance deductions are applied for any deviation from the required water quality and quantity requirements.

Northern Ireland Water Alpha Limited provides, on behalf of Dalriada Water Limited, the required quantity of water to NIW at each site. In return for doing so Dalriada Water Limited earns a Unitary Charge from NIW and pays a monthly fee to Northern Ireland Water Alpha Limited for their services in operating the water treatment works and providing water to the required quantity and quality standards.

Under the terms of its contract with NIW, Dalriada Water Limited incurs performance deductions for any deviation from the required contractual water quality standards. These standards are set to significantly higher standards than the normal regulatory limits. In accordance with its contractual arrangements Dalriada Water Limited reduces the monthly fee paid to Northern Ireland Water Alpha Limited to recoup any performance deductions that it incurs.

Financial performance and outlook

Operating performance: the loss for the financial year amounts to £3,871,000 (2023: £3,542,000).

The loss for the year is as a result of higher costs in the year particularly in relation to chemicals.

2023/24 saw the Company deliver an excellent level of operational performance overall, with the value of deductions for the year, 1.35% (1.34% in 2022/23).

Energy efficiency is a key focus for NIW, who are responsible under the contract for electricity costs and in 2023/24 Northern Ireland Water Alpha Limited maintained energy consumption within the energy consumption targets set under the contract.

A key focus was on health and safety and it is pleasing that there were no reportable Health and Safety incidents during the year.

As part of its responsibility for operating the clean water treatment works, together with carrying out all of the routine and major life cycle maintenance for the life of the concession, the Company has to meet a number of contractually specified key performance indicators relating to the availability and quality of water being supplied. Failure to meet these parameters could result in financial penalties and contractual non-compliance.

At the year end, the Company was in a net liabilities position of £9,842,000 (2023: (£5,971,000)). The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company, NI Water Clear Limited. The directors have received confirmation that NI Water Clear Limited intend to support the Company for at least one year after these financial statements are signed.

Strategic report *(continued)*

Principal risks and uncertainties

Strategic, financial, commercial, operational, social, environmental and ethical risks are all considered as part of the Company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss.

On a quarterly basis throughout the year the directors of the Company reviewed the Company's strategic risk register. Risks are evaluated both in financial terms and in relation to their impact and likelihood, and appropriate mitigation actions are assigned following the review.

At present there are no immediate risks considered likely to have a significant impact on the short or long term value of the Company.

Financial risk management

Credit and cash flow risks to the Company arise from its client, Dalriada Water Limited, however its ultimate customer and ultimate parent undertaking is NIW. The credit and cash flow risks are not considered significant as the ultimate customer is a 100% government owned company.

From service commencement, the majority of the operating revenue is derived from an index linked fixed unitary charge with the remainder based on the volumes of water delivered to the client at an indexed price.

Contractual relationships

The Company operates within a contractual relationship with its primary customer, Dalriada Water Limited, and its ultimate customer and ultimate parent undertaking is NIW. A significant impairment of this relationship could have a direct and detrimental effect on the Company's results and could ultimately result in termination of the concession. However, given the acquisition in 2017/18, this is considered remote. To manage this risk the Company has regular meetings with NIW including discussions on performance, project progress, future plans and customer requirements. The feedback from NIW remains very positive and they are very satisfied with the service delivery that they receive from Dalriada Water Limited.

Health, safety and environment

The Company is very conscious of the health & safety risks in the operational supply of drinking water to the public. These risks are reviewed at Board level each month, are subject to frequent audits throughout the year and are also managed through regular meetings with NIW to review ongoing health and safety procedures and performance statistics. These review meetings include the outcomes of the regular independent audit results and enable appropriate plans to be developed and implemented. Environmental performance remains a key focus for the business and is also subject to close monitoring and review, again enabling appropriate plans to be developed and implemented.

Future developments

A continued focus on health and safety performance and maximisation of income through optimisation of performance deductions will remain a key driver for the business as it moves into 2023/34. Also, given that one of the most significant costs to the Company is water treatment chemicals, the efficient procurement and use of these chemicals will remain a focus.

On behalf of the board



S Venning
Director

8 July 2024

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2024.

Results and dividends

The loss for the financial year amounts to £3,871,000 (2023: £3,542,000).

The directors do not recommend the payment of a dividend (2023: £nil).

Impact of Covid-19

The COVID-19 pandemic has presented challenges to Northern Ireland Water Alpha Limited in terms of the health and safety of our employees. We continue to undertake significant work to adequately control the health and safety risks frontline workers and homeworking staff may be exposed to and continue to provide additional health and wellbeing support to colleagues and their families.

The pandemic had no direct impact on the demand for water services and Northern Ireland Water Alpha Limited was able to deliver its contractual requirements with Dalriada Water Limited.

Impact of Brexit

The Company experienced minimal impact from Brexit as it liaised closely with key suppliers in preparation for Brexit and it experienced no significant disruption in the supply chain.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the parent company, NI Water Clear Limited. The directors have received confirmation that NI Water Clear Limited intend to support the Company for at least one year after these financial statements are signed.

Events since the end of the year

There have been no significant events since the end of the year.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R Larkin
S Venning

Political donations and expenditure

The Company made no political contributions nor incurred any political expenditure during the accounting period to 31 March 2024 (2023: £nil).

Directors' statement as to disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnities

The Company purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors through the Group policy.

Independent auditors

The contract for external audit services with KPMG expires in November 2024. A tender exercise for external audit services is underway and a decision in respect of appointment or reappointment of auditors will be made in the coming months.

Directors' Report

On behalf of the board



S Venning
Director

8 July 2024

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report, strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

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

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

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

On behalf of the board



S Venning
Company Director

8 July 2024



KPMG

Audit
The Soloist Building
1 Lanyon Place
Belfast BT1 3LP
Northern Ireland

Independent auditor's report to the members of Northern Ireland Water Alpha Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Northern Ireland Water Alpha Limited ('the Company') for the year ended 31 March 2024, which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and UK accounting standards, including FRS 101 Reduced Disclosure Framework.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council; 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 Company 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, 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.

Conclusions relating to going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.



Independent auditor's report to the members of Northern Ireland Water Alpha Limited

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 Company'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 Company's regulatory and legal correspondence; and reading Board minutes.

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

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting 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 company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

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 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.



Independent auditor's report to the members of Northern Ireland Water Alpha Limited

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

We have nothing to report in these respects.

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

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.



Independent auditor's report to the members of Northern Ireland Water Alpha Limited

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.

A handwritten signature in black ink, appearing to read 'Dominic Mudge'.

10 July 2024

Dominic Mudge (Senior Statutory Auditor)
for and on behalf of
KPMG, Statutory Auditor
The Soloist Building
1 Lanyon Place
Belfast
BT1 3LP

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2024

	<i>Note</i>	2024	2023
		£000	£000
Turnover	2	10,588	9,408
Operating costs		(13,884)	(12,703)
Operating loss		(3,296)	(3,295)
Interest receivable and similar expenses	6	43	9
Interest payable and similar expenses	7	(551)	(223)
Loss before taxation		(3,804)	(3,509)
Tax on loss	8	(67)	(33)
Loss for the financial year		(3,871)	(3,542)

There are no other items of comprehensive income or expense in the current or prior year, therefore no separate statement of comprehensive income has been presented.

All of the results of the Company derive from continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

Balance Sheet
as at 31 March 2024

	<i>Note</i>	2024 £000	2023 £000
Fixed assets			
Tangible assets	9	184	161
Current assets			
Debtors	10	3,935	7,189
Cash at bank and in hand		1,266	192
		<u>5,201</u>	<u>7,381</u>
Creditors: amounts falling due within one year	11	(15,133)	(13,503)
Net current liabilities		<u>(9,932)</u>	<u>(6,122)</u>
Total assets less current liabilities		<u>(9,748)</u>	<u>(5,961)</u>
Creditors: amounts falling due after more than one year	12	<u>(94)</u>	<u>(10)</u>
Net liabilities		<u>(9,842)</u>	<u>(5,971)</u>
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		<u>(9,842)</u>	<u>(5,971)</u>
Total shareholders' deficit		<u>(9,842)</u>	<u>(5,971)</u>

The notes on pages 14 to 27 form part of these financial statements.

The financial statements were approved by the board of directors on 8 July 2024 and were signed on its behalf by:



R Larkin
Director

Company registered number: NI050159

Statement of Changes in Equity
for the year ended 31 March 2024

	Called up share capital £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 April 2022	-	(2,429)	(2,429)
Total comprehensive income for the year			
Loss for the year	-	(3,542)	(3,542)
Balance at 31 March 2023	<u>-</u>	<u>(5,971)</u>	<u>(5,971)</u>

	Called up share capital £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 April 2023	-	(5,971)	(5,971)
Total comprehensive income for the year			
Loss for the year	-	(3,871)	(3,871)
Balance at 31 March 2024	<u>-</u>	<u>(9,842)</u>	<u>(9,842)</u>

The notes on pages 14 to 26 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Northern Ireland Water Alpha Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. The registered number is NI050159 and the registered address is Dunore Point Water Treatment Works, 9 Dunore Road, Aldergrove, Crumlin, Co Antrim BT29 4DZ.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Northern Ireland Water Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Northern Ireland Water Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company's website www.niwater.com or from Northern Ireland Water Limited's registered office, Westland House, 40 Old Westland Road, Belfast, BT14 6TE.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. No judgements made by the directors, in the application of these accounting policies are deemed to have a significant effect on the financial statements.

The company has adopted the following IFRSs in these financial statements:

- Onerous contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) - This has not had a significant impact on the financial statements.
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16) - This has not had a significant impact on the financial statements.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - This has not had a significant impact on the financial statements
- Annual Improvements to IFRS Standards 2018-2020 - This has not had a significant impact on the financial statements.

Measurement convention

The financial statements are prepared on the historical cost and going concern basis.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its parent company Northern Ireland Water Clear Limited.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (policy applicable from 1 April 2018)

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 company 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 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.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 Company 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 joint ventures, associates and 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 Company'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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (policy applicable from 1 April 2018) (continued)

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

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.

Financial liabilities and equity

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

- (a) they include no contractual obligations upon the company 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 company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other 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 company'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 company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company 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 company 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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company 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 company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments (policy applicable from 1 April 2018) (continued)

(iii) Impairment (continued)

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 company is exposed to 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 company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company 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 a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Motor vehicles 5 years

IT Equipment 5-7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that requires risks specific to the liability.

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

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Employee benefits (continued)

Group plans

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer of the plan, which is Northern Ireland Water Limited. The Company recognises a cost equal to its contribution payable for the period as an expense.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Turnover

Turnover comprises the fair value of income earned in respect of operational services performed in the year together with any contract revenue earned in the year.

Expenses

Operating lease payment (policy applicable before 1 April 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Leases (policy applicable from 1 April 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company 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.

As a lessee

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company 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, 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate.

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 Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company 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, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, 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, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company 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 statement of financial position.

Notes to the financial statements (continued)

2 Turnover

Turnover comprises the fair value of income earned in respect of operational services performed in the year together with any contract revenue earned in the year.

	2024	2023
	£000	£000
Rendering of services	10,588	9,408
Total	10,588	9,408

All of the Company's turnover and profits before taxation arise in the United Kingdom and are derived from its continuing principal activity of the operation and maintenance of four clean water treatment works around Lough Neagh.

3 Expenses and auditor's remuneration

Included in the loss for the year are the following:

	2024	2023
	£000	£000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	14	10

4 Staff numbers and costs

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

	Number of employees	
	2024	2023
Activity:		
Operational	22	19
Office and management	9	9
	31	28

The aggregate payroll costs of these persons were as follows:

	2024	2023
	£000	£000
Wages and salaries	1,666	1,426
Social security costs	199	186
Contributions to defined contribution plans	120	99
	1,985	1,711

5 Directors' remuneration

The directors did not receive any emoluments for their services to the Company (2023: £nil).

All directors' emoluments have been included in the financial statements of Northern Ireland Water Limited.

Notes to the financial statements (continued)

6 Interest receivable

	2024 £000	2023 £000
Interest income on bank deposits	43	9
Total other interest payable and similar expenses	<u>43</u>	<u>9</u>

7 Interest payable and similar expenses

	2024 £000	2023 £000
Interest payable to group undertakings on financial liabilities at amortised cost	545	222
Interest on finance lease	6	1
Total other interest payable and similar expenses	<u>551</u>	<u>223</u>

8 Taxation

Total tax recognised in the profit and loss account

	2024 £000	2023 £000
<i>UK Corporation tax</i>		
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	<u>-</u>	<u>-</u>
Current year charge/(credit)	67	(10)
Tax in respect of prior years	-	43
Change in tax rates	-	-
Total deferred tax	<u>67</u>	<u>33</u>
Total tax charge/(credit) on profit/(loss) on ordinary activities	<u>67</u>	<u>33</u>

Reconciliation of effective tax rate

	2024 £000	2023 £000
(Loss)/Profit for the financial year	(3,871)	(3,542)
Total tax charge/(credit) included in profit or loss account	67	33
(Loss)/Profit excluding taxation	<u>(3,804)</u>	<u>(3,509)</u>
Tax using the UK corporation tax rate of 25% (2023: 19%)	(951)	(667)
Group relief surrendered for no charge	897	626
Adjustments to prior year	-	43
Non taxable income	3	33
Tax rate changes	118	(2)
Total tax charge/(credit) on profit/(loss) on ordinary activities	<u>67</u>	<u>33</u>

Notes to the financial statements (continued)

8 Taxation (continued)

Factors affecting 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.

· Structures and Buildings Allowances were introduced for eligible costs incurred where contracts were entered on or after 29th 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 1st 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.

9 Tangible assets

	IT Equipment £000	Motor vehicles £000	Total £000
Cost			
Balance at 1 April 2023	594	328	922
Additions	4	204	208
Disposals	-	(170)	(170)
	<u>598</u>	<u>362</u>	<u>960</u>
Balance at 31 March 2024	<u>598</u>	<u>362</u>	<u>960</u>
Depreciation and impairment			
Balance at 1 April 2023	474	288	762
Depreciation charge for the year	118	66	184
Disposals	-	(170)	(170)
	<u>592</u>	<u>184</u>	<u>776</u>
Balance at 31 March 2024	<u>592</u>	<u>184</u>	<u>776</u>
Net book value			
At 31 March 2024	<u>6</u>	<u>178</u>	<u>184</u>
At 31 March 2023	<u>120</u>	<u>40</u>	<u>160</u>

Right-of-use assets

At 31 March 2024, motor vehicles includes right-of-use assets as follows:

	IT Equipment £000	Motor vehicles £000	Total £000
Right-of-use asset			
At 31 March 2024	-	178	178
At 31 March 2023	-	35	35

Notes to the financial statements (continued)

10 Debtors

	2024 £000	2023 £000
Amounts owed by group undertakings	3,486	6,696
Deferred tax assets (see note 14)	-	67
Other taxes and social security	-	30
Prepayments and accrued income	449	396
	<u>3,935</u>	<u>7,189</u>
Due within one year	<u>3,935</u>	<u>7,189</u>

Amounts owed by group undertakings relate to intercompany trading balances and are unsecured, interest free and repayable on demand.

11 Creditors: amounts falling due within one year

	2024 £000	2023 £000
Trade creditors	617	684
Loan from group undertakings (see note 13)	10,984	9,746
Lease liabilities (see note 19)	120	25
Amounts owed to group undertakings	1,361	1,300
Other taxes and social security	62	-
Accruals and deferred income	1,989	1,748
	<u>15,133</u>	<u>13,503</u>

The loan from group undertakings is in sterling, unsecured and repayable on demand to Northern Ireland Water Clear Limited with interest payable at 3 month Libor plus 0.4% per annum. Interest and capital is repayable on maturity.

The amounts owed to group undertakings (which relate to intercompany trading balances) are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due after more than one year

	2024 £000	2023 £000
Lease liabilities (see note 19)	94	10
	<u>94</u>	<u>10</u>

Notes to the financial statements (continued)

13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Terms and debt repayment schedule

	Interest rate type	Nominal interest rate %	Year of maturity	Repayment profile	Carrying amount 2024 £000	Carrying amount 2023 £000
Subordinated loan from Northern Ireland Water Clear Limited	0.4% above LIBOR	0.4% above LIBOR	Repayable on demand	Repayable on demand	10,984	9,746
Lease liabilities	2.7%	2.7%	2024	Monthly	214	35
					<u>11,198</u>	<u>9,781</u>

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets 2024 £000	2023 £000	Liabilities 2024 £000	2023 £000	Net 2024 £000	2023 £000
Fixed assets	-	(63)	-	-	-	(63)
Employee Benefits	-	(4)	-	-	-	(4)
Tax value of losses carried forward	-	-	-	-	-	-
	<u>-</u>	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67)</u>
Tax (assets) / liabilities	-	(67)	-	-	-	(67)
Net tax (assets)					<u>-</u>	<u>(67)</u>

Movement in deferred tax during the year

	1 April 2023 £000	Recognised in profit £000	Recognised in equity £000	31 March 2024 £000
Tangible fixed assets	(63)	63	-	-
Employee benefits	(4)	4	-	-
Tax value of loss carry-forwards utilised	-	-	-	-
	<u>(67)</u>	<u>67</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

15 Employee benefits

The Company participates in the group multi-employer scheme, such that the Company's pension scheme's assets and liabilities are included with those of the group of Northern Ireland Water Limited. The Company is unable to identify its share of the underlying assets and liabilities of the Northern Ireland Water Limited Pension Scheme as the scheme's members are not unitised by company and therefore the Company has not been allocated a share of the cost of the scheme. The Company therefore accounts for pension costs on a contribution basis.

The disclosures below provide information about the group plan as a whole.

The fair value of the plan assets and the return on those assets were as follows:

	2024	2023
	Fair value	Fair value
	£'000	£'000
Cash and cash equivalents	5,361	5,406
Equity instruments	26,556	80,037
Debt instruments - index-linked government bonds	131,680	67,627
Debt instruments - corporate bonds		
Real estate	37,520	37,178
Derivatives	-	-
Investment funds	122,504	107,893
Assets held by insurance company	-	-
Other	-	-
Total value of plan assets	323,621	300,141
Defined pension obligation	(263,660)	(253,684)
Net pension obligation	59,961	46,457

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2024	2023
Discount rate	4.90%	4.80%
Salary increase rate	5% for the next 2 years, 3.70% thereafter	2.7% for the next 2 years, 3.70% thereafter
Pensions-in-payment increase rate (RPI)	3.05%	3.10%
Price inflation rate (RPI)	2.90%	3.00%
Price inflation rate (CPI)	2.60%	2.70%

The total expense of the Company relating to these plans in the current year was £120,000 (2023: £99,000)

Notes to the financial statements (continued)

16 Capital and Reserves

	2024 £000	2023 £000
<i>Allotted, called up and fully paid</i>		
50 ordinary A shares of £1 each	-	-
50 ordinary B shares of £1 each	-	-
	<u> </u>	<u> </u>
Shares classified as shareholders' funds	<u> </u>	<u> </u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. A and B shares rank pari passu.

17 Related parties

Identity of related parties with which the Company has transacted

Since 100% of the Company's voting rights are controlled by Northern Ireland Water Limited, the Company has taken advantage of the exemption not to disclose transactions or balances with other wholly owned subsidiaries.

18 Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is NI Water Clear Limited. The ultimate parent and controlling party is Northern Ireland Water Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Northern Ireland Water Limited, incorporated in Northern Ireland. No other group financial statements include the results of the Company. The consolidated financial statements of Northern Ireland Water Limited are available to the public and may be obtained from the Company secretary, at its registered address, Westland House, 40 Old Westland Road, Belfast, BT14 6TE.

19 Leases

Leases as a lessee (IFRS 16)

Right-of-use assets

Right-of-use assets related to lease motor vehicles are presented as motor vehicles (see note 9):

	Motor vehicles £000	Total £000
Balance at 1 April 2023	35	35
Additions to right-of-use assets	204	204
Depreciation charge for the year	(61)	(61)
Derecognition of right-of-use assets	-	-
	<u> </u>	<u> </u>
Balance at 31 March 2024	<u>178</u>	<u>178</u>

Notes to the financial statements *(continued)*

19 Leases (continued)

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2024	2023
	£000	£000
Interest expense on lease liabilities		
Expenses relating to short-term leases	6	1
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	-	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-	-
Income from subleasing right-of-use assets presented in 'other revenue'	-	-
	-	-
	<u>6</u>	<u>1</u>
	<u><u>6</u></u>	<u><u>1</u></u>

Amounts recognised in statement of cash flows

	2024	2023
	£000	£000
Total cash outflow for leases	10	10
	<u><u>10</u></u>	<u><u>10</u></u>