

northern ireland  
**water**



**Delivering what matters**

# Regulatory Accounts 2020/21

## Statement of Directors' Responsibilities

The Directors of NI Water are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of Northern Ireland Water Limited as a Water and Sewerage undertaker under the Water and Sewerage Services (Northern Ireland) Order 2006 and the relevant Regulatory Accounting Guidelines (RAGs).

The information contained in the Regulatory Accounts may refer to disclosures in the Annual Report document and, as agreed with the Utility Regulator, it is not necessary to duplicate the same information in both documents.

## Condition F6A of the Licence (Directors' certificate of going concern)

The Board confirms that to the best of its knowledge and belief:

- (1) In the opinion of the Directors, Northern Ireland Water Limited ("the Appointee") will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil NI Water's obligations under the Appointment).

Note 2(a) on page 9 fully outlines the current funding position for the Company and a short summary of this is provided below:

The Utility Regulator published the PC21 Final Determination on 13 May 2021 and NI Water has until 13 July 2021 to decide on acceptability. In light of the meaningful improvement from the position at Draft Determination, the Board of NI Water, at the time of writing, is assessing the PC21 Final Determination and is working to reach a final position.

The Board of NI Water is encouraged to see that Year 1 of PC21 (2021/22) has been fully funded by the Department and the NI Executive. The Board is now in discussion with Department for Infrastructure Shareholder Unit and other Departments to ensure that, in order to accept, there is support and continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers.

On the basis of the ongoing discussions the Directors have formed a judgement at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future and as such these conditions do not cast a significant doubt on the Company's ability to continue as a going concern.

- (2) In the opinion of the Directors the Appointee will, for at least the next 12 months, have available to it:
  - (i) management resources;
  - (ii) methods of planning and internal control which, except for any control weaknesses reported separately to the Utility Regulator, are sufficient to enable it to carry out Regulated Activities necessary to fulfil its obligations under the Appointment; and
- (3) On 20<sup>th</sup> November 2017 NI water Limited through a subsidiary, acquired Dalriada Water Limited which is the PPP Concessionaire Company contracted to provide services to NI Water Limited. The activities of Dalriada Water Limited lies outside the Regulated Activities as defined by the Licence. The financial results of Dalriada Water Limited and the other businesses acquired by NI Water have been consolidated into the Group accounts which are included in the Annual Report

and Accounts. Apart from the above in the opinion of the Directors, no contracts were entered into with any Associated Company.

For and on behalf of the Board



Sara Venning  
Chief Executive  
23 June 2021

## HISTORICAL COST FINANCIAL STATEMENTS

### Profit and loss account

|  | Year to 31 March 2021         |  |                 | Year to 31 March 2020         |  |                 |
|--|-------------------------------|--|-----------------|-------------------------------|--|-----------------|
|  | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000   | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000   |
| <b>Turnover</b>  | <b>412,533</b>                | <b>6,675</b>                           | <b>419,208</b>  | 422,314                       | 7,103                                  | 429,417         |
| Operating costs  | (209,488)                     | (3,556)                                | (213,044)       | (195,305)                     | (3,869)                                | (199,174)       |
| Historical cost<br>depreciation                              | <u>(88,080)</u>               | -                                      | <u>(88,080)</u> | <u>(84,274)</u>               | -                                      | <u>(84,274)</u> |
| <b>Operating profit</b>                                      | <b>114,965</b>                | <b>3,119</b>                           | <b>118,084</b>  | 142,735                       | 3,234                                  | 145,969         |
| Net interest payable   | <u>(62,362)</u>               | -                                      | <u>(62,362)</u> | <u>(64,374)</u>               | -                                      | <u>(64,374)</u> |
| <b>Profit on ordinary<br/>activities before<br/>taxation</b> | <b>52,603</b>                 | <b>3,119</b>                           | <b>55,722</b>   | 78,361                        | 3,234                                  | 81,595          |
| <i>Taxation on profit on<br/>ordinary activities:</i>        |                               |  |                 |                               |  |                 |
| Corporation tax  | 405                           | 147                                    | 552             | (405)                         | (147)                                  | (552)           |
| Deferred tax   | <u>(11,798)</u>               | -                                      | <u>(11,798)</u> | <u>(35,032)</u>               | -                                      | <u>(35,032)</u> |
| <b>Profit on ordinary<br/>activities after<br/>taxation</b>  | <b>41,210</b>                 | <b>3,266</b>                           | <b>44,476</b>   | 42,924                        | 3,087                                  | 46,011          |
| Dividends  | <u>(26,619)</u>               | <u>(3,266)</u>                         | <u>(29,885)</u> | <u>(25,185)</u>               | <u>(3,087)</u>                         | <u>(28,272)</u> |
| <b>Retained profit for<br/>the financial year</b>            | <b>14,591</b>                 | -                                      | <b>14,591</b>   | 17,739                        | -                                      | 17,739          |

## Balance sheet

|  | At 31 March 2021              |  |                    | At 31 March 2020              |  |                    |
|--|-------------------------------|--|--------------------|-------------------------------|--|--------------------|
|  | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000      | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000      |
| <b>Fixed assets</b>  |                               |  |                    |                               |  |                    |
| Tangible assets  | 3,414,428                     | -                                      | 3,414,428          | 3,274,623                     | -                                      | 3,274,623          |
| Investments  | 5,000                         | -                                      | 5,000              | 5,015                         | -                                      | 5,015              |
|  | <u>3,419,428</u>              | <u>-</u>                               | <u>3,419,428</u>   | <u>3,279,638</u>              | <u>-</u>                               | <u>3,279,638</u>   |
| <b>Current assets</b>  |                               |  |                    |                               |  |                    |
| Stocks   | 4,310                         | 2                                      | 4,312              | 3,554                         | 4                                      | 3,558              |
| Debtors  | 65,229                        | 794                                    | 66,023             | 71,492                        | 1,194                                  | 72,686             |
| Cash at bank and in hand                                       | 25,136                        | 1,025                                  | 26,161             | 2,635                         | 445                                    | 3,080              |
|  | <u>94,675</u>                 | <u>1,821</u>                           | <u>96,496</u>      | <u>77,681</u>                 | <u>1,643</u>                           | <u>79,324</u>      |
| <b>Creditors: amounts falling due within one year</b>          |                               |  |                    |                               |  |                    |
| Payments received on account                                   | (2,128)                       | -                                      | (2,128)            | (952)                         | -                                      | (952)              |
| Trade creditors  | (3,773)                       | (37)                                   | (3,810)            | (3,035)                       | (31)                                   | (3,066)            |
| Taxation and social security                                   | (2,419)                       | -                                      | (2,419)            | (2,376)                       | -                                      | (2,376)            |
| Other creditors  | (19,590)                      | -                                      | (19,590)           | (18,553)                      | -                                      | (18,553)           |
| Accruals and deferred income                                   | (116,010)                     | (1,784)                                | (117,794)          | (94,689)                      | (1,612)                                | (96,301)           |
| Deferred grants and contributions                              | (1,104)                       | -                                      | (1,104)            | (234)                         | -                                      | (234)              |
| PPP finance lease  | (8,949)                       | -                                      | (8,949)            | (8,091)                       | -                                      | (8,091)            |
| Other provisions   | (1,735)                       | -                                      | (1,735)            | (1,671)                       | -                                      | (1,671)            |
|  | <u>(155,708)</u>              | <u>(1,821)</u>                         | <u>(157,529)</u>   | <u>(129,601)</u>              | <u>(1,643)</u>                         | <u>(131,244)</u>   |
| <b>Net current liabilities</b>                                 | <u>(61,033)</u>               | <u>-</u>                               | <u>(61,033)</u>    | <u>(51,920)</u>               | <u>-</u>                               | <u>(51,920)</u>    |
| <b>Total assets less current liabilities</b>                   | <u>3,358,395</u>              | <u>-</u>                               | <u>3,358,395</u>   | <u>3,227,718</u>              | <u>-</u>                               | <u>3,227,718</u>   |
| <b>Creditors: amounts falling due after more than one year</b> |                               |  |                    |                               |  |                    |
| Loans and other borrowings                                     | (1,445,962)                   | -                                      | (1,445,962)        | (1,371,904)                   | -                                      | (1,371,904)        |
| Other creditors  | (524,499)                     | -                                      | (524,499)          | (483,703)                     | -                                      | (483,703)          |
|  | <u>(1,970,461)</u>            | <u>-</u>                               | <u>(1,970,461)</u> | <u>(1,855,607)</u>            | <u>-</u>                               | <u>(1,855,607)</u> |
| <b>Provisions for liabilities and charges</b>                  |                               |  |                    |                               |  |                    |
| Deferred tax provision   | (218,763)                     | -                                      | (218,763)          | (206,586)                     | -                                      | (206,586)          |
| Other provisions   | (1,246)                       | -                                      | (1,246)            | (2,319)                       | -                                      | (2,319)            |
|  | <u>(220,009)</u>              | <u>-</u>                               | <u>(220,009)</u>   | <u>(208,905)</u>              | <u>-</u>                               | <u>(208,905)</u>   |
| <b>Pension liability</b>                                       | <u>(48,545)</u>               | <u>-</u>                               | <u>(48,545)</u>    | <u>(34,436)</u>               | <u>-</u>                               | <u>(34,436)</u>    |
| <b>Net Assets</b>  | <u>1,119,380</u>              | <u>-</u>                               | <u>1,119,380</u>   | <u>1,128,770</u>              | <u>-</u>                               | <u>1,128,770</u>   |
| <b>Capital and reserves</b>                                    |                               |  |                    |                               |  |                    |
| Called up share capital  | 500,000                       | -                                      | 500,000            | 500,000                       | -                                      | 500,000            |
| Distributable reserve  | 171,690                       | -                                      | 171,690            | 171,690                       | -                                      | 171,690            |
| Profit and loss account  | 447,690                       | -                                      | 447,690            | 457,080                       | -                                      | 457,080            |
|  | <u>1,119,380</u>              | <u>-</u>                               | <u>1,119,380</u>   | <u>1,128,770</u>              | <u>-</u>                               | <u>1,128,770</u>   |
| <b>Shareholder's funds</b>                                     | <u>1,119,380</u>              | <u>-</u>                               | <u>1,119,380</u>   | <u>1,128,770</u>              | <u>-</u>                               | <u>1,128,770</u>   |

These financial statements were approved and authorised for issue by the Board of Directors on 23 June 2021 and were signed on its behalf by:

*Sara Venning*

Sara Venning  
Chief Executive  
23 June 2021

## Statement of total recognised gains and losses

|   | Year to 31 March 2021 |                          |                 | Year to 31 March 2020 |                          |        |
|---|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|--------|
|   | Appointed business    | Non - Appointed business | Total           | Appointed business    | Non - Appointed business | Total  |
|   | £000                  | £000                     | £000            | £000                  | £000                     | £000   |
| <b>Profit for the financial year</b>                                    | <b>14,591</b>         | -                        | <b>14,591</b>   | 17,739                | -                        | 17,739 |
| Available for sale shares - fair value loss                             | -                     | -                        | -               | -                     | -                        | -      |
| Actuarial losses recognised in the pension scheme                       | <b>(29,609)</b>       | -                        | <b>(29,609)</b> | (858)                 | -                        | (858)  |
| Deferred tax arising on losses in the pension scheme                    | <b>5,626</b>          | -                        | <b>5,626</b>    | 505                   | -                        | 505    |
| <b>Total recognised gains and losses relating to the financial year</b> | <b>(9,392)</b>        | -                        | <b>(9,392)</b>  | 17,386                | -                        | 17,386 |

## Cash flow statement

|  | Year to 31 March 2021         |  |                  | Year to 31 March 2020         |  |               |
|--|-------------------------------|--|------------------|-------------------------------|--|---------------|
|  | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000    | Appointed<br>business<br>£000 | Non -<br>Appointed<br>business<br>£000 | Total<br>£000 |
| <b>Net cash inflow from operating activities</b> (Note 7(a))                       | <b>197,146</b>                | <b>3,846</b>                           | <b>200,992</b>   | 229,446                       | 2,783                                  | 232,229       |
| <b>Returns on investments and servicing of finance</b>                             |                               |  |                  |                               |  |               |
| Interest received  | 1,525                         | -                                      | 1,525            | 455                           | -                                      | 455           |
| Interest paid  | (45,113)                      | -                                      | (45,113)         | (45,293)                      | -                                      | (45,293)      |
| Interest element of finance lease  | (17,521)                      | -                                      | (17,521)         | (18,261)                      | -                                      | (18,261)      |
| <b>Net cash outflow from returns on investments and servicing of finance</b>       | <b>(61,109)</b>               | <b>-</b>                               | <b>(61,109)</b>  | (63,099)                      | -                                      | (63,099)      |
| <b>Capital expenditure and financial investment</b>                                |                               |  |                  |                               |  |               |
| Purchase of tangible fixed assets  | (171,998)                     | -                                      | (171,998)        | (184,328)                     | -                                      | (184,328)     |
| Additional loan to subsidiaries  | (1,097)                       | -                                      | (1,097)          | (392)                         | -                                      | (392)         |
| Grants and contributions received  | 11,076                        | -                                      | 11,076           | 4,772                         | -                                      | 4,772         |
| Disposal of fixed assets   | 250                           | -                                      | 250              | 117                           | -                                      | 117           |
| Insurance proceeds   | -                             | -                                      | -                | 1,350                         | -                                      | 1,350         |
| <b>Net cash outflow from investing activities</b>                                  | <b>(161,769)</b>              | <b>-</b>                               | <b>(161,769)</b> | (178,481)                     | -                                      | (178,481)     |
| <b>Equity dividends paid to the Shareholder</b>                                    | <b>(26,619)</b>               | <b>(3,266)</b>                         | <b>(29,885)</b>  | (25,185)                      | (3,087)                                | (28,272)      |
| <b>Cash (outflow) / inflow before management of liquid resources and financing</b> | <b>(52,351)</b>               | <b>580</b>                             | <b>(51,771)</b>  | (37,319)                      | (304)                                  | (37,623)      |
| Management of liquid resources   | (1)                           | -                                      | (1)              | (6)                           | -                                      | (6)           |
| <b>Cash (outflow) / inflow from management of liquid resources</b>                 | <b>(1)</b>                    | <b>-</b>                               | <b>(1)</b>       | (6)                           | -                                      | (6)           |
| <b>Net cash flow before financing</b>  | <b>(52,352)</b>               | <b>580</b>                             | <b>(51,772)</b>  | (37,325)                      | (304)                                  | (37,629)      |
| <b>Financing</b>   |                               |  |                  |                               |  |               |
| Loans advanced   | 83,000                        | -                                      | 83,000           | 40,000                        | -                                      | 40,000        |
| Capital element of finance lease repayments  | (8,148)                       | -                                      | (8,148)          | (7,028)                       | -                                      | (7,028)       |
| <b>Net cash inflow from financing</b>  | <b>74,852</b>                 | <b>-</b>                               | <b>74,852</b>    | 32,972                        | -                                      | 32,972        |
| <b>Net (decrease)/increase in cash</b>   | <b>22,500</b>                 | <b>580</b>                             | <b>23,080</b>    | (4,353)                       | (304)                                  | (4,657)       |

## Notes to the Regulatory Accounts

### 1 Regulatory reporting

To further understand the performance of the business the Regulatory Accounts should be read in conjunction with the Strategic Report on pages 10 to 95 of the Northern Ireland Water Annual Report and Accounts 2020/21 ('The Annual Report'). Reference should be made to the Directors' report in the Annual Report which provides information on the dividend policy (page 117) and on 'Disclosure of information to auditors' (page 122). The Annual Report also includes The Directors' remuneration report on pages 123 to 128 and information on Directors' pay and standards of performance in accordance with Article 62 of the Water and Sewerage Services (Northern Ireland) Order 2006. The Directors confirm that no amounts were given to charitable trusts assisting customers or similar funds in the year ended 31 March 2021.

### 2 Accounting policies

#### *(a) Basis of preparation*

The Regulatory Accounts have been prepared on such a basis as to comply with the requirements of the Utility Regulator. These requirements are similar to previous guidance issued by Ofwat, the economic regulator for the water and sewerage industry in England and Wales. The Regulatory Accounts have been prepared in accordance with Condition F of the 'Instrument of Appointment by the Department for Regional Development' of Northern Ireland Water Limited as a Water and Sewerage undertaker' and the Ofwat Regulatory Accounting Guidelines (RAGS) adopted by the Utility Regulator and modified where required for conditions prevalent in Northern Ireland, the accounting policies set out in these notes and, in the case of the Regulatory Historic Cost Accounts, under the historical cost convention. The Utility Regulator has instructed that for the year ended 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021 accounts should not be reported on a current cost basis. The Regulatory Accounts have been prepared on a going concern basis notwithstanding the net current liabilities. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Company operates as described below.

NI Water is subject to economic regulation rather than market competition. As a result, NI Water provides water and sewerage services in Northern Ireland under the conditions in its Licence granted by the Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006 which designates Northern Ireland Water Limited 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.

Following the launch of the 25 year strategy in September 2019, 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 PC21 Business Plan was a strong, challenging and ambitious plan seeking to balance service delivery and consumer interests with continuing efficiency over both the near and longer term.

The Utility Regulator published the PC21 Draft Determination in September 2020. While the Draft Determination recognised many of the strengths of the PC21 Business Plan, it fell short of being a balanced package, acceptable to the NI Water Board. At the request of the Utility Regulator, NI Water prepared a comprehensive, evidence-based response to allow the Utility Regulator to reach a more balanced position in its Final Determination.

---

\* On 9<sup>th</sup> May 2016 the Department for Infrastructure (DfI) was formed. The Department for Infrastructure has taken on all the responsibilities of the Department for Regional Development.



## 2 Accounting policies (continued)

### *(a) Basis of preparation (continued)*

The Utility Regulator published the PC21 Final Determination on 13 May 2021 and NI Water has until 13 July 2021 to decide on acceptability. In light of the meaningful improvement from the position at Draft Determination, the Board of NI Water is at the time of writing, is assessing the PC21 Final Determination and is working to reach a final position.

The Board of NI Water is encouraged to see that Year 1 of PC21 (2021/22) has been fully funded by the Department and the NI Executive. The Board is now in discussion with Department for Infrastructure Shareholder Unit and other Departments to ensure that, in order to accept, there is support and continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers.

On the basis of the discussions, the Directors have formed a judgement at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future and as such to continue as a going concern.

The Company has the following short-term and long-term cash and bank facilities:

- a capital loan arrangement to 31 March 2022 to fund the capital expenditure for the business. This also includes the facility to drawdown loan notes to cover unforeseen events/emergency situations;
- a new capital loan arrangement to 31 March 2027 to fund the capital expenditure for the business from 1 April 2022;
- a £20m working capital facility to 31 March 2022 which will provide access to cash facilities for short-term needs and for unforeseen events/emergency situations including the current Covid 19 emergency;
- the Subsidy Agreement with DfI permits the early drawdown of subsidy in year if the cash is required; and
- Access to transactional banking services under the Northern Ireland Civil Service arrangements established from 1 April 2016.

### *(b) General*

The regulatory accounting policies are based on IFRSs (as adopted by the EU) as directed by the Utility Regulator.



#### 4a Analysis of operating costs and tangible fixed assets

|  | Year to 31 March 2021                |                      |                                       |                   |                             |  |  |                  |
|--|--------------------------------------|----------------------|---------------------------------------|-------------------|-----------------------------|--|--|------------------|
|  | Water Services                       |                      |                                       | Sewerage Services |                             |  |  | Total<br>£000    |
|  | Resource<br>and<br>treatment<br>£000 | Distribution<br>£000 | Water<br>services<br>subtotal<br>£000 | Sewerage<br>£000  | Sewage<br>treatment<br>£000 | Sludge<br>treatment<br>and<br>disposal<br>£000 | Sewerage<br>services<br>subtotal<br>£000 |                  |
| <b>Direct costs</b>  |                                      |                      |                                       |                   |                             |  |  |                  |
| Employment costs   | 3,872                                | 9,887                | 13,759                                | 4,047             | 4,483                       | 28   | 8,558                                    | <b>22,317</b>    |
| Power  | 10,476                               | 3,686                | 14,162                                | 5,136             | 10,302                      | 2,594  | 18,032                                   | <b>32,194</b>    |
| Hired and contracted<br>services                                       | 2,627                                | 12,074               | 14,701                                | 6,249             | 2,244                       | 2,409  | 10,902                                   | <b>25,603</b>    |
| Materials and<br>consumables   | 5,006                                | 75                   | 5,081                                 | 231               | 628                         | 513  | 1,372                                    | <b>6,453</b>     |
| Service charges  | 823                                  | -                    | 823                                   | -                 | 759                         | 280  | 1,039                                    | <b>1,862</b>     |
| Other direct costs   | 16                                   | 40                   | 56                                    | 11                | 12                          | -  | 23                                       | <b>79</b>        |
| <b>Total direct costs</b>  | <b>22,820</b>                        | <b>25,762</b>        | <b>48,582</b>                         | <b>15,674</b>     | <b>18,428</b>               | <b>5,824</b>                                   | <b>39,926</b>                            | <b>88,508</b>    |
| General and support<br>expenditure                                     | 12,839                               | 14,277               | 27,116                                | 9,642             | 13,383                      | 2,672  | 25,697                                   | <b>52,813</b>    |
| <b>Total functional<br/>expenditure</b>                                | <b>35,659</b>                        | <b>40,039</b>        | <b>75,698</b>                         | <b>25,316</b>     | <b>31,811</b>               | <b>8,496</b>                                   | <b>65,623</b>                            | <b>141,321</b>   |
| <b>Business activities</b>   |                                      |                      |                                       |                   |                             |  |  |                  |
| Customer services  |                                      |                      | 5,710                                 |                   |                             |  | 4,642                                    | <b>10,352</b>    |
| Scientific services  |                                      |                      | 2,096                                 |                   |                             |  | 1,704                                    | <b>3,800</b>     |
| Other business<br>activities   |                                      |                      | 342                                   |                   |                             |  | 278                                      | <b>620</b>       |
| Rates  |                                      |                      | 16,849                                |                   |                             |  | 11,460                                   | <b>28,309</b>    |
| Doubtful debts   |                                      |                      | 723                                   |                   |                             |  | 985                                      | <b>1,708</b>     |
| <b>Total operating<br/>expenditure less<br/>third party services</b>   |                                      |                      | <b>101,418</b>                        |                   |                             |  | <b>84,692</b>                            | <b>186,110</b>   |
| Services for third<br>parties  |                                      |                      | -                                     |                   |                             |  | -  | -                |
| Total PPP unitary<br>charge  |                                      |                      | 10,076                                |                   |                             |  | 14,052                                   | <b>24,128</b>    |
| <b>Total operating<br/>expenditure</b>                                 |                                      |                      | <b>111,494</b>                        |                   |                             |  | <b>98,744</b>                            | <b>210,238</b>   |
| <b>Capital costs</b>   |                                      |                      |                                       |                   |                             |  |  |                  |
| <i>Historical cost<br/>depreciation:</i>                               |                                      |                      |                                       |                   |                             |  |  |                  |
| service activities   |                                      |                      | 34,327                                |                   |                             |  | 53,752                                   | <b>88,079</b>    |
| business activities  |                                      |                      | 1                                     |                   |                             |  | -  | <b>1</b>         |
| Amortisation of<br>grants  |                                      |                      | (130)                                 |                   |                             |  | (3,926)                                  | <b>(4,056)</b>   |
| <b>Total capital costs</b>   |                                      |                      | <b>34,198</b>                         |                   |                             |  | <b>49,826</b>                            | <b>84,024</b>    |
| <b>Total operating<br/>costs</b>                                       |                                      |                      | <b>145,692</b>                        |                   |                             |  | <b>148,570</b>                           | <b>294,262</b>   |
| <b>Analysis of<br/>tangible fixed<br/>assets – Historical<br/>Cost</b> |                                      |                      |                                       |                   |                             |  |  |                  |
| Service activities   | 293,328                              | 993,202              | 1,286,530                             | 1,175,801         | 934,929                     | 17,159   | 2,127,889                                | <b>3,414,419</b> |
| Business activities  |                                      |                      | 9                                     |                   |                             |  | -  | <b>9</b>         |
| <b>Total</b>   |                                      |                      | <b>1,286,539</b>                      |                   |                             |  | <b>2,127,889</b>                         | <b>3,414,428</b> |

#### 4b Analysis of operating costs and tangible fixed assets

|  | Year to 31 March 2020                |                      |                                       |                   |                             |  |  |                  |               |
|--|--------------------------------------|----------------------|---------------------------------------|-------------------|-----------------------------|--|--|------------------|---------------|
|  | Water Services                       |                      |                                       | Sewerage Services |                             |  |  |                  | Total<br>£000 |
|  | Resource<br>and<br>treatment<br>£000 | Distribution<br>£000 | Water<br>services<br>subtotal<br>£000 | Sewerage<br>£000  | Sewage<br>treatment<br>£000 | Sludge<br>treatment<br>and<br>disposal<br>£000 | Sewerage<br>services<br>subtotal<br>£000 |                  |               |
| <b>Direct costs</b>  |                                      |                      |                                       |                   |                             |  |  |                  |               |
| Employment costs   | 4,403                                | 9,708                | 14,111                                | 4,348             | 4,669                       | 298  | 9,315                                    | <b>23,426</b>    |               |
| Power  | 10,708                               | 3,585                | 14,293                                | 4,909             | 10,225                      | 2,591  | 17,725                                   | <b>32,018</b>    |               |
| Hired and contracted services                                | 2,718                                | 9,328                | 12,046                                | 5,153             | 1,719                       | 2,287  | 9,159                                    | <b>21,205</b>    |               |
| Materials and consumables                                    | 5,293                                | 544                  | 5,837                                 | 255               | 666                         | 519  | 1,440                                    | <b>7,277</b>     |               |
| Service charges  | 799                                  | -                    | 799                                   | 1                 | 773                         | 271  | 1,045                                    | <b>1,844</b>     |               |
| Other direct costs   | 14                                   | 41                   | 55                                    | 3                 | 5                           | -  | 8  | <b>63</b>        |               |
| <b>Total direct costs</b>                                    | <b>23,935</b>                        | <b>23,206</b>        | <b>47,141</b>                         | <b>14,669</b>     | <b>18,057</b>               | <b>5,966</b>                                   | <b>38,692</b>                            | <b>85,833</b>    |               |
| General and support expenditure                              | 9,879                                | 11,633               | 21,512                                | 9,651             | 10,863                      | 2,351  | 22,865                                   | <b>44,377</b>    |               |
| <b>Total functional expenditure</b>                          | <b>33,814</b>                        | <b>34,839</b>        | <b>68,653</b>                         | <b>24,320</b>     | <b>28,920</b>               | <b>8,317</b>                                   | <b>61,557</b>                            | <b>130,210</b>   |               |
| <b>Business activities</b>                                   |                                      |                      |                                       |                   |                             |  |  |                  |               |
| Customer services  |                                      |                      | 5,658                                 |                   |                             |  | 4,590                                    | <b>10,248</b>    |               |
| Scientific services  |                                      |                      | 2,040                                 |                   |                             |  | 1,655                                    | <b>3,695</b>     |               |
| Other business activities                                    |                                      |                      | 456                                   |                   |                             |  | 370                                      | <b>826</b>       |               |
| Rates  |                                      |                      | 16,962                                |                   |                             |  | 10,517                                   | <b>27,479</b>    |               |
| Doubtful debts   |                                      |                      | 449                                   |                   |                             |  | 618                                      | <b>1,067</b>     |               |
| <b>Total operating expenditure less third party services</b> |                                      |                      | <b>94,218</b>                         |                   |                             |  | <b>79,307</b>                            | <b>173,525</b>   |               |
| Services for third parties                                   |                                      |                      | -                                     |                   |                             |  | -  | -                |               |
| Total PPP unitary charge                                     |                                      |                      | 9,549                                 |                   |                             |  | 12,721                                   | <b>22,270</b>    |               |
| <b>Total operating expenditure</b>                           |                                      |                      | <b>103,767</b>                        |                   |                             |  | <b>92,028</b>                            | <b>195,795</b>   |               |
| <b>Capital costs</b>   |                                      |                      |                                       |                   |                             |  |  |                  |               |
| <i>Historical cost depreciation:</i>                         |                                      |                      |                                       |                   |                             |  |  |                  |               |
| service activities   |                                      |                      | 33,253                                |                   |                             |  | 51,020                                   | <b>84,273</b>    |               |
| business activities  |                                      |                      | 1                                     |                   |                             |  | -  | <b>1</b>         |               |
| Amortisation of grants                                       |                                      |                      | (13)                                  |                   |                             |  | (3,260)                                  | <b>(3,273)</b>   |               |
| <b>Total capital costs</b>                                   |                                      |                      | <b>33,241</b>                         |                   |                             |  | <b>47,760</b>                            | <b>81,001</b>    |               |
| <b>Total operating costs</b>                                 |                                      |                      | <b>137,008</b>                        |                   |                             |  | <b>139,788</b>                           | <b>276,796</b>   |               |
| <b>Analysis of tangible fixed assets – Historical Cost</b>   |                                      |                      |                                       |                   |                             |  |  |                  |               |
| Service activities   | 301,097                              | 938,657              | 1,239,754                             | 1,124,555         | 893,312                     | 16,991   | 2,034,858                                | <b>3,274,612</b> |               |
| Business activities  |                                      |                      | 11                                    |                   |                             |  | -  | <b>11</b>        |               |
| <b>Total</b>   |                                      |                      | <b>1,239,765</b>                      |                   |                             |  | <b>2,034,858</b>                         | <b>3,274,623</b> |               |

#### 4a and 4b - Analysis of operating costs and tangible fixed assets (continued)

The tables above showing the analysis of operating costs have been prepared in accordance with Regulatory Accounting Guidelines 4.03 'Analysis of operating costs and assets'. Direct costs have been charged directly to the service to which they relate. General and support costs are, where possible, allocated directly to the service to which they relate. Any remaining general and support costs which cannot be directly allocated to a particular service are apportioned either on the basis of the directly coded spend or on the basis of the direct labour charge. All costs relating to business activities such as customers services, scientific services and other, were collated using the relevant cost centre from the General Ledger. The total expenditure attributable to these activities was apportioned to water and sewerage on the basis of the directly coded expenditure.

#### Reactive and planned maintenance

Expenditure on reactive and planned maintenance included in operating costs for the year ended 31 March 2021 in respect of infrastructure assets amounted to £11.0m (2020: £10.5m) for water services and £3.2m (2020: £2.5m) for sewerage services.

#### 5 Historical cost analysis of tangible fixed assets by assets type

##### Water Services

|  | Operational<br>Assets<br>£000 | Infrastructure<br>Assets<br>£000 | Other<br>Assets<br>£000 | Total<br>£000    |
|--|-------------------------------|----------------------------------|-------------------------|------------------|
| <b>Gross book value</b>                |                               |                                  |                         |                  |
| At 1 April 2020                        | 518,946                       | 941,212                          | 78,321                  | <b>1,538,479</b> |
| Disposals                              | (69)                          | (900)                            | (154)                   | <b>(1,123)</b>   |
| Additions                              | 32,568                        | 38,415                           | 10,175                  | <b>81,158</b>    |
| <b>At 31 March 2021</b>                | <b>551,445</b>                | <b>978,727</b>                   | <b>88,342</b>           | <b>1,618,514</b> |
| <b>Depreciation</b>                    |                               |                                  |                         |                  |
| At 1 April 2020                        | (150,742)                     | (99,018)                         | (48,954)                | <b>(298,714)</b> |
| Disposals                              | 69                            | 900                              | 99                      | <b>1,068</b>     |
| Charge for year                        | (18,304)                      | (10,813)                         | (5,211)                 | <b>(34,328)</b>  |
| <b>At 31 March 2021</b>                | <b>(168,977)</b>              | <b>(108,931)</b>                 | <b>(54,066)</b>         | <b>(331,974)</b> |
| <b>Net book value at 31 March 2021</b> | <b>382,468</b>                | <b>869,796</b>                   | <b>34,276</b>           | <b>1,286,540</b> |
| Net book value at 1 April 2020         | 368,204                       | 842,194                          | 29,367                  | 1,239,765        |

##### Sewerage Services

|  | Operational<br>Assets<br>£000 | Infrastructure<br>Assets<br>£000 | Other<br>Assets<br>£000 | Total<br>£000    |
|--|-------------------------------|----------------------------------|-------------------------|------------------|
| <b>Gross book value</b>                |                               |                                  |                         |                  |
| At 1 April 2020                        | 1,196,280                     | 1,226,646                        | 87,523                  | <b>2,510,449</b> |
| Disposals                              | (1,991)                       | (355)                            | (180)                   | <b>(2,526)</b>   |
| Additions                              | 70,675                        | 62,620                           | 13,490                  | <b>146,785</b>   |
| <b>At 31 March 2021</b>                | <b>1,264,964</b>              | <b>1,288,911</b>                 | <b>100,833</b>          | <b>2,654,708</b> |
| <b>Depreciation</b>                    |                               |                                  |                         |                  |
| At 1 April 2020                        | (345,601)                     | (75,999)                         | (53,991)                | <b>(475,591)</b> |
| Disposals                              | 1,991                         | 355                              | 177                     | <b>2,523</b>     |
| Charge for year                        | (40,940)                      | (8,979)                          | (3,833)                 | <b>(53,752)</b>  |
| <b>At 31 March 2021</b>                | <b>(384,550)</b>              | <b>(84,623)</b>                  | <b>(57,647)</b>         | <b>(526,820)</b> |
| <b>Net book value at 31 March 2021</b> | <b>880,414</b>                | <b>1,204,288</b>                 | <b>43,186</b>           | <b>2,127,888</b> |
| Net book value at 1 April 2020         | 850,679                       | 1,150,647                        | 33,532                  | 2,034,858        |

## 5 Historical cost analysis of tangible fixed assets by assets type (continued)

| Total Services                         | Operational<br>Assets<br>£000 | Infrastructure<br>Assets<br>£000 | Other<br>Assets<br>£000 | Total<br>£000    |
|--|-------------------------------|----------------------------------|-------------------------|------------------|
| <b>Gross book value</b>                |                               |                                  |                         |                  |
| At 1 April 2010                        | 1,715,226                     | 2,167,858                        | 165,844                 | <b>4,048,928</b> |
| Disposals                              | (2,060)                       | (1,255)                          | (334)                   | <b>(3,649)</b>   |
| Additions                              | 103,243                       | 101,035                          | 23,665                  | <b>227,943</b>   |
| <b>At 31 March 2021</b>                | <b>1,816,409</b>              | <b>2,267,638</b>                 | <b>189,175</b>          | <b>4,273,222</b> |
| <b>Depreciation</b>                    |                               |                                  |                         |                  |
| At 1 April 2020                        | (496,343)                     | (175,017)                        | (102,945)               | <b>(774,305)</b> |
| Disposals                              | 2,060                         | 1,255                            | 276                     | <b>3,591</b>     |
| Charge for year                        | (59,244)                      | (19,792)                         | (9,044)                 | <b>(88,080)</b>  |
| <b>At 31 March 2021</b>                | <b>(553,527)</b>              | <b>(193,554)</b>                 | <b>(111,713)</b>        | <b>(858,794)</b> |
| <b>Net book value at 31 March 2021</b> | <b>1,262,882</b>              | <b>2,074,084</b>                 | <b>77,462</b>           | <b>3,414,428</b> |
| Net book value at 1 April 2020         | 1,218,883                     | 1,992,841                        | 62,899                  | <b>3,274,623</b> |

## 6 Net debt analysis

|                               | Fixed rate<br>Year to 31<br>March 2021<br>£000 | Total<br>Year to 31<br>March 2021<br>£000 | Fixed rate<br>Year to 31<br>March 2020<br>£000 | Total<br>Year to 31<br>March 2020<br>£000 |
|-------------------------------|--|---|--|---|
| <b>Maturity Profile</b>       |  |   |  |   |
| Less than one year            | (8,949)  | (8,949)                                   | (8,091)  | (8,091)                                   |
| Between one and two years     | (20,034)                                       | (20,034)                                  | (17,857)                                       | (17,857)                                  |
| Between two and five years    | (30,051)                                       | (30,051)                                  | (26,785)                                       | (26,785)                                  |
| Between five and twenty years | (1,395,877)                                    | (1,395,877)                               | (1,327,262)                                    | (1,327,262)                               |
| More than twenty years        | -  | -   | -  | -   |
| Total borrowings              | <u>(1,454,911)</u>                             | <u>(1,454,911)</u>                        | <u>(1,379,995)</u>                             | <u>(1,379,995)</u>                        |
| Cash                          | 23,859   | 23,859                                    | 1,359  | 1,359                                     |
| Short term deposits           | 1,277  | 1,277                                     | 1,276  | 1,276                                     |
| Net debt at 31 March          | <u>(1,429,775)</u>                             | <u>(1,429,775)</u>                        | <u>(1,377,360)</u>                             | <u>(1,377,360)</u>                        |

## 7a Reconciliation of historical cost operating profit to net cash inflow from operating activities for the appointed business

|  | Year to 31<br>March 2021<br>£000 | Year to 31<br>March 2020<br>£000 |
|--|----------------------------------|----------------------------------|
| Historical cost operating profit                         | 114,965                          | 142,734                          |
| Movement in working capital                              | 11,878                           | 1,870                            |
| Historical cost depreciation                             | 88,080                           | 84,274                           |
| Historical cost profit on sale of fixed assets           | (193)                            | (467)                            |
| <b>Other non-cash items</b>                              |                                  |                                  |
| Amortisation of deferred grants and contributions        | (4,056)                          | (3,273)                          |
| Excess of pension payments over FRS17 charge             | (11,372)                         | 4,346                            |
| Movement in provisions and creditors greater than 1 year | (2,156)                          | (38)                             |
| <b>Net cash inflow from operating activities</b>         | <u>197,146</u>                   | <u>229,446</u>                   |

## 7b Analysis of net debt

|  | 1 April 2020<br>£000 | Additions**<br>£000 | Cash flows<br>£000 | Non cash*<br>changes<br>£000 | 31 March 2021<br>£000 |
|--|----------------------|---------------------|--------------------|------------------------------|-----------------------|
| Cash at bank and in hand                             | 1,359                | -                   | 22,500             | -                            | 23,859                |
| Deposits and investments                             | 1,276                | -                   | 1                  | -                            | 1,277                 |
|  | <u>2,635</u>         | <u>-</u>            | <u>22,501</u>      | <u>-</u>                     | <u>25,136</u>         |
| Debt due within one year                             | (8,091)              | -                   | -                  | (858)                        | (8,949)               |
| Debt due after one year<br>(including PPP liability) | (1,371,904)          | (64)                | (74,852)           | 858                          | (1,445,962)           |
| <b>Total</b>   | <u>(1,377,360)</u>   | <u>(64)</u>         | <u>(52,351)</u>    | <u>-</u>                     | <u>(1,429,775)</u>    |

\* The non cash changes relate to the movement during the year on the PPP and finance lease liability due within one year.

\*\* Additions relate to new finance leases added during the year with the implementation of IFRS 16 Leases.

## 8 Regulatory capital value (RCV)

The Regulatory Capital Value (RCV) has been developed for regulatory purposes and represents the capital base established for the purposes of setting price limits.

In line with Regulatory Accounting Guideline (RAG) 3.06, this note is compiled using figures assumed in setting prices during the Price Control (PC) process. Figures in 2020/21 are therefore consistent with figures contained within the Water and Sewerage Service Price Control 2015-2021 (PC15) published by the Utility Regulator in December 2014.

Within the RCV, the prior year balance and in year capital expenditure have been indexed by the average Retail Price Index (RPI) over the year to March.

|   | <b>At 31<br/>March<br/>2021</b> | <b>At 31<br/>March<br/>2020</b> |
|---|---------------------------------|---------------------------------|
|   | <b>£'m</b>                      | <b>£'m</b>                      |
| Prior Year Closing RCV                            | <b>2,672.4</b>                  | 2,537.9                         |
| Indexation and other adjustments                  | <b>35.1</b>                     | 65.7                            |
| Opening RCV                                       | <u><b>2,707.5</b></u>           | <u>2,603.6</u>                  |
| Capital expenditure                               | <b>140.3</b>                    | 137.7                           |
| Infrastructure renewals expenditure               | <b>27.1</b>                     | 26.9                            |
| Infrastructure renewals charge                    | <b>(27.1)</b>                   | (26.9)                          |
| Grants and contributions                          | <b>(6.7)</b>                    | (6.6)                           |
| Depreciation (including capital grants)           | <b>(61.6)</b>                   | (60.9)                          |
| Disposal of assets                                | <b>(1.4)</b>                    | (1.4)                           |
| Closing RCV (pre regulatory adjustments)          | <u><b>2,778.1</b></u>           | <u>2,672.4</u>                  |
| Regulatory adjustments                            | <b>(166.9)</b>                  | -                               |
| <b>Closing RCV (post regulatory adjustments)</b>  | <u><b>2,611.2</b></u>           | <u>2,672.4</u>                  |
| Average RCV                                       | <u><b>2,641.8</b></u>           | <u>2,605.1</u>                  |
| <b>Regulatory Adjustments for the PC15 period</b> | <b>£'m</b>                      |                                 |
| i) Logging up/ (down)                             | <b>(100.4)</b>                  |                                 |
| ii) Asset disposals                               | <b>4.3</b>                      |                                 |
| iii) Depreciation of capital grants               | <b>(39.1)</b>                   |                                 |
| iv) Indexation and return                         | <b>(31.7)</b>                   |                                 |
| <b>Total PC15 Regulatory Adjustments</b>          | <u><b>(166.9)</b></u>           |                                 |



The PC21 Final Determination includes a number of regulatory adjustments within the roll forward of the PC15 RCV at 31st March 2021. These adjustments are set out in the Utility Regulator’s PC21 Final Determination ‘Annex A - Financing Investment’ and an explanation of the adjustments included below:

- i) The logging up/ (down) adjustment deals with changes to outputs associated with the investment programme since prices were set for PC15. Capital expenditure is scrutinised and challenged by the utility regulator to ensure that any addition to the RCV reflects what would be expected by an efficient company. Capital expenditure which is logged up is added to the RCV and projects not delivered are logged down ensuring customers do not continue to finance services which they have not received.
- ii) The positive asset disposal adjustment reflects lower disposals than originally forecast for the PC15 period.
- iii) Since PC10, the utility regulator applied an adjustment to RCV for the depreciation of capital grants. This was never matched against a corresponding adjustment through revenue hence a one off adjustment is required to RCV for the PC10, PC13 & PC15 periods.
- iv) The RCV is indexed annually by the average Retail Price Index (RPI) and we receive a return based on the average RCV in any given year. This adjustment reflects indexation and any return earned in respect of outputs which were not delivered in the PC15 period.

### 9 Atypical and re-organisational operating expenditure items

The following items are considered to represent atypical and re-organisational operating expenditure in accordance with Regulatory Accounting Guideline 3.06 (RAG 3). Atypical items are deemed to be ‘one off’ in nature and are considered by the Utility Regulator when undertaking comparative efficiency analysis.

|   | <b>Year to 31<br/>March 2021<br/>£000</b> | Year to 31 March<br>2020<br>£000 |
|---|---|----------------------------------|
| Brexit related expenditure  | <b>354</b>                                | 2,300                            |
| Covid-19 pandemic costs   | <b>5,730</b>                              | 300                              |
| Business improvement programme  | <b>1,026</b>                              | 600                              |
| Voluntary Early Retirement / Voluntary Severance schemes  | <b>1,100</b>                              | 200                              |
| PPP performance deductions  | <b>(678)</b>                              | (1,200)                          |
| Balance of 2019-20 RPDM & UR credit accruals increased in 2020-21                               | <b>332</b>                                | 100                              |
| Major incidents from various incidents including demand Surge, Killyhevlin & Drought Mitigation | <b>660</b>                                | -                                |
| Additional pension costs in 2020-21 relating to McCloud pension judgement                       | <b>2,100</b>                              | -                                |
| <b>Total</b>  | <b>10,624</b>                             | <b>2,300</b>                     |



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

# Independent Auditors' Report to the Northern Ireland Authority for Utility Regulation and Directors of Northern Ireland Water Limited

## Report on the audit of the Regulatory Accounts

### Opinion

We have audited the Regulatory Accounts of Northern Ireland Water Limited ("the Company") for the year ended 31 March 2021 as set out on pages 4 to 17 which comprise the regulatory historical cost financial statements for the appointed and non-appointed business comprising the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes to the regulatory accounts including the statement of accounting policies.

These Regulatory Accounts have been prepared in accordance with the Company's Regulatory Licence, Regulatory Accounting Guidelines 1.04, 2.03, 3.06, 4.03 and 50.4 ("the RAGs") and the basis of preparation and accounting policies set out in the Statement of Accounting Policies. The Regulatory Accounts have been prepared for the reasons set out in note 2 to the financial statements.

In our opinion the Regulatory Accounts have been properly prepared, in all material respects, in accordance with condition F of the Company's Regulatory Licence, Regulatory Accounting Guidelines, and the accounting policies set out in note 2.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and having regard to the guidance contained in ICAEW Technical Release 02/16AAF (Revised) Reporting to regulators on regulatory accounts. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Regulatory Accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounts in the UK, including the Financial Reporting Council's (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.

### Emphasis of matter - basis of preparation

We draw attention to the fact that the Regulatory Accounts have been prepared in accordance with a special purpose framework, condition F of the Company's Regulatory Licence, the RAGs issued by the Regulator, the accounting policies set out in the statement of accounting policies and in the case of the regulatory historical cost accounting statements, under the historical cost convention. The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRS"). Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Our opinion is not modified in respect of this matter.



# Independent Auditors' Report to the Northern Ireland Authority for Utility Regulation and Directors of Northern Ireland Water Limited (continued)

## 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Condition F6A of the Licence (Directors' certificate of going concern). The Regulatory Accounts and our auditor's report thereon do not comprise part of the other information. Our opinion on the Regulatory Accounts 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 Regulatory Accounts audit work, the information therein is materially misstated or inconsistent with the Regulatory Accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

## Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the Directors are responsible for the preparation of the Regulatory Accounts which comply with the requirements of Condition F of the Instrument of Appointment of Northern Ireland Water Limited as a Water and Sewerage undertaker under the Water and Sewerage Services (Northern Ireland) Order 2006 and the relevant RAGs; such internal control as they determine is necessary to enable the preparation of regulatory accounts 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.



# Independent Auditors' Report to the Northern Ireland Authority for Utility Regulation and Directors of Northern Ireland Water Limited (continued)

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the regulatory accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the regulatory accounts.

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).

## Our opinion on other matters prescribed by Condition F

Under the terms of our engagement letter, we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F; and
- the Regulatory Accounts are in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts.

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

This report is made, on terms that have been agreed, solely to the Company and the Utility Regulator ("UR") in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Department for Regional Development to Northern Ireland Water Limited as a water and sewerage undertaker under the Water and Sewerage Services (Northern Ireland) Order 2006 (the "Regulatory Licence"). Our audit work has been undertaken so that we might state to the Company and the UR those matters that we have agreed to state to them in our report, in order:

- (a) to assist the Company to meet its obligation under the Company's Instrument of Appointment to procure such a report; and
- (b) to facilitate the carrying out by the UR of its regulatory functions, 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 UR, for our audit work, for this report, or for the opinions we have formed.



## Independent Auditors' Report to the Northern Ireland Authority for Utility Regulation and Directors of Northern Ireland Water Limited (continued)

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

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2021 on which we reported on 23 June 2021, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our 'statutory audit') was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not

accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

KPMG  
Chartered Accountants  
Belfast

25 June 2021