niwater

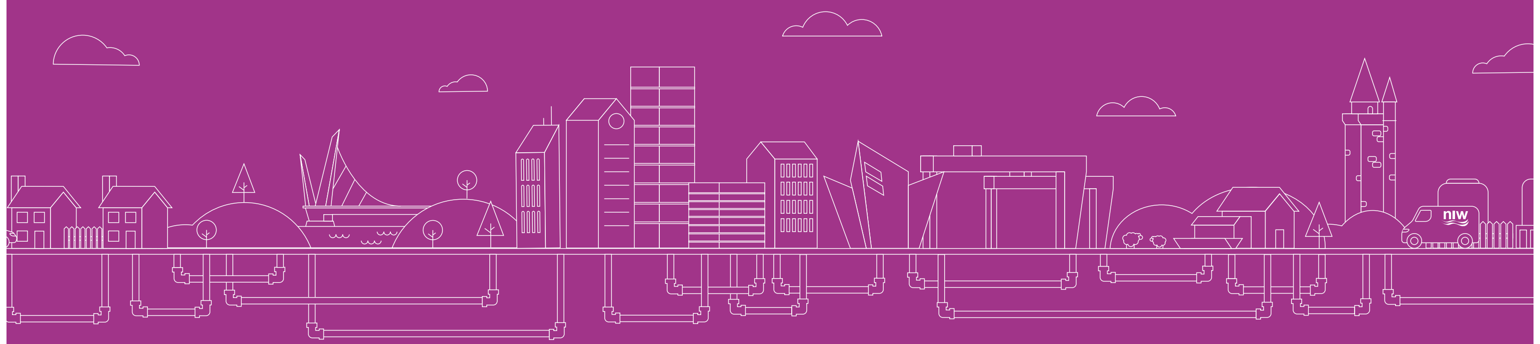
Delivering what matters

Annual Integrated **Report & Accounts** 2023/24

Northern Ireland Water

Annual Integrated Report and Accounts
For the year ended 31 March 2024

Laid before the Northern Ireland Assembly under Article 276 of the Water and Sewerage Services (Northern Ireland) Order 2006 by the Department for Infrastructure on 12 November 2024.



About this report

This report aims to tell the story of how NI Water provides the water for life we all rely on to thrive.

Reporting what matters

Our Annual Integrated Report and Accounts aims to meet the information needs of all our stakeholders and tell the story of how we are delivering what matters by creating and sustaining value over the short, medium and long-term. This value does not just focus on financial capital but extends across all six capitals or pools of resources – financial (financial efficiency and resilience), natural (plants, animals, water, soils and the ecosystem services they provide), social (stakeholder relationships), human (talent, health and wellbeing), manufactured (pipes, treatment works, plant and equipment, IT and offices) and intellectual capital (knowledge and processes) to ensure that we are profiting from creating sustainable solutions for people and the planet. We have included information that we believe is material to our stakeholders and presented it in a way that we believe is fair, balanced and understandable.

We listen to our stakeholders through multiple communication channels and have drawn on this regular engagement to develop a matrix approach on reporting what matters (page 26). We either include the important matters in this report or sign post the reader to other reports and information sources.

We believe this approach meets the requirements of company law, the corporate governance arrangements within our Partnership Agreement*, IFRS and the International <IR> Framework, and that we go beyond those requirements where we feel it is particularly helpful to do so and where it can be done while still keeping it an easy read.

Integrated Report

This Annual Integrated Report and Accounts has been prepared and presented in accordance with the International <IR> Framework published by the IFRS Foundation. Integrated reporting is about telling a simple and concise story of how organisations create and sustain value over the short, medium and long-term. The Board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

* NI Water seeks to emulate best practice corporate governance arrangements as set out in the 'UK Corporate Governance Code' and the Partnership Agreement draws on the same but also draws on 'Corporate Governance for Central Government Departments: Code of Best Practice Northern Ireland' (Governance Code). However, it should be noted that the Company's commercial freedoms are restricted by the constraints of the public expenditure system and the provisions set down in the Partnership Agreement and consequently NI Water is not in a position to comply with all aspects of the UK Corporate Governance Code, nor is it required to.

Tell us what you think of our report

We hope that this report will be of use to all our stakeholders and would welcome feedback to develop our future reporting.

Please direct any feedback to the Business and Climate Reporting Manager in Finance, Regulation and Commercial Directorate. Our contact details are on the back cover of this report.

Jo Aston
Chair of the Board
8 July 2024

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This publication is available at https://www.niwater.com/publications/

Any enquiries regarding this publication should be addressed to the Business and Climate Reporting Manager using the contact details on the back cover of this report.

Cautionary note

This document contains links to other websites. Any information contained on these websites has not been subject to audit. Refer to the Independent Auditors' Report on page 235 for details on which areas of this report have been subject to audit.

NI Water staff member inspecting a sewer tunnel.

Contents

Strategic report

This Strategic report is produced in accordance with The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013.

Mourne Wall, County Down. Photo credit Shaun Jackson, winner of the NI Water joint amateur photography Areas of Outstanding Natural Beauty competition.

STRATEGIC REPORT

Welcome

Delivering what matters

Every aspect of life in Northern Ireland depends upon the services we deliver. Our business is essential for a healthy and thriving population, a growing economy, and a flourishing natural environment. Our focus is delivering high quality, clean, safe drinking water and recycling wastewater safely to the environment today and tomorrow. That has always been, and remains, our core mission, today and tomorrow.

NI Water's strategy 2021-2046

Having a clear strategic vision is vital particularly when faced with significant challenges, such as the climate emergency, the fourth Industrial Revolution, new legislation. It is also critically important to secure necessary funding.

Our strategic priorities

NI Water has five strategic priorities that help guide our focus. These are;

Customer – delivering an exceptional customer experience;

Water – delivering great tasting, clean and safe water to meet customer needs;

Economy – efficiently developing infrastructure to underpin sustainable growth;

Nature – protecting and enhancing the natural environment; and

People – providing a great place to work.

Since 2007, NI Water has worked closely with other key stakeholders: the NI Environment Agency, the Drinking Water Inspectorate, the Consumer Council and the Department for Infrastructure to agree and prioritise necessary works. This cooperative process is facilitated through a regulatory regime, referred to as a Price Control. It is led by the Utility Regulator. In making their determination of what outputs NI Water must deliver the Utility Regulator is guided by formal Ministerial Social and Environmental Guidance. The Utility Regulator also determines the funding necessary for NI Water to deliver the agreed outputs, balancing essential works alongside affordability for consumers. Currently, non-domestic consumers pay for their water and sewerage services, while the cost of those services to domestic consumers is met through a subsidy payment from public finances.

Price Control 2021–2027 (PC21)

NI Water is halfway through its fourth Price Control 2021-2027 (PC21). To date it has largely been supported in line with the regulatory determined funding levels and so enabled us to deliver its strategic priorities. Examples include the upgrade of Moyola water treatment works, which will ensure the treatment of water from Lough Neagh to meet EC compliance levels for the next 40 years; the upgrading of sewerage pumps and wastewater treatment works to begin to address areas with development constraints and to reduce the number of properties at risk of out of sewer flooding. This year has also seen us record our lowest ever level of leakage. Continuing to improve this infrastructure performance is central to avoid demand deficits during summer peak conditions. It also avoids wastage in energy and chemical costs by not treating and pumping water that is subsequently lost through leaking pipes.

At the start of 2023/24 we published our Climate Change Strategy, setting out how we will transition to a zero carbon business. Our PC21 commitment is to double our existing 8MW of solar generation by 2027. To date we have installed over 2,000 solar panels across three sites. We have also commissioned a state of the art 4.1MW battery storage facility, commissioned alongside our existing solar farm at one of our largest water treatment plants.

NI Water will always prioritise the quality of drinking water and will continue to maintain our extensive asset base. Our services are fundamental for good health and the upgrade of wastewater treatment works and networks infrastructure is essential in helping achieve better water quality in our rivers and lakes. We are proud of our success to date. However, whilst we deliver essential investment in our infrastructure, what we can deliver is made possible by having the necessary funding in place. The NI Water Board is committed to supporting the Minister in seeking ways to put in place sustainable funding. We welcome the Minister's invitation to the key water sector stakeholders to engage so as to agree the prioritisation of what can be delivered to align with available funding.

I want to acknowledge and thank NI Water staff for their professionalism and dedication to consumers. I am confident that they will continue to deliver the best service they can with the funding made available to the company.

Long-term success of NI Water

Our ability to deliver on our Strategy 2021-2046 and to realise essential upgrades to our water and wastewater infrastructure in line with our regulatory Price Controls requires NI Water to be sustainably funded.

The independent regulatory regime was introduced to address the historic chronic underfunding of water and sewerage services with secure necessary financial support. Such a regime, guided by Ministerial Social and Environmental Guidance balances costs with consideration of affordability for today's and tomorrow's consumers. One hundred years ago our forefathers had the foresight to build the Silent Valley, an asset Northern Ireland uses every day, one hundred years on. We need now to find a way to secure sustainable funding for these essential services, to serve customers, to protect the environment and to support economic growth for future generations.

NI Water is continually challenged by the Utility Regulator to deliver efficiencies. Since 2007, NI Water has closed the efficiency gap with its benchmark comparators across these islands from 50% to close to 5%. Sustaining and further improving our efficiency and delivery will be possible only through sustainable funding.

This year NI Water experienced significant inflationary and geopolitical pressures across its cost base with energy and chemical costs almost doubling since the beginning of this current Price Control in 2021. Such escalations in costs are not able to be absorbed by NI Water within the current annual public expenditure funding arrangements.

We continue to work with all key stakeholders to maximise and deliver the best outcomes for consumers in line with funding being made available to NI Water.

However, to deliver for consumers now and in the future, it is essential that we find the means to fully fund NI Water to regulatory determined Price Control levels.

Jo Aston
Chair of the Board
8 July 2024

STRATEGIC REPORT

Delivering what matters

NI Water can help deliver a healthy and thriving population, a growing economy, and a flourishing natural environment – in short, delivering what matters.

What we've delivered so far

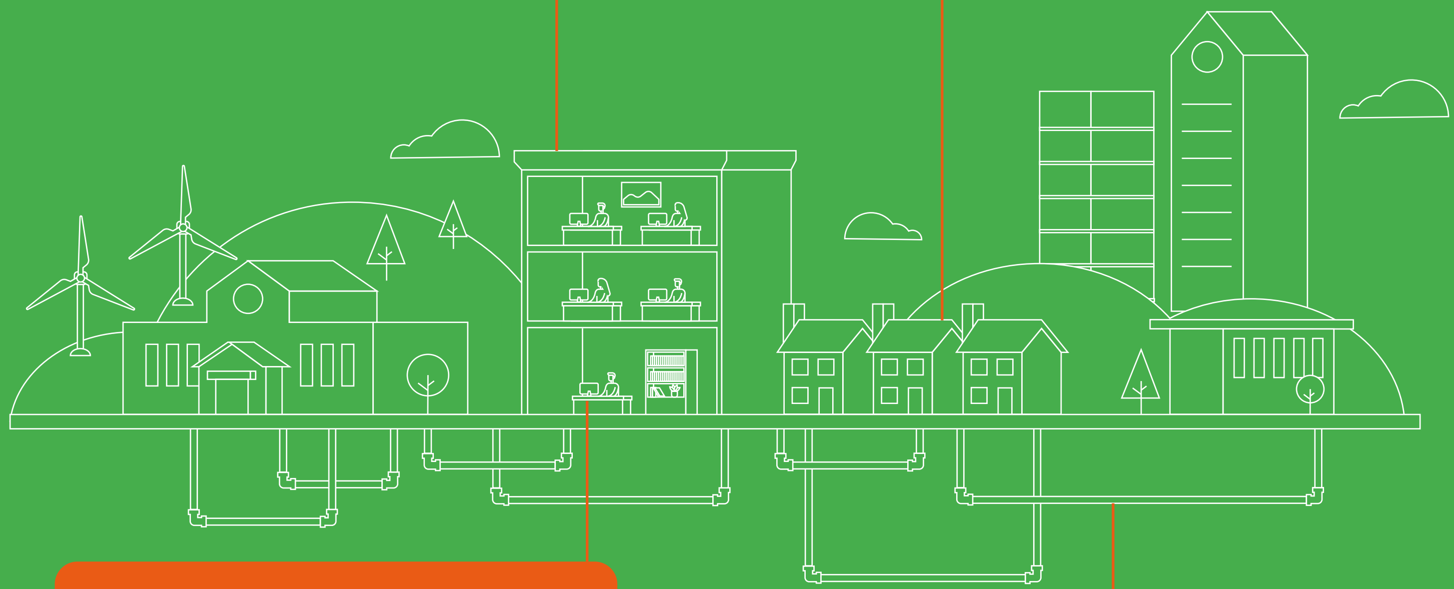
Since our formation in 2007, we have delivered what matters across a range of areas:

More customers singing our praises

Net promoter score of 46 in December 2023 versus utilities average of 15.9*. The score is based on a survey of customers asked "How likely are you to recommend our business, product or service to friends and family?".

World class on tap

Drinking water quality has increased from 99.83% in 2015 to 99.92% in 2023.



Completing the picture on wastewater compliance

Wastewater compliance has increased from 98.6% (population equivalent) in 2015 to 99.2% in 2023.

Driving down leakage

Leakage reduced from 187 million litres per day in 2009/10 to 155 million litres per day in 2023/24.

*Net promoter score by Industry - NPS Averages - as at 8 July 2024
www.trustmary.com/nps-net-promoter-score/nps-by-industry/

What we still need to deliver

Completing the picture on wastewater compliance

We recognise the need to improve how we measure wastewater compliance. The current regulatory monitoring programme is being reformed as it provides an incomplete picture of environmental compliance and protection across our network and at the treatment works. It is recognised that the outcome of the proposed regulation change will result in new evidence, which will highlight non-compliance across our wastewater infrastructure.

Driving down leakage further

We plan to reduce leakage to the economic level of 150 million litres per day by 2026/27. At this point, the costs of detecting and fixing leaks outweigh the benefits of reduced levels of leakage.

Unlocking development constraints

Many of our sewerage networks and wastewater treatment plants are having to operate at or beyond their design capacity, limiting opportunities for new connections and constraining economic development in over 100 towns and cities across Northern Ireland. We anticipate that it will take a sustained increase in investment over the next 18 years plus to solve the problem of development constraints.

Delivering net zero energy by 2030 and net zero emissions by 2040

We have challenged ourselves to go further and faster than the already stretching net zero targets set in law. Our Climate Change Strategy positions us to play a strategically important role in building the green economy and restoring biodiversity.

Making it happen

Northern Ireland is unique within the UK as being the only part where the regulated water utility is unable to fully implement the economic regulator's final determination due to public expenditure constraints. This is an unsustainable position.

Delivering what matters is dependent on a solution being found to the funding of water and sewerage infrastructure. The long-term success of NI Water can only be realised if we move from a 'stop-start' approach to delivery because of underfunding and lack of visibility on funding, to multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

We are pivoting our business to play a strategically important role in building the green economy and restoring biodiversity. NI Water is collaborating with all our stakeholders to make these urgent changes to deliver infrastructure fit for the challenges in the 21st century.

Water is our most precious resource. Let's value it, protect it, and enhance it.

STRATEGIC REPORT

About NI Water

It costs around £680m each year to deliver water services in Northern Ireland. Thousands of assets at a value of around £4bn, are operated and maintained to provide these services. This includes over 43,000km of water mains and sewers - one and a half times longer than Northern Ireland's entire road network and long enough to circle planet earth.

Households and businesses — **920k**
Our customers rely on the services we provide

Water treatment works — **24**
We clean the water, making it safe to drink

Water mains length — **27,000 km**
We distribute the drinking water to our customers through water mains

Pumping stations — **355**
We use pumping stations to get the drinking water to our customers

Service reservoirs — **287**
We store the drinking water in service reservoirs*

Households and businesses — **750k**
We collect wastewater from our customers

Length of sewers — **16,500 km**
We collect wastewater from our customers using a network of sewers

Pumping stations — **1,356**
We use pumping stations to get the wastewater to our treatment works

Wastewater treatment works — **1,027**
We treat wastewater and return it safely to the environment

Sludge management centres — **66**
Sludge is de-watered before being incinerated

*Number of service reservoirs in service and scheduled for regulatory sampling in line with the drinking water regulations.

STRATEGIC REPORT

How we create value

Our Purpose

To provide the water for life we all rely on to thrive

Our Vision

To grow value and trust by being world class

Our resources

Financial
Financial efficiency and resilience

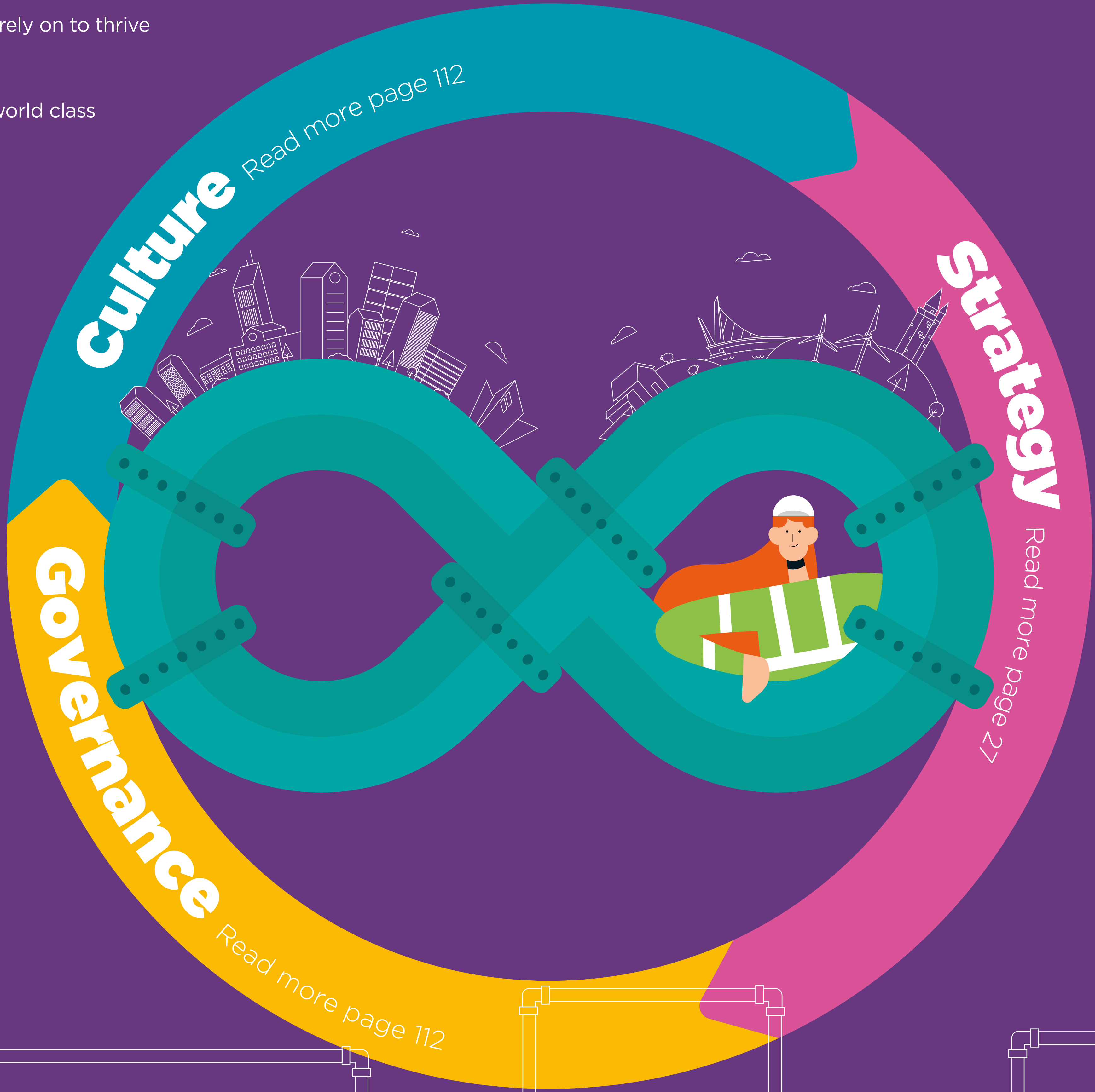
Natural
Plants, animals, water, soils and the ecosystem service they provide

Social
Stakeholder relationships

Human
Talent, health and wellbeing

Manufactured
Pipes, treatment works, plant and equipment, IT and offices

Intellectual
Knowledge and processes



Where we add value

Customer
Read more page 30

Water
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Economy
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Nature
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People
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STRATEGIC REPORT

Business performance

2023/24 was the third year of our six-year PC21 Business Plan (2021-27). Our PC21 plan, endorsed by the Utility Regulator, was ambitious and set out the step change in investment required to improve water and sewerage infrastructure, facilitate economic growth and protect the environment. The plan also challenged NI Water to deliver further performance improvements for our customers while continuing to drive down costs and embrace innovation.

Our performance is summarised below. In the first half of PC21 when we were fully funded we made good progress. However, the outlook for the remainder of PC21 is much less positive as we face the potential of a significant cut to funding. We are about to approach the point at which we are unable to recover delivery of PC21. This exposes the company to enforcement proceedings from the Utility Regulator and the possibility of legal action by other stakeholders for failure to meet its statutory obligations. In such circumstances, the Board of Directors has concluded that material uncertainties exist, which cast doubt on the ability of the company to continue as a going concern.

It is increasingly evident that our current funding model is not working. The long-term success of NI Water can only be realised if we can secure sustainable funding, which matches the Regulatory determination, to enable us to be resilient and give us the flexibility needed to properly plan, manage and deliver large multi-year projects. We continue to engage with our Government Shareholder, and other stakeholders to make the case for this commitment.

Delighting our customers

We are embracing new ways to meet rising customer expectations. Since increasing the operational hours of our social media platforms and introducing web chat, our social media base has continued to grow. Monthly web chat usage increased during 2023/24, and feedback from customers has been very positive. Our customer base for web self-serve also continues to expand, with a refresh of the web self-serve for developers in 2023/24.

Our focus is on minimising the need for customers to contact us and for those customers that do make contact, to ensure we resolve their issue first time.

We introduced early warning text notifications for metered non-domestic customers experiencing high water consumption. Over 2023/24 we delivered against our targets for unwanted customer contacts, first point of contact resolution and Net Promoter Score. Our focus on customers was recognised in the UK Customer Satisfaction Index Results for the first six months of 2023. NI Water was listed as the second highest performing water company for overall customer satisfaction and the third highest performer in the Utilities Sector Report.

Caring for vulnerable customers and maintaining our cyber security are vital elements to our customer service. During 2023/24 we introduced the JAM (Just a Minute) card across the entire organisation. The JAM card allows anyone with a hidden disability or communication barriers to discreetly ask for 'Just A Minute' of patience when they need it. Our Cyber Resilience Programme is helping us keep at the forefront of an ever-changing threat landscape and be aware of new methods of attack as they develop.

Read more about delivering an exceptional customer experience on page 30.

Clean and safe water when you need it

We are committed to providing great tasting, clean and safe drinking water which complies with statutory standards and meets the expectations of our customers. Overall drinking water quality compliance in the 2023 calendar year is above the PC21 target of 99.83%.

NI Water is one of the largest landowners in Northern Ireland. Our catchments are often upland and dominated by peat and heathland. When functioning correctly, peat bogs provide multiple ecosystem services, including water quality improvement, flood mitigation, habitat, societal benefit, and carbon storage. In 2023/24, we completed a management plan for a further phase of peatland restoration work at Garron Plateau, which we aim to complete via an externally funded project in partnership with RSPB NI over the next five years. We are also pursuing funding under the Peace Plus Programme for both biodiversity and water catchment projects.

The majority of our raw water is currently sourced from lakes and reservoirs that are above ground and then treated to provide drinking water. Several new projects and operational interventions were completed in 2023/24, which have improved current supply/demand and resilience issues, includes among other activities, new clear water basins at Seagahan and Fofanny water treatment works and the upgrade of Derg water treatment works.

Our 'every minute counts' ethos underpins the best performance in relation to minimising water supply interruptions for customers, even during periods of increased demand. High temperatures in June 2023 saw demand for water rise by around 15% to 700 million litres per day, requiring an extensive tankering operation to ensure we kept customers in supply, especially in the west and south.

The water we supply for domestic use or food production must comply with UK national standards. We continue to engage with the Drinking Water Inspectorate, for Northern Ireland on potential changes to the Drinking Water Regulations, in line with European standards, and have put in place a monitoring programme for potential new parameters.

Sunlight combined with the presence of nutrients plus high temperatures resulted in unprecedented levels of algae growth in Lough Neagh over 2023/24. There is a complex range of pressures across multiple sectors impacting on the Lough's water quality. Our water treatment works which rely on Lough Neagh are designed with the potential for algae to be present and robust treatment and sampling processes are in place.

We are committed to driving down levels of leakage in our drinking water network. In 2023/24, NI Water reported its lowest ever level of leakage at 155 million litres per day against a target of 154 million litres per day. This reduction has been achieved despite Northern Ireland experiencing the highest recorded levels of rainfall and the highest average annual temperature.

Read more about supporting a healthy and thriving population on page 36.

Sustainable economic growth

Many of our sewerage networks and wastewater treatment plants are having to operate at or beyond their design capacity, limiting opportunities for new connections and constraining economic development in over 100 towns and cities across Northern Ireland, including Belfast and Derry/Londonderry. Our PC21 Business Plan sets out the investment required to start to address the wastewater capacity constraints. We anticipate that it will take a sustained increase in investment over the next 18 years plus to solve the problem of development constraints. Investments completed over 2023/24 such as the £18m Ards North Wastewater Improvement Project demonstrate what can be delivered. This project will improve the quality of bathing waters along part of the Ards Peninsula to support long-term economic growth in local development and tourism.

We are aware this is a challenging time for businesses and the local economy. Like many of our business customers, we continue to face significant financial pressures from continued high energy prices, high inflationary conditions, and other cost increases. Whilst any increase is of course unwelcome, we have worked hard to ensure most of our customers will continue to see their bills rise by less than inflation.

Over 2023/24, the NI Audit Office concluded their review on the funding of NI Water's infrastructure. The findings included the need for multi-year funding to deliver PC21 and a comprehensive review of the alternative funding and governance arrangements led by suitably qualified experts.

Advances in our investment management processes are helping us ensure we deliver our services for the lowest possible cost. We are expanding our carbon accounting to capture whole life carbon and land carbon. Pilot projects are being undertaken over the remainder of PC21 to examine the use

Business performance

of a multi-capitals approach to support our decision making. We are working closely with NIEA on the review of consenting method and source apportionment techniques, which will contribute towards ensuring discharge standards at our wastewater treatment works are proportionate, whilst delivering the best environmental outcome.

Read more about supporting a growing economy on page 46.

Flourishing natural environment

Every day we recycle wastewater from Northern Ireland's homes and businesses before safely returning it to the rivers and sea. Traditional treatment works are carbon intensive, requiring a lot of energy, concrete and chemicals to ensure treated wastewater can be safely released back to the environment. We are committed to a more sustainable approach to wastewater treatment.

Our PC21 Business Plan includes ambitious storm water removal targets aimed at reducing risk of property flooding, enhancing our natural environment, and facilitating economic growth. During 2023/24 we completed the £7m Ravenhill Avenue Flood Alleviation Project removing around nine hectares, equivalent to 12 football pitches, of stormwater from the combined sewerage network.

We recognise the need to improve how we measure wastewater compliance. The current regulatory monitoring programme is based on pre-announced rather than unannounced regulatory sampling at the treatment works and the reported wastewater compliance doesn't incorporate flow compliance for the wastewater treatment works or the sewer network. This provides an incomplete picture of environmental compliance and protection. A Wastewater Regulation Compliance Reform Group has been established with senior management representation from NI Water and NIEA. It is recognised that the outcome of the proposed regulation change will result in new evidence, which will highlight non-compliance across our wastewater infrastructure.

During periods of heavy rainfall highly diluted wastewater may also be discharged from storm overflows, which are design features on a wastewater system, acting as emergency relief points. This prevents the flooding of homes, businesses, and schools, which would present public health hazards. NI Water has around 2,500 storm overflows. The roll out of event duration monitors over PC21 is helping to quantify the frequency and duration of discharges. We plan to have over 700 monitors installed by 2027, representing around 30% coverage of all storm overflows. Assessment is ongoing and of those evaluated to date around three quarters are unable to meet the standard set by NIEA.

Large sections of the UK economy have moved to mandatory climate change reporting against the Taskforce on Climate related Financial Disclosures (TCFD). NI Water transitioned towards TCFD compliance in 2023/24 and we will continue to develop our disclosures across climate governance, strategy, risk assessment and metrics/targets. A key area of focus over 2024/25 is the development of a transition plan including annual net zero targets to achieve our 2030 net zero energy and 2040 net zero ambition.

Read more about protecting and enhancing the natural environment on page 54.

Happy, safe and healthy people

Whilst many organisations are experiencing the 'great resignation,' our staff turnover remained consistently low at around 5%, while average tenure has remained high at over 16 years. Over 2023/24, we commenced a multi-year management development programme that will develop world class management capabilities at all levels. We continue to grow and diversify our entry level academy to seed our organisation with top talent to support succession planning. The academy has grown to more than 100 students over the last three years, offering apprenticeship, higher level apprenticeship and graduate programmes in a range of disciplines. Our progress was recognised by NI Water being named 'Employer of the Year' at the Belfast Telegraph Business Awards.

Health and safety is an integral part of our day-to-day business. Our Health, Safety and Facilities Transformation Programme (2021–2025) sets out several priorities for health and safety. Significant investment continues to be made in our facilities and above ground buildings and related assets. Driver awareness was one of the areas of focus for 2023/24, with mandatory health and safety training being integrated into employee learning paths over 2024/25.

We use a range of listening strategies to gather the voice of the employee and ensure that action is targeted in the right place. Our employee survey in 2023/24 reported higher than average engagement levels across all functions, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation.

We are creating an environment where everyone feels valued and able to contribute fully to their full potential. Over 2023/24, we continued our involvement in the UK Government's 'Levelling Up' goals and our Sisters IN female mentoring programme. Inclusive Leadership training was delivered to around 200 middle managers, HR, the senior leadership team, the Executive Committee, and the Board. Corporate values workshops were delivered to over 400 employees, aiming to reach most of our workforce over 2024/25.

NI Water is building a legacy for communities. Our Cares Challenge volunteering scheme is one of the largest in Northern Ireland and has delivered over 12,000 employee hours since inception to help good causes. Employees have volunteered across a wide range of areas, including painting residential care homes, tree planting and conservation work. We continue to spread the message on the value of water for health, the economy and nature through our unique education programme, which included over 200 school visits and nearly 80 community visits during the year. Through our lead role in the local Water-Aid Committee, our support extends to communities in other countries such as Malawi.

Read more about helping our people and communities to thrive on page 76.

In summary, I am very proud of our people and their achievements during 2023/24. The enabling nature of water and wastewater infrastructure is clear, and I look forward to continued engagement with our Shareholder and stakeholders to maximise our ability to support the Programme for Government and the ambitions of the NI Executive.

Dr Sara Venning
Chief Executive
8 July 2024

External environment

The water industry structure in Northern Ireland is shown below:

Role of Government

The Northern Ireland Assembly is the devolved legislature for Northern Ireland.

It is responsible for making laws on transferred matters in Northern Ireland and for scrutinising the work of Ministers and Government Departments. NI Water is wholly owned by the Department for Infrastructure (DfI), which operates under the direction and control of the Minister for Infrastructure. Water and Drainage Policy Division in the DfI is responsible for setting water policy, for our funding through customer subsidies and lending the funds to support our investment programme. The Committee for Infrastructure undertakes a scrutiny, policy development and consultation role with respect to the DfI and plays a key role in the consideration and development of legislation.

Utility Regulator

The majority of NI Water's activities are not undertaken in competitive markets and are therefore subject to economic regulation by the Utility Regulator. NI Water Limited provides water and sewerage services in Northern Ireland under the conditions in its licence granted by the Utility Regulator. Our revenue requirements, the amounts charged to our customers and our performance outputs are set by the Utility Regulator through a Price Control process.

Local Councils

We liaise closely with the 11 Local Councils in a range of areas including their Local Development Plans.

Northern Ireland Environment Agency

The Northern Ireland Environment Agency (NIEA) aims to protect, conserve and promote the natural environment and built heritage for the benefit of present and future generations. The NIEA has regulatory powers and responsibilities to ensure environmental compliance by NI Water.

Drinking Water Inspectorate

The Drinking Water Inspectorate (DWI) is an expert unit within the NIEA. DWI is responsible for monitoring and regulating the quality of drinking water, in consultation with health and environmental authorities.

Consumer Council for Northern Ireland

The Consumer Council for Northern Ireland is a statutory body which represents the interests of water consumers. Its functions include providing our customers with advice and information; investigating complaints and undertaking research such as surveys of consumers' views.

Supply Chain

We cooperate with our wider supply chain, water industry research bodies and other utilities to implement new technologies that will help us to continue to deliver more for less.

Customers

We provide water services to around 920,000 households and businesses and wastewater services to around 750,000 households and businesses.

Listening to you

We are all ears

Customer Research/ Annual Omnibus Survey
1,497
Domestic customers (face to face)
Business customers (computer assisted telephone interviewing).

25,000+
Facebook followers.

176,000
Conversations with our Customer Relations Centre annually.

10,200
X followers.

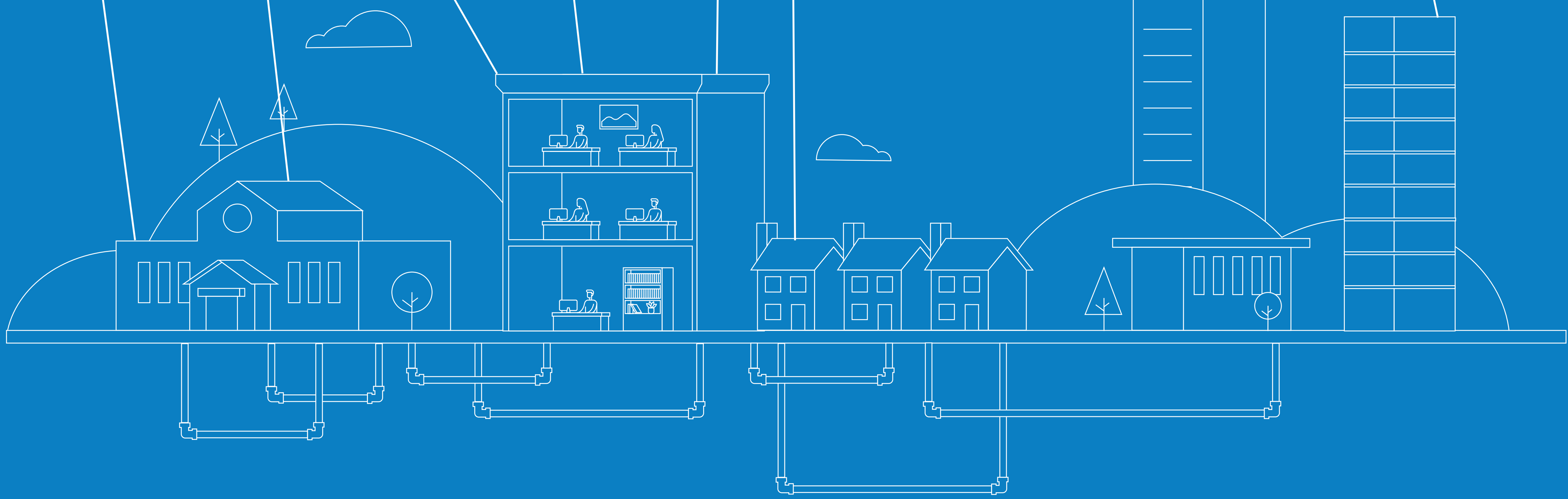
1.17m+
NI Water website views.

997
Domestic customers surveyed annually to gauge NI Water's reputation.

8,100
Customers who have contacted NI Water surveyed annually (telephone/sms/on-line).

200
Large business customers surveyed bi-annually to gauge NI Water's reputation.

150+
Elected representatives surveyed on a regular basis.



Stakeholder groups

Taking part in a range of stakeholder groups helps us to report what is most important to them.

Water Stakeholder Steering Group

Provides a forum for discussion on strategic issues relating to the price control and Ministerial guidance; discussion of major water and sewerage cross-cutting issues; discussion of policy development; keeping under review the governance and regulation of the water industry; and discussion of strategic communications issues.

Output Review Group

Provides a forum for stakeholders to discuss progress on key outputs and issues of common concern in the water industry.

Stakeholder subgroups

Working groups for coordinating the delivery of the price control process and related matters.

Customer priorities

High	Medium	Low
Internal sewer flooding	Odour and noise	Water abstraction
Supply interruptions	Sewer blockages	Quality of river waters
External sewer flooding	Taste, smell and appearance	Quality of coastal waters
Low water pressure	Pollution incidents	

Summary

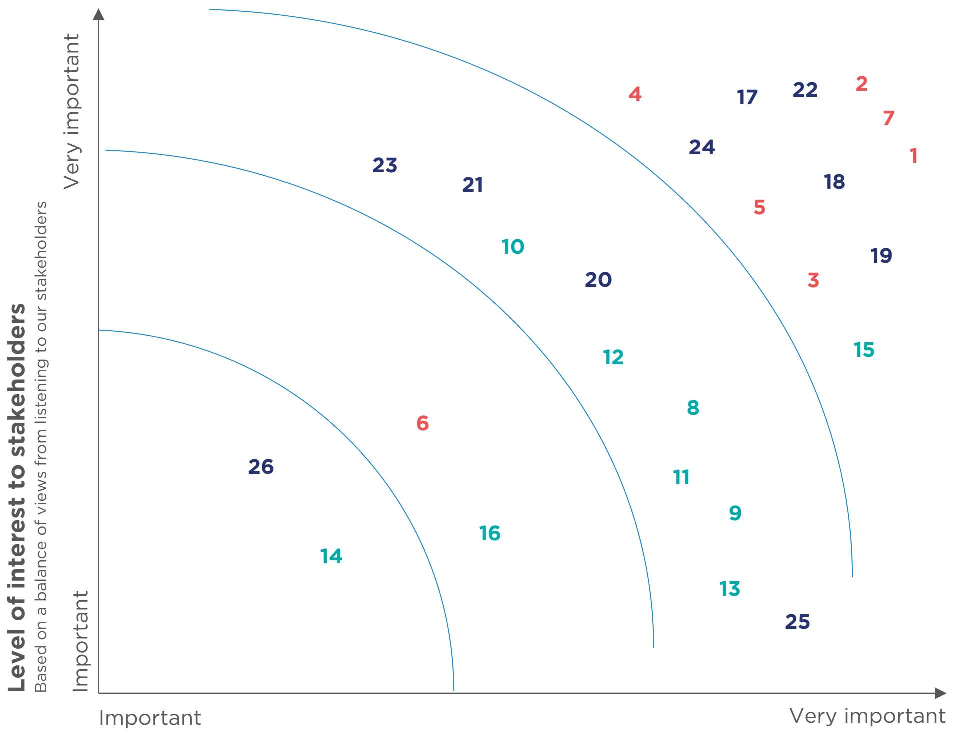
From our ongoing engagement, we understand that our customers:

- value water services which are reliable and resilient;
- expect problems to be fixed quickly and to be kept informed of progress;
- wish to see investment to reduce flooding from sewer 'hot-spots' and target interruptions to water supplies;
- want us to invest in infrastructure to meet the economic demands of Northern Ireland;
- expect strategic improvements rather than short term fixes;
- desire to understand how they can help with water conservation and out of sewer flooding; and
- expect a range of contact channels when they need to get in touch.

Reporting on what matters

Listening to our stakeholders and understanding what matters to them is a fundamental part of our strategic decision making. We use a materiality matrix to consider what matters most to stakeholders alongside our own assessment of what has the biggest impact on our ability to create value. This stakeholder materiality assessment informs decisions about what we report in documents such as our Annual Integrated Report and Accounts.

In defining the strategic relevance of a matter to NI Water, we have adopted the integrated reporting framework definition of materiality, which states: "A matter is material if it could substantively affect the organisation's ability to create value in the short, medium or long-term". Value, in this context, may be created internally (for the Company and our employees) or externally (for our Shareholder, customers, communities, suppliers, the local economy and the natural environment). Value can be financial or non-financial. Our assessment of the level of interest to stakeholders is based on our ongoing engagement with stakeholders, as well as the extensive insights gathered from engagement with stakeholders on our Strategy and PC21 Business Plan. Read more on stakeholder engagement and decision making on page 142. We have aligned these issues with our principal threats and opportunities on page 84.



Effect on our ability to create value
Based on the potential effect on our ability to create value over the short, medium and long-term. Value can be created for NI Water and or our stakeholders. Value can be financial or non-financial.

External matters
1. Funding and governance
2. Climate emergency
3. Cyber security
4. Local economy and development constraints
5. Natural resources
6. Land management and access
7. Energy cost shocks and wider supply chain inflation

Internal matters

8. Resilience
9. Risk management
10. Corporate governance and business conduct
11. Innovation
12. Data security
13. Energy use
14. Responsible supply chain
15. Health, safety and wellbeing
16. Employee relations

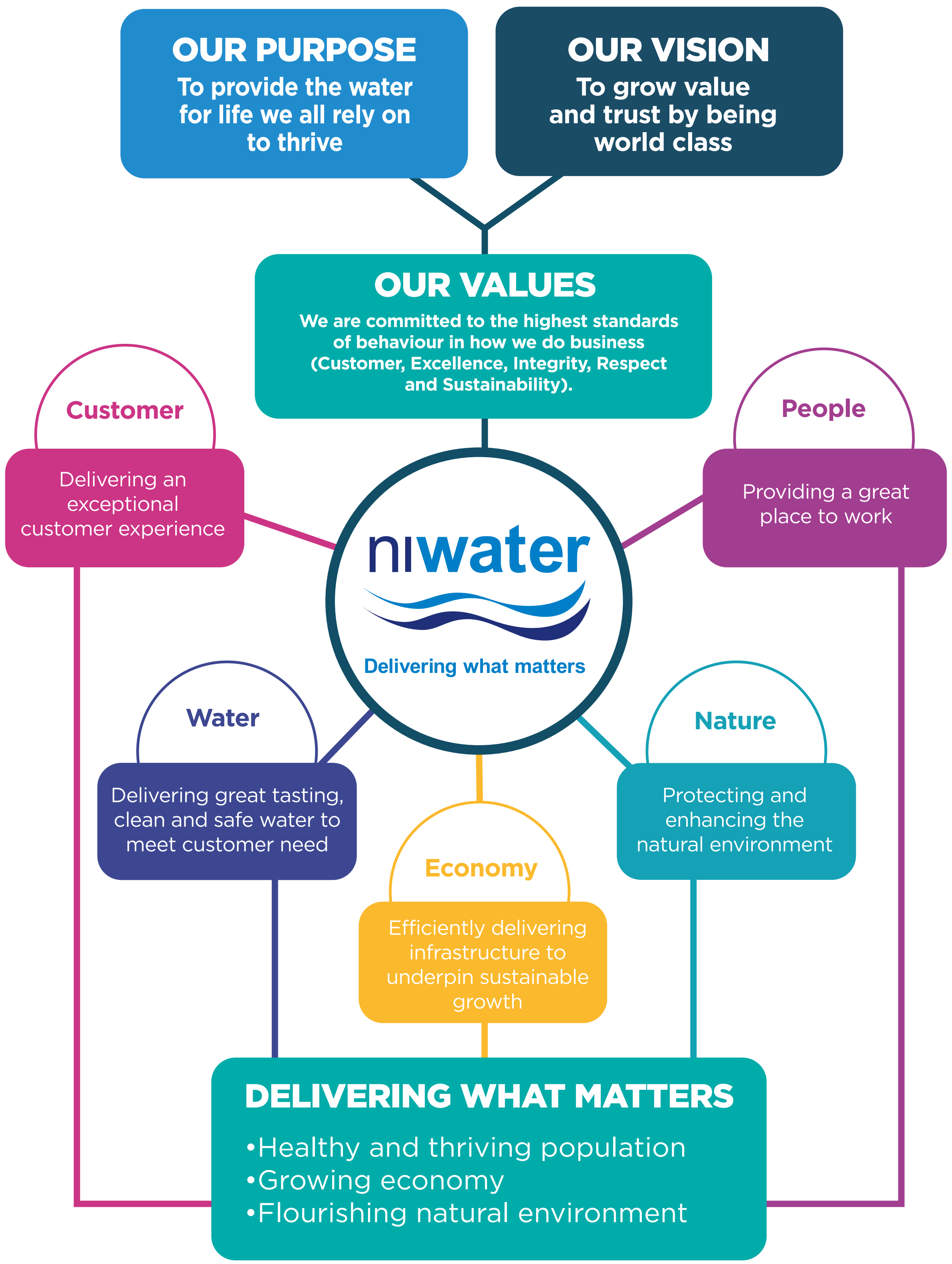
Internal and external matters

17. Trust, transparency and legitimacy
18. Customer experience
19. Drinking water quality
20. Leakage and water efficiency
21. Supply interruptions and low pressure
22. Affordability
23. Sewer flooding
24. Impacts on natural environment
25. Diverse, inclusive and talented workforce
26. Creating a legacy for our communities

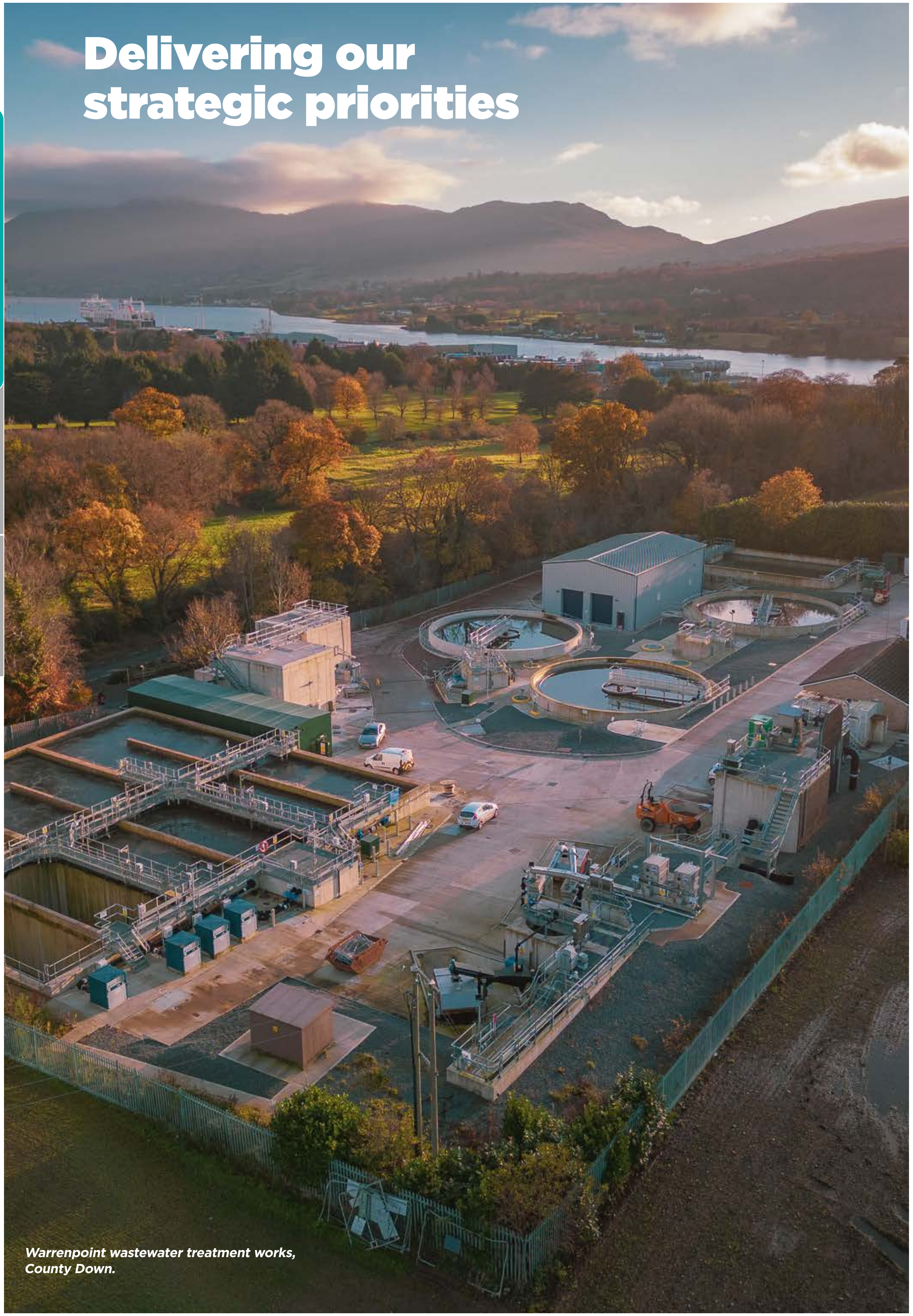
Business strategy

Our strategy helps deliver a healthy and thriving population, a growing economy and a flourishing natural environment – in short – delivering what matters. The strategy centres around five strategic priorities, which set out how we will deliver our purpose and vision.

Read more at
www.niwater.com/ourstrategy/
www.youtube.com/watch?v=i8GCuvWp5wI



Delivering our strategic priorities



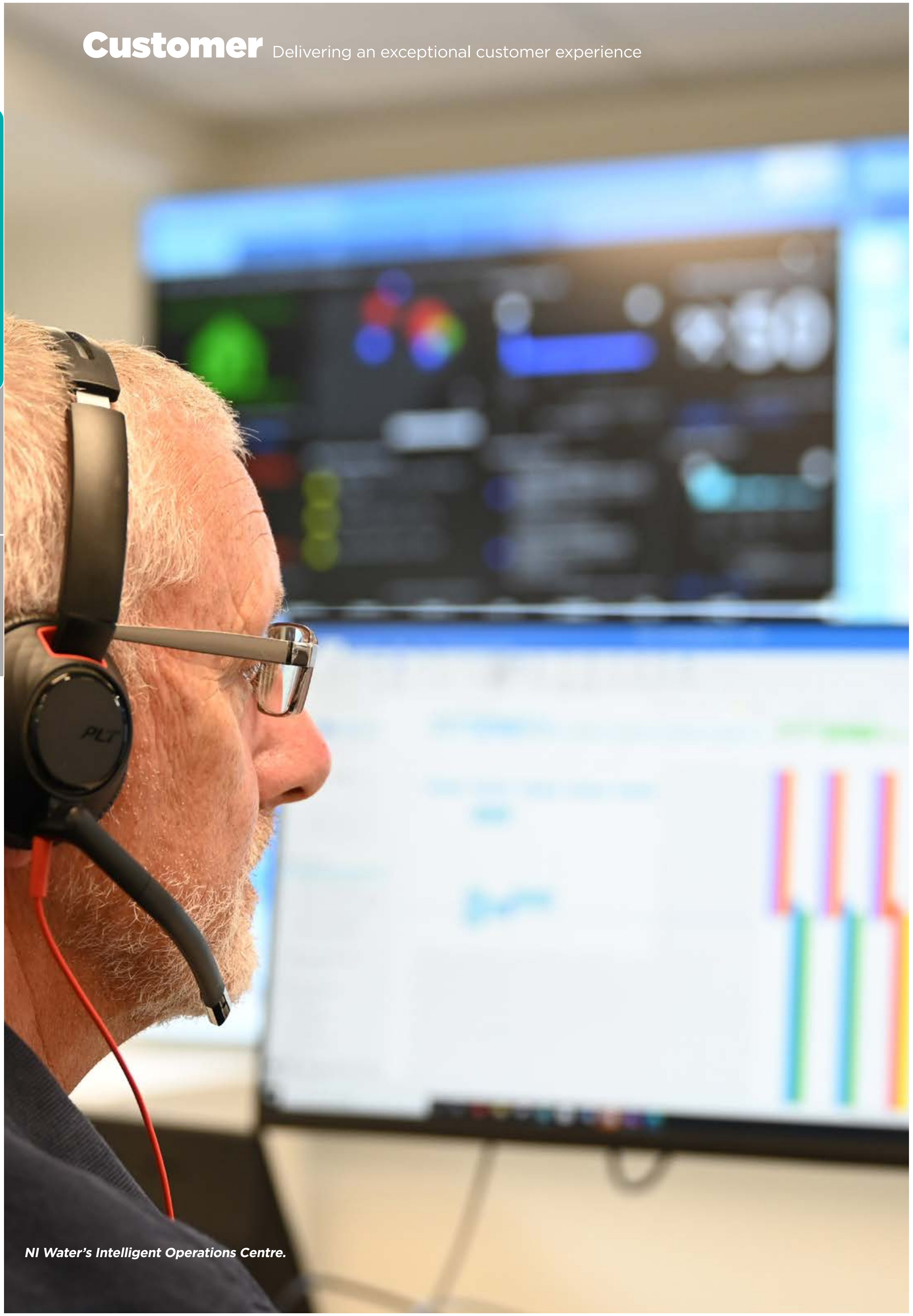
Warrenpoint wastewater treatment works, County Down.

The world in which we operate

Our global world

We live in a resource constrained world and have a responsibility to ensure that our planet earth is sustainable for those who come after us. The United Nations has developed 17 goals to deliver a more sustainable world by 2030 and we are proud to play our part in supporting delivery of at least 12 of these goals:

Customer Delivering an exceptional customer experience



NI Water's Intelligent Operations Centre.

Customer Delivering an exceptional customer experience

Strategic areas of focus

- Right place, right time, right channel
- Caring for you
- Getting smarter
- Protecting you

Sustainable development goals

Principal threats/opportunities

Page 84 Read more about principal threats and opportunities.

Strategic performance indicators

Customer	Unit of measurement	Target 2023/24	Actual 2023/24	Pass/ Fail	Target 2024/25
Reduction in customers reporting service failures	Number	65,200	50,400	Pass	64,300
First point of contact resolution	%	84	86	Pass	84
More customers singing our praises (Net Promoter Score)	Number	42	46	Pass	42

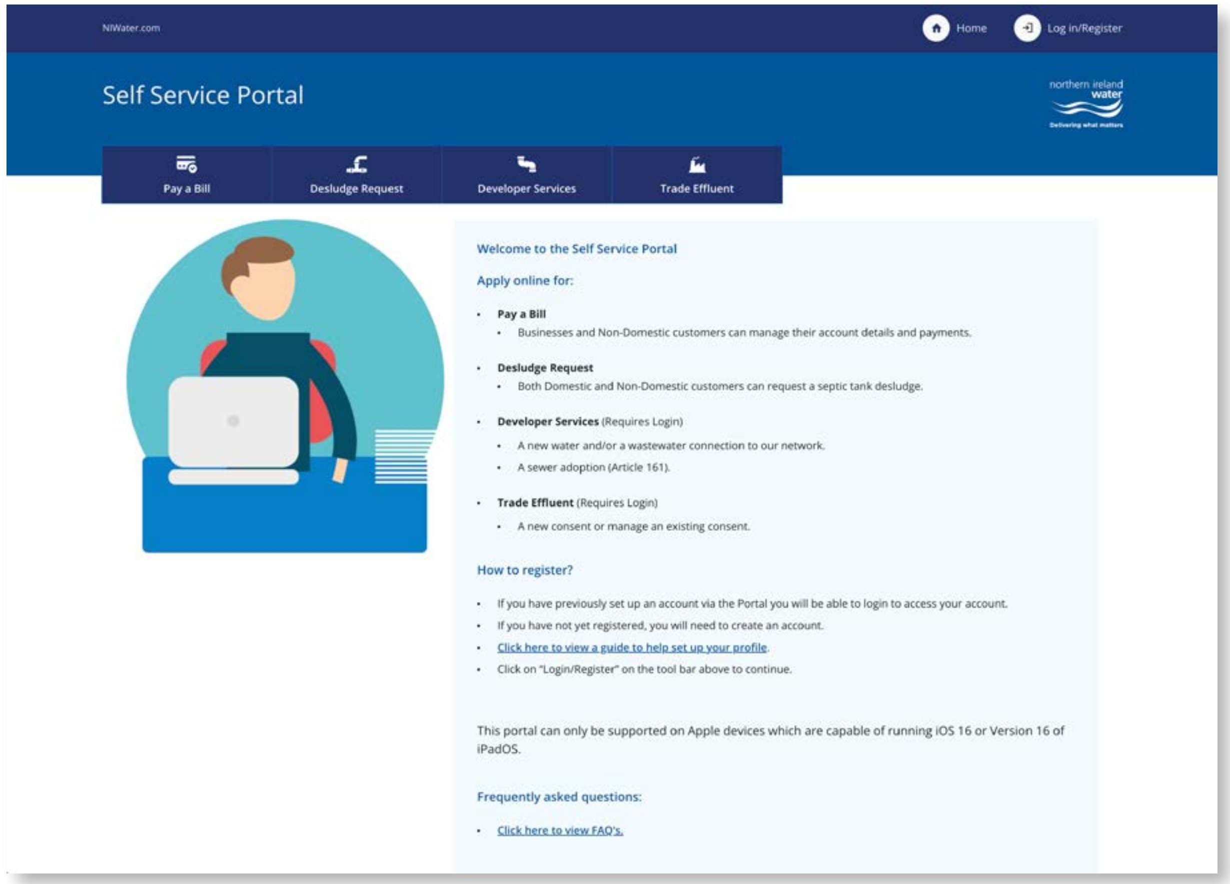
Right place, right time, right channel

Our social media and digital channels provide us with fantastic platforms to keep our customers informed of the challenges we face delivering great tasting, clean drinking water and recycling wastewater safely back to the natural environment. Our Website, Facebook and X accounts allow us to reach out to our customers when there is an incident impacting the services we provide and to change how they think about water to help reduce the pressure on our infrastructure and nature.

Facebook and Web Chat boost

In our ambition to deliver an exceptional customer experience, we are embracing new ways to meet rising customer expectations. Since increasing the operational hours of our social media platforms and introducing a web chat to our service update page, our social media base has continued to grow, now surpassing 35,000 followers and regularly handle more than 2,000 customer web chats per month. Feedback from customers for these channels has been very positive with both web chat and social media registering high consumer advocacy scores.

We expanded our customer base for web self-serve in 2022/23 by launching the web self-serve for developers, providing them with a service to submit applications, track progress and pay online. This was a major step change for the business and transformed the way we interact with our customers. In 2023/24, we refreshed the website, including changes to the landing page architecture and a reduction in process steps. These improvements will enhance the overall customer experience and provide better clarity and simplification on each step. Analysis of our range of social media offerings in comparison to other utilities is encouraging with around a quarter of our customers now choosing to contact us through a digital channel.



During 2023/24, we created a new dedicated Customer Team for Developer Services. The team has been specifically trained to deal with all development-related queries, which can be more complex than standard operational customer calls.

Developer Services Customer Team Contact Details:
Developer Services Dedicated Phone Line - **03458 770003**
Email - **customerengagementteam@niwater.com**

NI Water new dedicated Customer Team members for Developer Services.

In 2024/25, we will focus on finalising the design of the new customer, billing, and contact contract. This will include the delivery of new automated telephony, texting, and online chat customer channels.

Right first time

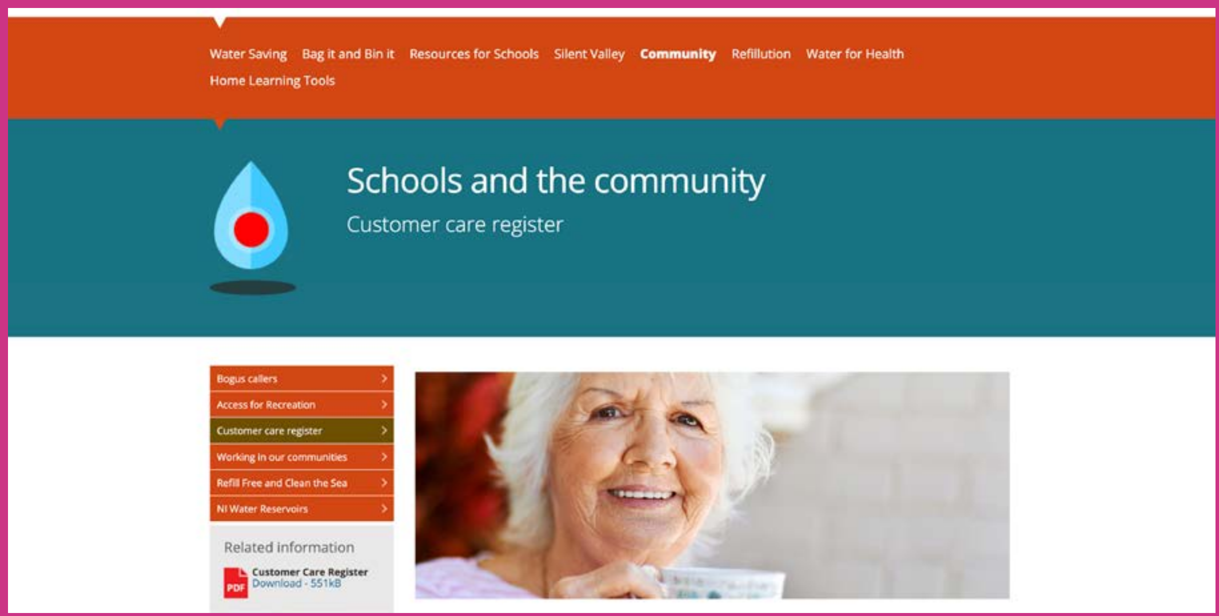
We have introduced a comprehensive programme of initiatives to minimise the need for customers to contact us and for those customers that do make contact, ensure we resolve their issue first time.

Over 2023/24, we delivered against our target of 65,200 for unwanted customer contacts, our First Point of Contact Resolution target of 84% and our Net Promoter Score of 42. We also introduced early warning text notifications for metered non-domestic customers experiencing high water consumption.

We expanded the use of robotics to automate manual processes, focusing on how we manage leakage defects that are identified by our contractors and continued with our programme of improvement initiatives focusing on septic tank and billing journey improvements.

During 2023/24, we continued to offer our social media and web chat services until 11pm, seven days a week. We offer a range of telephony and self-service channels to suit our customers' needs, including our waterline service, which is available 24 hours a day. In 2024/25, we will be introducing new channels and customer systems as part of the new customer, billing, and contact contract.

Voice of the Customer packs are circulated monthly to business areas to provide an understanding of what is working well and to highlight areas for improvement. Over 2023/24, we have continued to undertake several customer journey reviews based upon customer feedback, along with our annual omnibus survey to gain the opinions and thoughts of the 'silent majority' of customers that use our services. Our focus on customers was recognised in the UK Customer Satisfaction Index Results for the first six months of 2023. NI Water was listed as the second highest performing water company for overall customer satisfaction and the third highest performer in the Utilities Sector Report.



Caring for you

Our Customer Care Register offers a range of free additional services for those customers who need extra help, such as an alternative water supply when supplies have been interrupted for a prolonged period. We continue to work with the Consumer Council for Northern Ireland, Health Trusts, Councils, and other Utilities to promote our Customer Care Register. A further 177 customers have been added to the register over 2023/24, with a total of 2,798 customers/organisations registered. We continue to engage with the Utility Regulator, CCNI and other utilities on the Best Practice Framework: Code of Practice for consumers in vulnerable circumstances, which will standardise the approach to consumer vulnerability across the Northern Ireland utility sector.

In 2024/25, we will continue working towards BS ISO 22458 Consumer Vulnerability accreditation, which is to be achieved by the end of PC21. By taking a proactive and inclusive approach NI Water can mitigate against exacerbating consumer vulnerability.

The Utility Regulator published a 'Consumer Protection Programme 2024–2029 Final Decisions Paper' in March 2024, which contains a suite of bespoke projects aimed at enhancing consumer protection for all consumers including both domestic and non-domestic, consumers in vulnerable circumstances and 'future' consumers across all utilities. Going into 2024/25, NI Water will work with the Utility Regulator and other utilities to help deliver the future outputs as outlined in the Final Decisions Paper.

During 2023/24, we introduced the JAM (Just a Minute) card across the entire organisation. The JAM card allows anyone with a hidden disability or communication barriers to discreetly ask for 'Just A Minute' of patience when they need it. The JAM card accreditation demonstrates NI Water's ongoing commitment to its customers and its priority to advance equality, diversity, and inclusion across the award-winning organisation, with over 1,300 colleagues undertaking the bespoke training programme.

NI Water CEO and staff members with NOW Group CEO at the launch of the JAM partnership with NOW Group.

You can find out more about our Customer Care Register at www.niwater.com/customer-care-register/ Alternatively, telephone Waterline on 03457 440088.

Getting smarter

Our customers tell us that they want a modern, interactive web-based platform where they can submit applications for our services, track progress, make payments and digitally sign documents without the need for paper or telephone contact. In response, we launched a digital application process for new connections to our network, wastewater adoptions and applications for trade effluent.

Using Robotics to enhance customer experience

In 2023/24, we extended the use of robotics to automate processes resulting in improved service delivery for both internal and external customers using technology such as Power BI, Power Automate and ArcGIS. This technology means we have more time to focus on activities that make the most difference to our customer experience.

Power BI

Power Automate

ArcGIS

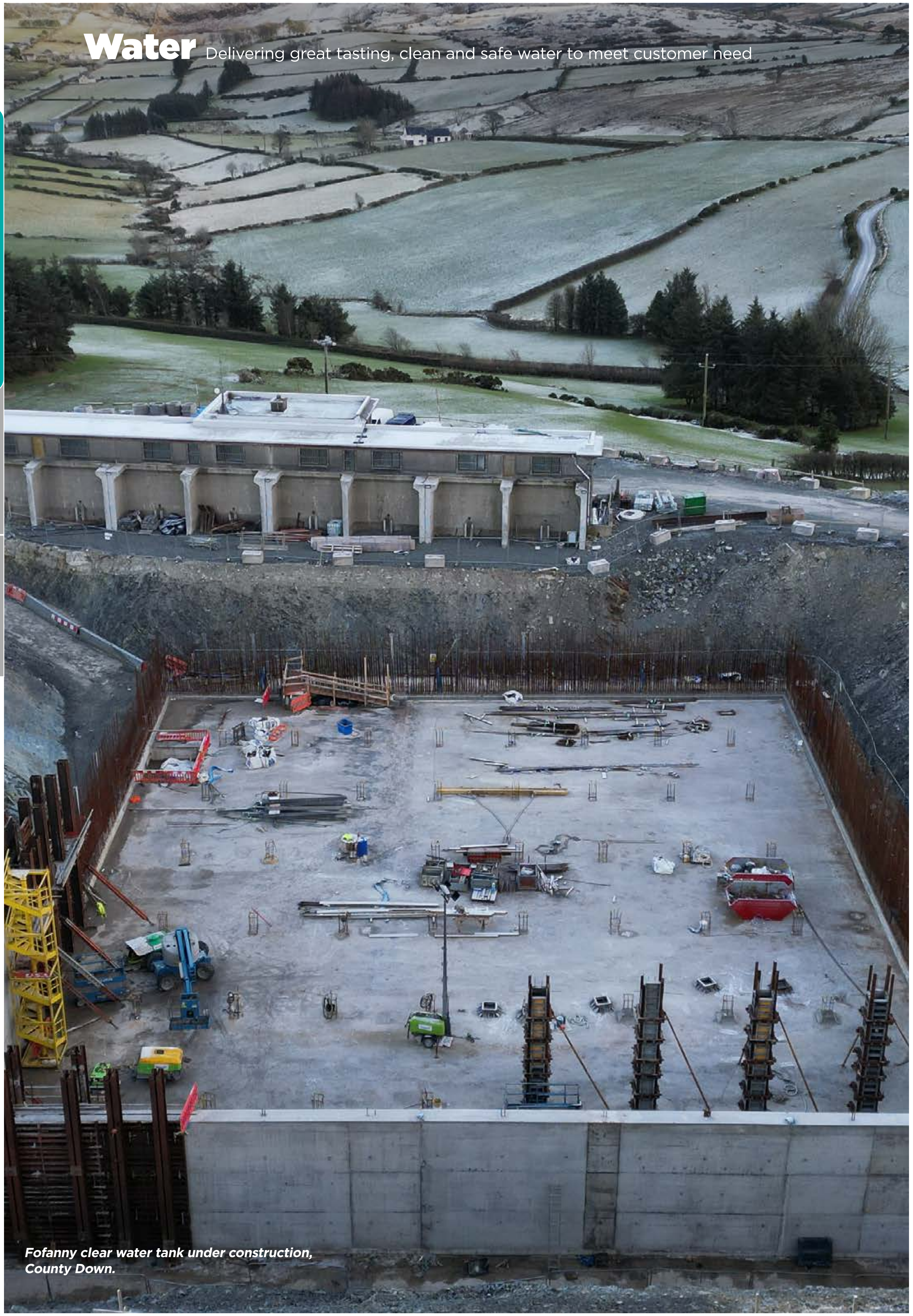
NI Water staff in our Intelligent Operations Centre.

Protecting you

Cyber security is a key priority for NI Water as we face increasing and evolving cyber threats that could harm our service delivery and business performance. We are committed to improving our information governance and cyber resilience by investing in technology, training, and awareness. We have a Cyber Resilience Programme in place to protect our operational technology and we work closely with the National Cyber Security Centre and other stakeholders to stay ahead of the cyber risk landscape. We also monitor and test our cyber security through simulated phishing campaigns, independent penetration testing and audits. We collaborate across the business to ensure that any new or upgraded technology is assessed for cyber risks and complies with our standards and policies.

Help NI Water be Cyber Watertight

Water Delivering great tasting, clean and safe water to meet customer need



Fofanny clear water tank under construction, County Down.

Water Delivering great tasting, clean and safe water to meet customer need

Strategic areas of focus

- Improve at source
- Enough water for all
- Tasty, clean and safe
- Drive down leakage
- Always on

Sustainable development goals

Principal threats/opportunities

Page 84 Read more about principal threats and opportunities.

Strategic performance indicators

Water	Unit of measurement	Target 2023/24	Actual 2023/24	Pass/ Fail	Target 2024/25
Water quality compliance*	%	99.83	99.92	Pass	99.83
Leakage	Million litres/ day (Ml/d)	154	155	Fail	153
Reduction in supply interruptions in excess of: **					
• 6 hours	%	0.669	0.192	Pass	0.650
• 12 hours		0.084	0.000	Pass	0.080
• 24 hours		0.009	0.000	Pass	0.010

* Calendar year target.
** The >12 hr target is a Final Determination target. The >6hr and >24hr targets feed into the Supply Interruptions Overall Performance Score, which is also a Final Determination target.

Improve at source

The raw water we use to produce our high quality drinking water is predominantly taken from Lough Neagh, local rivers and a range of upland sources, all of which are rich in natural organic matter. We continually monitor the raw water entering our water treatment works and adjust the treatment process accordingly. Increasing levels of organic matter in raw water, as well as fertilisers and herbicides, place a strain on our water treatment works. While investment in our treatment works to install complex energy and chemical intensive processes can remove the problem, the sustainable long-term solution is to work in partnership with farmers, land owners and other stakeholders to manage the source waters using catchment management. Working together, we can improve the water quality before it even reaches the water treatment works which benefits the natural environment and biodiversity and can reduce our operating costs, especially when resources are pooled with stakeholders to access funding.

Restoring our peatlands

Our drinking water catchments amount to over 12,000km^2, with NI Water owning around 112km^2. Our greatest opportunity for successful catchment management is in these areas, which are often upland and dominated by peat and heathland. When functioning correctly, peat bogs provide multiple ecosystem services, including water quality improvement, flood mitigation, habitat, societal benefit, and carbon storage. Unfortunately, many of our bogs are in poor condition and have dried out.

Our peatland restoration programme began in 2014 on our Dungonnell catchment in the Antrim Hills, with over 500ha of blanket bog now actively restored there, filtering cleaner raw water into our reservoir and the bog beginning to function again. In 2023/24, we completed a management plan for a further phase of peatland restoration work at Garron Plateau, which we aim to complete via an externally funded project in partnership with RSPB NI over the next five years. This will focus on repairing peat hags and gullies formed by natural processes and will reduce the erosion of peat material from these areas into the reservoir. This project was the first in Northern Ireland to be registered under the IUCN Peatland Code and will cover four compartments in an area of almost 2,000ha. Over a 30-year period this site has the potential to achieve a reduction of 48k tonnes of carbon, leading to significant claimable emissions inset.

We work closely with DAERA Forest Service in our drinking water catchments to negotiate back areas of commercial forestry planted on peat where there might be long-term benefits to water quality, biodiversity, and carbon storage. A peatland restoration plan for Lough Bradan was completed in 2023/24, in preparation for practical works being carried out to restore 28ha of previously forested land to functioning peat bog in 2024/25. Commercial forestry planted on peat in our catchments increases erosion of carbon into our reservoirs. Removal of trees and restoration helps improve water quality and slow overland flow, keeping peat in the bog where it belongs. This project will see a range of forest-to-bog peatland restoration techniques trialled, to inform future projects.

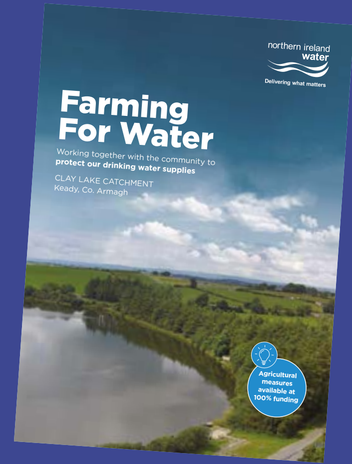
Forestry operations to fell trees adjacent to Lough Bradan reservoir, County Down.

Water Delivering great tasting, clean and safe water to meet customer need

Farming for water

Pressures arise on our water resources from various sectors with agriculture being one of the major pressures. Our Farming for Water scheme focusses on reducing the amount of the herbicide MCPA, nutrients and soil getting into the watercourses connected to Clay Lake, which provides drinking water for Keady, County Armagh and is also part of the Lough Neagh catchment. The scheme provides 100% funded measures for farmers within the catchment area to make environmental/water quality improvements or their farm business to improve raw water quality. We have around 30 farms signed up for the scheme, around 4km of watercourse fencing installed, six pesticide storage cabinet and spill kits delivered, eight angler access points installed, 14 mains drinkers installed and four solar drinkers installed.

All land managers in Carmoney (Faughan River), County Derry/Londonderry and part of Ballinrees (Lower Bann), County Derry/Londonderry catchments were invited to register for a free Farm Chemical Disposal Scheme, which will reduce risk of accidental chemical pollution incidents and use of banned chemicals in these catchments which experience raw water pesticide challenges. Previous schemes in 2022/23 removed over 1,800 litres of unwanted chemicals in 733 containers from the Derg catchment. We attended several CAFRE Farm Business Development Group meetings (farming education group meetings), Environmental Farming Group Meetings and other rush control events held by DAERA for farmers, and presented on local water treatment, water quality protection and pesticides best practice.



We continue to promote best practice pesticide use in our catchments as members of the Water Catchment Partnership. Over 2023/24, we partnered with upland graziers in our Mournes water catchments to manage sheep grazing for water quality and habitat protection. This work was supported by designated site protection, heathland surveying, invasive species control and wildfire mitigation. Additionally, NI Water are Associate Partner in an upcoming Peace Plus-funded project focussing on the development of restoration plans for damaged peatland in the High Mournes. We continue to be active members of the Forever Mournes Partnership, attending Steering and Working groups to plan and implement delivery of the recommendations from the Mourne Community Renewal Through Nature project.

One million trees

We are engaging with The Woodland Trust and Forest Service to deliver our large-scale tree planting scheme on our landholding to plant one million trees on over 500 hectares of land by 2030. The scheme is part of our wider plans to help tackle climate change and create a more sustainable future for Northern Ireland.

We are almost a quarter of the way there, and we believe we have an important role to play in helping to build the green economy and restore biodiversity. Around 220,000 trees have been planted at Annalong, Fofanny, Dunore and Stoneyford. For the 2024/25 planting season, we have secured funding from DAERA Forest Service to draw down from Forest Expansion Scheme funding to plant around 250,000 across 139 hectares on our land near Woodburn reservoir in Carrickfergus, County Antrim.

NI Water CEO, Director of the Woodland Trust Northern Ireland and NI Water Project Support Officer at Stoneyford Reservoir, County Antrim.

https://youtu.be/9f61W6NsMpI

Tapping into EU funding

Following on from the successful delivery of the EU INTERREG VA funded Source to Tap project and our involvement in the Cooperating Across Borders (CABB) project, NI Water is pursuing funding under the Peace Plus Programme for both biodiversity and water catchment projects. Working in partnership with other organisations, bids are being prepared over 2024/25 for submission to the Special EU Programmes Body (SEUPB). These projects will provide a mechanism to collaborate with partner organisations to sustainably manage our drinking water catchments and contribute to water quality improvements over PC21 and into PC27.

Enough water for all

The Water Resource and Supply Resilience Plan sets out how NI Water intends to sustainably maintain the balance between supply and demand for water over the long-term, and the operational and management options and activities available to respond to short-term critical events such as droughts and freeze-thaw issues. The latest draft of the Plan forecasts supply demand deficits in five of the ten Water Resource Zones during summer peak conditions, with four of the zones identified as currently in deficit today. The draft Plan has identified several mitigations to resolve these deficits, and these include the upgrade of both Moyola and Clay Lake water treatment works and new boreholes near Dungannon (Gortlenaghan) and Lisburn (Lagan Valley). The draft Plan has been issued for consultation and will be updated based on responses with the final Plan to be published in 2024/25.

Several new projects and operational interventions were completed in 2023/24, which have improved current supply/demand and resilience issues. This included new clear water basins at Seagahan and Fofanny water treatment works and the upgrade of Derg water treatment works. Further work over 2024/25 includes the progression of the strategically important Castor Bay to Ballydougan project, which will facilitate transfer of additional flow from Castor Bay to Ballydougan and the construction of new Granular Activated Carbon filters at Ballinrees water treatment works.

Summer demand spike

Extreme weather, hot or cold, can have a major impact on assets, causing increased leakage within our network and on customer properties. Our changing climate is bringing more frequent and severe weather events such as heavy rainfall, heatwaves and extreme cold. These events can affect the quality and quantity of our water sources, placing pressure on our water treatment works. In June 2023, as warm temperatures persisted across Northern Ireland, demand for water rose around 15% to 700 million litres per day. Our focus was to keep customers in supply, especially in the west and south. This required extensive tankering operations between Carryglass, Dungoran, Dromore High and Clay Lake.

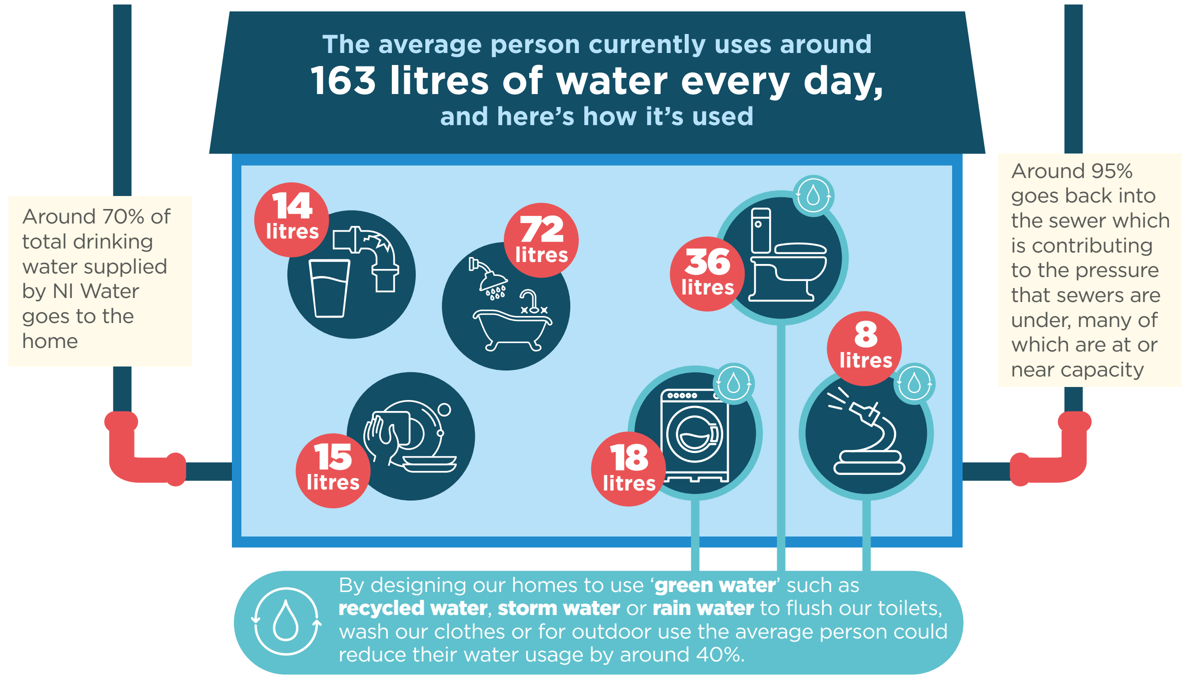
Clay Lake impounded shallow freshwater lake, County Armagh.

Water Delivering great tasting, clean and safe water to meet customer need

Using less drinking water

By better designing our homes we could reduce the total demand for drinking water by around 25%. Further reductions in demand can be achieved by installing more water efficient appliances in the home and changing our behaviours e.g., shorter showers. By using less, we can lower our carbon footprint, improve biodiversity, reduce leakage, increase resilience, and ease pressures on our sewerage infrastructure.

Find out more at www.niwater.com/water-saving/



Pumping £9m into County Down

In 2023/24, we completed a £9m investment to improve the security of the water supply for around 76,000 customers in large parts of County Down. The upgrade at Fofanny water treatment works involved the construction of a new water storage tank with a capacity of 10 million litres, equivalent to four Olympic size swimming pools or 50,000 baths! The upgrade will provide additional water supply to customers, particularly during high demand emergency situations, when we may need additional time to shut down the main plant, while we complete other planned maintenance to our water supply network.

NI Water's Director of Infrastructure Delivery, staff and contractors pictured at the new Fofanny clear water tank, County Down.

Tasty, clean and safe

Delivery of great tasting, clean and safe drinking water is central to what we do. It underpins the public health and economy of Northern Ireland.

World class water on tap

The water we supply for domestic use or food production must comply with UK national standards. The standards are strict and generally include wide safety margins. They cover: bacteria; chemicals such as aluminium, lead and pesticides; and how water looks and tastes. To make sure that your drinking water supply is tasty, clean and safe, we take samples for testing. Sampling and analysis of drinking water is carried out 365 days per year. Our sampling programme covers raw waters, water at various treatment stages, treated water going into supply from our treatment works, drinking water in the distribution system and at the customer tap. Samples are analysed by our scientists based in laboratories at Belfast and Altnagelvin. Overall drinking water quality compliance in 2023 was 99.92%, above the target of 99.83%. We publish a Drinking Water Quality Report each year at https://www.niwater.com/publications/.

We continue to engage with the DWI on potential changes to the Drinking Water Regulations, in line with European standards and have put in place a monitoring programme of sampling and analysis for potential new parameters.

Blue green algae

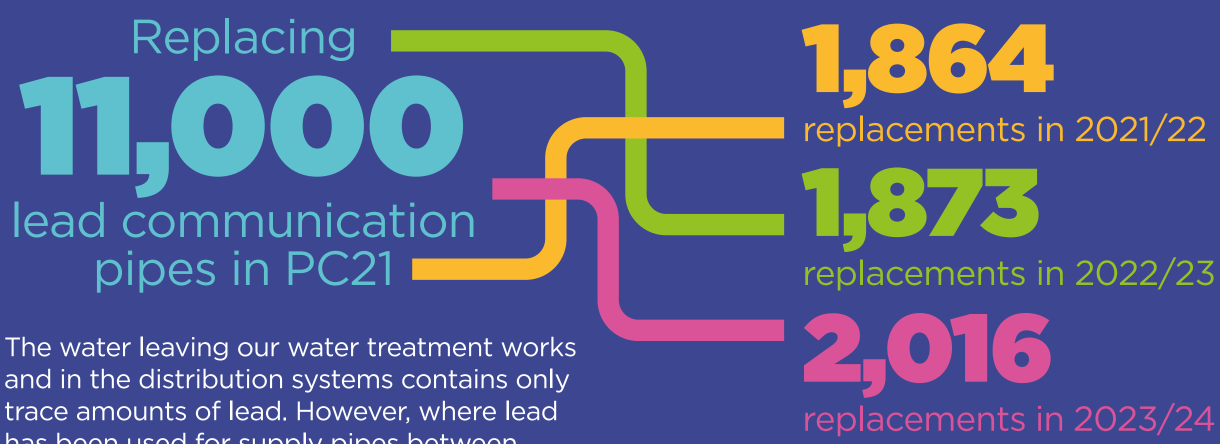
Blue-green algae is not actually an algae but rather a type of bacteria called cyanobacteria, which naturally inhabit our freshwater, coastal and marine waters and, like plants, require sunlight, nutrients, and carbon dioxide to grow and reproduce. The growth of blue green algae in Lough Neagh is attributable to several factors, including the presence of invasive zebra mussels, which filter the water allowing more sunlight to penetrate deeper into the Lough. Sunlight combined with the presence of nutrients, plus the recent warm weather has seen unprecedented levels of algae growth.

Nutrients in the water bodies are derived from multiple sources: key sources include run-off from agricultural land, industrial, agri-food and wastewater discharges (both public and private septic tanks). Agriculture run off and unregistered private septic tanks are unregulated and high in nutrient content. In agriculture, nutrients are applied in the form of artificial fertilisers and slurry/manure derived from livestock. During rainfall events, this practice may lead to nutrients being washed directly into the waterbody before being assimilated into the soil/grass. In public wastewater discharges, the levels of nutrients are controlled by ammonia and phosphorus limits being applied to the discharge via the Water Order Consent, which is regulated by the NIEA. A similar regulatory approach will be applied to industrial discharges by NIEA.

Management of the Lough is a multi-agency responsibility and like other catchments, there is a complex range of pressures across multiple sectors impacting on the water quality. NIEA have responsibility for monitoring the raw water quality in the Lough.

Lough Neagh, County Antrim.

Tackling lead pipes



The water leaving our water treatment works and in the distribution systems contains only trace amounts of lead. However, where lead has been used for supply pipes between the water main and the kitchen tap or in domestic plumbing, there is a risk of non-compliance at the customers' tap. So even with the removal of all lead pipes within our network there will be a risk to lead compliance from lead pipe remaining within customer properties.

Our aim is to deliver water, which meets the lead standard and regulations, whilst working towards a lead free water supply. We tackle the problem in two ways:

1. By chemical treatment to reduce the amount of lead that dissolves from lead pipes into the water; and
2. The replacement of lead communication pipes that connect customer properties to the watermain in our distribution network.

Information for customers on lead in drinking water and lead pipe replacement is available through our website and in our lead leaflet.

We continue to engage with stakeholders concerning the potential options for consideration in relation to addressing lead in private supply pipes.

Find out more about reducing the risk of lead at:

https://www.youtube.com/watch?v=9k9FI0_FcZE

https://www.youtube.com/shorts/NCOkobjnjwI

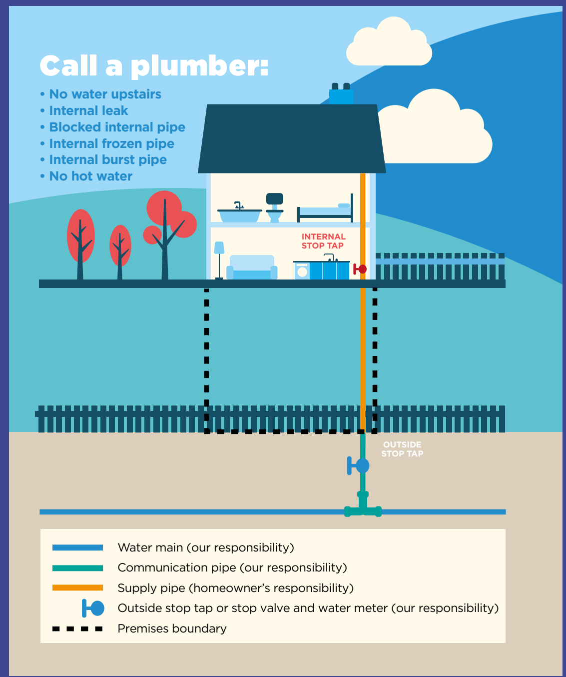
Drive down leakage

NI Water is committed to driving down levels of leakage in our drinking water network. Leakage teams are continually working around the clock locating and repairing leaks to maintain customer supplies. Our leakage detection teams cover around 27,000km of water mains and 24,000km of smaller diameter pipework serving Northern Ireland's individual households and businesses. Our network is greater than the distance around the earth (around 43,000km).

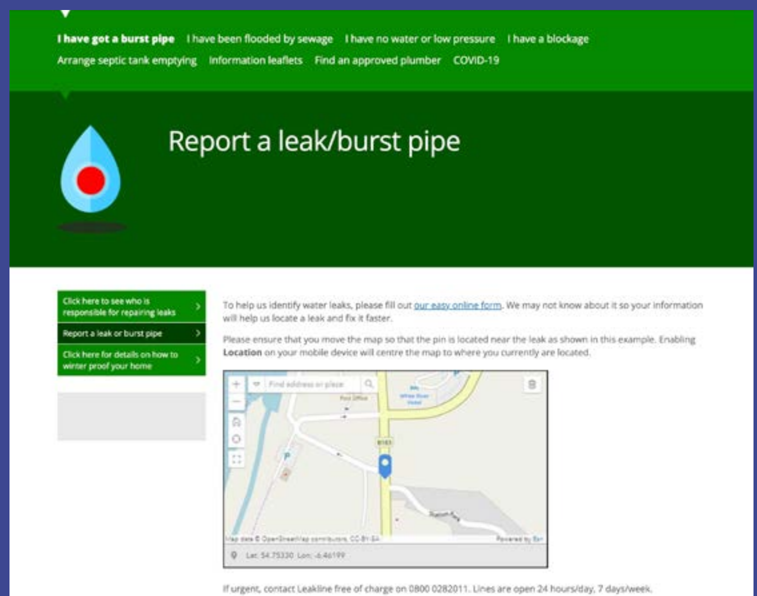
In 2023/24, NI Water reported its lowest ever level of leakage at 155 million litres per day against a target of 154 million litres per day. This reduction has been achieved despite Northern Ireland experiencing the highest recorded levels of rainfall and the highest average annual temperature.

More frequent weather extremes are having a significant impact on reducing leakage. NI Water continues to advance its capabilities using highly skilled leakage detection and repair teams. We deploy a variety of leakage detection techniques including listening sticks, ground microphones, acoustic loggers, drones, satellites, and dogs. We also monitor flows and pressures on our infrastructure. The combination of traditional and new approaches to leakage management will be used to drive down leakage over the remainder of PC21. We aim to achieve the economic level of leakage of 150 million litres per day by 2027. This is the level at which the costs of reducing leakage further outweigh the benefits.

A quarter of our leakage is within the boundary of a customer's property. If there is a leak on your property, then please get it fixed. You can ask your home insurer for assistance or NI Water for advice.



If you see a leak on the road or footpath, NI Water needs your support in reporting leakage by visiting **https://www.niwater.com/report-a-leak-or-burst-pipe/** or by calling our dedicated Leakline number on **0800 028 2011**, open 24 hours a day, every day. Calls are free of charge.



Always on

Every week we are repairing bursts that occur on our water network of 27,000km of water mains. Many of these bursts can result in interruptions to customers' supply or customers experiencing low water pressure.

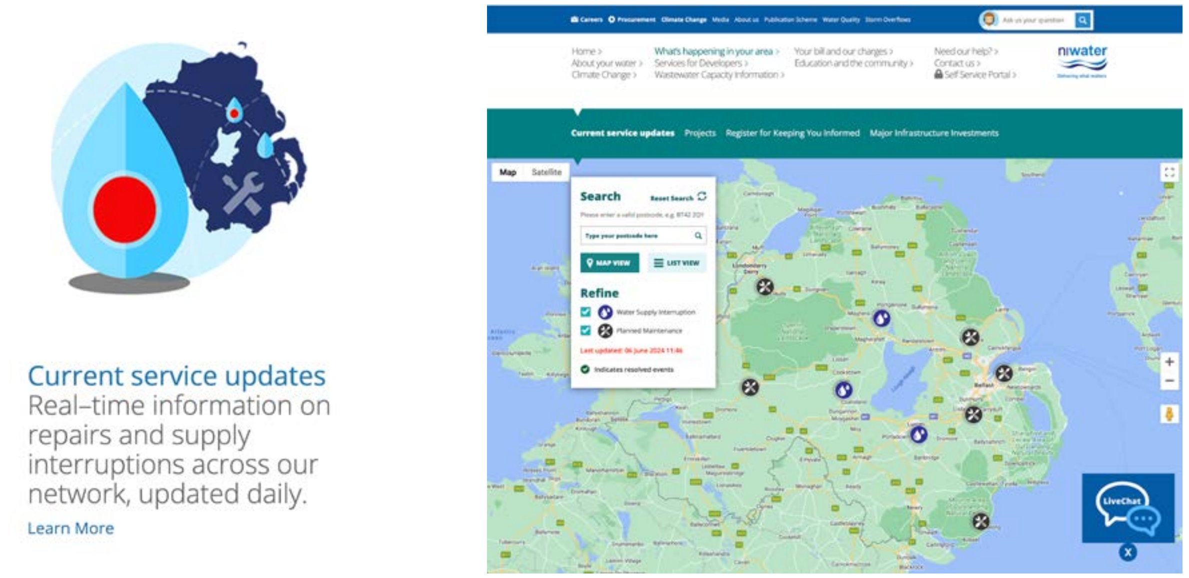
Every minute counts

Our 'every minute counts' ethos helps to focus on ways to improve our performance and explore innovative solutions to minimize the time customers are off supply and keep them in supply with water. We continued to implement our interruption to supply strategy over 2023/24, achieving record reductions in 'lost minutes per property'. A second Mobile Booster Trailer has been purchased and delivered to allow for greater resilience in our response to unplanned interruptions, as well as greater opportunity to keep customers in supply during planned shutdowns.

NI Water's second mobile booster trailer.

Our SMART networks programme helps to maintain a CALM network and increase visibility on all our water assets. Creating a calmer network reduces transients that can cause bursts and interruptions. Over 2024/25, we will be improving controls at water booster stations and using our new digital tools as well as data analytics through our SMART network to monitor and control our field operations. By 2027, we plan to install telemetry at 26 booster stations, enabling visibility and real time pressure control over 400km of pumped water mains, spanning around 7,500 properties.

Visit https://www.niwater.com/current-service-updates/



Economy Efficiently delivering infrastructure to underpin sustainable growth

The long sea outfall during installation off the coast at Ballyferris, County Down.

Economy Efficiently delivering infrastructure to underpin sustainable growth

Strategic areas of focus

- Funding world class economic infrastructure
- Efficient and affordable services
- Sustainable growth

Sustainable development goals

Principal threats/opportunities

Page 84 Read more about principal threats and opportunities.

Strategic performance indicators

Economy	Unit of measurement	Target 2023/24	Actual 2023/24	Pass/Fail	Target 2024/25
Increase/(decrease) in customer tariffs*	%	13.4	13.4	Pass	4.7
Number of economic constraint areas eased (cumulative over 2021-27 period)	Number	0	0	Pass	2
Number of serious development restrictions eased (cumulative over 2021-27 period)	Number	4	8	Pass	12
Bathing water quality**	Excellent	Majority excellent or good ***	18	Pass	Majority excellent or good ***
	Good		6		
	Sufficient		1		
	Poor		1		

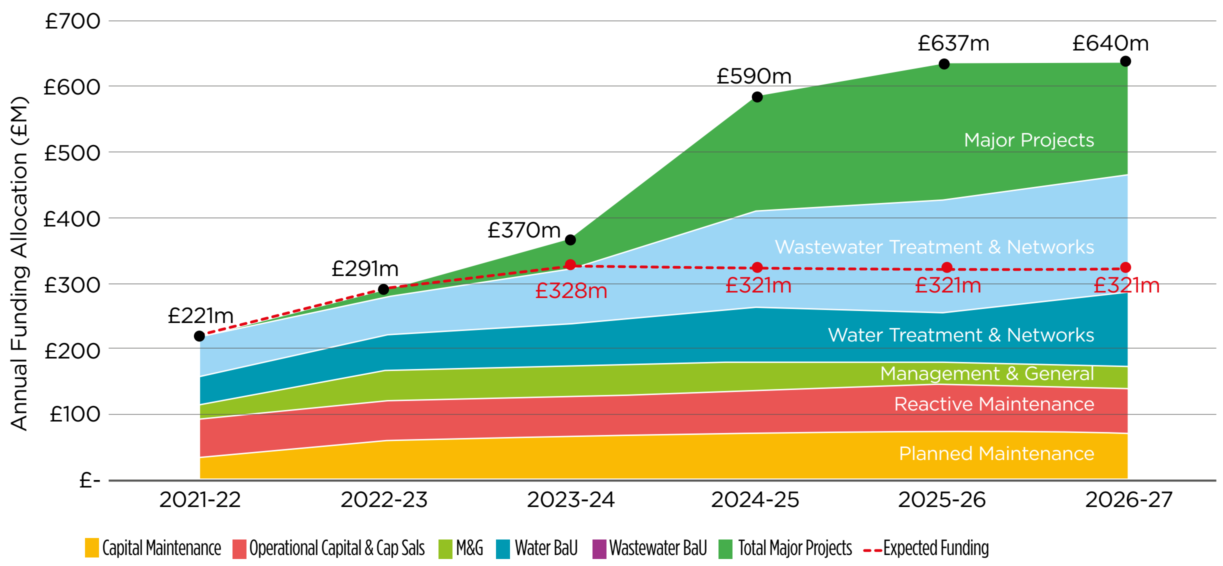
* Non-domestic customers only.

** Bathing water at 26 sites is monitored weekly from May to September each year.

*** Other major contributors to bathing water quality include agriculture, wider industry, and consumer behaviour (flushing inappropriate items).

Funding world class economic infrastructure

Largely unseen, our infrastructure is the foundation for all economic activity in Northern Ireland as almost every new home and business requires a connection to the public water and sewerage system. We share the government's ambition for Northern Ireland to have the infrastructure that enables everyone to lead a healthy, productive, and fulfilling life; supports sustainable economic development; and protects our environment. But this ambition can only be realised if we can secure multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.



Unlocking development constraints

The public expenditure made available from Government for investment in wastewater services has not been able to keep pace with the investment required to provide increased capacity to facilitate growth or achieve water quality targets. Many of our sewerage networks and wastewater treatment plants are having to operate at or beyond their design capacity, limiting opportunities for new connections and constraining economic development in over 100 towns and cities across Northern Ireland, including Belfast and Derry/Londonderry. Our PC21 Business Plan sets out the investment required to start to address the wastewater capacity constraints. We anticipate that it will take a sustained increase in investment over the next 18 years plus to solve the problem of development constraints.

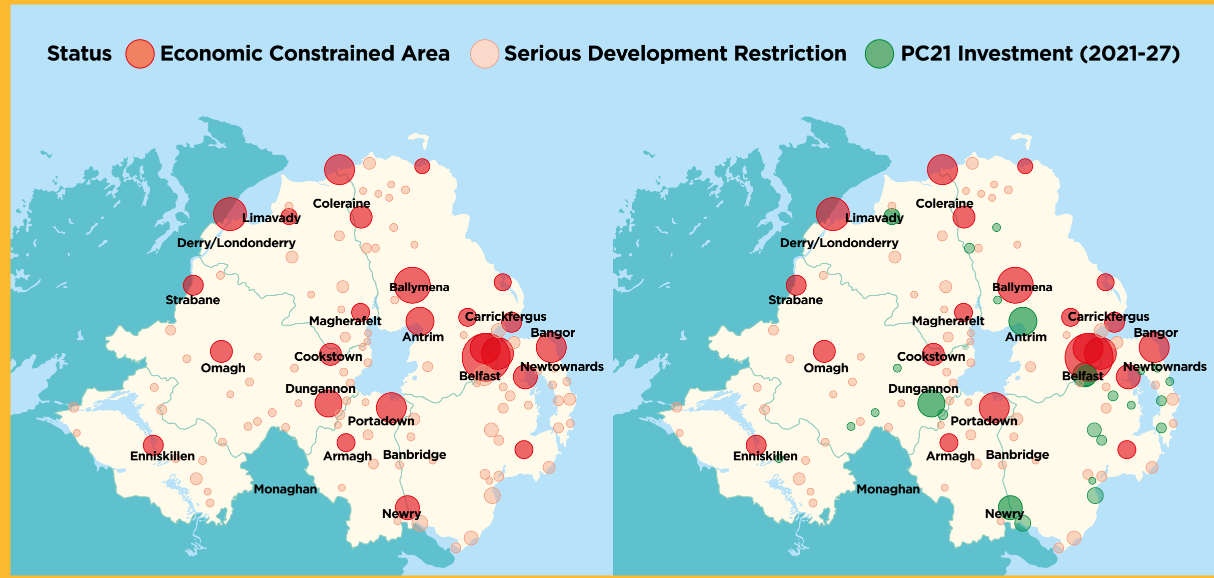
During 2023/24, we continued our engagement with local councils and other stakeholders on wastewater capacity constraints. We also revised wastewater system capacity information across all Council areas and engaged with Council's local development planning teams. We are continuing to develop decision support tools such as Esri ArcGIS and Power BI to help prioritise and target investment on wastewater capacity constraints. One of the key strategies that NI Water has adopted is the introduction of a restructured pre-planning process to help mitigate where possible site restrictions and facilitate connections to our network.

We are identifying innovative wastewater technologies and optimising existing wastewater processes. This may result in some economic growth in the catchments served by wastewater treatment works across Northern Ireland, which are currently operating at or near their capacity. Going forward, we will conduct technology pilot trials at wastewater treatment works which are currently constrained as well as trialling new innovative approaches at a wastewater test bed facility at Ballykelly (North West).

Economy Efficiently delivering infrastructure to underpin sustainable growth

STRATEGIC REPORT

Work is also continuing to develop more holistic capital interventions in drainage areas where potential developer delivered solutions are not possible, with several catchments being used as Pilot Projects. Progression and delivery of these schemes will be dependent upon the availability of capital funding over the remainder of PC21.



Development constraints across Northern Ireland at the start of PC21 (2021/22).

Development constraints across Northern Ireland at the end of year three of PC21 (2023/24).

Giving tourism a boost in Ballyferris

An extensive wastewater project aimed at improving the quality of bathing waters along part of the Ards Peninsula was completed by NI Water ahead of the 2023 summer tourist season. The £18m Ards North Wastewater Improvement Project got underway in May 2021 and included the construction of new wastewater pumping stations and pipelines to rationalise and upgrade the wastewater infrastructure in the Carrowdore, Ballywhiskin and Ballywalter catchments. At the heart of the project was a new state-of-the-art wastewater treatment works. The new treatment facility has been designed to treat all wastewater flows from the villages of Carrowdore, Ballywhiskin and Ballywalter - as well as local caravan parks - to strict environmental standards before discharging the treated effluent via a new sea outfall pipe.

To boost the sustainability of the treatment facility, 138 solar panels have been fitted to the roof of the new control building which will produce over 45,000 kWh per annum. This renewable energy could save NI Water up to £300k over 25 years. Charging points for NI Water's growing fleet of electric vehicles have also been installed at the new treatment works.

The long sea outfall during installation off the coast, adjacent to a caravan park at Ballyferris, County Down.

NI Water Staff with the Mayor of North and Ards Down Borough Council at the launch of Ards North wastewater treatment works, Ballywalter, County Down.

Efficient and affordable service

The Utility Regulator made provision for a Mid-Term Review (MTR) to be undertaken at the mid-point of the six-year PC21 period to allow both NI Water and the Utility Regulator the opportunity to review and, if necessary, adjust aspects of the PC21 determination to ensure it remained realistic and challenging. We made a written submission to the Utility Regulator at the end of September 2023. This submission set out our proposed changes to funding, price limit requirements and some output targets, which were largely driven by global economic volatility and the completion of further evaluation of 'scope uncertain' projects. Having considered NI Water's response to their Draft Determination – submitted in June 2024 - the Utility Regulator published their MTR Final Determination (FD) on 30 September 2024.

Amidst unprecedented levels of funding uncertainty, securing multi-year government commitment to fund the PC21 programme and provide NI Water with the ability to manage financial shocks continues to be our highest priority. Commitment to the PC21 programme not only benefits our customers but also the wider supply chain, environment, and economy.

The NI Audit Office (NIAO) has concluded its review on the funding of NI Water's infrastructure Funding water infrastructure in Northern Ireland | Northern Ireland Audit Office (https://www.niauditoffice.gov.uk/publications/funding-water-infrastructure-northern-ireland). The report highlighted weaknesses in NI Water's current funding arrangements and the consequences which arise from these. The report also warns that these issues are likely to be exacerbated as a result of a continued and increasing funding shortfall going forward and calls for an independent comprehensive review of the alternative funding and governance arrangements led by suitably qualified experts.

"This report highlights the challenges that decision-makers have faced in securing the finance and investment needed to meet water infrastructure requirements in the coming decades. A very real consequence of this underinvestment is that there are many areas in Northern Ireland where new development, including the construction of homes and other buildings, is restricted due to insufficient capacity to connect to sewage and wastewater services."

Dorinnia Carville – Comptroller and Auditor General

Find out more at https://www.niauditoffice.gov.uk/publications/funding-water-infrastructure-northern-ireland. Read more on our funding at page 88.

Ballygomartin 'pumping' out energy savings

17 sites have been progressed for pump optimisation work, investing £4m and delivering 4.7m kilowatt hours (kWh) of annual benefits. This saves enough electricity to power around 1,600 domestic properties annually. Ballygomartin water pumping station is one of the sites where two efficient pumps were installed, replacing previous pumps, which resulted in around a 35% reduction in site energy usage. With every best in class energy efficient pump that we install, we are delivering water more efficiently.

NI Water staff and contractor with the energy efficient pumps installed at Ballygomartin water pumping station, County Antrim.

https://youtu.be/_IZM0N7SijE

Economy Efficiently delivering infrastructure to underpin sustainable growth

Storm overflow optimisation helping to deliver cost savings

We have been working collaboratively to develop innovative approaches to reducing pollution from NI Water assets at a lower cost and carbon footprint, whilst delivering water quality improvements to our local watercourses. Working together, the Hydraulic Modelling and Capital Delivery Teams, have successfully reduced the costs of delivering the storm overflow improvement project in Ballynahinch.

Savings have been delivered after the NIEA indicated that the Ballynahinch town wastewater pumping station needed a large volume of storm storage (around 12 Olympic sized swimming pools) to protect the Ballynahinch River from the storm overflow. Using evidence from modelling studies, coupled with detailed on-site investigations, we demonstrated to the NIEA that a much smaller infrastructure upgrade would be sufficient to achieve the necessary water quality improvements in the Ballynahinch River. The detailed modelling and investigation work, which proved a more efficient solution could be employed, is projected to deliver cost savings of over £50m. In addition, by installing state of the art screens, the scheme will also prevent any sewer related debris (wet wipes etc) visually impacting the river. The subsequent reduction in carbon will also help reduce our carbon emissions.

NI Water staff involved in the storm overflow improvement project.

Read more on storm overflows at page 58.

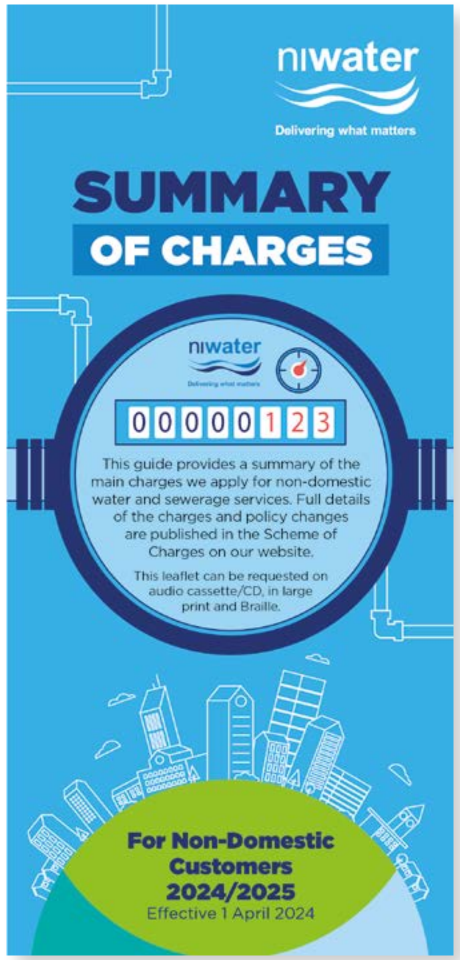
Customer tariffs

We are aware this is a challenging time for businesses and the local economy. Like many of our business customers, we continue to face significant financial pressures from continued high energy prices, high inflationary conditions, and other cost increases.

Whilst any increase is of course unwelcome, we have worked hard to ensure most of our customers will see their bills rise by less than inflation. Specific bill changes operate according to a formula agreed with the Northern Ireland Utility Regulator.

From 1 April 2024, non-domestic water and sewerage charges increased by 4.7% on average. Measured customer bills increased by 4.1%, while unmeasured and trade effluent bills increased by 5.3% and 6.8% respectively.

Find out more at https://www.niwater.com/siteFiles/resources/pdf/WaterCharges/202425/SchemeofCharges202425.pdf



Sustainable growth

Every aspect of life in Northern Ireland relies on the water and wastewater services we provide, so it is important that any investment we make in our infrastructure is built with the future in mind. To improve our long-term resilience, we need to ensure our infrastructure can withstand pressures created by climate change; can accommodate growth in the economy and helps protect and restore nature. We believe that our future infrastructure investment can support not only the transition to a more sustainable and resilient business but also help create an affordable, low carbon green economy for Northern Ireland.

Advances in our investment management processes are helping us ensure we deliver our services for the lowest possible cost. These processes are also helping us choose more integrated sustainable solutions to address climate change. Our Investment Planning and Costing tool allows estimates of standardised costs and recommend lowest whole life cost solutions to be calculated for PC21 projects. We are expanding our carbon accounting to capture whole life carbon and land carbon. Pilot projects are being undertaken over the remainder of PC21 to examine the use of a multi-capitals approach to support our decision making. This approach incorporates the social and environmental costs and benefits not presently captured in market prices.

We are working closely with NIEA on the review of consenting method and source apportionment techniques, which will contribute towards ensuring discharge standards at our wastewater treatment works are proportionate, whilst delivering on the best environmental outcome for the investment delivered by NI Water. We have established an Investment Group, which provides a forum with NIEA to facilitate negotiation of discharge standards, enabling open and transparent decision making, supported by appropriate scientific evidence.

Read more about wastewater compliance on page 57.

£4.7m hydro turbine boost

We were awarded £4.7m of funding through the Department of Economy 'Invest to Save' Scheme. The funding received is for the installation of hydro turbines at Breda service reservoir in South Belfast, Ballygomartin water pumping station in North Belfast and Crocknafeola service reservoir in County Down along with further pump efficiency work across six sites. The hydro turbines will enable NI Water to generate electricity at these sites to reduce grid consumption and/or export to the grid to generate an income for the business.

Hydro turbines at Breda Service Reservoir in South Belfast, County Antrim.

Economy Efficiently delivering infrastructure to underpin sustainable growth

STRATEGIC REPORT

NI Water battery delivers for the Grid

NI Water is set to reduce its carbon footprint after becoming one of the first public sector organisations to install a state-of-the-art battery energy storage system. The 4.1 MW battery is powered by an existing solar farm at one of our largest water treatment plants at Dunore Point. The battery boasts a 5.6 MWh total capacity, which helps to store surplus energy generated onsite from around 24,000 solar panels. The battery means that during periods of low customer demand, NI Water can store this surplus renewable energy to use later during peak times. The company can therefore power its operations at a lower cost and keep water flowing. The battery also has flexibility to provide power back to the grid when required, to help support grid stability and provide greater resilience in the network to benefit NI society and economy.

NI Water's state-of-the-art battery energy storage system at Dunore Point, County Antrim.

https://www.youtube.com/watch?v=CCzFPLvJviM

Nature Protecting and enhancing the natural environment

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

Nature Protecting and enhancing the natural environment

Strategic areas of focus

- More resilient network
- Sustainable solutions
- Keep it clear
- Towards net zero

Sustainable development goals

- 7 Affordable and clean energy
- 11 Sustainable cities and communities
- 13 Climate action
- 14 Life below water
- 15 Life on land

Principal threats/opportunities

Page 84 Read more about principal threats and opportunities.

Strategic performance indicators

Nature	Unit of measurement	Target 2023/24	Actual 2023/24	Pass/ Fail	Target 2024/25
Reduction in pollution incidents - sewage (high and medium)*	Number	10	11	Fail	9
Wastewater compliance (% population equivalent served)**	%	94.65	99.23	Pass	95.71
Reduction in number of properties at risk of out of sewer flooding (cumulative over 2021-27 period)	Number	20	22	Pass	26
Reduction in carbon footprint. Relates to reduction in carbon emissions measured in tonnes of carbon dioxide equivalent (tCO_2e)	%	***	***	***	***

* Calendar year target.

** Calendar year target. Based on pre-announced rather than un-announced regulatory sampling at the treatment works and the reported wastewater compliance doesn't incorporate flow compliance for the wastewater treatment works or the sewer network.

*** Annual targets to be set in 2024/25 aligned with our new Climate Change Strategy.

STRATEGIC REPORT

More resilient network

Reducing pollution and sewer flooding

We had 11 medium severity incidents in 2023, which is one incident above the target. We have reviewed our Pollution Management Strategy and identified additional measures, such as increased event and duration monitors, to improve our performance in this area.

Flooding and the risk of flooding can constrain economic development, increase the cost of insurance, and pollute our natural environment. Most of the urban areas of Northern Ireland, including road surfaces, are served by combined sewers that carry both wastewater and surface water - such a system would never be built today. Climate change has contributed to an increase in the intensity and frequency of rainfall. Heavy rainfall can cause the sewers to become full of water and the sewage to back up in the system. Many of our traditional systems include 'combined sewer overflows', which were designed to prevent out-of -sewer flooding/damage to properties by discharging this excess water directly into the rivers or streams, bypassing the treatment works.

Our PC21 Business Plan includes ambitious storm water removal targets aimed at reducing risk of property flooding, enhancing our natural environment, and facilitating economic growth. This programme is underway with the commencement of investigation studies and modelling. NI Water reports the area of surface area removed through direct capital investment, such as storm separation or Sustainable Urban Drainage System projects.

We removed 230,774m² of impermeable surface area by the end of 2024/25. This is lower than the cumulative target of 1,093,620m² at the end of 2024/25. However, the removal of incidental storm water is expected to increase in line with our wastewater infrastructure programme throughout PC21.

Find out more about climate resilience at https://www.niwater.com/climatechange/strategy/

£7m Ravenhill Avenue Flood Alleviation Project Complete

During 2023/24, we completed the £7m Ravenhill Avenue Flood Alleviation Project. The project was delivered as part of the Living With Water in Belfast Plan which aims to help protect against flooding, enhance the water environment and provide the increased capacity needed for economic growth. Some sewers in this part of South Belfast date back to the early 1900's, they were in very poor condition, and undersized to deal with today's flows. This essential project will improve the sewers, whilst significantly reducing the risk of 'out-of-sewer' flooding and environmental pollution in the area. The project has also removed approximately nine hectares of stormwater from the combined sewerage network, the equivalent of 12 football pitches, allowing it to return directly to the River Lagan.

Ravenhill Avenue Flood Alleviation Project nearing completion.

https://www.youtube.com/watch?v=UVovASjUqc0&t=19s

Nature Protecting and enhancing the natural environment

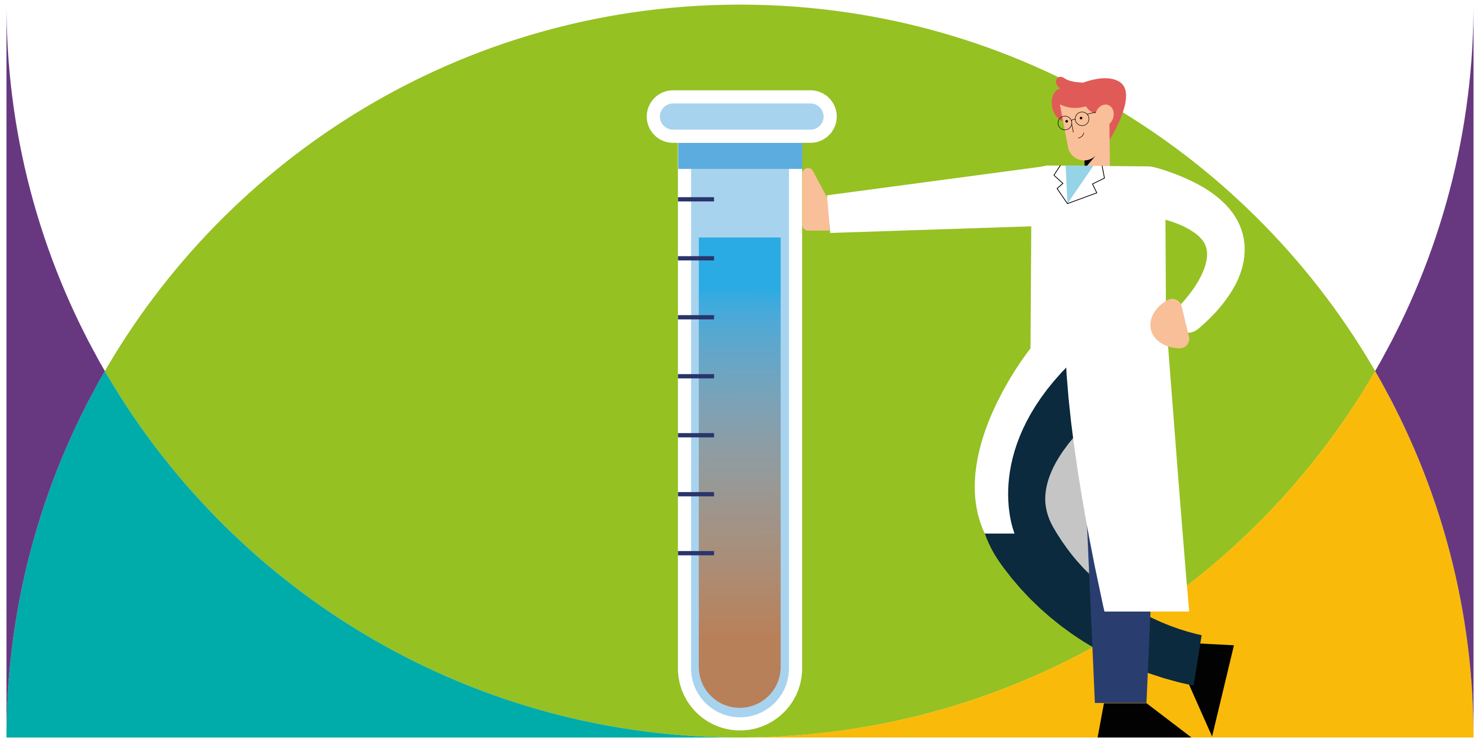
Completing the picture on wastewater compliance

We recognise the need to reform how wastewater compliance is assessed. The current regulatory monitoring programme is based on pre-announced rather than unannounced regulatory sampling at the treatment works and the reported wastewater compliance doesn't incorporate flow compliance for the wastewater treatment works or the sewer network. This provides an incomplete picture of environmental compliance and protection. We are working with the NIEA and other stakeholders to reform the wastewater compliance model to improve compliance across the whole wastewater system. This is known as the Water Regulation Reform Programme.

A Wastewater Regulation Compliance Reform Group has been established with senior management representation from NI Water and NIEA. This working group will act as the interface between NIEA and NI Water on the delivery of wastewater regulation reform programme over PC21. It is recognised that the outcome of the proposed regulation change will result in new evidence, which will highlight non-compliance across our wastewater infrastructure.

NI Water has appointed a programme manager to develop and report progress on the plan for the wastewater regulation reform programme. The wastewater Statement of Regulatory Principles and Intent is under review by NIEA. This will take account of the regulatory approach for recognised underinvestment, a no detriment approach to dealing with development constraints and reform of wastewater compliance assessment. Work continues with NIEA on compliance assessment methodologies, including review of the Flow and Event Duration Monitoring Policies. Identification of investment needs for compliance reform will also be considered as part of the PC27 Business Plan.

We continued our wastewater regulatory monitoring programme over 2023/24. This sampling programme is helping to build up performance data, providing insight to treatment works' performance. We have initiated establishment of an independent wastewater compliance team, which will assist with providing assurance on the management of wastewater assets.



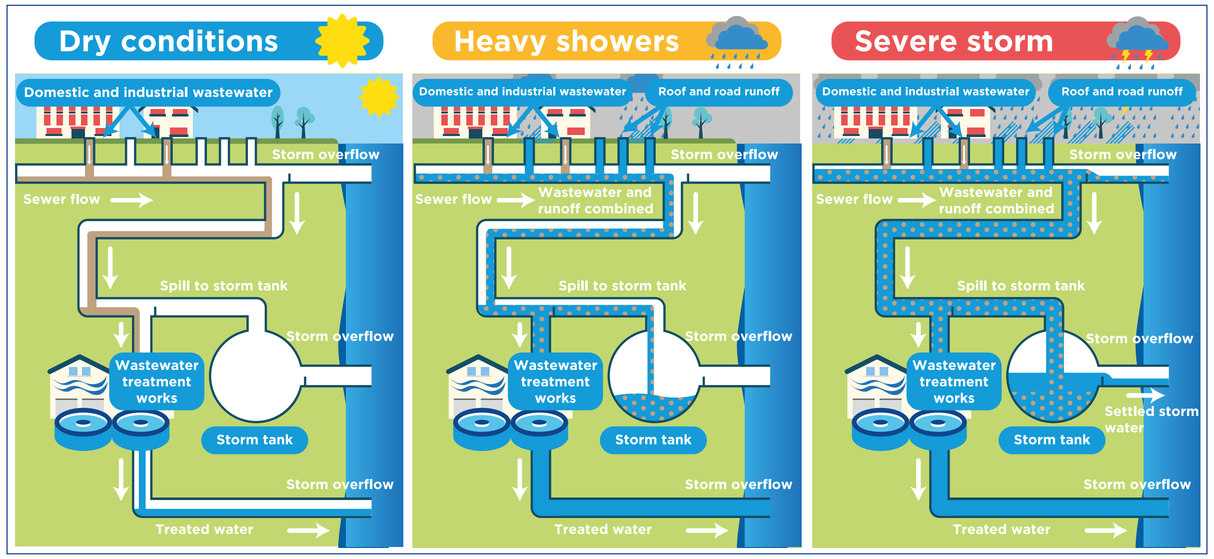
STRATEGIC REPORT

Storm overflows

During periods of heavy rainfall highly diluted wastewater may also be discharged from storm overflows, which are design features on a wastewater system, acting as emergency relief points. This prevents the flooding of homes, businesses, and schools, which would present public health hazards.

Northern Ireland has proportionally more storm overflows per level of population than many other parts of the UK. This is because it was historically cheaper to install more overflows than invest in diverting the rainwater at source and putting in place the larger pipes and holding tanks. This means we have the lowest rate of internal sewer flooding in the UK, while the disbenefit is that we have higher quantities of wastewater going into our rivers, lakes, and seas.

The diagram below shows how the combined sewerage system operates and how spills can occur as rainfall intensifies:



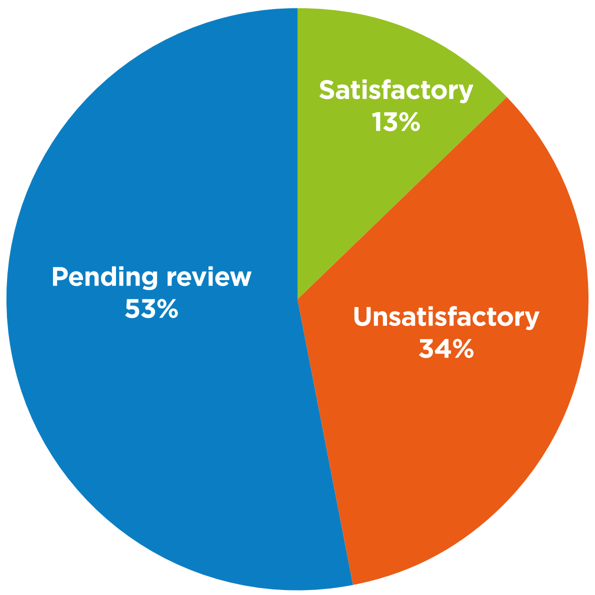
Many overflows are being forced to operate more frequently resulting in higher levels of pollution. This is due to a combination of new housing and business developments occurring without investment in the capacity of the wastewater system. This is leading to an excessive rate of loss of wastewater from many of our networks before it reaches a treatment works.

NIEA sets standards for overflows to allow spills of dilute wastewater at times of prolonged heavy rainfall when receiving waters are themselves fast flowing. Tighter standards apply to bathing and shellfish waters which are special to all and attract tourism. Modelling indicates that many operate much more frequently, contributing to the poor quality of our watercourses, loughs, and the sea.

NI Water has around 2,500 storm overflows. The roll out of event duration monitors over PC21 is helping to quantify the frequency and duration of discharges. We plan to have over 700 monitors installed by 2027, representing around 30% coverage of all storm overflows.

Assessment is ongoing and of those evaluated to date around three quarters are unable to meet the standard set by NIEA. Other contributors are agricultural practices and private drainage systems, with the share of pollution greatly varying depending on the characteristics of each catchment.

Storm overflow status



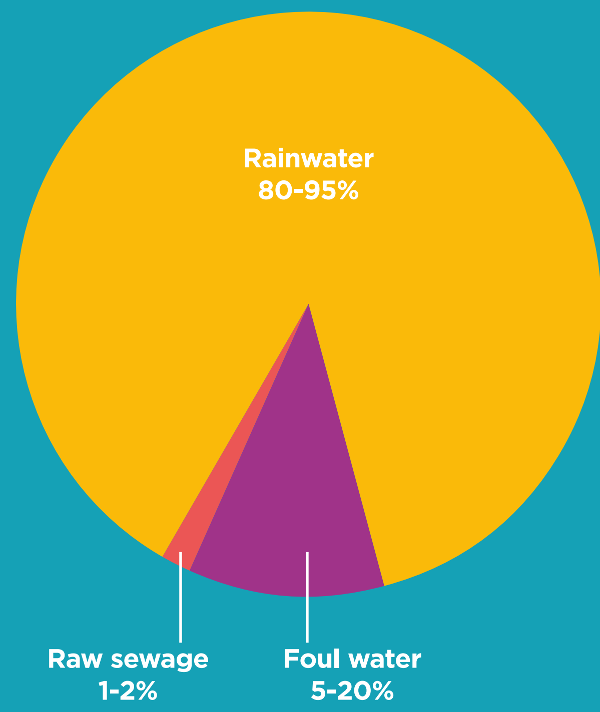
The modelling of drainage systems and catchment environments in collaboration with NIEA is giving us new information on where future investment is best targeted to tackle these spills. Our predictive models indicate 16 to 20 million cubic metres of wastewater is spilling each year – a figure that may rise by around 10% when all modelling is complete. The spills are mostly rainwater and although it varies, spills contain foul water and during times of heavy rain typically contain 1-2% of raw sewage.

Our initial estimate is that it could cost between £3billion - £4billion to address all unsatisfactory overflows. It is estimated that a further £3billion could be required to bring these up to the new standards that are now being adopted in England.

NI Water's website contains an interactive map to indicate the location of the discharges.

Find out more at https://www.niwater.com/storm/overflow/

Make-up of typical wastewater spill during storm conditions



Living with Water Programme (LWWP)

Living With Water is a new multi-agency approach to the provision of drainage and wastewater infrastructure, which promotes holistic and integrated solutions that achieve multiple benefits at reduced cost and disruption. Open spaces and watercourses can be used to enhance the environment, promoting recreational opportunities and by sustainably managing water to help reduce flood risk. This is commonly referred to as blue/green infrastructure. In addition to blue/green infrastructure it is recognised that significant investment is also required in more traditional infrastructure, like sewers, pumping stations and upgrades to our wastewater treatment works.

The £1.4bn Strategic Drainage Infrastructure Plan for Belfast was published by the DfI in 2021/22, with several significant flood alleviation projects carried out in Belfast over 2022/23. A similar approach is being explored for Derry/Londonderry, which NI Water plans to support. We are also working with the DfI to develop the NI version of the Water UK 'Drainage and Wastewater Management Plan Framework' to help sustainably manage our drainage infrastructure.

Inflation has had a significant impact on construction projects across the public and private sectors with materials and labour costs climbing sharply over the last two years. The current estimate of programme costs has increased to £2.1bn. Funding of the programme is being reviewed by the DfI.

Find out more at https://www.infrastructure-ni.gov.uk/topics/living-water-programme

Sustainable solutions

Solar system

As part of our PC21 commitment to double our existing 8MW of solar generation by 2027, we're exploring installations across our own land, through strategic partnerships. During the first phase of the project, we've installed over 2,000 solar panels across three sites to generate clean electricity and lower our carbon footprint. The on-site roof and ground mounted solar installations were completed at energy intensive sites at Drumaroad and Killyhevlin water treatment works, and Limavady wastewater treatment works. The solar panels have a combined capacity of 0.9 MW of power, which will capture the sun's energy and convert it into electricity, which will be consumed on-site reducing demand from the electricity grid.

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

Getting in the 'ozone'

We have been working to deliver energy efficient savings at Dunore Point water treatment works on the shores of Lough Neagh. Through collaborative working, NI Water has achieved significant energy cost savings of around £100k per year by turning off the ozone process over the lower risk winter months, whilst still maintaining drinking water quality compliance.

NI Water staff at Dunore Point water treatment works, County Antrim.

'Reed' all about it

A part nature-based solution to wastewater treatment has been completed at Loughries wastewater treatment works, Newtownards, County Down. Due to its age, an increasing load from the village, and ever-tightening discharge limits being applied, the existing works was in danger of breaching consents. The project involved the design and construction of a new treatment process consisting of a septic tank and aerated reed bed, which is a long-term solution to operate as a tertiary final polishing system. The vertical flow orientation of the reed bed minimises the footprint of the required bed, whilst aeration provided enhanced microbial treatment to bring discharges to the required standard.

Aerated reed bed growth at Loughries wastewater treatment works, Newtownards, County Down.

Nature Protecting and enhancing the natural environment
STRATEGIC REPORT

Keep it clear

We deal with around 10,579 blockages of our sewers each year. The most common cause of these blockages is the flushing of items which do not dissolve down the toilet such as wet wipes and the disposal of fats, oils, and grease down the sink. These combine to form a solid mass in the pipes underground, meaning less waste can pass through the pipe. If enough waste cannot pass through, it leads to flooding in homes, business, or our natural environment.

The UK Government has announced plans to ban the supply and sale of wet wipes containing plastic, aiming to combat plastic pollution and safeguard waterways. The legislation, set to be introduced in 2024/25, will be implemented in stages across England, Northern Ireland, Scotland, and Wales.

Bin it

NI Water continues to promote the 'Bin it' message to raise awareness of the damage caused by flushing inappropriate items, encouraging the public to 'bin it' instead. This is done through an extensive 'Bin it' advertising campaign which is spread across five months of the year, utilising TV, radio, outdoor and social media assets. This campaign is enhanced with an extensive awareness campaign, focussing on key times of the year when fats, oils and grease may be more of a problem in the home, for example, Christmas or Easter. The message was also promoted at the Balmoral Show, with artwork showing the impact of a blocked pipe running throughout the floor of the stand, creating a talking point for staff. Over 10,000 customers were given key messages, including the 'Bin it' message over the four-day period of the show.

NI Water also carries out targeted campaigns in areas where there is an identified problem. For example, an area in Portadown was highlighted as having of recurring blockages. Local elected representatives and the Town Mayor were invited to a photocall alongside NI Water staff. This release was issued across the Portadown area. The blockages stopped in this area and a follow up release 'Portadown loves their sewers' was issued in 2023/24.

Artwork showing the impact of a blocked pipe at the Balmoral Show, Belfast, County Antrim.

NI Water staff with local elected representatives and Lord Mayor of Armagh City, Banbridge and Craigavon during the targeted 'Bin it' campaign in Portadown, County Armagh.

https://youtu.be/syp45gNoFDg?si=qTYK79HU_qbK6RY0

https://www.niwater.com/fats-oil-and-grease-fog/

Delivering net zero carbon and climate resilience

Addressing climate change is critical to the water sector given the impact on the quality and quantity of water sources, the carbon intensity of our sector's supply chain, and the exposure of our assets to extreme weather events. We are mitigating emissions from our activities, reducing emissions where we can from our construction and the wider supply chain, and adapting our assets to extreme weather events.

At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. Our Climate Change Strategy was published in May 2023 and sets out how we can harness the huge and largely unseen potential for NI Water to address climate change. Several of the approaches we are taking will benefit our society and economy more broadly as it seeks to decarbonise and exploit the benefits of green growth through a just transition. We have challenged ourselves to go further and faster than the net zero 2050 targets set by law. NI Water is committed to achieve net zero for the energy we use by 2030 and net zero for all our emissions by 2040, as measured against our 2020/21 adjusted baseline. We can also play a strategically important role in helping society to decarbonise by planting one million trees; building more renewables on our land; kick-starting our hydrogen economy; and providing sources of warmth for district heating schemes.

However, climate change is a systematic problem for Northern Ireland and requires systematic solutions. We also need holistic solutions that address the changes of the global energy crisis and growing pressures on public sector funding that we experience as a government owned company. To do this, we will need support from all our stakeholders, a positive policy and regulatory environment from government and regulators, innovation from our supply chain, reduced water use from our customers, and collaborative planning from councils and other partners. To meet future strategic challenges such as climate change, water companies in England and Wales are proposing to make their largest ever investment, nearly doubling investment levels over the 2025-30 period. In contrast, NI Water faces material underfunding of PC21 which is adversely impacting on delivery of our Climate Change Strategy. Delivery of our Climate Change Strategy is critically dependent on multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

Taskforce on Climate related Financial Disclosures

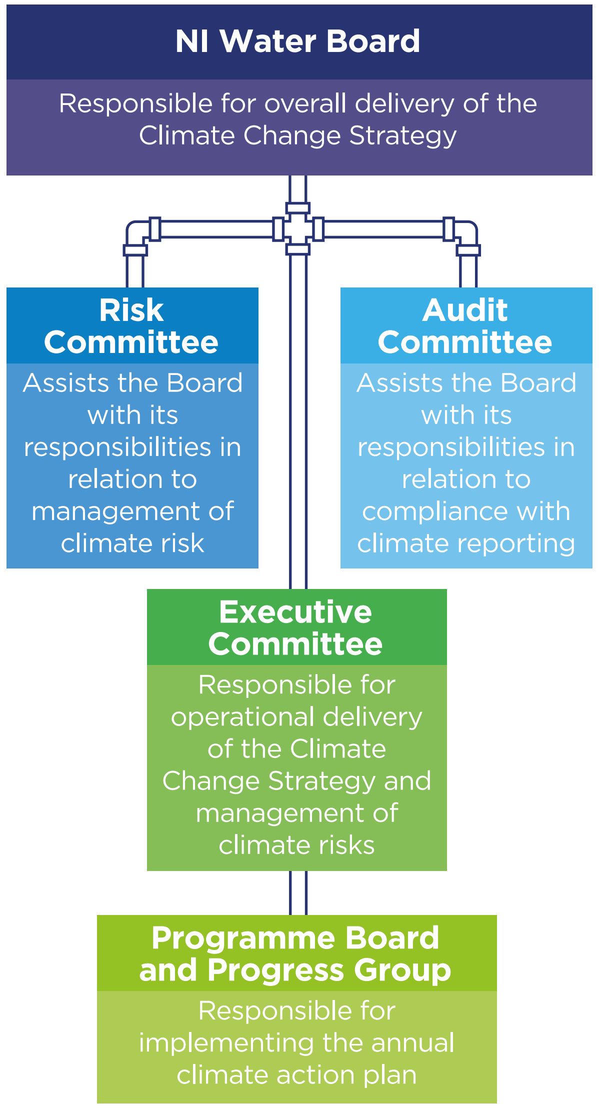
Large sections of the UK economy have moved to mandatory climate change reporting against the Taskforce on Climate related Financial Disclosures (TCFD). This is in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

NI Water has transitioned towards TCFD compliance for 2023/24 and will continue to develop our disclosures over 2024/25. The TCFD framework focuses on four key elements, supported by 11 recommended disclosures:

TCFD elements	TCFD recommended disclosures
Governance	**a.** Board oversight
	b. Management role
Strategy	**a.** Climate-related risks and opportunities
	b. Impact on the organisation's businesses, strategy and financial planning
	c. Resilience of the organisation's strategy
Risk Management	**a.** Risks identification and assessment processes
	b. Risk management process
	c. Integration into overall risk management
Metrics and Targets	**a.** Climate-related metrics in line with strategy and risk management process
	b. Scope 1, 2, 3 greenhouse gas metrics and the related risks
	c. Climate-related targets and performance against targets

Governance

We are committed to best practice climate governance to ensure robust oversight and successful delivery of our Climate Change Strategy.



Board

The NI Water Board provides leadership on climate change and takes overall responsibility for overseeing the management of risks associated with and sets the risk appetite for climate change. Climate change risk and opportunity is integrated into the strategic review process in NI Water and is one of NI Water's Principal Risks. The Board receive quarterly updates on the management of climate change risks. Find out more about our Principal Risks on page 84.

The Audit Committee and Risk Committee supports the Board on climate risk management and climate reporting and receive quarterly updates on these areas. Refer to the reports by the Committee Chairs at page 126 and page 128.

Executive Committee

Responsibility for operational delivery of the Climate Change Strategy and management of climate risks rests with the Executive Committee. The Director of Engineering and Sustainability is the designated Senior Responsible Owner for climate change and is supported by a Head of Climate Change and designated senior managers and their teams across relevant areas of the business. The Executive Committee receive quarterly updates on the climate strategy and the management of climate risks.

Programme Board/Progress Group

The Executive Committee is supported by the Climate Change Strategy Programme Board/ Progress Group which is responsible for implementing the annual climate action plan. NI Water actions and the action owners from across the business are identified to ensure traction and delivery of the Climate Change Strategy Delivery risks are managed by the Programme Board, drawing on updates from the Progress Group, and reported quarterly to the Executive Committee.

Strategy

Focusing on climate has been a priority for NI Water since our formation in 2007. We have made significant improvements in water resilience for customers, delivering higher levels of leakage detection, sustained investment in water mains and water efficiency initiatives.

We have been developing a Water Resilience and Supply Plan from 2012 and have been partners in the Living With Water Programme to improve strategic drainage infrastructure from 2014. Since 2015, we have reduced our operational carbon emissions by well over 50%, through alternative fuel projects to reduce fossil fuels used in our treatment processes, delivering solar farms, restoring peatland, and planting new woodlands.

Read more about our Climate Change Strategy at https://www.niwater.com/climatechange/strategy/

Corporate Strategy

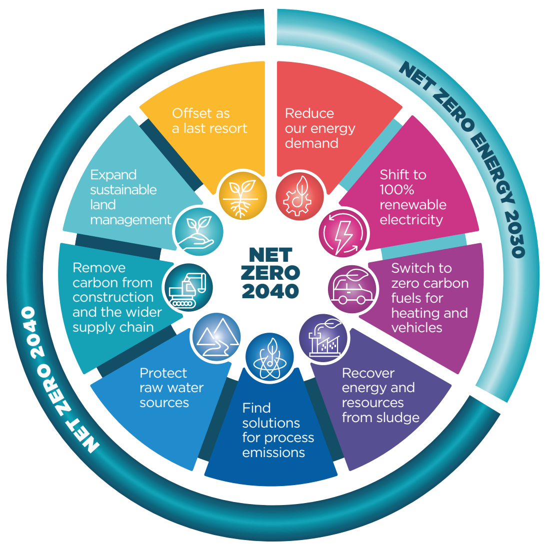
Our Corporate Strategy sets the overall strategic direction on climate action in the medium-term across PC21 (2021-27) and over the longer-term (2021–2046). Getting to net zero for emissions and ensuring we are resilient to climate change are essential elements within our Corporate Strategy through our strategic priority on nature. We set out our goal to fully exploit innovative approaches to energy and new technology to reduce our carbon footprint and ultimately become carbon neutral. The long-term corporate strategy also recognised the need for a sustained step change in levels of investment to improve asset resilience.

Climate Change Strategy

Our Climate Change Strategy sets out our approach to building a net zero and climate resilient business. The Strategy sets out:

- our pathway to net zero emissions for the energy we use by 2030;
- how we will achieve net zero for all our emissions by 2040; and
- what we will do to ensure resilience of our services to climate change by 2050 and by 2090.

These 2030 and 2040 targets are further broken down by shorter term annual targets which are to be progressed by the Climate Change Strategy Programme Board/ Progress Group.



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Risk management

The climate risks we face span transition risks and physical risks. Addressing these helps us to protect our customers where we can from the worst impacts of climate change and presents us with an opportunity to invest for sustainable outcomes, such as the new low carbon energy sources outlined in our Power of Water Report.

Transition risks

Transition risks are about the risks of transitioning to a net zero economy. Limiting warming to 1.5°C means organisations face transition risks from the imposition of government policy and regulation, such as the introduction of carbon taxes, climate litigation, reputational exposure, and shifting consumer preferences, as well as from the 'green premium' on new technology. Transition risks can lead to additional funding pressures and the stranding of assets which are no longer useable under new policy and regulation.

Physical risks

With every small increase in average global temperatures there are changes to the climate, which can lead to more severe weather events and degradation of the natural environment. These are the physical risks of climate change. We have already seen the impact of global warming across our region through increased flooding, storms, prolonged periods with no rainfall and more frequent periods of intense rainfall. All these factors create challenges across our business. There are also physical risks associated with our operational assets especially in relation to critical facilities located in exposed areas.

By 2050 Northern Ireland is expected to experience a temperature increase of between a 1.9°C, in a middle emission scenario, and 2.4°C, in a high emission scenario. By the 2090s the temperature is projected to be significantly higher of between 3.3°C and 5.2°C. Climate hazards have potential to cause major disruption to our water and wastewater service. We have summarised the hazards under the following areas:

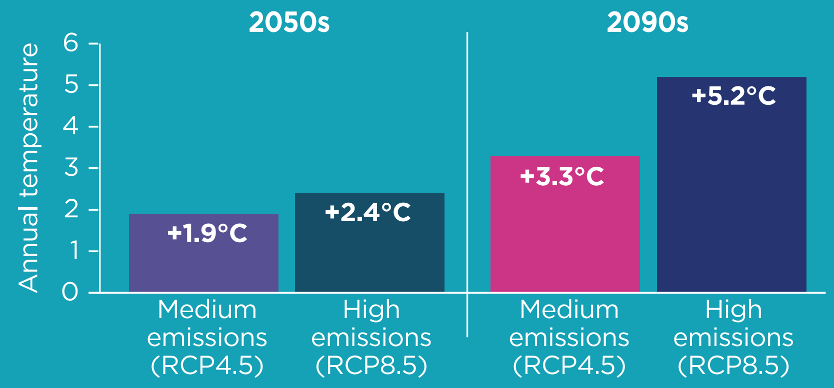
- Warmer and drier summers causing a surge in water demand and risk of drought; and
- Intense rainfall, rising sea levels and severe storms overwhelming our sewers and leading to internal flooding of homes and pollution of water courses, putting our low-lying coastal sites at risk of flooding, and causing damage to our infrastructure.

We recognise that other hazards exist such as extreme cold, which can also cause a surge in water demand. These hazards pose indirect risks to us by impacting on infrastructure that we are dependent on such as the road network, on our people or on our supply chain.

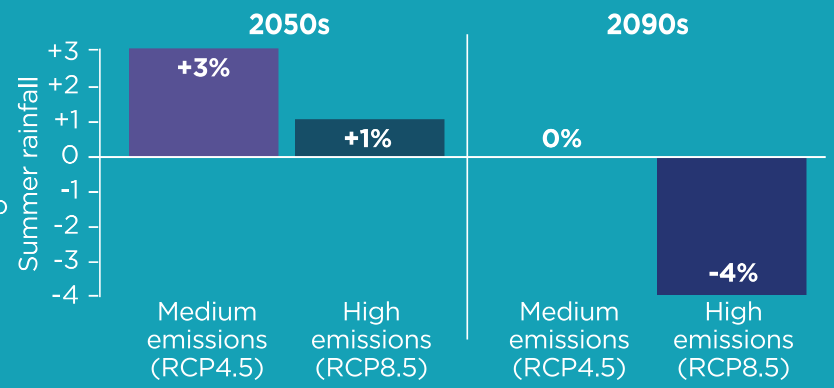
As an operator of critical national infrastructure, we must be ready for climate change. We are moving our business to a higher state of readiness by planning for two degrees of temperature rise by 2050 and preparing for four degrees by 2090. As part of this, we ensure that our business continuity plans, major incident plan and commercial insurance programme are aligned with this Climate Change Strategy.

STRATEGIC REPORT

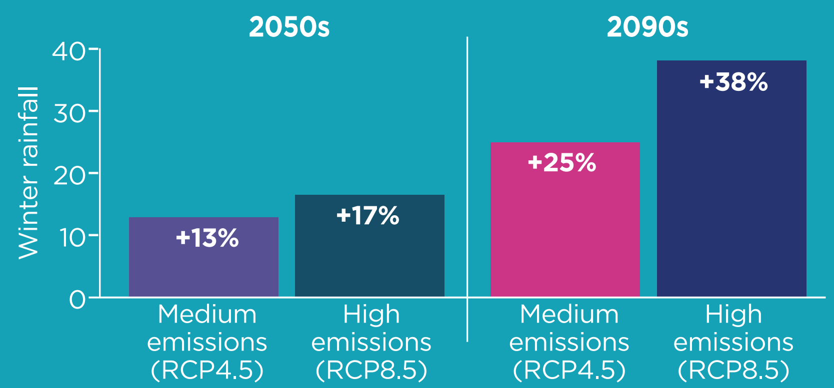
Annual temperatures are set to increase on average by between 1.9°C - 2.4°C by 2050*



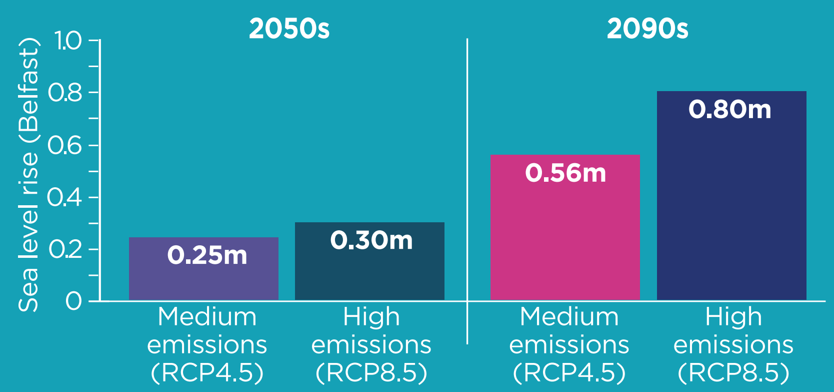
We can expect hotter drier summers, and while overall summer rainfall is projected to decrease, downpours will be more extreme**



Winter rainfall is projected to increase creating warmer wetter winters**



Projected sea level rise has the potential to impact our coastal towns and cities including Belfast



Climate change and sea level rise projections based on the 90th and 95th percentile respectively (compared to the 1981-2000 average).

*UKCP18 key results, available at https://acct.metoffice.gov.uk/pub/data/weather/uk/ukcp18/science-reports/UKCP18-Probabilistic-Update-Report.pdf
**CCRA3 2021, Summary for Northern Ireland available at https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA-Evidence-Report-Northern-Ireland-Summary-Final.pdf

Opportunities

Investing to mitigate the transition and physical climate risks we face brings a wealth of new opportunities. Our Power of Water Report underlined the potential for NI Water's assets to act as catalysts for transforming the energy system by both producing clean, renewable energy and support flexibility of supply. NI Water and its customers will benefit from our renewable transition in the stability of costs and mitigation of emissions, but this can only be fully achieved with collaboration across institutions and stakeholders in Northern Ireland. Other opportunities are continually being explored and will be progressed in the coming years. Taking the opportunities to mitigate these risks will have wider benefits for the Northern Ireland landscape in reducing inequalities, improving air quality, and creating new jobs and opportunities.

Risk scenario modelling

We developed a Climate Risk Model in 2021/22 to assess the financial impacts of physical and transition risks. The model points to illustrative trends for physical and transition risks over the next three decades. These show transition risks peaking over this decade before being overtaken by physical risks.

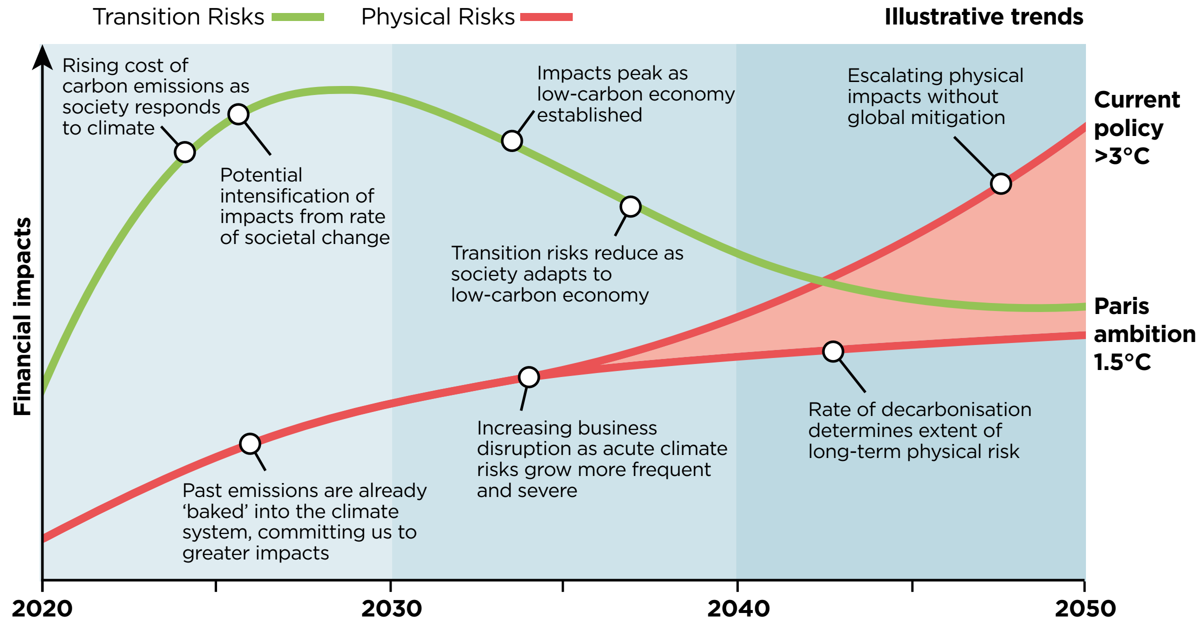
The model helped inform the development of our Climate Change Strategy, particularly in relation to the timing of our targets and actions for net zero and climate resilience. The Model has also helped us identify information required to improve our understanding and climate decision making.

The model points to illustrative trends for physical and transitional risks over the next three decades. These show transitional risks peaking over the next decade before being overtaken by physical risks. These trends reflect that companies and their owners face significant risks from both action and inaction.

The magnitude of the short-term financial impacts over the PC21 period excludes the costs to transition NI Water to net zero. This aligns with the approach taken for the PC21 Business Plan and will likely result in a material increase in the financial impacts once factored in for PC27 (2027-33) and future Price Controls.

The modelling exercise identified several areas for development, which have been incorporated into the Climate Change Strategy action plan:

- transition (policy) risk – more granular assessment of scope 3 supply chain emissions as part of setting of science based targets;
- transition (technology) risk – quantifying the cost to decarbonise the business by 2040 and funding via the Price Controls; and
- physical risk – assessment of granular asset level impacts to inform long-term asset resilience as part of our long-term resilience planning for clean water and wastewater.



Illustrative trends for physical and transitional risks over the next three decades.

We re-ran the model over 2023/24 to further inform our 2023/24 TCFD disclosures. The re-run process involved the following developments:

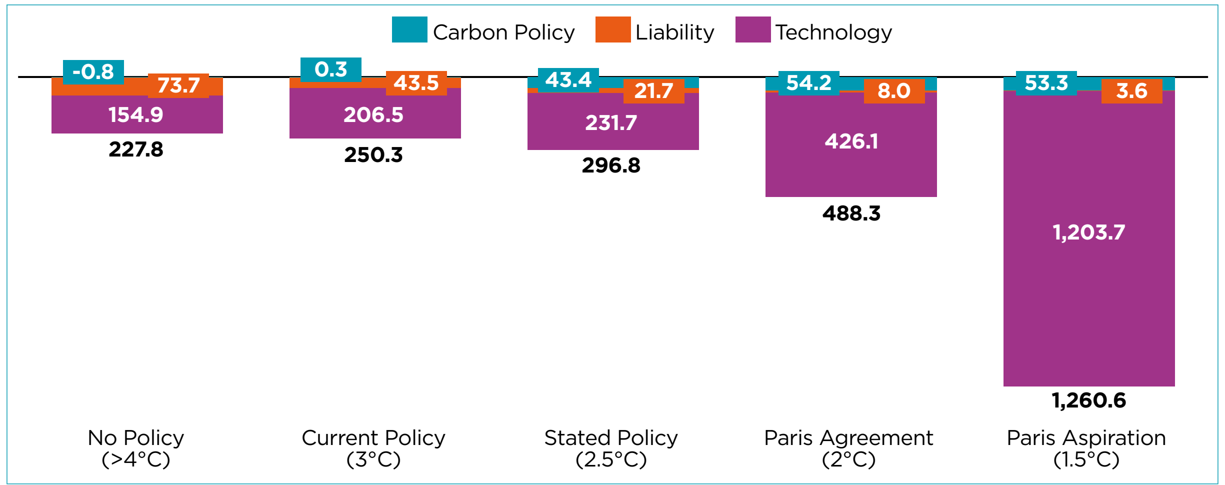
- inclusion of improved data sets such as Scope 3 emissions;
- extending the transition risk assessment, assessing policy, liability and technology risks over a 5-10 year time frame; and
- physical risk assessment to quantify the business disruption, property damages and market disruption risk and opportunities present.

Key findings from the model re-run included the following:

Value at risk over the 10-year time frame - £m

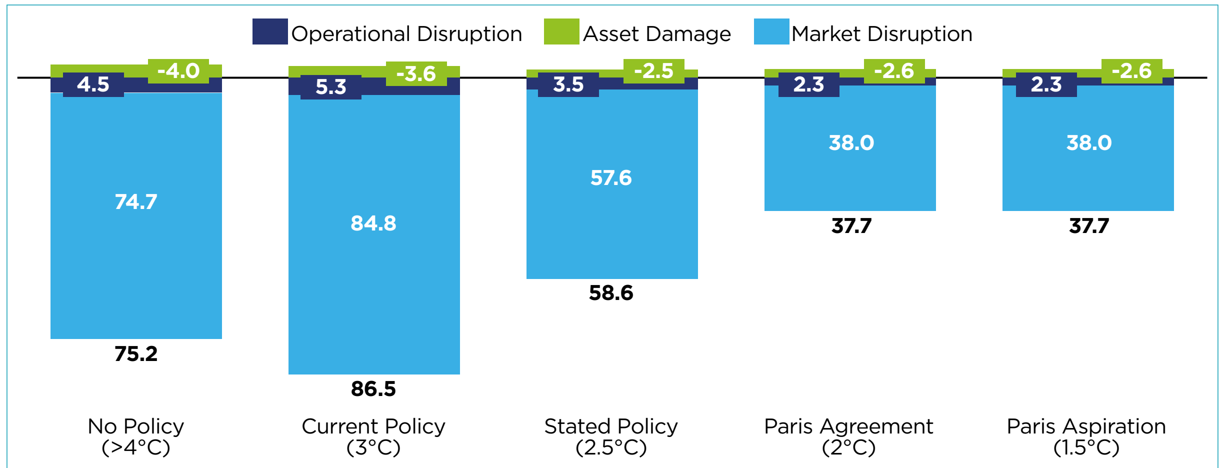
Transition Risk:

- technology risk is the dominant transition risk faced by NI Water, while policy (carbon pricing) and liability (climate litigation) risks are present, the magnitude is smaller;
- the overall impact of transition risk ranges from £227m to £1.2bn as the economy adopts more climate stringent policies;



Physical Risk:

- the largest physical risk costs at £86.5m are expected to be incurred in the current policy scenario over the ten-year time frame;
- the leading peril impacting NI Water's key facilities is temperate windstorm, followed by riverine flood and drought/water stress; and
- heatwave and drought/water stress are expected to increase the demand for NI Water's services.



Key recommendations from the model re-run include creating a decarbonisation plan to reduce emissions, with a particular focus on Scope 3 emission reductions; accelerating the electrification of NI Water's assets, creating a strategy for assets with larger fossil fuel dependency and establishing a climate risk mitigation plan and business interruption plan for all key facilities. These recommendations will be progressed over 2024/25.

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STRATEGIC REPORT

Model assumptions:

Input data and Assumptions

- This exercise assesses the potential impact of climate on NI Water's earnings value in the next 5-10 years under set global temperature scenarios (>4°C, 3°C, 2.5°C, 2°C and 1.5°C);
- Cash Flow projections for the next 5-10 years are used; and
- Baseline Cost of Capital is calculated based on NI Water's current capital structure and cost of debt and equity.

Limitations and Constraints

- Impact on earnings value is calculated assuming that NI Water does not modify its current/planned strategy based on the market ecosystem. Thus, the exercise does not provide an expected value of this impact.

Transition risk assumptions:

	Modelling data assumptions
Carbon Policy	• Carbon costs have been estimated based on the NI Water's GHG emissions • Scope 1 and Scope 2 emission values were obtained from NI Water's annual report • The collective global Scope 3 emissions data was geographically split using NI Water's geographical ratio from the previous year • For comprehensive analysis, it is assumed that NI Water retains all the increased carbon pricing costs
Liability	• For comprehensive analysis, this exercise assumes that NI Water will not pass litigation costs to customers
Technology	• The following depreciation rates were utilised for assets: property: 1.97%, machinery: 8.23%, transport: 17.68% • The reduction in fuel usage for transport assets is assumed to be proportionate to the size of NI Water's electric fleet • NI Water's property assets are assumed to have a 2.3% fossil fuel utilisation rate due to the use of kerosene, gas oil, natural gas and propane in buildings • Machinery assets are assumed to have a 100% fossil fuel utilisation rate • It is assumed that NI Water retains all the increased investment costs and does not pass them onto customers

Physical risk assumptions

	Modelling data assumptions
Operational Disruption	• Replacement costs were identified for all key facilities to determine the cost associated with extreme weather events impacting NI Water's key facilities • Where replacement costs were not available for facilities, initial costs of the facilities were pro-rated to 2023
Asset Damage	• Replacement costs were identified for all key facilities to determine the cost associated with extreme weather events impacting NI Water's key facilities • Where replacement costs were not available for facilities, initial costs of the facilities were pro-rated to 2023
Market Disruption	• 2023 revenue values were aligned to NI Water's market breakdown from the previous assessment conducted

Our principal risk on climate change is being aligned with the analysis on physical and transitional risks and the Climate Change Strategy. This will further support the embedding of climate risks through our corporate, directorate and programme/project risk and resilience management systems.

The long-term viability assessment has been updated for the latest analysis on climate risks. Find out more at page 136.

The Directors have considered in the Section 172(1) statement how their decisions support the long-term climate resilience of the business and the consideration of the climate impact of its operations. Find out more at page 142.

We have also considered the impact of climate change on the financial statements across areas such as provisions, impairment, contingent liabilities and accounting judgements and estimates. Find out more at page 168.

Metrics

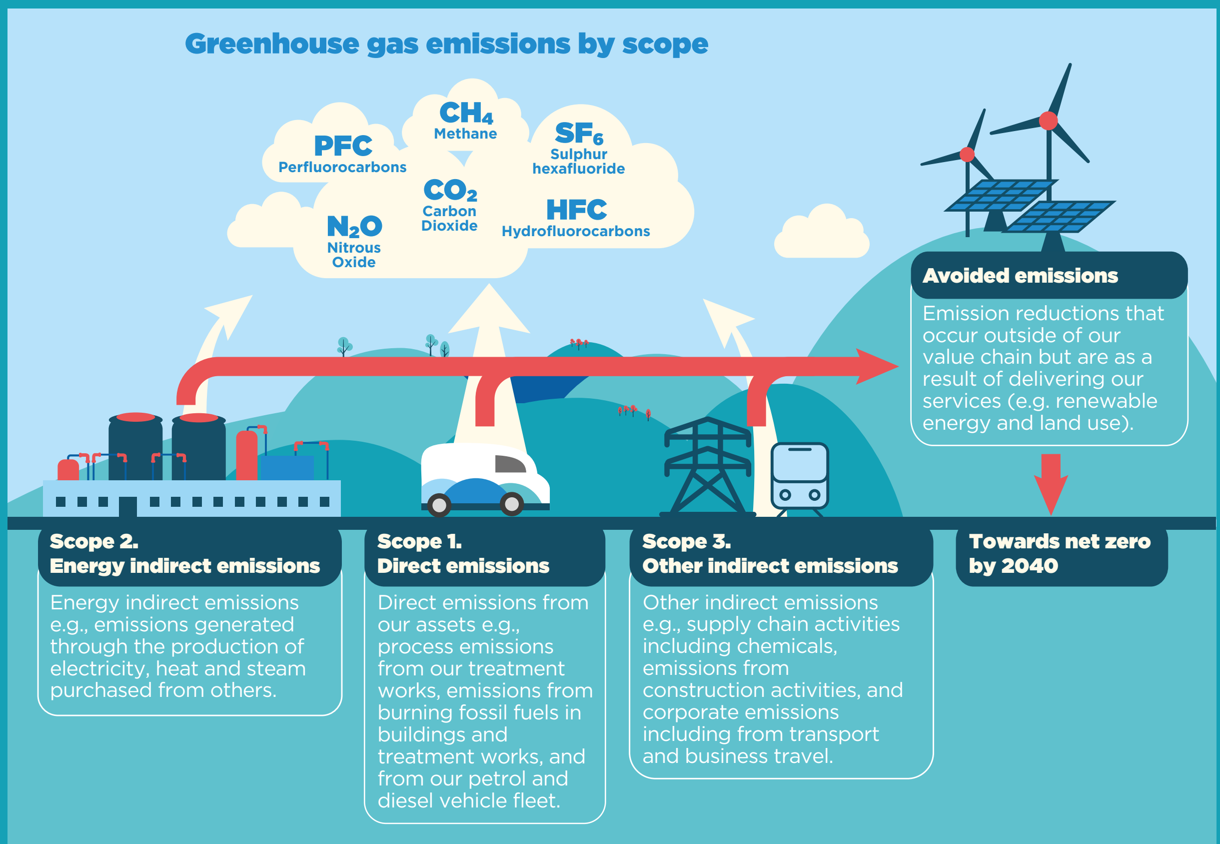
We account for our greenhouse gas emissions annually using the UKWIR Carbon Accounting Workbook, designed specifically for water companies to measure and report their emissions. The emissions are split into different categories known as scopes.

The Workbook is used to prepare the disclosures in our Annual Integrated Report and is aligned to the UK Government Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting Regulations.

We report a fourth category of emissions in our Annual Integrated Report. This category is known as 'avoided emissions' and relates to emission reductions that occur outside of our value chain but are because of delivering our services (e.g., renewable energy).

In 2022/23 for the first time, we augmented our existing 2020/21 reporting by estimating our full scope 3 emissions, so we have a better understanding of our total annual emissions footprint. This is important as it allows us to set a baseline, which we can now use as a reference point in future years to compare how we have progressed in decarbonising our business. We will further develop our methodology in 2024/25 to establish land use and wastewater process emissions and how these factors impact in our overall carbon footprint.

We have already made sizeable reductions in our greenhouse gas emissions since we began reporting. But we know there is much more to do, and we are playing our part in the water industry's drive to improve the accuracy of our reporting.



Our baseline is made up of 2020/21 emissions from our activities, and subdivided into scopes 1, 2, and 3.

The reported emissions for 2022/23 and 2023/24 are shown below:

NI Water greenhouse gas emissions	2023/24 tCO_2e Market based*	2023/24 tCO_2e Location based**	2022/23 tCO_2e Market based*	2022/23 tCO_2e Location based**
Scope 1 direct emissions				
Direct emissions from burning of fossil fuels	2,319	2,319	1,912	1,912
Process emissions from our treatment plants	7,929	7,929	7,185	7,185
Transport: Company owned or leased vehicles	2,121	2,121	2,418	2,418
Total scope 1 direct emissions	**12,369**	**12,369**	**11,515**	**11,515**
Scope 2 energy indirect emissions				
Grid electricity purchased	19,009	53,624	21,263	49,652
Total scope 2 energy indirect emissions	**19,009**	**53,624**	**21,263**	**49,652**
Total scope 1 and scope 2 (gross of avoided emissions)	**31,378**	**65,993**	**32,778**	**61,167**
Avoided emissions				
Avoided emissions from renewable electricity exported	(283)	(283)	(281)	(281)
Avoided emissions from renewable electricity purchased	N/A	(32,432)	N/A	(30,983)
Total avoided emissions	**(283)**	**(32,715)**	**(281)**	**(31,264)**
Total scope 1 and scope 2 (net of avoided emissions)	**31,095**	**33,278**	**32,497**	**29,903**
Scope 3 other indirect emissions				
Purchased goods and services	56,166	56,166	80,310	80,310
Capital goods and services	93,107	93,107	64,560	64,560
Waste generated in operations	18,581	18,581	9,410	9,410
Employee commuting, homeworking and business travel	2,156	2,156	1,850	1,850
Fuel and energy	19,216	19,216	6,200	6,200
Transport and distribution	3,302	3,302	3,330	3,330
Leased assets	152	152	100	100
Total scope 3 other indirect emissions	**192,680**	**192,680**	**165,760**	**165,760**
Total reported emissions (net of avoided emissions)	**223,775**	**225,958**	**198,257**	**195,663**

*Market-based figures use emission factors specific to the actual electricity purchased.

**Location-based figures use average grid emissions to calculate electricity emissions.

NI Water greenhouse gas emissions intensity	2023/24	2022/23	2021/22	2020/21
Total location-based reported emissions per megalitre of treated water (tCO_2e/Ml)	1.026	0.887	0.608	0.684
Total location-based reported emissions per megalitre of sewage water (tCO_2e/Ml)	1.717	1.487	1.019	1.148

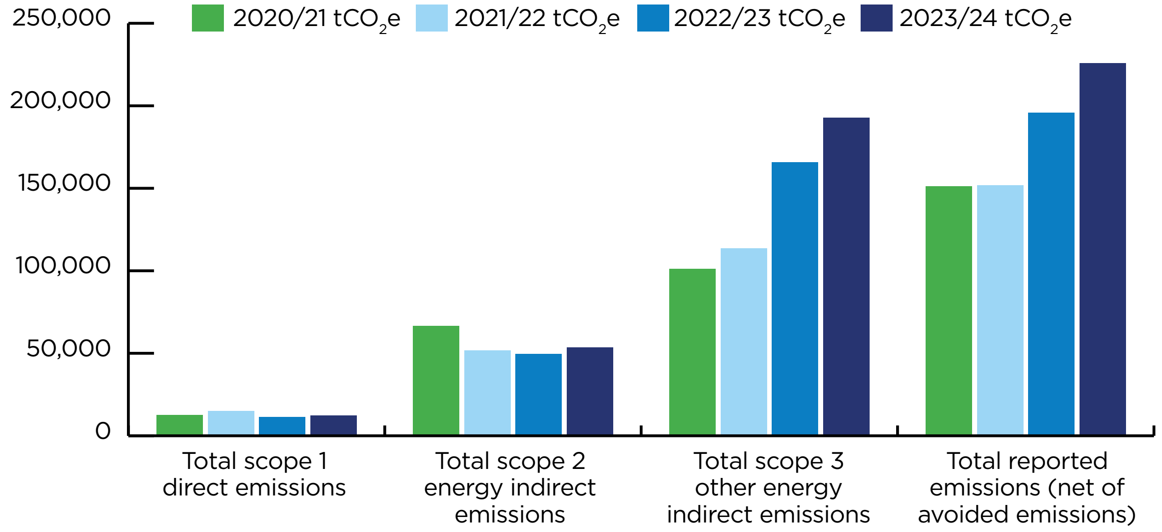
The total reported emissions increased from 195,663 tCO_2e in 2022/23 to 225,958 tCO_2e in 2023/24, an increase of 15%. The increase in total reported emissions was primarily due to increased capital investment. There was a resulting increase in greenhouse gas emissions intensity.

2022/23 was the first year NI Water reported scope 3 emissions. We have developed our methodology and classifications in 2023/24 in line with industry standards and knowledge. The data is based on assumptions and latest understanding.

We plan to continue developing our methodology and processes in future years.

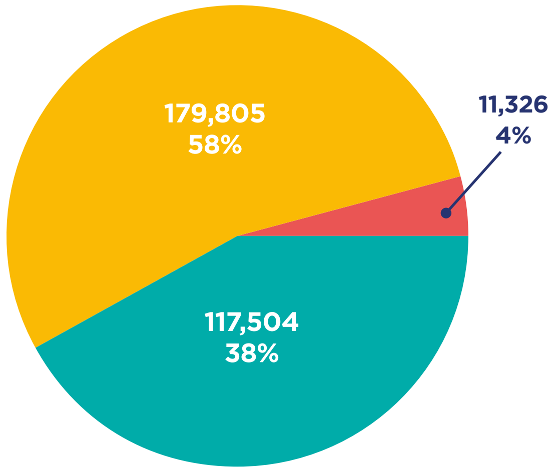
Based on the uncertainties and current industry practice, our net zero 2040 baseline currently excludes some of the wastewater process emissions and all of land use. We will include all of these in our net zero 2040 baseline and target once we are able to quantify them.

Location based greenhouse gas emissions



NI Water's electricity consumption and renewable energy generation is shown below:

Total electricity consumption 2023/24 (MWh)



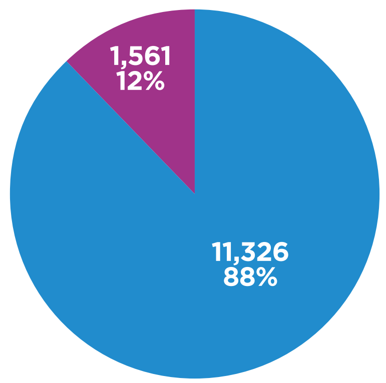
Grid electricity purchased (excluding renewable energy)

Grid electricity purchased - renewable energy

Renewable electricity generated and used

Total electricity consumption 308,635MWh

Total renewable electricity generated 2023/24 (MWh)



Renewable electricity generated and used

Renewable electricity generated and exported to the grid

Total renewable electricity generated 12,887MWh

ISO 14064 (Part 1)

NI Water uses Achilles, a UKAS accredited verifier, to review its carbon reporting against ISO 14064 (Part 1). This ISO standard covers the quantification and reporting of greenhouse gas emissions and removals. Accreditation has been achieved for the 2020/21 baseline in Climate Change Strategy and the subsequent two years. The accreditation for 2023/24 data will be finalised in 2024/25.

Achilles
Carbon Reduce Certified
Powered by
Toitū Envirocare

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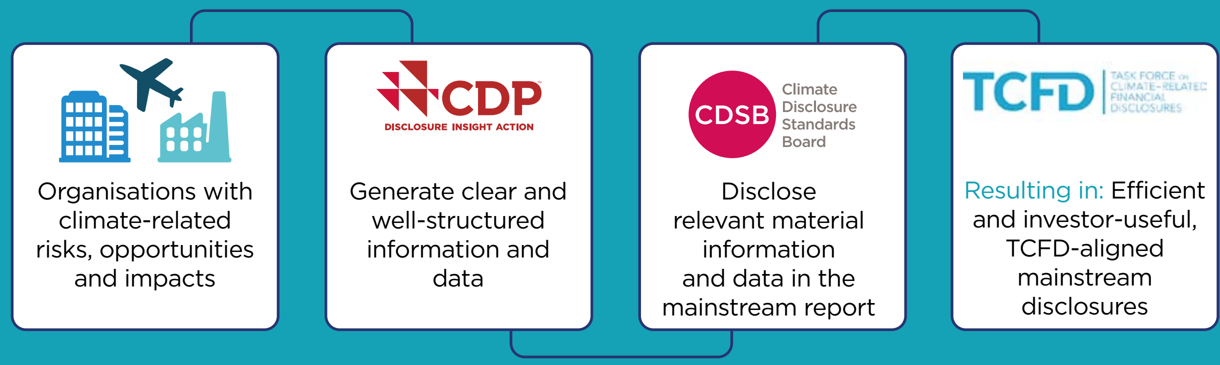
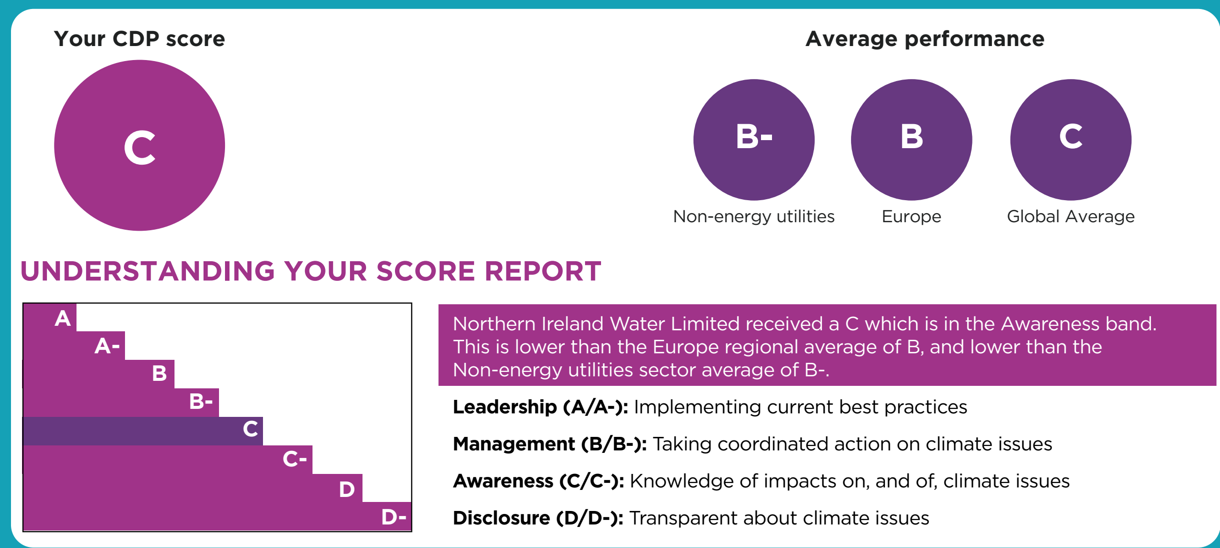
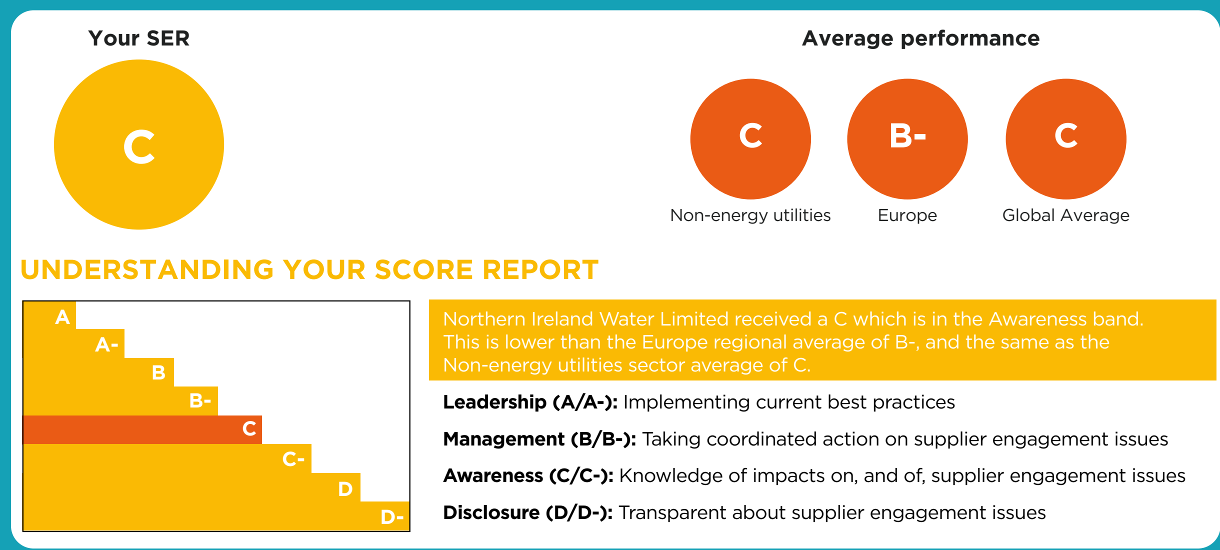
CDP

NI Water registered with CDP and submitted the 2022/23 CDP questionnaires for both Corporate and Public Authorities. The CDP aligns with the Climate Disclosures Standards Board (CDSB) framework which helps corporates identify material information and data. The CDP and CDSB are part of a climate disclosure framework, which ultimately supports corporate disclosures under the TCFD framework.



NI Water was awarded a C rating for both Corporate and Supplier Engagement Rating (SER), including an A rating for Scope 3 verification. CDP's Supplier Engagement Rating assesses how effectively companies are working with suppliers to address climate change issues. Specifically, it focuses on the key areas of governance, targets, ambition, management (Scope 3), supplier engagement, and overall CDP climate change performance. The Public Authorities Questionnaire is currently not scored.





STRATEGIC REPORT

Targets

NI Water is committed to achieve net zero for the energy we use by 2030 and net zero for all our emissions by 2040, as measured against our 2020/21 adjusted baseline. We will refresh this baseline for any structural changes that have a significant impact such as changes in calculation methods, outsourcing or insourcing. Changes to the baseline will be guided by materiality thresholds.

Over 2023/24, we continued to develop an illustration of four decarbonisation trajectory pathways which would emerge depending on the strategic decisions taken by NI Water to meeting its climate change commitments for mitigation. Over 2024/25 we will select the preferred pathway and develop a Climate Transition plan including annual net zero targets.

Science Based Targets Initiative (SBTi)

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

We have committed to set a science-based target with the Science Based Targets Initiative (SBTi), which defines and promotes global best practice in science-based target setting. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). NI Water has registered with the SBTi to signal its commitment to setting science-based targets and automatically joined the Business Ambition for 1.5°C and Race to Zero campaigns. NI Water has two years in which to submit its targets to the SBTi for validation. Our submission will be supported by the Climate Transition Plan.

Future developments in climate reporting

IFRS Sustainability Standards

The IFRS Foundation has established a new International Sustainability Standards Board (ISSB) that will develop a comprehensive global baseline of sustainability disclosure standards. The final version of the standards was published in June 2023 and will replace the TCFD framework. The UK government has confirmed it intends to incorporate these standards into the UK corporate reporting framework.

We commissioned a gap analysis with the standards in 2023/24 and will commence implementation of the recommendations over 2024/25.

Climate Change Act (Northern Ireland) 2022 and Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024

The Climate Change Act (NI) 2022 was enacted in June 2022. The Department for Agriculture, Environment and Rural Affairs (DAERA) ae progressing the development of a Climate Action Plan and five-year Carbon Budget (2023-2027).

The Climate Action Plan and Carbon Budget are primarily focussed on greenhouse gas emissions and cover the various sectors across the economy. Infrastructure spans a number of these sectors (wastewater, energy, buildings, land use etc). We understand that the Climate Action Plan will contain proposals and policies aimed at supporting a 38% reduction in emissions by 2027, from 1990 levels (which represents a 22% reduction from 2019 emissions levels). These proposals and policies will also aim to support the 2030 target of 48% lower than the baseline and align with the 2040 and 2050 targets as stipulated in the Act. The 2040 target is to be set in line with the 2050 target of 100% lower for carbon dioxide and 46% lower for methane. The Climate Action Plan will also cover climate adaptation and public body reporting.

We engaged with DAERA and the Department for Infrastructure to support the development of the Climate Action Plan and Carbon Budget, which will be finalised in 2024/25. We submitted a response to the draft Climate Action Plan and Carbon Budget in 2022/23, highlighting the different approaches to greenhouse gas reporting between the water sector and Government. This includes the use of different bases of carbon accounting (carbon consumption versus carbon production) and different baseline years. We commissioned a reconciliation between greenhouse gas reporting in the water sector and reporting under the Act. The reconciliation was shared with DAERA and DfI in 2023/24 and was reflected in our submission to the consultation on the Climate Action Plan and Carbon Budget.

Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024

NI Water is specified as a 'Reporting Body' within the Schedule of the Climate Change (Reporting Bodies) Regulations (Northern Ireland) 2024, as having climate change reporting duties placed upon it. The draft Regulations, agreed by the Northern Ireland Executive, come into operation in 2024/25.

The duties placed on NI Water cover climate change reporting requirements on both adaptation and mitigation. The first mitigation report by the public bodies will be required to be submitted to DAERA by October 2025. The first adaptation report is not due until March 2026. Mitigation reports will then be required on a three-yearly cycle, and the adaptation reports will be required on a five-yearly cycle.

Transition Plan Taskforce

The Transition Plan Taskforce was launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans. The Taskforce published a final Disclosure Framework in October 2023. The Disclosure Framework sets out the key elements of credible and robust climate transition plans as part of annual reporting on forward business strategy. The Framework will support the creation of consistent, comparable company reports, and reduce the level of complexity faced by firms disclosing climate-related information. The UK Government has committed to consulting on the introduction of requirements for the UK's largest companies to disclose their transition plans.

People Providing a great place to work

NI Water celebrated International Women's Day highlighting the importance of females in construction and leadership within the water sector.

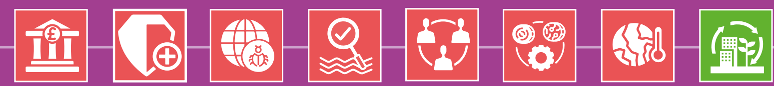
People Providing a great place to work

Strategic areas of focus

- Powered by talent
- Safe, happy and healthy workplace
- Creating a legacy for our communities

Sustainable development goals

Principal threats/opportunities



Page 84 Read more about principal threats and opportunities.

Strategic performance indicators

People	Unit of measurement	Target 2023/24	Actual 2023/24	Pass/ Fail	Target 2024/25
Employee engagement	Number (out of 5)	n/a	3.73	n/a	n/a
Employee attendance	%	96.5	96.6	Pass	96.5
Health and safety incidents	Number	<6	4	Pass	<6

Powered by talent

We want to create a great place to work and ensure that NI Water is fit for the future by attracting, developing, and retaining top talent. Our people strategy is focused on driving performance for our customers through building capability, ensuring we have the right people with the right skills performing their roles to the best of their ability. Our plans support the provision of a safe and healthy workplace, helping to make NI Water an organisation in which we are all proud to work.

Whilst many organisations are experiencing the 'great resignation', our staff turnover remained consistently low at around 5%, while average tenure has remained high at over 16 years. 7% of our workforce were promoted in 2023/24. Our employer brand remains strong in the marketplace, with over 300 new recruits in the last two years to maintain our talent pipeline.

Over 2023/24, we engaged an expert partner to support the delivery of a comprehensive management development framework that will develop world class management capabilities at all levels. This is a major investment in our leaders and managers over PC21 and continues NI Water's journey in developing leadership skills, competencies, and behaviours to create a high-performance culture and role model our values.

NI Water was named Employer of the Year at the Belfast Telegraph Business Awards. We were also highly commended in the Corporate Community Champion category, which recognises our commitment to making a positive difference in our local communities.

NI Water staff accepting the Employer of the Year award.

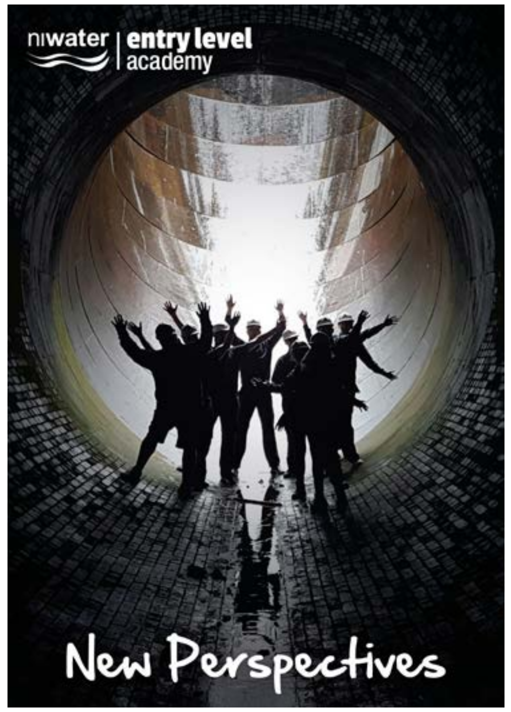
Our CEO won Belfast Chamber of Commerce's Business Leader of the Year Award at the Belfast Chamber Business Awards.

NI Water won the highly coveted Best Apprentice Programme (Large Business) at the prestigious Irish News Workplace and Employment Awards held at Titanic Belfast. The awards celebrate exceptional companies and organisations focused on their people by recognising excellence in the workplace. The judges commended NI Water for its strategic use of apprenticeships to address skills shortages, whilst attracting top talent and building their employer brand in an increasingly tight labour market.

NI Water's CEO and Head of Culture, Engagement and Learning collects the award alongside two of NI Water's third year Water Utility Apprentices.

Over the last three years, our Academy has gone from strength-to-strength, growing, and diversifying into new business areas to support NI Water's strategic ambitions, whilst adapting to evolving business needs. The Academy has provided important employment opportunities for over 100 people and has also supported NI Water's diversity, inclusion, and levelling-up ambitions, creating significant positive cultural change in the organisation. In 2024/25, we will continue to develop strategic partnerships with regional colleges, building relationships in new disciplines such as net zero and GIS, as we diversify our academy to tackle skills shortages.

niwater | entry level academy



NI Water welcomed our 2023 Entry Level intake of apprentices.

Safe, happy, and healthy workplace

It is only with a motivated, safe, and healthy workforce that we can deliver exceptional standards of customer service. We do this by placing care for our people front and centre in how we do business, looking after them through all of life's events and providing the conditions for them to perform their role to the best of their ability.

Zero harm

Health and safety is an integral part of NI Water's day-to-day business. NI Water's vision for health and safety for employees, contractors and customers is the 'pursuit of zero harm by raising standards and performance through the identification and adoption of industry best practice and the development of an empowered, valued, engaged, accountable and competent workforce'.

NI Water has a dedicated Health and Safety team, which is key to ensuring that NI Water complies with relevant legislation and best practice. The Health and Safety Focus Group, made up of representatives from across NI Water, examines NI Water and contractor incidents, reviews health and safety training needs, and general promotion of health and safety. Driver awareness was one of the areas of focus for 2023/24.

NI Water has a Health, Safety and Facilities Transformation Programme (2021–2025) which sets out several priorities for health and safety. Significant investment continues to be made in our facilities and above ground buildings and related assets.

The Assure health and safety software enables all employees and our supply chain to report incidents, unsafe and good observations and safety suggestions via App or Source homepage using a mobile phone, Toughbook, or laptop. The system provides real time, accurate and meaningful data that enables us to appropriately target and resource both our short and long-term health and safety priorities.

In 2024/25, a delivery programme for mandatory health and safety training will commence with this training integrated into employee learning paths. As the necessary compliance levels are achieved and planned improvements are realised, greater focus will be turned towards behavioural and culturally based projects with the zero harm concept being refreshed and reinvigorated.

Prioritising Health

In recent years, our work on employee wellbeing has been widely recognised as a programme of best practice in Northern Ireland and has earned us several prestigious business awards, including the 2023 CIPD award for Most Impactful Health and Wellbeing at work.

The programme has proven to have been successful in helping to improve the health and wellbeing of many of our employees. We have had positive feedback from employees who have benefited from the various programmes, including a few notable cases where early identification of health issues prevented more serious consequences.

Our health and wellbeing strategy is focused around four key pillars of health (mental, physical, social, and financial). Over 2023/24, we hosted a range of guest speakers, attracting record audience numbers and continued our health promotion and awareness campaigns via the use of storytelling to support Men's Health Week, Mental Health Awareness Week, Carers Week and Smoking Cessation.

Our hugely popular live well roadshow is now offered twice a year in each hub office, offering a range of services including one-to-one health checks, vaccinations and seminars from expert providers on a range of health issues.

Health & Wellbeing
Your health matters

NI Water staff collecting the award for 'Most Impactful Health and Wellbeing at work' at the CIPD NI Awards.

Involving people in the decisions that affect them

We engaged a new expert culture and engagement partner to help design and deliver a new holistic listening strategy across NI Water to gather the voice of the employee and develop our ability to measure the health of our corporate culture.

niwater UNPLUGGED ...let it flow

In partnership with the expert culture and engagement partner we conducted a cultural analysis of NI Water involving a range of employees across the business. The findings were used to deliver a company-wide employee survey (NI Water Unplugged) in 2023/24. Survey results reported higher than average engagement levels across all functions, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation. The survey also identified clear areas for improvement which will form the basis for action planning in 2024/25.

Celebrating and promoting diversity

As a major employer delivering an essential service, we recognise both the business and personal benefits of creating a diverse and inclusive environment and the importance of diversity in attracting and retaining the best talent. We are committed to creating an environment where everyone feels valued and able to contribute fully to their full potential. Significant work has been undertaken in the last three years to lay the foundations for a new culture of diversity and inclusion.

Building on our success in achieving the Bronze Charter Mark for Diversity in 2020/21, NI Water became the second public sector organisation in Northern Ireland to achieve the challenging standard of the Silver Diversity Charter Mark in 2022/23. In 2024/25, all managers across NI Water will receive Inclusive Leadership Training to enable them to fulfil their commitments in this area and act as role models.

niwater | Equality, Diversity & Inclusion
Here everyone matters

Silver Diversity Mark

Find out more about diversity and inclusion at page 150.

Creating a legacy for our communities

Helping hands

Our ‘Cares Challenge’ volunteering programme has been running for over a decade and demonstrates continued, ongoing, and exceptional commitment to our communities. The programme is one of the largest volunteering schemes in Northern Ireland, supported by hundreds of our employees and contributing around 12,000 volunteering hours since inception. We aim to support our customers in their own community helping them with the projects that matter most to them. Supported by Business in the Community, the programme identifies organisations and charities within the local community who need a helping hand with physical tasks. This has allowed our staff to help a wide range of charities including, Southern Area Hospice, Horatio’s Garden (Musgrave Hospital), The National Trust, Simon Community, Crosskennan Lane Animal Sanctuary and many more.

NI Water staff volunteering with Cares Challenge at Horatio’s Garden (Musgrave Hospital), Belfast, County Antrim.

Making a difference in Malawi

NI Water supports WaterAid’s vision of a world where everyone, everywhere has access to clean water, decent sanitation, and good hygiene. We are proud to lead the local WaterAid NI Committee, which raises over £70,000 each year. Recent fundraising has been dedicated to WaterAid’s Deliver Life project in Malawi, which aims to improve the health of women, girls, and children by providing access to clean water, decent sanitation, and good hygiene in their communities. These funds will support health centres in Machinga and Zomba districts of Malawi, by helping to introduce a variety of facilities such as solar-powered piped water supply systems, inclusive bathrooms, and other sanitary facilities.

Deliver Life project in Malawi. Photo credit Dennis Lupenga.

Water tank installed to ease water challenges, Kawinga Health Centre, Machinga, Malawi. Photo credit WaterAid/Francis Chipanda.

Creating a water saving culture

NI Water is committed to creating a water saving culture for communities. Our Education Programme delivers NI Water’s key environmental messages on water efficiency to schools, community, and youth groups with a strong emphasis on the link between saving water and saving energy. Pupils are encouraged to take the four minute shower challenge using timers to save water, energy and protect the environment. These messages are further promoted through the free water audit and water efficiency project supported by an online platform ‘Get Water Fit’, which involves distributing save-a-flush, four-minute shower timers, leaky loo strips and toothy timers directly to the customer. Over 2023/24, we completed 219 school visits and 78 community visits.

Key Stage 2 pupils who were finalists in NI Water’s school’s water saving poster competition along with their parents and teachers joined NI Water’s CEO and Outreach and Learning Officer.

Principal risks

The implementation of our strategic priorities is measured using a number of strategic performance indicators and managed using an opportunity/threat management model.

Strategic Priorities	Strategic performance indicators (SPIs)	Principal threat / Principal opportunity Read more page 87
Customer – delivering an exceptional customer experience. Read more page 30	• Reduction in customers reporting service failures • First point of contact resolution • More customers singing our praises (Net Promoter Score)	
Water – delivering great tasting, clean and safe water to meet customer need. Read more page 36	• Water quality compliance • Reduction in leakage • Reduction in supply interruptions	
Economy – efficiently delivering infrastructure to underpin sustainable growth. Read more page 46	• Increase/(decrease) in customer tariffs • Number of economic constraint areas removed • Number of serious development restrictions removed • Bathing water quality	
Nature – protecting and enhancing the natural environment. Read more page 54	• Reduction in our pollution incidents • Wastewater compliance • Reduction in number of properties at risk of out of sewer flooding • Reduction in our carbon footprint	
People – providing a great place to work. Read more page 76	• Employee engagement • Employee attendance • Reduction in health and safety incidents	

Principal threat

FUNDING
HEALTH AND SAFETY
CLIMATE CHANGE
BUSINESS RESILIENCE
WASTEWATER
CYBER RISKS
SUPPLY CHAIN
PEOPLE AND WELLBEING
WATER QUALITY AND SUPPLY

Principal opportunity

CUSTOMER SERVICE AND INNOVATION
LIVING WITH WATER PROGRAMME
STAKEHOLDER ENGAGEMENT AND EDUCATION

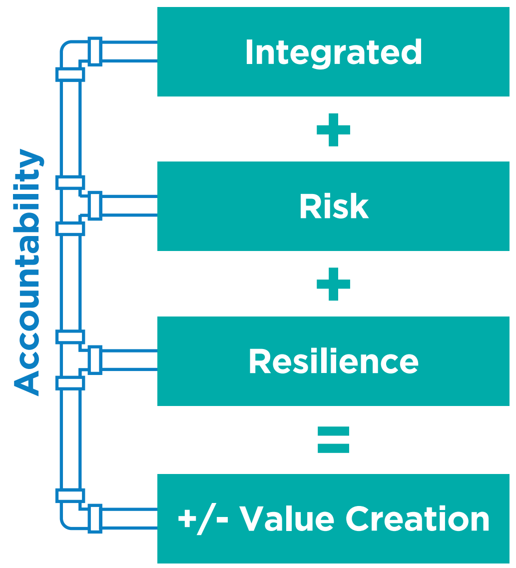
Principal risks

Risk and resilience

NI Water manages risks (both threats and opportunities) in line with our Integrated Risk and Resilience framework which demonstrates the interconnectivity between risk and resilience, and the need for accountability to protect value creation.

We recognise the need to build a culture of resilience where all employees are united in purpose and are clear on the need to be prepared for when that incident does occur rather than simply thinking that it might occur. This is demonstrated by putting plans in place in advance and then being adaptive when an incident does occur so that disruption is minimised, and NI Water can return to 'business as usual' in the most effective and efficient way possible. All the corporate risk maps have a section which records the existing controls and the actions to be put in place to continually improve on our resilience.

NI Water's integrated risk and resilience framework



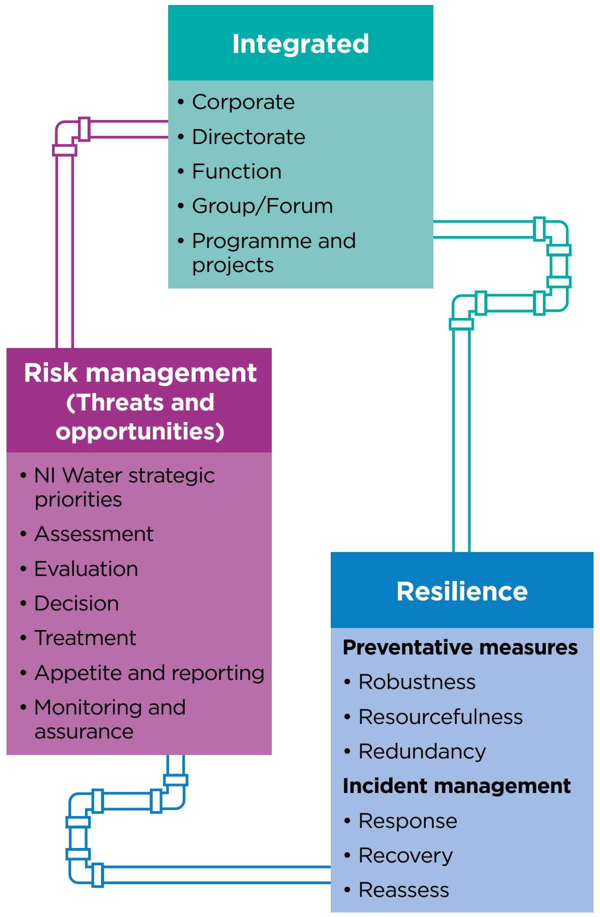
Integrated

Risks are managed on a cross-directorate basis with input from external strategic partners where required (e.g., supply chain, local councils, and service users). This encourages effectively risk management across the whole business.

Resilient

NI Water defines resilience as 'the strategic and organisational capacity of NI Water to resist, respond to, and recover from disruptive threats both foreseen and unforeseen and to reassess such as to learn from and improve on how we deliver our services'.

NI Water's integrated risk and resilience model



Principal risks

NI Water's approach to risk management

NI Water implements an Integrated Risk and Resilience Framework. This framework outlines the objective of risk management and resilience within NI Water, which his to protect and create value. This framework describes the process for identifying, prioritising and managing risks which may impact on the achievement of NI Water's strategic priorities.

Our approach to risk management is to have a risk culture where our employees and strategic partners are aware of how they contribute towards our strategic priorities. There is a collaborative approach to analyse the downside risk (threats) that could have a detrimental impact on the achievement of our priorities but also to consider the upside risk (opportunities) towards deriving better outcomes.

Using an integrated risk management software, risk owners can manage controls and actions over the predetermined timeline towards achieving the risk appetite. Corporate risk maps are linked to directorate, programme and project threats and opportunities.

Emerging Risks

Through a process of horizon scanning emerging risks, benchmarking, risk trend analysis and workshops held on a business-wide basis, corporate threats and opportunities are established at the start of year. These are updated throughout the year to take account of emerging risks.

The role of the Board

The Board provides commitment at the highest level and has overall responsibility for maintaining and developing a sound system of internal control that supports the achievement of NI Water's strategic priorities. The description of corporate risks, the risk gradings and the individual risk appetite are approved by the Board. The Board approves the detailed risk appetite statements under each risk appetite category ranging from 'Averse' to 'Embracing/Entrepreneurial'. The Board receive a monthly progress report on the management of risks towards the projected risk appetite for each individual risk. Movement towards the desired risk appetite is evidenced by the completed actions in risk registers at corporate, directorate and programme/project level, review of the effectiveness of internal controls and completion of internal audit recommendations. The Board also receive an annual assurance statement covering the effectiveness of the NI Water's risk management and internal control systems.

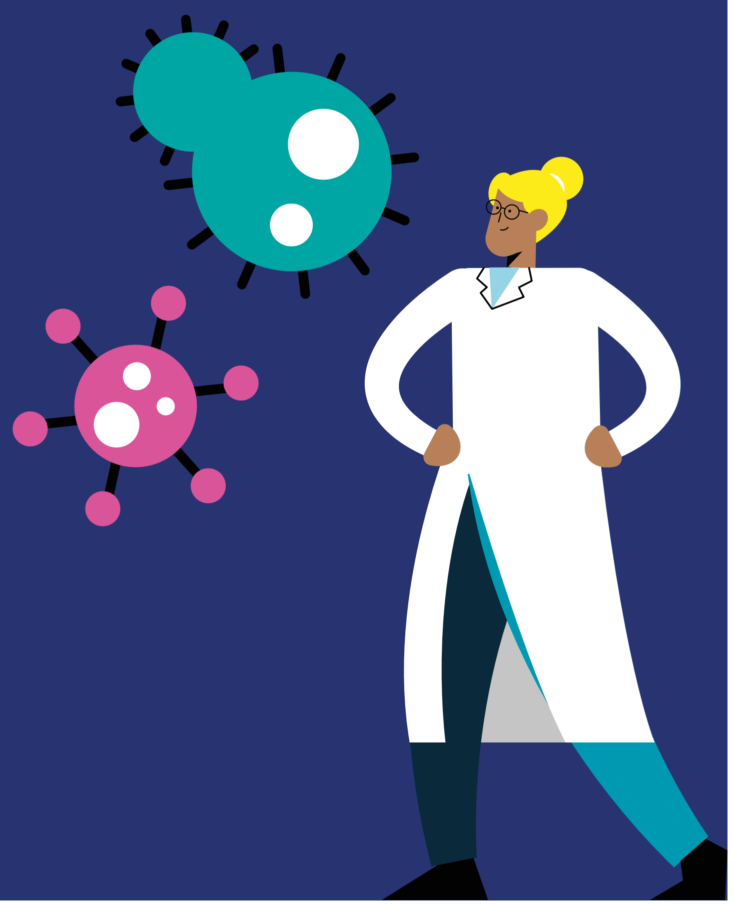
The role of the Risk, Audit and Executive Committee

The Risk Committee consider the corporate risk maps throughout the year, reviewing the effectiveness of clearly defined controls and the completion of actions towards the delivery of expected outcomes and the appetite level.

The Audit Committee consider financial risks on a regular basis and at year end holds a joint meeting with the Risk Committee to consider the overall effectiveness of NI Water's system of internal controls and risk management.

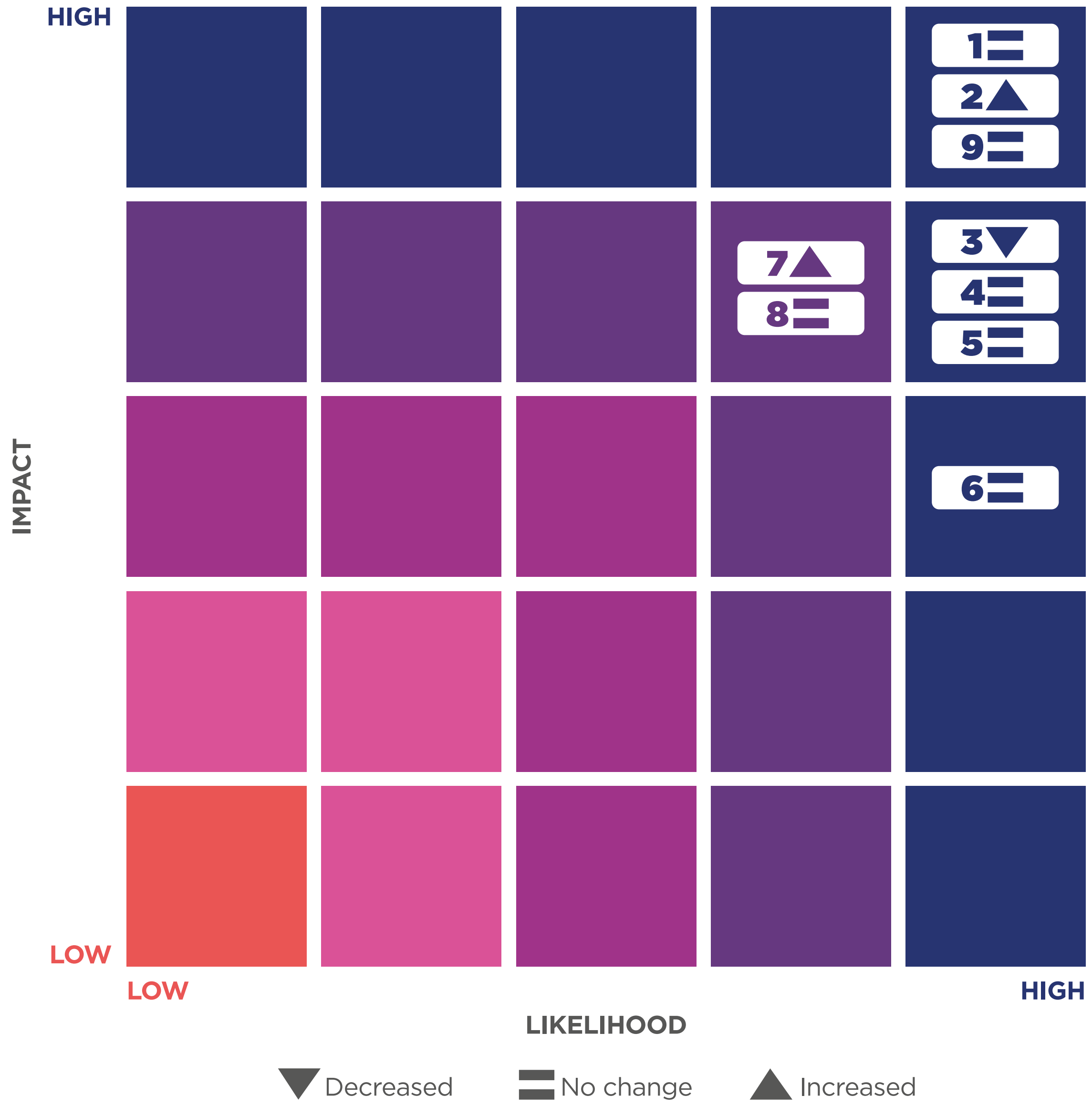
The Executive Committee meet monthly to consider corporate risk maps and the completion of actions within agreed timelines.

Read more about risk management on pages 126 and 228.



Principal threats

NI Water has nine corporate threats and three corporate opportunities. For each threat or opportunity, we have identified the change in the level of threat or opportunity over 2023/24.



1 Funding
2 Wastewater
3 Supply chain
4 Health and safety
5 Cyber risks
6 Water quality and supply
7 People and wellbeing
8 Business resilience
9 Climate change

STRATEGIC REPORT

Principal threats

1. Funding

Strategic priorities: **Customer, Water, Economy, Nature, People**

Background to the threat

Funding has moved from a threat to an issue.

Northern Ireland remains the only region of the UK where the regulated water company lacks funding and visibility of funding across the Price Control period as determined by the independent Utility Regulator and also lacks financial resilience.

NI Water increased customer bills in 2024/25 according to a formula agreed with the Northern Ireland Utility Regulator and as in 2023/24, public expenditure budget cuts are preventing NI Water from spending the income received from customers on delivery of the PC21 outputs and outcomes. Even with full funding and bill increases, historic underinvestment will take the next 18 years plus to remedy.

Managing the threat

NI Water continues to work with the DfI and the Utility Regulator to make the case for ringfenced funding over PC21 supported by a financial risk mechanism, including the approval of strategic capital projects to reduce the threat of adverse impacts on customers. In the meantime, NI Water ensures that the implications on the delivery of our services because of funding constraints are fully analysed, mitigated where possible, and communicated to our customers in a clear and responsive manner.

Emerging risks

Pressures in relation to energy and inflation are expected to continue into future budget periods.

NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. This uncertainty in relation to funding affects the supply chain's commitment and NI Water's ability to deliver capital efficiencies. Additional funding pressures have been identified as part of the ongoing PC21 Mid-Term Review process.

NI Water faces a significant mismatch between the PC21 output targets set for customers and the environment by the Utility Regulator and the Capital DEL funding indicated by the DfI. NI Water is therefore exposed to enforcement proceedings from the Utility Regulator which could result in the removal of the NI Water's Licence to operate, and the possibility of legal action by other stakeholders for failure to meet its statutory obligations. In such circumstances, material uncertainties exist which cast doubt on the ability of the organisation to continue as a going concern in the future.

Further details on the availability of public expenditure funding, the PC21 Mid-Term Review and going concern are contained at page 165 to the financial statements.

Owners

Director of Finance, Regulation and Commercial, and Director of Engineering and Sustainability.

Find out more about funding world class economic infrastructure at page 48, going concern at page 165 and long-term viability at page 136.

Principal threats

2. Wastewater

Strategic priorities: **Customer, Water, Economy, Nature**

Background to the threat

NI Water endeavours to develop a more resilient wastewater network and to protect and enhance the natural environment. The removal, treatment and return of wastewater is a cornerstone for public health in any modern economy. This overall threat to the environment and economic growth arises from historical underfunding limiting NI Water's ability to invest in the aged wastewater asset base. This impacts social and domestic housing, businesses and the environment across Northern Ireland. Climate change contributes to this threat as NI Water adapts to storm intensity and longer drier periods which leads to issues of treatability of wastewater.

Managing the threat

A collaborative Wastewater (Regulatory) Reform Group has been established with NIEA to oversee delivery of the new compliance assessment reform agenda. This will look across a range of regulatory areas that need to be addressed over the coming years to modernise the approach to wastewater compliance.

Emerging risks

Whilst NI Water will strive to deliver the services required in the PC21 Final Determination within budgetary allocations, any material mismatch in funding below the Utility Regulator's PC21 Final Determination will likely result in deferral of essential wastewater upgrades, impacting our customers, the local economy and resulting in legal implications. NI Water is currently halfway through the PC21 period, which is a pivotal point to build capacity in the supply chain to deliver significantly larger capital investment programmes to begin to address long-term under investment and its manifestation as widespread development constraints, which adversely impacts on economic growth.

Owners

Director of Customer and Operations, and Director of Engineering and Sustainability.

Find out more about wastewater compliance at page 57.

Principal threats

3. Supply chain

Strategic priorities: **Customer, Water, Economy**

Background to the threat

We rely on a complex supply chain for goods, services and construction works. Any disruption to this supply chain could impact on the delivery of our services. While energy prices have stabilised over 2023/24, NI Water is experiencing significant cost increases across many of the materials used to construct and operate our assets. We also face longer lead times and difficulty in sourcing some goods, services, and construction materials.

Managing the threat

NI Water has established a commercial team which brings together procurement teams and contract managers. We have established a Supply Chain Resilience Working Group to review supply chain risks and agree mitigating actions to ensure resilience in this area, such as reprofiling of regulatory deliverables. As part of our procurement strategy, we have established four integrated partnerships, which will ultimately expand our available supply chain.

Emerging risks

Rising geopolitical tensions, continued economic uncertainty and climate change will increasingly pressure logistics and procurement operations.

NI Water is currently halfway through the PC21 period, which is a pivotal point to build capacity in the supply chain to deliver significantly larger capital investment programme in wastewater.

Owners

Director of Finance, Regulation and Commercial, Director of Infrastructure Delivery, and Director of Customer and Operations.

Find out more about the pressures caused by supply chain inflation in Note 1(c) to the financial statements.

Principal threats

4. Health and safety

Strategic priorities: **People**

Background to the threat

The nature of our business means that our employees, contractors, and customers can face a range of health and safety risks. These include risks associated with operating in confined spaces, road traffic, construction activities, operational sites, and water bodies.

Managing the threat

NI Water's vision for health and safety for employees, contractors and customers is the 'pursuit of zero harm by raising standards and performance through the identification and adoption of industry best practice and the development of an empowered, valued, engaged, accountable and competent workforce'. We are committed to ensuring that all work activities are conducted in compliance with the Health and Safety at Work (NI) Order.

NI Water has a dedicated Health and Safety team, which is key to ensuring that NI Water complies with relevant legislation and best practice. The Health and Safety Focus Group, made up of representatives from across NI Water, meets monthly to examine NI Water and contractor incidents, review health and safety training needs, and general promotion of health and safety, providing assurance to the Executive Committee, the Risk Committee and the Board on health and safety related matters.

NI Water's Health, Safety and Facilities Transformation Programme 2021–2025 sets out several priorities for health and safety. Work continued to be undertaken during 2023/24 to progress this plan, with progress being tracked by the Executive Committee, the Risk Committee and the Board. Completion of the transformation programme will help us to realise sustainable, measurable improvements and compliance in health and safety for the benefit of our people.

Emerging risks

Delivery of the Health, Safety and Facilities Transformation Programme is dependent on funding for PC21.

Owner

Director of People and Learning, and Director of Infrastructure Delivery.

Find out more about health and safety at page 80.

Principal threats

5. Cyber risks

Strategic priorities: **Customer, Water, Economy, Nature, People**

Background to the threat

The robustness and accuracy of data, increasing regulation, changes in technology and the impact of cybercrime may have a significant disruption to levels of service. The General Data Protection Regulation (GDPR) brings increased regulatory requirements in respect of privacy and the processing, storage, and retention of personal information. The Network and Information Security (NIS) Regulations, mandatory for Operators of Essential Services, establishes a set of principles to improve the security and resilience of network and information systems across the UK.

Cybercrimes are increasing in both frequency and disruptive potential. These crimes can cause interruption to computer control systems and impact on data integrity. This could have a significant adverse impact on business performance over the recovery period.

Managing the threat

NI Water is continually making improvements in its information governance to manage the quality of information to support service delivery. There is a constant cycle of work to improve cyber resilience through updating of systems controls, compliance with system supplier updates, training, and awareness. In 2023/24, we continued our simulated phishing campaigns to test our awareness of phishing email attacks and to help educate users in how attackers attempt to gain access to their systems. We also introduced additional monitoring tools and back up facilities.

At the request of the Competent Authority (Department of Finance), we completed a self-assessment against the Network and Information Systems Cyber Assessment Framework (NIS CAF) principles. NI Water was provided with 'reasonable assurance' that we are protecting the delivery of our essential service using appropriate and proportionate technical and organisational controls.

Sources of advice and guidance in NI Water include our regular contact with National Cyber Security Centre water sector cyber consultants, the All-Island Information Exchange hosted by the National Protective Security Authority. We also work in collaboration with UK water companies as a member of the networks water security group and of the strategic security board both under the umbrella of Water UK.

Emerging risks

The UK's National Cyber Security Centre has advised NI Water that the cyber threat level against Critical National Infrastructure from Russia has increased, with Russia expending more effort on sabotage. There has been a significant increase in disruptive and destructive attack attempts and this increase is expected to continue both in terms of volume and sophistication. We continue to monitor the situation.

Owners

Chief Information Officer, and General Counsel and Company Secretary.

Principal threats

6. Water quality and supply

Strategic priorities: **People**

Background to the threat

Predicting the future security of water resources inevitably includes uncertainty. Our main challenges arise from climate change impacts which may affect both customer demand and the availability of water resources, from policy requirements to seek to achieve carbon net zero and climate resilience, from any environmental regulation pressure on abstraction licenses, from customer expectations about levels of service, resilience to drought and environmental stewardship and the overarching need to provide such services cost effectively.

Managing the threat

NI Water has a Resource and Supply Resilience Plan, a 50-year plan for Water Supply across Northern Ireland. The Plan includes a focus on continued high levels of leakage detection, sustained investment in water mains and water efficiency initiatives.

We have developed a Potable Water Level of Service to inform PC21, which will be revised for PC27. It seeks to ensure the transmission network and service reservoir storage is sufficient for water movement and storage and to ensure a balanced, sustainable, resilient service to all customers in Northern Ireland.

NI Water has also developed an 'Interruption To Supply Strategy', which is based around five key areas: developing our performance and processes, improving our network, developing our smart network and maintaining supplies to customers. The strategy sets out what NI Water needs to focus upon to improve our supply interruption performance and achieve better service for our customers by reducing our lost minutes per property by 70% over PC21 and targeting zero interruptions by 2050.

We continue to use innovative pilot plants for water quality compliance and to pilot new technologies.

A cross-directorate working group in place to monitor algal blooms and plan for any potential risks associated with supply.

Emerging risks

There is an increased focus on sustainability including carbon net zero, biodiversity net gain and enhancing our natural capital.

Owner

Director of Customer and Operations, and Director of Engineering and Sustainability.

Find out more about providing world class water on tap at page 42.

Principal threats

7. People and wellbeing

Strategic priorities: **People**

Background to the threat

The current socio-economic pressures, such as skills shortfalls, labour shortages and competitive reward market have the potential to make it more difficult for NI Water to attract and retain the right talent for the organisation. NI Water also has an ageing workforce with limited diversity and low turnover.

Managing the threat

NI Water is committed to providing a great place to work. Attracting, developing, retaining, and partnering with the best talent is fundamental to the success of our business and therefore, we want to be recognised as a local employer of choice that champions diversity and puts people first.

Our People Strategy is focused on driving performance for our customers through building capability, ensuring we have the right people with the right skills performing their roles to the best of their ability. We rolled out our new succession planning framework in 2023/24.

We continue our double award-winning entry level academy to support succession planning through training of top entry level talent across a range of apprenticeships, higher level apprenticeships and graduate programmes in various disciplines.

We regularly invite our colleagues to participate in ongoing employee surveys so that we can listen to their concerns and suggestions on how we can make NI Water a great place to work.

Our award-winning Health and Wellbeing Strategy helps staff 'live well' through a range of initiatives to support mental, physical, financial, and social health such as our Live Well Roadshow, Winter Wellness Programme and Spring Forward programme.

Emerging risks

Public sector pay and costs of living pressures are being exacerbated by widespread labour shortages.

Affordability for NI Water of Public sector pay in future years and risk of strike action arising from costs of living pressures exacerbated by labour shortages across all skill levels.

Owner

Director of People and Learning.

Find out more about providing a great place to work at page 78.

Principal threats

8. Business resilience

Strategic priorities: **Customer, Water, Economy, Nature, People**

Background to the threat

NI Water could suffer a major failure in its assets or be unable to respond effectively to a major incident caused by severe weather. This could cause a significant impact to our customers due to deterioration in the quality of drinking water, interruptions to supply and management of wastewater services, including an adverse impact to the environment. NI Water could also suffer failure from a major cyber-attack.

Managing the threat

NI Water continues to work with the DfI and the Utility Regulator on short, medium and long-term funding arrangements to ensure that assets are maintained and replaced appropriately. Significant work was undertaken as part of the PC21 submission to determine the capital maintenance required for assets and any impact on customers if this maintenance is not undertaken. This assessment indicated that additional capital (base) maintenance is required during PC21 to be able to maintain service levels.

NI Water's business continuity management framework, major incident plan and IT Disaster Recovery plan are continually being updated to reflect best practice and key learning points from annual exercises and previous major incidents to reduce the impact of adverse events and to manage recovery to 'business as usual'.

Emerging risks

NI Water is gaining a better understanding of its asset base through ongoing modelling work to support the PC27 Business Plan. This work may identify the need for additional funding for business resilience.

Owners

Director of Infrastructure Delivery, Director of Customer and Operations, Director of Finance, Regulation and Commercial, and Director of Business Services.

STRATEGIC REPORT

Principal threats

9. Climate change

Strategic priorities: **Customer, Water, Economy, Nature, People**

Background to the threat

Transitioning to a zero carbon, climate resilient economy is a long-term aspiration, but we need to act with urgency and prioritise delivery now. We are in a climate emergency, a global energy cost crisis, and facing economic uncertainty. The need to act becomes more pressing with each day that passes.

Addressing climate change is critical to the water sector given the impact on the quality and quantity of water sources, the carbon intensity of our sector's supply chain, and the exposure of our assets to extreme weather events. We will mitigate emissions from our activities, reduce emissions where we can from our construction and the wider supply chain, and adapt our assets to extreme weather events.

Managing the threat

At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. We have challenged ourselves to go further and faster than the net zero 2050 targets set in law. NI Water is committing to achieve net zero for the energy we use by 2030 and net zero for all our emissions by 2040, as measured against our 2020/21 adjusted baseline. As an operator of critical national infrastructure, we must be ready for climate change. We are moving our business to a higher state of readiness by planning for two degrees of temperature rise by 2050 and preparing for four degrees by 2090. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. Several of the approaches we are taking will benefit our society and economy more broadly as it seeks to decarbonise and exploit the benefits of green growth through a just transition.

Our Climate Change Strategy lays the foundations to help us reach our climate change commitments under future Price Controls. While our spending to 2027 has largely been set, we are finding ways to decarbonise our business now which will enable us to make deeper emissions reductions at the next Price Control - PC27 (2027-33). Implementation of the Climate Change Strategy commenced in 2023/24, which will help us prepare our PC27 Business Plan.

Emerging risks

Public sector pay and costs of living pressures Climate change is a systemic problem for Northern Ireland and requires systemic solutions. And we need holistic solutions that also address the changes of the global energy crisis and growing pressures on public sector funding that we experience as a government owned company. We will continue to collaborate across government and with the Utility Regulator to find the most cost-effective way to invest in our services, which supports those who can least afford to pay, places fairness across generations at the heart of our approach while restoring our natural environment. If the Final Determination for PC27 does not meet our climate strategy ambitions, we will not be able to deliver on our Climate Change Strategy.

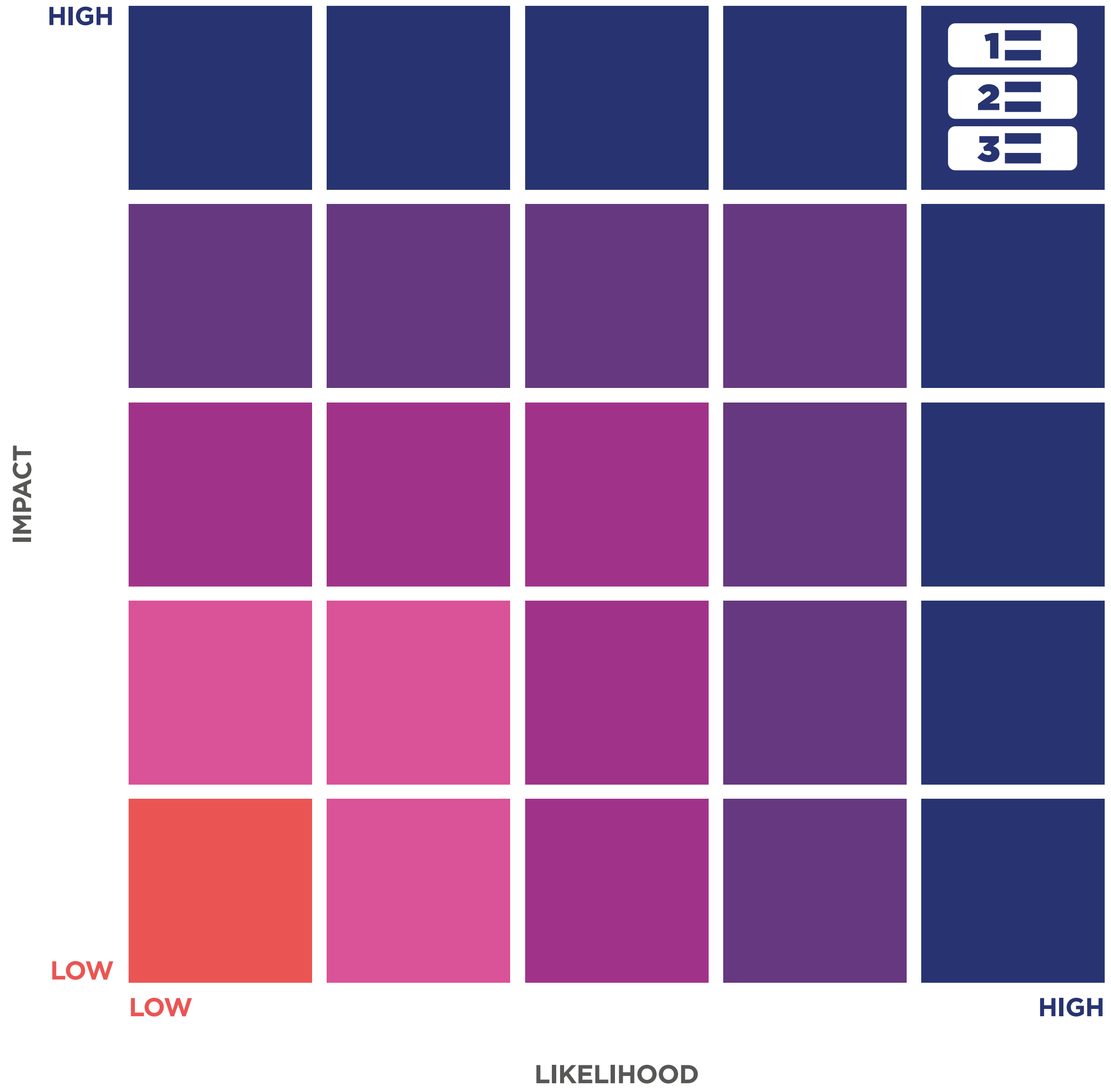
Owners

Director of Engineering and Sustainability, and Director of Business Services, and Director of Customer and Operations.

Find out more about our Climate Change Strategy at page 64.

Director of Finance, Regulation and Commercial with members of the senior management team at the climate and sustainability update.

Principal opportunities



Decreased | No change | Increased

1 Living With Water Programme

2 Stakeholder engagement and education

3 Customer service and innovation

Principal opportunities

1. Living With Water Programme

Strategic priorities: **Customer, Economy, Nature**

Background to the opportunity

In July 2014 the Northern Ireland Executive agreed to develop a strategic drainage infrastructure plan for greater Belfast. The plan aims to protect against flooding, enhance the environment and support economic growth by improving capacity for new connections. The initiative is now known as the 'Living With Water Programme' and is led by the DfI. Other Programme Board members include NI Water, the Utility Regulator, DAERA, NIEA and Belfast City Council.

An Integrated Plan for Drainage and Wastewater Management in Greater Belfast was published in 2021/22 an included an estimated cost of £1.4bn over 12 years.

Realising the opportunity

NI Water's participation in the programme provides an opportunity to develop the catchment based multi-agency sustainable solutions and upgrade the sewerage networks and six wastewater treatment works that discharge into Inner Belfast Lough, improving water quality in Belfast Lough and creating capacity for economic growth. The upgrades need to be undertaken in a way that Government and NI Water can afford, and which minimises disruption during construction.

The approach is being extended to develop catchment based and integrated solutions in other towns and cities across Northern Ireland.

Emerging risks

Inflation has had a significant impact on construction projects across the public and private sectors with materials and labour costs climbing sharply over the last two years. The current estimate of programme costs has increased to £2.1bn. Funding of the programme is being reviewed by DfI.

Owner

Director of Infrastructure Delivery.

Find out more about the Living With Water Programme at page 59.

Principal opportunities

2. Stakeholder engagement and education

Strategic priorities: **Customer, Water, Economy, Nature, People**

Background to the opportunity

NI Water is seeking to create a legacy for our communities and to work in such a way which puts more back into society than we take out. This includes engaging with stakeholders and the community to educate and benefit local communities.

Realising the opportunity

NI Water is engaged in numerous and wide-ranging sustainable development projects to safeguard public health, underpin economic growth, and restore nature. Our work positions us as custodians of the natural environment.

Our fantastic Cares Challenge was active throughout 2023/24 and as part of this we supported various charities.

We are proud of our unique education programme, which includes the Waterbus mobile classroom initiative. We have educated over 200,000 'water-whizz' school kids about the value of water for health, the economy and nature.

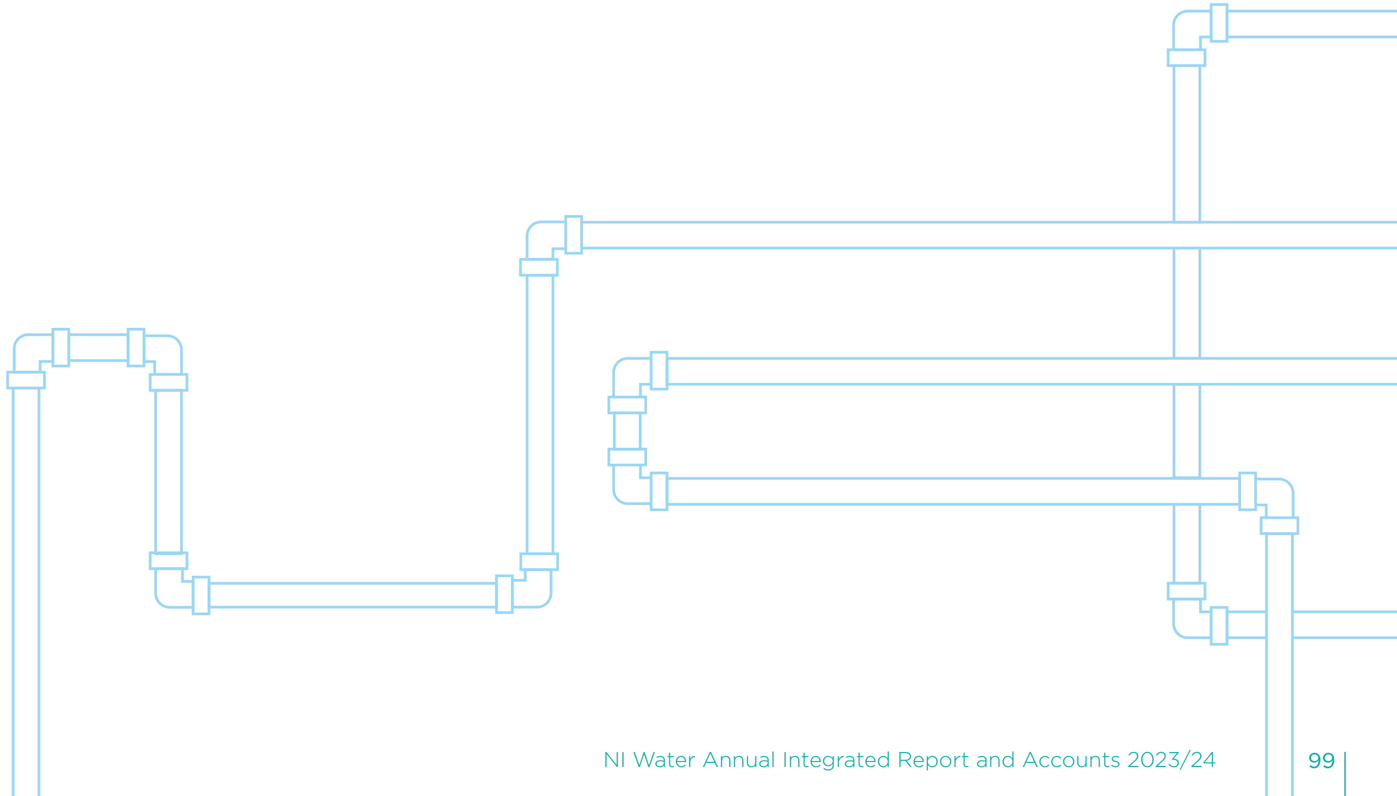
Emerging risks

Balancing the rising public expectations for environmental stewardship with pressures on affordability.

Owners

Director of Engineering and Sustainability, and Director of Business Services.

Find out more about creating a legacy for our communities at page 82.



STRATEGIC REPORT

Principal opportunities

3. Customer service and innovation

Strategic priorities: **Customer**

Background to the opportunity

NI Water is seeking to deliver a world class customer experience. Changing customer expectations, the digital revolution and demographic and lifestyle changes are all leading NI Water to embrace new ways to meet customer needs, now and in the future.

Realising the opportunity

Future developments in artificial intelligence and machines will enable us to spend less time on low value-added tasks and instead focus on customer care and improving customer journeys. More customers are using self-service options such as web and mobile self-service, interactive voice response or chatbots as their preferred point of contact.

Through cooperation with other utilities, business partners, universities and in-house development, we continue to support and implement new technologies to improve customer experience and efficiency in service delivery. Our online self-service provides an enhanced customer experience with added functionality of simple to use and environmentally friendly processes. We continued to support our vulnerable customers through promotion of our Customer Care Register. The introduction of a pre-planning team has helped to improve our engagement with developers over 2023/24 and helped to partially mitigate the impact of infrastructure constraints.

Emerging risks

Customers want to be increasingly more in control of how they interact with us, driving the need to be at the right place, at the right time, on the right channel and serving customers to a standard provided by leading service providers.

Owner

Director of Customer and Operations.

Find out more about delivering a world class customer experience at page 34.

NI Water CEO and Director of Finance, Regulation and Commercial with Mourne Heritage Trust, photo competition winner and runner up, Chairperson Newry Mourne and Down Council Chairperson and RPS, celebrating 100 years of Silent Valley.

STRATEGIC REPORT

Our finances explained

Revenue

Government subsidy

We receive subsidy from the DfI in lieu of deferred domestic charges. In 2023/24 we received a subsidy of £397.7m.

Bills

We bill non-domestic customers which generated £106.2m of revenue in 2023/24 and road drainage charges of £29.2m from the DfI.

Other revenue

Other forms of revenue were £16.2m in 2023/24.

Government loans

We borrow from the DfI to help fund our capital investment programme £215m was borrowed in 2023/24.

Investment

Investment in new assets and on our network totalled £362.0m in 2023/24.

Day-to-day operating costs

Our day-to-day running costs totalled £392.6m in 2023/24. These costs include staff, power, rates, hired and contracted services.

Operating profit

Operating profit (revenue less day-to-day operating costs) was £157.7m in 2023/24.

Financing our investment

Interest on our borrowings from the DfI £60.0m and our Public Private Partnership liabilities £9.9m offset by interest income £7.7m, comprised the majority of our net finance charges of £62.2m in 2023/24.

Profit before tax

The profit before tax was £95.5m in 2023/24.

Corporation tax

We have charged £24.0m for tax to be paid in future years.

Profit after tax

The profit after tax for the year was £71.5m.

Dividend

A dividend of £21.0m was paid to the DfI in 2023/24. The dividend to the DfI represents a return to the taxpayer on the amount invested in the Company.

Cash flow from operating activities

Balance of cash remaining determines the loans required from the DfI.

Financial performance

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

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

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

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

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

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

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

Consolidated Statement of Comprehensive Income

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

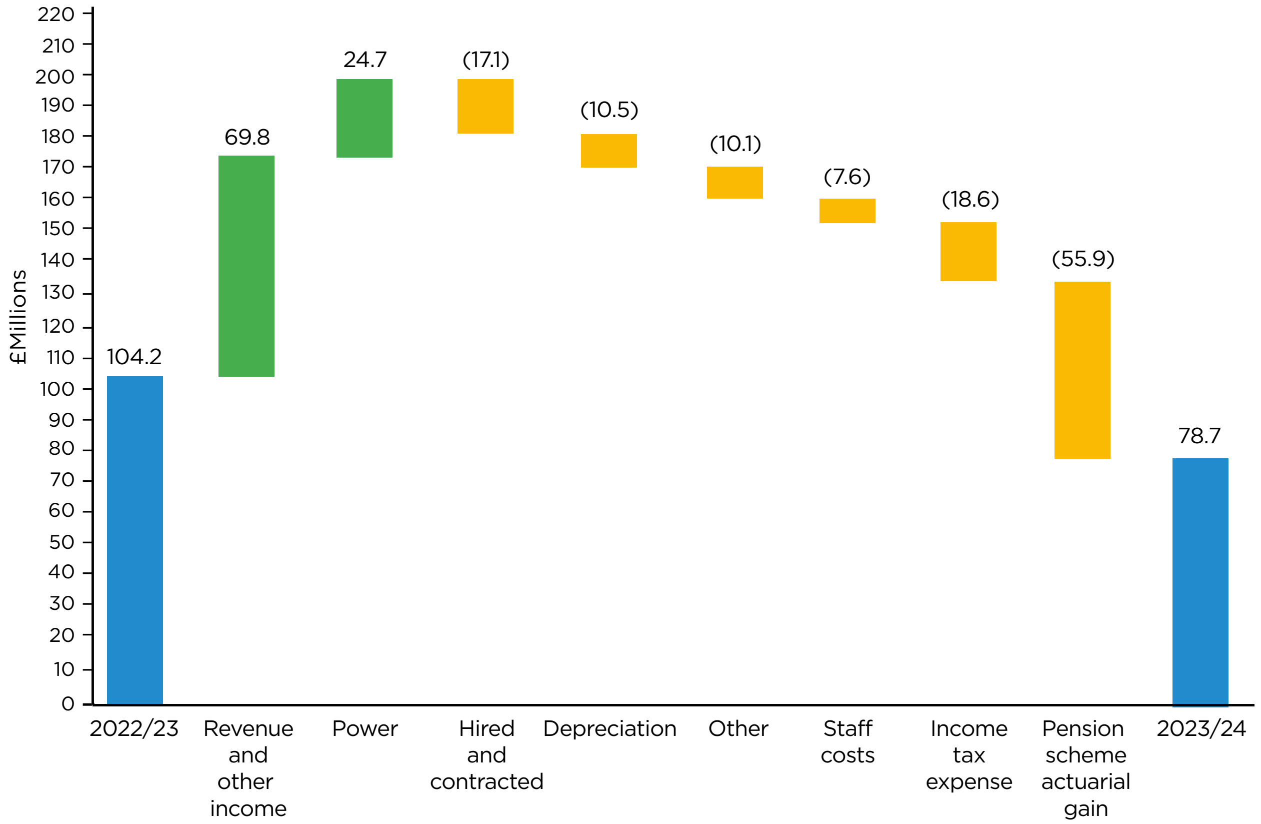
Summary Consolidated Statement of Comprehensive Income

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

Revenue has been stated excluding the value of adopted assets (£39.9m) (2022/23: £29.7m) following the adoption of IFRS 15 "Revenue from Contracts with Customers" in 2018/19. It is considered that the adoption of assets creates a long-term obligation to maintain the related assets and therefore the revenue should be spread over the life of the assets through a deferred credit release (£4.2m) (2022/23: £4.1m).

Financial performance

Movement in total consolidated comprehensive income for the period



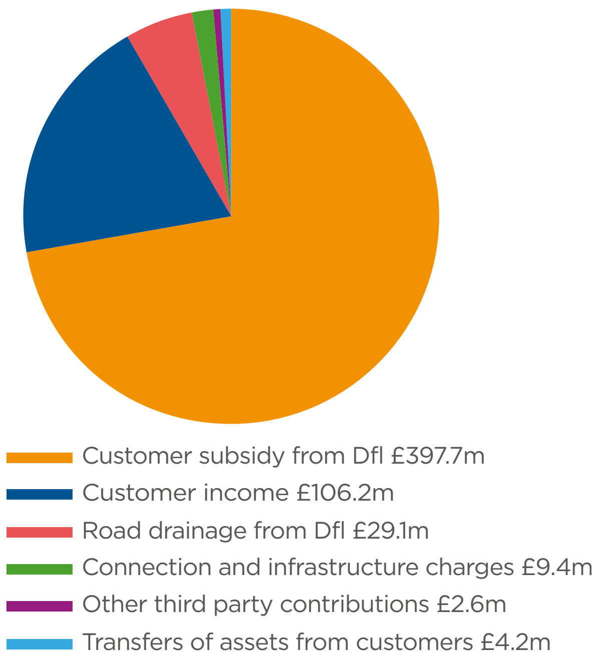
Revenue

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

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

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

Sources of revenue 2023/24



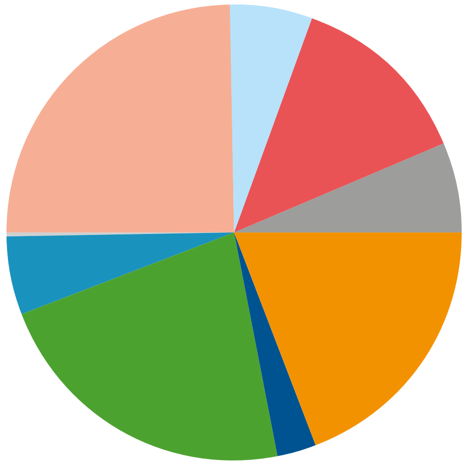
See Statutory Accounts Note C1.

Financial performance

Operating activities

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

Operating expenses 2023/24



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

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

Finance income and costs

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

Taxation

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

Pension scheme actuarial gain

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

Distributions

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

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

Financial performance

Capital structure

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

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

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

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

Summary Consolidated Statement of Financial Position

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

Liquidity

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

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

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

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

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

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

Pension funding

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

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

Investing in our water and wastewater infrastructure

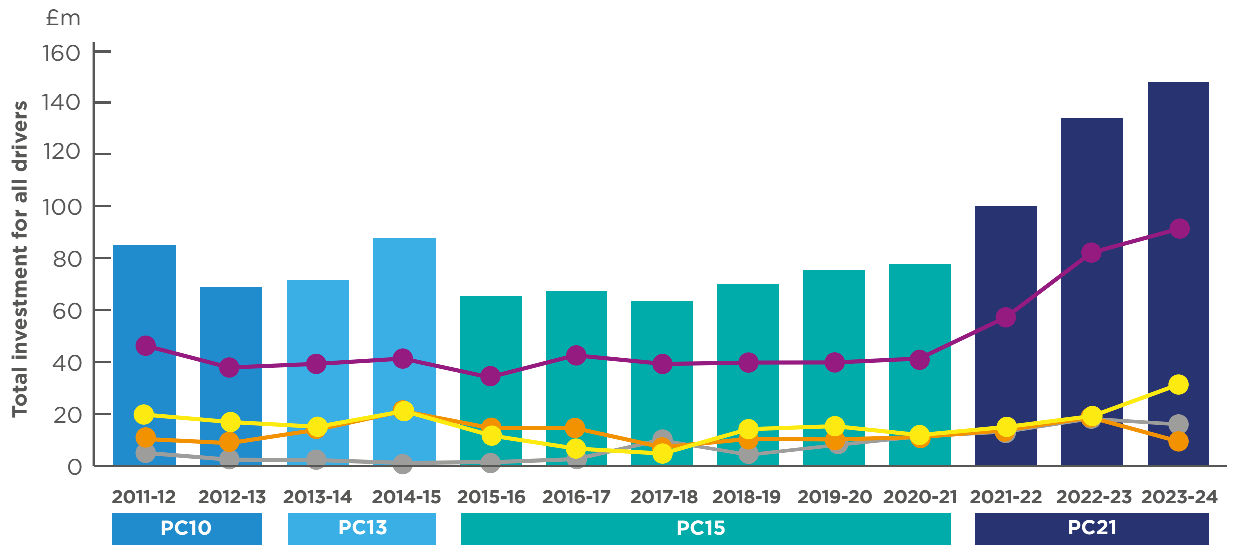
We have invested £3.5bn in Northern Ireland's water and wastewater infrastructure since our formation in 2007/08.

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

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

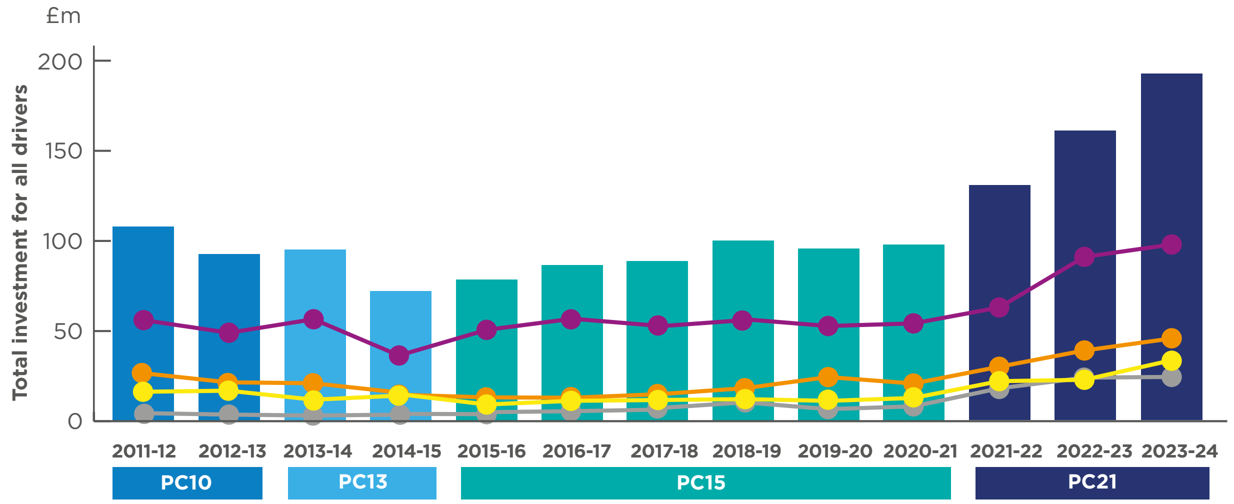
Investment analysed by investment driver

Water service



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

Wastewater service



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

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

Mark Ellesmere
Company Secretary
8 July 2024

STRATEGIC REPORT

Governance

Solar installation at Limavady wastewater treatment plant, County Derry/Londonderry.

GOVERNANCE

Corporate governance

Chair's welcome

I am pleased to present the Corporate Governance Report for 2023/24. This report describes the key features of NI Water's corporate governance structure to support the long-term sustainable success of NI Water, generating value for all our stakeholders. The report also outlines compliance with the relevant provisions given NI Water Limited's status as a Government Owned Company under the Companies Act 2006 and as an NDPB sponsored by the DfI. The Board is committed to the principles of good corporate governance and delivering what matters for all our stakeholders.

Details on how the Board understands the views of stakeholders and how their interests and the matters set out in section 172(1) of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 142.

Putting back more than we take out

Our Strategy (2021-46) is designed to make Northern Ireland a more healthy, sustainable, and prosperous place in which to live. Our business invests to meet the needs of current and future generations. The strategy centres around five strategic priorities, which set out how we will deliver our purpose and vision:

Customer -	delivering an exceptional customer experience;
Water -	delivering great tasting, clean and safe water to meet customer need;
Economy -	efficiently delivering infrastructure to underpin sustainable growth;
Nature -	protecting and enhancing the natural environment; and
People -	providing a great place to work.

Our Purpose

To provide the water for life we all rely on to thrive.

Our Vision

To grow **value** and **trust** by being **world-class**

Corporate governance

NI Water **Values**

Respect . Excellence . Customer . Integrity . Sustainability

Respect	Excellence	Customer	Integrity	Sustainability
Give it, get it, live it	Better, stronger, together	Delivering for you	Do the right thing	Build tomorrow's future today

Our purpose, vision, and values

Our purpose encapsulates why we exist as an organisation – namely to provide the water for life we all rely on to thrive. Our purpose is supported by a vision, which sets out what we will do to deliver our purpose namely to grow value and trust by being world class.

The strategic priorities focus on sustainably growing all forms of capital (natural capital, social capital, intellectual capital, human capital, manufactured capital, and financial capital) to ensure that we put back more than we take out. The priorities provide a framework to support best practice corporate decision making (integrated thinking across the capitals and natural capital accounting), corporate reporting (integrated reporting across the capitals) and corporate governance.

Our Values provide the cultural framework to support achievement of our purpose and vision. Through living these values every day, we are committed to the highest standards of behaviour in how we do business.

As a proud winner of the prestigious **Employer of the Year 2023** Belfast Telegraph Business Award, our people are central to everything we do. It is only with a motivated, safe and healthy workforce that we can deliver exceptional standards of customer service. We do this by placing care for our people front and centre in how we do business, looking after them through all of life's events and providing the conditions for them to perform their role to the best of their ability.

Monitoring the health of our corporate culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. In 2022, we engaged a new expert culture and engagement partner (Gallup) to help design and deliver a new holistic listening strategy across NI Water to gather the voice of the employee and develop our ability to measure what it is like to work here.

In partnership with Gallup in 2023 we conducted a cultural analysis of NI Water involving interviews and focus groups with a diverse range of over 70 employees across NI Water. The findings of this were used to inform the construct of a company-wide employee survey (NI Water Unplugged) which was issued to all employees in November 2023.

The survey achieved a phenomenal response rate with over 1,000 people taking part. Results reported higher than average engagement levels across all functions, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation. The survey also identified clear areas for development which will form the basis for action planning in 2024 and beyond.

Corporate governance

Stakeholder engagement

Our strategy and PC21 Business Plan were co-developed with our stakeholders to ensure that customers are right at the heart of everything we do.

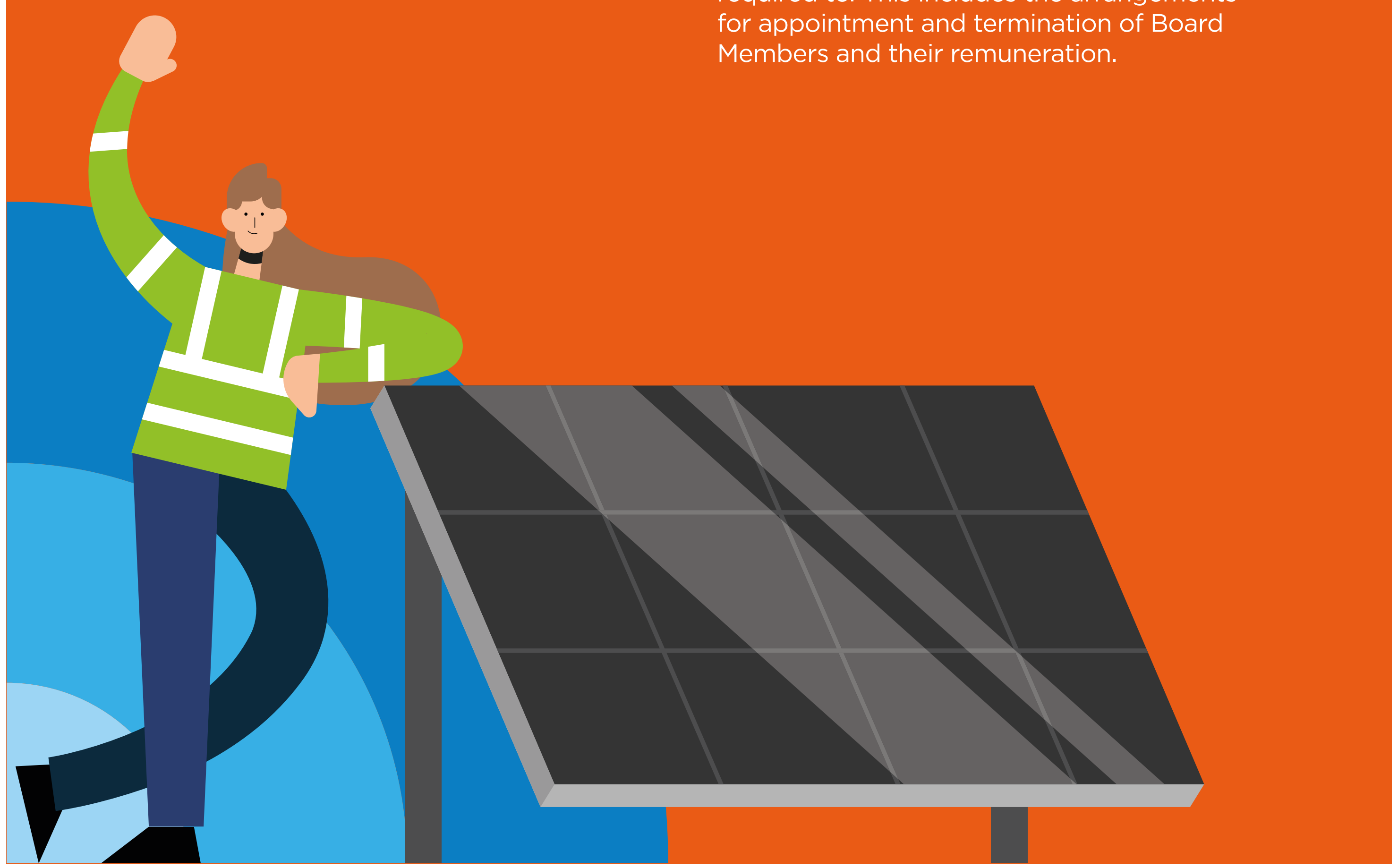
Details on how the Board understands the views of stakeholders and how their interests and the matters set out in section 172(1) of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 142. The Board keeps these engagement mechanisms under review to ensure that they remain effective.

The Board draws on the following to ensure there is robust engagement with the workforce: the results of employee surveys and action plans; Board and Executive Committee engagement sessions; consultation with the Trade Unions; encouraging involvement of employees in business performance through a regulatory performance delivery mechanism; and the work of around 30 employee champions from different parts of the business.

Compliance statement

The Board has taken into consideration the governance arrangements established between NI Water Limited and its sole Shareholder the DfI through the Partnership Agreement and the relevant governance provisions in the Department of Finance (DoF) guidance entitled 'Managing Public Money Northern Ireland' (MPMNI).

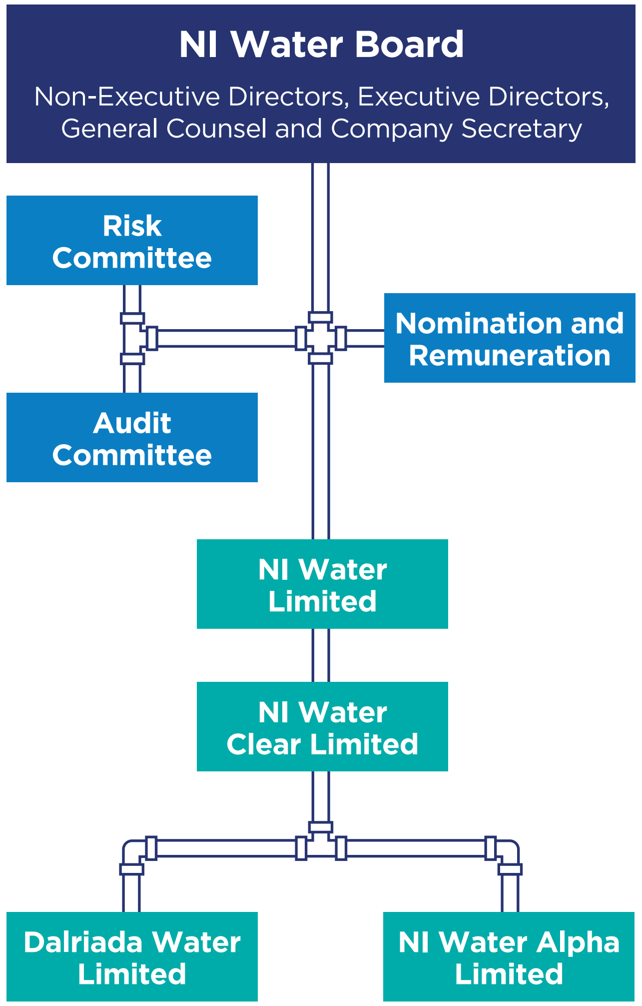
The Board considers that, during the year and up to the date of this report, NI Water has complied with the main principles of corporate governance that apply to NI Water as set out within the Partnership Agreement, and which are practical for a Government owned Company. NI Water seeks to emulate best practice corporate governance arrangements as set out in the 'UK Corporate Governance Code' and the Partnership Agreement draws on the same but also draws on 'Corporate Governance for Central Government Departments: Code of Best Practice Northern Ireland' (Governance Code). However, it should be noted that the Company's commercial freedoms are restricted by the constraints of the public expenditure system and the provisions set down in the Partnership Agreement and consequently NI Water is not able to comply with all aspects of the UK Corporate Governance Code, nor is it required to. This includes the arrangements for appointment and termination of Board Members and their remuneration.



Corporate governance

Board and Executive Committee

The Board and Executive Committee structure is shown below:



Principal Subsidiary Undertakings	Principal Activity
NI Water Clear Limited	Holding Company
NI Water Alpha Limited	Operation and maintenance of clean water treatment facilities
Dalriada Water Limited	Construction and financing of clean water treatment facilities

Operation of the Board

The Board has considered the status of the Non-Executive Directors over the year and considered them to be independent in character and judgement.

A Board Effectiveness Review was carried out during 2023/24 by an external provider at the Board's request. A number of actions arising from the review are now being taken forward.

The operation of the Board and its responsibilities are outlined in the Partnership Agreement: https://www.niwater.com/siteFiles/resources/2023/PartnershipAgreement.pdf

Corporate governance

Summary of Board activity

The Board activity over 2023/24 is summarised below:

		Cross reference
Strategy	• Reviewed progress against delivery of the Strategy (2021-46) through monthly updates from the Executive Committee on the strategy pillars and a half-year strategic report;	Page 28
	• Approved the Climate Change Strategy for NI Water including compliance requirements with TCFD;	Page 62
Governance	• Reviewed the corporate risks and the risk appetite;	Page 84
	• Reviewed the effectiveness of the risk management system and reviewed the effectiveness of the internal control systems;	Page 131
	• Reviewed the terms of reference for the Audit, Risk, Nomination and Remuneration committees;	Page 126
	• Reviewed developments in corporate governance;	Page 126
	• Reviewed the External Auditors' performance;	Page 127
Business performance	• Approved the Annual Integrated Report and Accounts for 2023/24;	Page 126
	• Approved the Regulatory Accounts and the Annual Information Return for 2023/24;	Page 126
	• Approved the going concern and long-term viability statements;	Page 126
	• Monitored the delivery of the Annual Operating Plan and Budget for 2023/24;	Page 126
	• Approved the Annual Operating Plan and Budget for 2024/25;	Page 126
Employees	• Reviewed the health, safety and wellbeing activities and considered health and safety incidents involving employees and contractors as well as the Health and Safety Strategy to reinforce the zero harm ambition;	Page 80
	• Discussed the results of the employee surveys. Reviewed and endorsed the action plan to address areas for improvement and the workforce engagement mechanisms to ensure an accurate representation of employees' views are provided to the Board;	Page 81
	• Reviewed the work being taken forward on the Group wide equality, diversity and inclusion policy;	Page 150
Stakeholders	• Undertook regular engagement with the Shareholder and key stakeholders through the Water Senior Steering Group, the Outputs Review Group and other stakeholder sub-groups and meetings; and	Page 143
	• Undertook half-yearly meetings with senior Shareholder representatives.	Page 145

Corporate governance

Board committees

A committee structure is in place to assist the Board in the discharge of its responsibilities. The terms of reference for each Committee and the terms and conditions of appointment of Non-Executive Directors may be obtained on written request from the Group Company Secretary at the address given on the back cover of this report. The membership of the Board Committees is set out below:

Committee	Membership
Audit Committee	Peter McNaney, CBE (Chair)* Maurice Bullick, OBE (Chair)**
	Paddy Larkin
	Danny McSorley***
Risk Committee	Belinda Oldfield (Chair)
	Marie-Thérèse McGivern
	Paddy Larkin
Nomination and Remuneration Committee	Dr Leonard J. P. O'Hagan, CBE DL (Chair)* Jo Aston (Chair)****
	Peter McNaney, CBE*
	Belinda Oldfield
	Danny McSorley***

*Ceased Board appointment on 31 March 2024.

**Appointed as Chair of the Audit Committee on 1 April 2024.

***Appointed as a Non-Executive Director on 1 April 2024 to serve a first term for a period up to four years.

****Appointed as Chair of the Board on 1 April 2024 to serve a first term for a period up to four years.

GOVERNANCE

Board member biographies

Non-Executive Directors

Jo Aston - Chair

Appointed: April 2024

Jo Aston was appointed Chair in April 2024. Jo is a Chartered Civil Engineer who has worked in both the private and public sectors with experience in all aspects of the utility business.

While employed by the Economic Utility Regulator for Northern Ireland, she led the reform of both Water and Energy Sectors.

She brings her experience in roles such as Director of Water Regulation, Director of Wholesale Energy Markets, Managing Director of the Electricity System Operator for Northern Ireland.

Mrs Aston is currently a Non-Executive Board Member and Chair of the Audit and Risk Assurance Committee for The Department of The Executive Office.

Danny McSorley

Appointed: April 2024

Danny McSorley was appointed as Non-Executive Director in April 2024. He is a Chartered Civil Engineer and brings to the Board over twenty years strategic leadership experience in Central and Local Government.

He is a former Chief Executive of Rivers Agency and Strabane and Omagh District Councils. He has more recently served as Independent Chair of the Safety Technical Group which advised the Department for Communities on the spectator safety aspects of the Stadia Programme.

Mr McSorley is currently a Non-Executive Director of the Strategic Investment Board for Northern Ireland.

Paddy Larkin

Appointed: February 2020

Patrick is an Engineering Graduate from Queen's University Belfast. Since 2010 he has been Chief Executive of Mutual Energy Ltd. He was previously Chief Executive of Premier Power, a subsidiary of the BG Group and owner of Ballylumford Power Station and spent time in Engineering and Commercial roles in the Company.

Corporate governance

Belinda Oldfield

Appointed: February 2020

Belinda is a Fellow of the Institution of Civil Engineers (ICE). She has over 30 years' experience in the water industry in Scotland and retired from Scottish Water in 2022. Ms Oldfield is a Non-Executive Director with Scottish Government, a member of the Corporate Board and the Audit and Assurance Committee. She is also a member of the University of Strathclyde Court and the Audit and Risk Committee.

Marie-Thérèse McGivern

Appointed: February 2020

Marie-Thérèse recently served as Principal and Chief Executive of Belfast Metropolitan College. Prior to that, she was Director of Development at Belfast City Council where she was responsible for economic development, arts, tourism, events and community services. She is Chair of Maritime Belfast and Chair for the Employability and Skills Advisory Board for the £10bn Belfast Region City Deal. She is a Non-Executive Director of the Strategic Investment Board for Northern Ireland.

Maurice Bullick, OBE

Appointed: February 2020

Maurice is a Fellow of the Institute of Chartered Accountants in Ireland and is currently Finance and Compliance Director of Belfast Harbour Commissioners. He is Honorary Treasurer and Council Member of the British Ports Association, and a former Co-Opted Member of the NI Water Audit and Risk Committees.

Composition of NI Water Board

GOVERNANCE

Board member biographies

Executive Board Members

Dr Sara Venning
Chief Executive

Appointed: May 2010

Sara graduated from Queen's University Belfast with a Master of Electrical and Electronic Engineering after which she joined NIE as Customer Operations Manager. In 2010 she joined NI Water as Director of Customer Service Delivery and has been CEO since 2014. She has a passion for excellence, driving change that is transforming NI Water to becoming world class. Sara is a former President of the Institute of Water, the UK water sector industry body and current President of the WaterAid NI Committee, part of the international WaterAid charity working to transform lives by improving access to clean water, hygiene, and sanitation in the world's poorest communities.

Ronan Larkin
Finance, Regulation and Commercial Director

Appointed: September 2005

Ronan is the Finance, Regulation and Commercial Director and a member of the NI Water Executive Committee. He is a director of the Alpha group of companies at NI Water. He is responsible for financial, economic regulatory and commercial matters at NI Water. Ronan is a Fellow of The Institute of Water, and its President in Ireland. He has previously held commercial and financial roles in various organisations in the UK and Ireland.

Mark Ellesmere
General Counsel and Company Secretary

Appointed: June 2006

Mark is General Counsel and Company Secretary and a member of the NI Water Executive Committee. He is responsible for all legal matters impacting on the organisation including NI Water's in-house legal function as well as external advisors instructed on behalf of NI Water.

Corporate governance

GOVERNANCE

Stephanie McCullagh
Director of Customer and Operations

Appointed: September 2023

As the Director of Customer and Operations, Stephanie is responsible for water and wastewater services together with all aspects of customer service delivery. Stephanie joined DRD Water Service in 1996, is a chartered member of the Institution of Civil Engineers and has held a number of senior positions in NI Water across Engineering, Business Improvement and Customer and Operations.

Executive Committee Member biographies

Executive Committee Members

Alistair Jinks
Director of Business Services

Appointed: April 2017

Alistair's experience in managing business change across a number of sectors, including telecoms, manufacturing and retail, has helped NI Water to deliver improvements in our service and efficiency levels. Having joined NI Water in 2006 Alistair now heads up Business Improvement and Corporate Affairs.

Rose Kelly
Director of People and Learning

Appointed: January 2018

Rose has an extensive and varied background in HR, people development, corporate social responsibility and business; she is a graduate from Queen's University Belfast. Rose previously worked in the technology sector where she was Vice President and Chief Administrative Officer. Rose has led a range of innovative people and management strategies and is well placed to help us bring an even greater focus on our people and teams - helping all colleagues develop and flourish.

Tzvetelina Bogoina
Director of Infrastructure Delivery

Appointed: September 2023

Prior to joining NI Water, Tzvetelina was Capital Programme Director in the Strategic Investment Board with leadership responsibility for the delivery of transformative major capital investments in the public sector. Tzvetelina previously worked as Development Director at Balfour Beatty Investments and has over 15 years' experience across key commercial, governance and financial aspects of developing major public infrastructure, regeneration and property investment projects in UK and Europe.

Corporate governance

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Dr Gary Curran
Interim Director of Engineering and Sustainability

Appointed: September 2023

Following graduation from Queen's University Belfast Gary undertook a research role to develop the operating strategy for the new Lagan Weir before gaining his PhD. He then moved to a local consultancy firm for a period before joining NI Water 31 years ago. Gary started his career in DRD Water Service's Design Group before transferring into Customer and Operations, ultimately with responsibility for the Developer Services, Metering and Billing Teams. Outside of NI Water Gary has been the Secretary for the Institute of Civil Engineers and is currently a Director in UKWIR and a Trustee for the NI Water Pensions Scheme.

Composition of NI Water Executive Committee

Length of service

The time served by Board members is shown below:

	Length of service as at 31 March 2024 (full years)	Date of appointment	Date of cessation
Jo Aston	-	1 April 2024	31 March 2028
Dr Leonard J. P. O'Hagan, CBE DL	9	1 April 2015	31 March 2024
Peter McNaney, CBE	8	1 August 2015	31 March 2024
Paddy Larkin	4	1 February 2020	31 January 2028
Belinda Oldfield	4	1 February 2020	31 January 2028
Marie-Thérèse McGivern	4	1 February 2020	31 January 2028
Maurice Bullick, OBE	4	1 February 2020	31 January 2028
Danny McSorley	-	1 April 2024	31 March 2028
Dr Sara Venning	13	21 May 2010	n/a
Ronan Larkin	18	19 September 2005*	n/a
Mark Ellesmere	17	26 June 2006*	n/a
Paul Harper**	7	1 January 2017	30 September 2023
Des Nevin, MBE***	3	1 September 2020	06 October 2023
Stephanie McCullagh***	-	1 September 2023	n/a

*Service pre-1 April 2007 is in respect of DRD Water Service.

**Paul Harper (Director of Asset Delivery) is retiring in April 2024. He ceased being a Director of the Company under the Companies Act 2006 on 30 September 2023. Tzvetelina Bogoina was appointed Director of Infrastructure Delivery on 1 September 2023. She is not a Director of the Company under the Companies Act 2006. Dr Gary Curran was appointed Interim Director of Engineering and Sustainability on 1 September 2023. He is not a Director of the Company under the Companies Act 2006.

***Des Nevin, MBE (Director of Customer and Operations) ceased his employment with NI Water on 6 October 2023. Stephanie McCullagh was appointed Director of Customer and Operations on 1 September 2023.

Corporate governance

Meetings

Details of the Board and Board Committees' meetings attended by each Director during 2023/24 are shown below:

	Board meeting			Audit Committee			Risk Committee			Joint Audit Committee and Risk Committee			Nomination and Remuneration Committee		
	Held*		Attended	Held*		Attended	Held*		Attended	Held*		Attended	Held*		Attended
	Total	Available to attend		Total	Available to attend		Total	Available to attend		Total	Available to attend		Total	Available to attend	
Dr Leonard J. P. O'Hagan, CBE DL	11	11	10	-	-	-	-	-	-	-	-	-	2	1	1
Peter McNaney, CBE	11	11	9	4	4	3	-	-	-	1	1	1	2	2	2
Paddy Larkin	11	11	11	4	4	3	4	4	3	1	1	1	-	-	-
Maurice Bullick, OBE	11	11	9	4	4	4	-	-	-	1	1	1	-	-	-
Belinda Oldfield	11	11	11	-	-	-	4	4	4	1	1	1	2	2	2
Marie-Thérèse McGivern	11	11	11	-	-	-	4	4	3	1	1	1	1	1	1
Dr Sara Venning	11	11	11	4	4	4	4	4	4	1	1	1	2	2	2
Ronan Larkin	11	11	11	4	4	4	4	4	4	1	1	1	-	-	-
Mark Ellesmere	11	11	11	4	4	4	4	4	4	1	1	1	2	2	2
Paul Harper	11	5	5	-	-	-	4	2	1	1	1	1	-	-	-
Des Nevin, MBE	11	5	5	-	-	-	4	2	2	1	1	1	-	-	-
Stephanie McCullagh	11	6	6	-	-	-	-	-	-	-	-	-	-	-	-

*This does not include ad hoc Board meetings during the year on specific items.

Jo Aston
Chair of the Board
8 July 2024

Report by Chair of the Audit Committee

The Audit Committee monitored the integrity of financial reporting together with NI Water's formal announcements relating to its financial performance, paying particular attention to significant reporting judgements and assumptions contained therein. The Audit Committee provided oversight on the effectiveness of financial risk management and its associated controls, reviewed the effectiveness of NI Water's fraud prevention, theft, speak up (whistleblowing) and anti-bribery policies, conflict of interest, fraud awareness training and the effectiveness of investigations.

The Audit Committee met with the Risk Committee to consider the Internal Audit's Annual Assurance Statement, principal and emerging risks and the effectiveness of NI Water's internal control and risk management system.

Significant matters

The significant matters that the Audit Committee considered in relation to the financial statements, and how these issues were addressed, are listed below:

- **Risk relating to financial funding:** the Audit Committee was kept updated during the year on the funding position for 2023/24, including significant shortfalls in both Resource DEL and Capital DEL allocations compared to NI Water's 2023/24 Operating Plan and Budget and the two DfI commissioned reviews (Living with Water Programme and Capital Expenditure for 2023/24). The Committee was also kept appraised of the proposed Operating Plan and Budget for 2024/25, ongoing liaison with the DfI and funding arrangements over the PC21 period;
- **Going concern:** the Audit Committee was briefed on the loan note instrument and the working capital facility in place to the end of PC21, ongoing communications with the DfI in relation to securing appropriate funding for 2024/25 to enable NI Water to comply with its regulatory and statutory duties and secure the continued provision of water and wastewater services and the going concern disclosures;
- **Long-term viability statement:** the Audit Committee was regularly briefed on the management of the long-term viability for NI Water as reported in the statement, including the scenarios being considered, the impact of each of the scenarios and the conclusion on viability;
- **Sustainability reporting:** the Audit Committee was regularly briefed on developments in sustainability reporting, including the disclosures required under the TCFD and TNFD frameworks, multi-capitals reporting, the Climate Change Act (NI) 2022 and the new IFRS Sustainability Disclosure Standards;
- **Subsidiary companies and consolidation:** the Audit Committee considered the appropriate accounting treatment on the consolidation of the subsidiary companies. This included fair value accounting; the value and treatment of goodwill in the Group accounts and the treatment of the PPP contract in Dalriada Water Limited's accounts;
- **Risk relating to the pension scheme:** the Audit Committee considered the funding position of NI Water Limited's defined benefit pension scheme in light of changes in market conditions;
- **Risk relating to holiday pay:** the Audit Committee were informed of the liability relating to The Supreme Court decision regarding backdated holiday pay;
- **NI Audit Office reports:** the Audit Committee was briefed on NI Audit Office reports such as the review of the funding of water infrastructure in Northern Ireland;
- **Corporate governance and reporting reform:** the Audit Committee was briefed on the UK Government's corporate reform agenda, the new FRC Corporate Governance Code and developments in non-financial reporting; and
- **Claims:** the claims level and treatment of claims from contractors were monitored during the year with additional information sought from management as appropriate.

Report by Chair of the Audit Committee

External Audit

Following a competitive tendering exercise, KPMG were appointed as external auditors under the current contract in November 2018 for three years with the option to extend for a further three years. The Audit Committee approved the proposal to take up the third and final one-year extension to November 2024. A tender exercise for external audit services beyond 2024 is ongoing at the time of reporting. The first set of accounts signed by the current audit partner, Dominic Mudge, was for the year ended 31 March 2023.

The Audit Committee met with the External Auditors at least four times in the year. The Committee and the External Auditors also held separate meetings without the attendance of executive management. In their assessment of the independence of the External Auditors, the Committee received, in writing, details of relationships between the External Auditors and NI Water, which may bear on the External Auditors' independence and received confirmation of this independence. The Audit Committee approved the level of the External Auditors' fees in respect of the audit of the Statutory and Regulatory Accounts of the Group and subsidiaries, considered the adequacy of the External Auditors' proposed audit plan, and reviewed compliance with their letter of engagement.

During the year, the Audit Committee undertook a review of the effectiveness of the External Auditors. The review considered the qualifications, expertise, resources, and independence of the External Auditors. The Audit Committee is satisfied that the service provided by the External Auditors remains effective. Non-audit services such as independent certification work are pre-approved as a matter of policy. Other non-audit services, which are considered to have the potential to impair or appear to impair the independence of the audit role, are precluded from being provided by the External Auditors.

Refer to Note D1 to the Statutory Accounts for the fees relating to audit and non-audit services. Non-audit services provided during 2023/24 were £12k (2022/23: £12k) in relation to subsidy assurance review.

Internal Audit

The Audit Committee approved the Internal Audit Strategy, which includes reviews of corporate governance, risk management, financial and key operational processes. The Committee also monitored completion of the 2023/24 audit plan. The Head of Internal Audit provided a progress report to each Audit Committee meeting, which included an overview of audit review findings, follow up status of recommendations and summary of any advisory activity. The Head of Internal Audit met with the Chair of the Audit Committee without management to discuss NI Water's overall control environment and as Chair of the Audit Committee, I have satisfied myself that Internal Audit has sufficient resources through those discussions. The Audit Committee assessed the safeguards in place to protect the independence of the Internal Audit Function and the Head of Internal Audit. These safeguards include the Head of Internal Audit having a primary reporting line to the Chair of the Audit Committee. In addition, the Internal Audit Charter, approved by the Audit Committee, provides the mandate, authority, scope, and responsibilities for the function, in accordance with the relevant Internal Audit professional standards. In accordance with the Public Sector Internal Audit Standards (PSIAS) and the International Professional Practice Framework (IPPF), the Head of Internal Audit provided an annual self-assessment of the function's performance to the Audit Committee. In addition, an External Quality Assessment of the Internal Audit function is completed at least once every five years, last completed by the Chartered Institute of Internal Auditors in February 2021, concluding that the Internal Audit function was in full conformance with the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards.

The Committee evaluated the annual cycle of reports considered by the Committee and was content that it has fulfilled its function as provided for in the Audit Committee's terms of reference, as approved by the Board. A formal report was presented to the Board in September 2023.

As Chair of the Audit Committee, I provided a report to the Board after every Audit Committee meeting and the minutes of each meeting are circulated with Board papers.

Maurice Bullick, OBE
Chair of the Audit Committee
8 July 2024

Report by Chair of the Risk Committee

The Risk Committee provides oversight on NI Water's risk and resilience management framework to protect and create value. The purpose of this report is to provide an insight into the work of the Risk Committee over the last year.

The Committee met on a quarterly basis and reviewed the risk management system and processes, the progress in managing the corporate threats and opportunities towards the risk appetite, and the effectiveness of internal controls and resilience measures.

The Committee also considered emerging risks and their potential impact to NI Water; benchmarking of threats and opportunities; and the management of actions to reduce NI Water's risk exposure to an acceptable level and to maximise the benefits from opportunities.

Significant matters

The significant matters that the Risk Committee considered over the financial year are listed below:

- **Risk governance:** over the financial year, the Risk Committee considered significant threats and opportunities to achieving strategic priorities for 2023/24 and emerging risks going forward. This included health and safety; human resources including recruitment and wellbeing; quality and security of water supply; cyber risks and data security; business continuity and major incident management; asset resilience; climate change, winter resilience, innovation, reputation and branding and environmental management.
- **Corporate threat and opportunity management:** the Risk Committee considered the proposed corporate threats and opportunities at the start of the financial year and recommended these for Board approval. Summary risk maps with clear controls and actions to improve resilience and achieve the benefits from the opportunities were presented to the Committee on a quarterly basis. The Committee reviewed the completion of actions and the effectiveness of controls.

  A corporate threat and opportunity management report was included in the Chief Executive's report to the Board monthly. Two principal threats had an increase in the threat level over 2023/24 (page 87) and actions are in place to manage these risks. Overall, three out of nine principal risks are at the highest level of threat.

Funding has moved from a threat to an issue, which is cascading across other corporate risks. The long term success of NI Water can only be realised if we move from a 'stop-start' approach to delivery as a result of underfunding, to multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.

Northern Ireland remains the only region of the UK where the regulated water company lacks visibility of funding across the Price Control period and lacks financial resilience. NI Water has been underfunded through the PC15 regulatory settlement (2015-21). In the PC21 regulatory period, NI Water was funded below the levels required for 2023/24 and faces the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. Additional funding pressures have been identified as part of the ongoing PC21 Mid-Term Review process. NI Water continues to work with the DfI and the Utility Regulator to make the case for ringfenced funding over PC21 supported by a financial risk mechanism, including the approval of strategic capital projects to reduce the threat of adverse impacts on customers. In the meantime, NI Water ensures that the implications on the delivery of our services because of funding constraints are fully analysed, mitigated where possible, and communicated to the public in a clear and responsive manner. Further details on the availability of public expenditure funding are contained at page 165.

Report by Chair of the Risk Committee

- **Risk appetite:** the Risk Committee monitored the progress towards the Board's agreed risk appetite for the seven risk themes (consisting of both threats and opportunities). A six-monthly update is provided to the Risk Committee and a summary report to the Board. A Board risk appetite workshop is planned for 2024/25 to review the approach to risk appetite and benchmark against best practice.
- **Emerging risks:** details of emerging risks are contained on page 86. Identification of emerging risks is based on local and global research, developments and incidents were reported to the Risk Committee along with details of mitigating steps being taken and further action to improve resilience. The emerging risk landscape has been analysed across a variety of areas including political, economic, sociological, technological, environmental, and legal and regulatory.

  We continue to work with stakeholders on the implications of key external risk factors that are beyond the control of NI Water, such as public sector funding cuts, the impact of inflation on costs and lead times in the supply chain. We also identify steps needed to improve service and financial resilience (refer to the long-term viability statement on page 136). NI Water continues to take steps to manage emerging risks through horizon scanning.
- **Sustainability:** the Risk Committee received updates regarding NI Water's engagement with Government, business partners and community partnerships to create further opportunities to work on a collaborative basis to respond to the climate emergency, restore the natural environment and benefit wider society. These activities are reported in other sections of the Annual Integrated Report.
- **Business resilience:** the Risk Committee received updates on business continuity management, emergency and major incident management and IT disaster recovery plans. This included an update on the plans put in place over the winter months to minimise any disruption to service because of severe weather incidents.
- **Insured risks:** the Risk Committee received an update on the insurance programme for operational and construction activities, including the linkage to corporate risks, the annual insurance renewal and insurance market engagement.
- **Risk training and awareness:** risk and resilience training and workshops and risk map meetings were held on a hybrid basis throughout the year. Colleagues were briefed on policy changes and updates through internal emails and NI Water's (Source) intranet.
- **Risk research, development, and innovation:** the Risk Committee is encouraged by NI Water's involvement in research activities in governance, risk and resilience management. NI Water participates in risk research, development and innovation through a range of channels including insurer funded risk bursaries, the Water Sector Insurance Special Interest Group hosted by the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC), the Water Sector Risk Managers Forum and the Northern Water Business Continuity Forum.

A joint meeting between the Risk Committee and Audit Committee was held to review the Principal Risks on page 84 and the effectiveness of NI Water's internal control and risk management framework. The Board was satisfied with the content of the Chairs' reports included within the Annual Integrated Report and Accounts.

The Committee evaluated the annual cycle of reports considered by the Committee and was content that it has fulfilled its function as provided for in the Risk Committee's terms of reference. A formal report was presented to the Board.

Belinda Oldfield
Chair of the Risk Committee
8 July 2024

Refer to the Directors' remuneration report on page 146 in relation to the work of the Nomination and Remuneration Committee.

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Governance Statement

Introduction

The Governance section on pages 110 to 153 sets out the role of the Board and the assessment of its effectiveness in discharging its responsibilities. MPMNI requires a 'Governance Statement' to be included in the Annual Integrated Report and Accounts. Given that some of the compliance requirements have already been included in the Governance section, the Governance Statement should be read in conjunction with this section. The Governance Statement forms part of the audited financial statements.

Statutory, regulatory and NDPB context

NI Water Limited is a regulated Government owned company and is therefore required to comply with a range of statutory, regulatory, and NDPB related responsibilities. These responsibilities include those under the Companies Act 2006, the Water and Sewerage Services (Northern Ireland) Order 2006, the licence granted by the Utility Regulator and relevant governance provisions in MPMNI. The full remit of responsibilities is set out in the Corporate Compliance Framework, which is monitored by the Board. The Directors can be held jointly and personally liable for failure to comply with many of these responsibilities.

Scope of responsibility for the Chief Executive and Accounting Officer

The governance arrangements established between NI Water Limited and its sole Shareholder the DfI are set out in the Partnership Agreement. NI Water seeks to emulate best practice corporate governance arrangements as set out in the 'UK Corporate Governance Code' and the Partnership Agreement draws on the same but also draws on 'Corporate Governance for Central Government Departments: Code of Best Practice Northern Ireland' (Governance Code).

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of NI Water's purpose, vision, and strategic priorities. I am also responsible for safeguarding the public funds and the Group's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Partnership Agreement.

The governance arrangement complies with the best practice standards of regularity and propriety in the use of public funds and the principles of MPMNI. NI Water's Annual Budget and Operating Plan is submitted to the DfI for approval. The DfI regularly reviews the Group's performance.

The work of the Group is directed by its Board and Executive Committee. There is a comprehensive reporting and accountability system provided through the Executive Committee, Board, and sub-committees of the Board who, together with the work of Internal and External Audit, support me in my role as Chief Executive and Accounting Officer.

Governance framework

The system of internal control is designed to manage threats and opportunities to a reasonable level, and to achieve the Group's purpose, vision, and strategic priorities. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is supported by an integrated risk and resilience management framework to provide an ongoing process to identify and prioritise the risks to the achievement of the strategic priorities, to evaluate the likelihood and the impact should they be realised, and to manage them efficiently, effectively, and economically. The leadership team also considers opportunities for making improvements over the year to achieve better outcomes for our customers, further community engagement to improve sustainability and creative ways to promote health and wellbeing of our colleagues and business partners.

The Group's Integrated Governance Framework, supported by the Integrated Risk and Resilience Framework provides the appropriate structure to facilitate good governance and communication across the business and with key stakeholders. The Integrated Risk and Resilience Framework also sets out the potential impact of emerging risks and the approach to be taken by NI Water to manage these risks going forward.

The system of internal control has been in place in NI Water for the year ended 31 March 2024 and up to the date of approval of the Annual Integrated Report and Accounts, and accords with the DoF's and HM Treasury's guidance, where appropriate.

Capacity to handle risk

NI Water manages risks in line with our Integrated Risk and Resilience Framework. The Framework clearly defines the roles and responsibilities of the Board, its Committees, the Executive Committee, Directors, Risk Champions, and employees. There is a clear chain of accountability from the Accounting Officer to all employees. The Framework provides guidance on how to undertake risk assessments and how to manage risk to an acceptable level as determined by the Board.

The risk and control framework

A range of information was used to establish the corporate threats and opportunities at the start of the year. This included benchmarking threats and opportunities faced by other water companies, the Internal Audit Opinion, the Accounting Officer's Annual Assurance Statement, changes in legislation and Government guidance and emerging risks to NI Water.

During the year, the Executive Committee met on a quarterly basis to assess and evaluate corporate risks and agreed the necessary improvements required to address evolving business needs. The corporate and directorate risk registers have clearly defined owners. These registers were reviewed on a continual basis using risk management software, with monthly reports generated for monitoring purposes. Corporate risk maps were presented to the Risk Committee on a cyclical basis throughout the year. The Board received summary information monthly. Corporate risks can be viewed for business units and programme or project levels as appropriate, to evidence the effectiveness of controls and required actions. Directorate risks can also be escalated to senior management's attention when they are graded as 'high' or 'medium'. An established escalation process is also in place to alert the Chief Executive, Board and stakeholders of significant new issues.

The Risk Committee updates the Board on a quarterly basis on threat improvements, benefits from opportunity realised, improvement in resilience, risks escalated and completion of improvement actions. The Risk Committee also received reports on risk appetite throughout the year. The Audit Committee received reports on financial risk management and informed the Board on NI Water's current and emerging financial risks.

The Board received updates on the status of corporate risks monthly. The Board provides a bi-annual risk management report, at a strategic level, to the DfI. Risk management is a permanent agenda item in the Shareholder meetings. Other stakeholders are involved in managing risks that impact upon them. Refer to pages 126 and 129 for further details on the matters considered by the Board and sub-committees.

Key risks materialising in year

During the year, risks have been effectively managed and principal risks are as reported in pages 84 to 100.

A significant shortfall in public expenditure funding is NI Water's highest principal risk. This risk has crystalised in year, creating cascading impacts across the other principal risks. The underfunding of NI Water's capital programme for 2023/24, combined with lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement, significantly reduces NI Water's ability to deliver the PC21 Final Determination. We have also identified additional funding pressures as part of the ongoing PC21 Mid-Term Review process. Further details on the availability of public expenditure funding, PC21 Mid-Term Review and impact on going concern are contained at page 133.

The Northern Ireland Audit Office published a review of 'Funding water infrastructure in Northern Ireland' in March 2024. The review highlighted key systematic weaknesses in the funding framework and makes recommendations to address these. DfI is also undertaking reviews of the Living With Water Programme and Capital Expenditure for 2023/24.

Other principal risks such as wastewater constraints, supply chain inflation and the climate change, which have wide implications for NI Water, continue to be managed in the context of constrained resourcing and asset capability, with steps taken where possible to improve on our resilience.

Further details on the Principal Risks are contained on page 84.

Governance Statement

Internal Audit

The Head of Internal Audit provided an Annual Opinion on NI Water's system of governance, risk management and internal control. Internal audit results in year support that there is an adequate and effective system of internal control, governance and risk management within NI Water, providing 'Satisfactory' assurance in that regard. However, the issues with the governance and associated funding model have been considered to now present a significant risk that the organisation will fail to meet its strategies and objectives. This current unsustainable position with the governance and associated funding model has resulted in an overall 'Limited' opinion for the year ended 31 March 2024, due to the significant risk that this presents to the achievement of the organisation's strategies and objectives.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of corporate governance, internal control, and risk management. My review is informed by the work of managers within NI Water, who have responsibility for the development and maintenance of the internal control framework. I am also informed by other independent sources of assurance.

The Board, Audit Committee and Risk Committee have also provided their review of the effectiveness of the system of internal control and a plan to address any weaknesses and to ensure that continuous improvement of the system of internal control is in place.

A formalised assurance framework to assist me in assessing the extent of compliance with the specified responsibilities, including the effectiveness of the systems of internal control has been developed. The Audit Committee and Risk Committee considered the Internal Audit Opinion and Chief Executive's Annual Assurance Statement and informed the Board on the overall effectiveness of the Group's system of internal control and risk management.

The year-end management assurance statements include a list of evidence to support management's response and the associated risks. The External Audit opinion for the Statutory, Regulatory and Regularity audits are all 'unqualified' and there is an effective process to manage closure of management letter points raised by the External Auditors.

Chief Executive's Year-End Assurance Statement – Exception Report

Whilst there is an adequate system of governance, risk management and internal control in place in NI Water, several matters are included in the 'Exception Report' appended to my Annual Assurance Statement to the DfI Accounting Officer. The most notable matter is the material underfunding, which significantly reduces NI Water's ability to deliver the PC21 Final Determination. This increases the risk of regulatory sanction by the Utility Regulator for potential breaches of the regulatory licence and increases the risk of breaching statutory requirements associated with NI Water's activities. Most of the matters in the Exception Report are reflected in the 'Principal Risks' section, while others are reported separately to DfI as sole Shareholder.

The Board and I continue to stress the need for NI Water to be fully funded in line with the independent Utility Regulator's PC21 Final Determination, supported by a mechanism to deal with financial shocks. We are working with our Government Shareholder and other key stakeholders to have a sustainable funding model for PC21 to underpin Northern Ireland's vital water and wastewater infrastructure.

Dr Sara Venning
Accounting Officer
8 July 2024

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2024.

Principal activities

The principal activities of NI Water (the Group) are the supply of water and the collection and treatment of sewage in Northern Ireland. The Parent Company (NI Water Limited) is domiciled and incorporated in Northern Ireland. The Registered Number is NI054463 and the Registered Office is: Westland House, 40 Old Westland Road, Belfast, BT14 6TE. The Parent Company is wholly owned by the DfI.

Going concern

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

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

2024/25 Operating Plan and Budget

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

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allocations for the 2024/25 financial year of £137.7m Resource DEL and £324.5m Capital DEL resulting in shortfalls of £38.2m and £145.5m respectively.

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

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

Outlook to end of PC21 Price Control period

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

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

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

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

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

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

Long-term viability statement

The long-term success of NI Water is dependent on the sustainability of its business model and its management of risk. Decisions made by the Board will have a direct impact on the long-term viability of the Group.

The purpose of the viability statement is to assist the Board in discharging its responsibility to ensure that the Group is financially resilient i.e. the extent to which the Group's financial arrangements enable it to avoid, cope with and recover from disruption (a 'financial shock'). The viability statement demonstrates how the Board has assured itself that this is the case, providing this assurance both to the Shareholder and wider stakeholders. In making this assessment, the Board has taken account of the current position, the potential impact of the principal risks facing the business in severe but plausible scenarios, and the effectiveness of any mitigating actions.

This viability statement has been prepared in two stages, firstly by considering and reporting on the longer term prospects by taking into account the Group's current position and principal risks, and then by stating whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their viability assessment, drawing attention to any assumptions or qualifications as necessary.

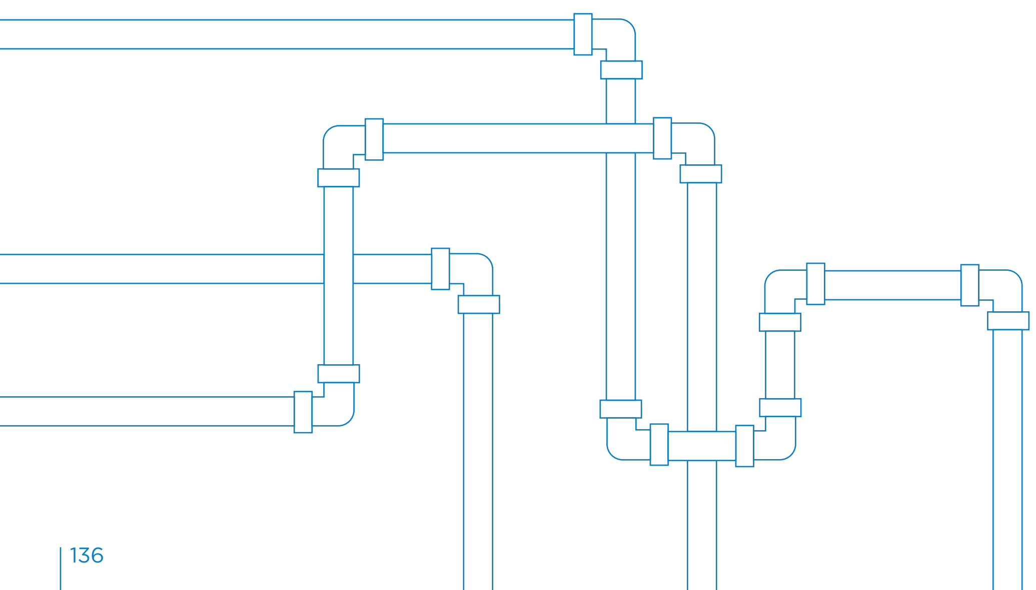
Stage 1 – longer-term prospects

The Directors have considered the Group's longer-term prospects, taking into account the Group's current position and principal risks. Refer to page 84.

Stage 2 – assessment of viability

Period covered

The Directors have considered the appropriate length of time over which to provide the viability statement. In making their assessment, they have taken account of the balance between timescale and robustness of analysis, and the time periods used and recommended across the water sector. The Directors consider that a five-year period is appropriate given NI Water's position within the current regulatory cycle, the extent to which information is available on the direction of the subsequent Business Plans and the assessment periods used in the water sector. This five-year assessment period covers the remaining three years of PC21 and the first two years of PC27, so extends beyond the end of the PC21 regulatory period (March 2027) and falls within our current strategic planning horizon (2021-46). The PC21 Mid-Term Review process is ongoing. Preparations for the PC27 Business Plan are at an early stage. In the absence of a PC27 Business Plan, we have assumed no material changes in income, expenditure, loan facilities or agreements between PC21 and PC27. The long-term Corporate Strategy, the PC21 Business Plan and the ongoing PC21 Mid-Term Review reflect the Directors' best view of future prospects. The assumptions used in developing the PC21 Business Plan were based upon the best information currently available at that time.



Directors' report

GOVERNANCE

Approach

The approach to developing our long-term viability statement is summarised below:

Develop scenarios

- Risk owners identify and maintain integrated risk and resilience registers
- Identify corporate risks
- Develop severe but plausible risk scenarios arising from the corporate risks
- Review by Audit Committee and Risk Committee

Model scenarios

- Financial shocks (income, operational and capital expenditure) applied to each severe but plausible scenario for the next five years x probability = annual expected monetary value
- Model the financial impacts over the next five years
- Review by Executive Committee, Audit Committee and Risk Committee

Approve the long-term viability statement

- Write the long-term viability statement
- Assure supporting information
- Review by Executive Committee, Audit Committee and Risk Committee
- Approval by Board

Scenarios

Several severe but plausible scenarios and underlying events were developed based on the corporate risks (a sub-set of the principal risks) and in liaison with risk owners. An estimate was made of the likely financial shock for each event, which was then multiplied by a probability of occurrence to give an expected monetary value. The expected monetary value for each event was summed to give the expected monetary value for each scenario. The total of the expected monetary values for all the scenarios represents the anticipated financial shock for all corporate risks in each year of the five-year assessment period. This financial shock is based on the Directors' current expectations and, by its very nature, is inherently unpredictable, speculative and involves risk and uncertainty because it relates to events and depends on circumstances that may or may not occur in the future.

Scenario number	Scenario name	Description of severe but plausible scenarios	Link to strategic risk (page 84)
1	Underfunding	Significant underfunding of the PC21 Final Determination	
2	Macroeconomic	Macroeconomic shocks and stress (combination of inflation, interest rates, bad debt, tax duty/recession) may lead to changes in the number of non-domestic customers and levels of bad debt	
3	Pension	Unanticipated additional contributions to the Pension Scheme arising from higher-than-expected actual inflation; lower-than-expected investment returns; the threat that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets; and members living for longer than expected	
4	People	A lack of people, capacity and capability compounded by a shortfall in STEM skills and talent in the marketplace may compromise our business performance and ability to retain critical skills	
5	Supply chain	Global supply chain disruptions, chemical pricing or changes to market conditions may lead to excessive energy or chemical cost inflation, power outages/ blackouts and insolvency of key operational or capital contractors	
6	Health and Safety	Major fire or explosion due to process safety failure, legionella/asbestos exposure or dam burst may lead to death or serious injury to colleague or member of the public	
7	Cyber	Significant IT/cyber breach leads to major data loss (GDPR, NISD and SEMD) leading to investigation and fine by Information Commissioner or Competent Authority, service impact or breach of network information systems and security and emergency measure obligations	
8	Drinking water	Major widespread water quality contamination event	
9	Wastewater	Severe consent failure at key wastewater treatment works (including unexpected change to PPP Omega contract)	
10	Pollution	Pollution and sewer flooding incidents lead to loss of reputation with regulators, key stakeholders, and damage to the natural and built environment	
11	Severe weather	Multi-year dry spring/summer leads to severe drought and supply restrictions Severe winter followed by thaw leading to significant increase in leakage and supply interruptions Widespread flood inundation/coastal inundation/ significant flood event including our ability to embed and transform our flood resilience	
12	Net zero carbon	Significant increase in decarbonisation costs due to changes in the required rate of decarbonisation because of changes in legislation, technology, and climate	

Directors' report

Financial shocks have not been developed in relation to scenario one due to the uncertainty around funding over PC21 and the subsequent difficultly in estimating the degree to which financial shocks relating to other scenarios will increase because of any underfunding. Scenario one is unique to NI Water as most of the other UK water companies benefit from funded regulatory settlements. NI Water has been underfunded through the PC15 regulatory settlement (2015-21). NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. We have identified additional funding pressures as part of the ongoing PC21 Mid-Term Review. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios. Further details on the availability of public expenditure funding and the PC21 Mid-Term Review are contained at page 165 of the financial statements.

In the absence of a costed climate strategy, scenario #12 inflates the cost of decarbonising energy as a proxy for the costs of decarbonising the whole business. Assumptions are made in relation to other areas under development (such as process emissions, carbon in the supply chain and carbon stored in our land) and a change in the legislated date for achieving net zero carbon. A further adjustment is made for the transition risk exposure over PC21 as calculated in the climate-related financial risk model. A revised assessment of these costs can be made once the climate strategy has been costed as part of the PC27 Business Plan.

We believe that the suite of scenarios considered encompasses the full spectrum of potential known risks and have sought to benchmark the severity of the scenarios against both historical risk events and other scenarios used within the industry. We have also looked at the frequency and impact of historic examples of scenarios for NI Water and across other water companies.

Energy price shocks and wider inflationary pressures are included within the suite of scenarios. Such events are difficult to predict given the level of uncertainty about their duration. We will reassess our planning assumptions as inflation expectations evolve.

The expected value method assumes that all major risk scenarios occur on an ongoing, albeit risk adjusted, basis. One event could occur and be mitigated before the next event occurred.

The following plausible combinations of financial shocks have also been considered:

- **Combination 1 –** macroeconomic, pension and supply chain;
- **Combination 2 –** people and pollution;
- **Combination 3 –** health and safety, cyber, drinking water and wastewater;
- **Combination 4 –** drinking water, severe weather and net zero carbon;
- **Combination 5 –** health and safety, cyber and net zero carbon; and
- **Combination 6 –** macroeconomic, pension, people, supply chain and wastewater.

As part of the assessment, reverse stress testing has been performed to understand the headroom in the Group's overdraft and capital loan notes for financial shocks before and after applying probabilities. Larger financial shocks (before applying a probability of occurrence) for income and operational expenditure and capital expenditure have been used to inform the stress testing. Consideration has also been given to any additional borrowing requirements because of the PC21 Mid-Term Review.

Fundamental assumptions and qualifications

This viability statement is based on the following fundamental assumptions and qualifications:

- in previous years the Directors assumed that the Utility Regulator's PC21 Final Determination would be fully funded by the Shareholder, with the potential for recovery of any underfunding in earlier years to be caught up over the remainder of PC21. This assumption no longer holds. NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios;

- the Directors assume that the Shareholder, as the sponsoring Government Department, can provide public expenditure budget cover to allow the Group to incur additional expenditure associated with one or more of the severe but plausible scenarios occurring. This includes energy price shocks and wider inflationary shocks;
- in previous years the Directors assumed that the Shareholder would provide additional funding and capital loan arrangements for PC21 if required by the PC21 Mid-Term Review. As noted above, NI Water is facing the potential of material cuts to funding for the PC21 Final Determination;
- in the absence of a PC27 Business Plan, the Directors have assumed no material changes in income, expenditure, loan facilities or agreements between PC21 and PC27;
- the Directors assume that a mechanism is agreed with the Shareholder to address the commitment for repayment of the 2027 Capital Loan Note on 31 March 2027;
- the Directors assume that the Utility Regulator's PC27 Final Determination is fully funded by the Shareholder;
- the Directors assume that the Shareholder will provide working capital facilities and capital loan arrangements on which borrowings may be taken in the PC27 period;
- the Directors assume that the current regulatory and statutory framework does not substantively change. From an economic perspective, given the market structure of water and wastewater services, threats to the Group's viability from risks such as reduced market share, substitution of services and reduced demand are low compared to those faced by many other industries; and
- the Directors assume that their assessment of financial shocks based on the above approach for this viability assessment represents the full range of financial shocks (known and unknown) and their magnitude. The assessment of financial shocks will be further embedded into the risk management process in future years.

In assessing the viability of NI Water, the Directors have taken account of:

- the availability of public expenditure funding, the PC21 Mid-Term Review and the impact on going concern as outlined in page 165 of the financial statements;
- the Group's current liquidity position as outlined on page 107;
- the detailed financial projections developed as part of the planning process, which include the best available information about the PC21 regulatory period ending in March 2027; and
- the severe but plausible scenarios and stress testing described above.

Mitigating actions

The English and Welsh water companies can undertake a range of actions to mitigate the impact of severe but plausible financial shocks. These actions include use of cash reserves, access to borrowing on the financial markets, flexing capital investment programme between years, moving expenditure between operational and capital expenditure, cutting dividends, equity injections, equity reductions and significantly increasing the size and scope of their commercial insurance programmes. These mitigating actions are either not available to NI Water given its NDPB status or would not provide any additional spending power. Furthermore, most of the English and Welsh water companies operate under a funded regulatory settlement, unlike NI Water, which has been underfunded through PC15 regulatory settlement (2015-21). NI Water faces a lack of visibility of funding and the potential of a significant cut to its funding for the remaining three years (2024/25 to 2026/27) of the six-year PC21 regulatory settlement. We have identified additional funding pressures as part of the ongoing PC21 Mid-Term Review process. Underfunding of this magnitude is likely to materially increase the size and likelihood of the financial shocks across the other scenarios. NI Water's financial resilience is therefore dependent on its sponsoring Government Department for both access to funding and public expenditure budget cover to incur expenditure, the latter of which is the fundamental constraint. Severe but plausible financial shocks would likely require additional funding bids to DfI. Such bids would compete with other bids on public expenditure within the sponsoring Government department and across the public sector. Further details on the availability of public expenditure funding and the PC21 Mid-Term Review are contained at page 165 of the financial statements.

Directors' report

Assurance

We applied two levels of assurance over our long-term viability statement.

- Level 1 - liaison with corporate risk owners and review by Corporate Governance, Financial Accounting and Regulation teams in Finance, Regulation and Commercial Directorate. Level 1 assurance included ensuring that the long-term viability statement was produced in line with best practice and the UK Corporate Governance Code; and
- Level 2 - the viability statement was subject to scrutiny and challenge by the Executive Committee, the Audit Committee, the Risk Committee, and the Board at key stages in its development.

Conclusion

The Directors have concluded that, subject to the fundamental assumptions and qualifications outlined above, material uncertainties exist that cast doubt on the ability of the organisation to continue as a going concern over the five-year assessment period ending on 31 March 2029.

Future developments

The Directors are not aware at the date of this report of any likely major changes to NI Water's activities in the next year.

Dividends and reserves

NI Water Limited's dividend policy is to provide a return to the Shareholder the DfI based on a percentage of the regulatory capital value less net debt. The return reflects the cost of equity set in the PC21 Final Determination. Payment of any dividend is subject to NI Water having sufficient distributable profits. Refer to the Principal Risks (page 84) for factors which could impact on the amount of distributable profits.

It is anticipated that a final dividend of £24.0m for the year ended 31 March 2024 (2022/23: £21.0m) may be approved by the Shareholder upon the recommendation of the Board later this year. However, this has not been included within the financial statements as the dividend was not declared before 31 March 2024.

Directors and Officers

The Directors and Officers who served during the year and up to the date of this report are set out on page 125.

Further details on our Board and Executive Committee can be found at:

Our executive committee

Our Board

Directors' and Officers' indemnities

Directors and Officers are indemnified by NI Water against costs incurred by them in carrying out their duties, including defending proceedings brought against them arising out of their positions as Directors; or in which they are acquitted; or judgement is given in their favour; or relief from any liability is granted to them by the Court.

Policy on the payment of creditors

NI Water's policy is to agree payment terms with suppliers and to pay on time according to those agreed terms. In the absence of alternative agreements, the policy is to make payment not more than 30 days after receipt of a valid invoice. The year to date ratio, expressed in days, between the time invoices from large suppliers fall due and the time invoices were actually paid at 31 March 2024, was 31.7 days (2022/23: 31.8 days).

NI Water has adopted the public sector supplier payment policy for small and medium sized suppliers of 10 days after receipt of a valid invoice in accordance with the Northern Ireland Executive's policy. As at 31 March 2024, the year to date ratio stood at 11.3 days (2022/23: 11.5 days).

Political and charitable contributions

NI Water made no political or charitable donations nor did it incur any political expenditure during the year.

Research and development

NI Water invested £0.32m on Research and development in 2023/24 (2022/23: £0.19m).

Refer to Note G1(f)(ii) to the Statutory Accounts for the accounting treatment.

GOVERNANCE

Directors' report

Employees

NI Water uses an increased range of communication channels to keep its employees involved in the Group's affairs to engage them and keep them informed and appraised on performance and other business related matters. NI Water continues to oppose all forms of unlawful and unfair discrimination. It remains the Group's policy to promote equality of opportunity for all our employees during their employment. NI Water is recognised as a disability confident employer, as an endorsement of our commitment to recruit and retain disabled people and people with health conditions. Read more about diversity and inclusion on page 150.

Directors' interests in contracts

No Director had a material interest at any time during the year in any contract of significance with NI Water. The key personnel and Directors did not carry out any transactions with related parties of the Group.

Regulation - 'ring fencing'

In accordance with the requirements of the regulatory licence, the Board confirmed, that as at 31 March 2024, it had available to it sufficient rights and assets, not including financial resources, which would enable a special administrator to manage the affairs, business and property of NI Water Limited in order that the purposes of a special administration order could be achieved if such an order were made.

Regulation - 'cross directorships'

Directors and employees of NI Water may be Directors of related companies when this is in the best interests of NI Water, and where appropriate arrangements are in place to avoid conflicts of interest. These arrangements include prior approval of any cross directorships by the Board and the Shareholder. In addition, Directors holding cross directorships are required to disclose any such interests prior to making decisions which may result in, or give the appearance of, a conflict of interest.

Greenhouse gas emissions

Details on greenhouse gas emissions are included on page 70.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of NI Water consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 March 2024 (see page 116) and by reference to the approval of our Strategy (2021-46) and PC21 Business Plan (2021–27), supported by the Board assurance statement accompanying our plan:

(a) Long-term decisions

Our Strategy and Business Plan set out the step change in investment required to address the country's most critical needs and enable Northern Ireland to thrive from its water and sewerage infrastructure.

The NI Water Board has driven the strategic development of our Strategy and Business Plan. It has challenged the Executive Committee to put forward a strategy and plan that delivers for the health, the environment and the economy in Northern Ireland while being affordable for customers and deliverable for our people and our supply chain. The Board has obtained confirmation from its independent Board Assurance Advisor that the Strategy and Business Plan are clear, structured and evidence based, and the narrative is supported by robust data. The Board reviewed the Group's response to the PC21 Draft Determination and approved the response to the PC21 Final Determination.

(b) Employees

Our people are the most important drivers of our success and our Strategy and Business Plan aims to create a more diverse, engaged and high-performance organisation in which all employees are supported and empowered to reach their full potential and excel in whatever they do.

Directors' report

In addition to our annual employee engagement survey and other engagement channels, we engaged with our people and Trade Unions specifically in developing our Strategy, which has a separate strategic priority on people. The Business Plan underpins the Strategy and commits us to ensuring that our people are strongly equipped with the skills and competency to succeed in an era of unprecedented change in the workplace. It focuses on developing and delivering a sound resourcing plan to build the diverse and inclusive workforce of the future, anticipate and address current and future skill gaps and ensure a strong leadership and talent pipeline.

The Business Plan also commits us to protecting the health, safety and wellbeing of our people through sector leading health, safety and wellbeing performance and our zero accident and harm ambition. We have updated our employees and the Trade Unions in relation to the PC21 Draft and Final Determinations and engaged on the Climate Change Strategy through a NI Water Live event and updates on Source in May 2023.

Our Business Plan was also developed to ensure that the employer pension contributions meet the funding requirements of the Pension Scheme.

(c) Suppliers, customers and others:

Supply chain

Collaboration and engagement with our existing and potential suppliers along with our customers continue to be at the forefront of what we do.

Work is underway for the re-tender of our largest operational contract, Water and Wastewater Network Services. Supplier engagement events were held where NI Water stakeholders delivered presentations to potential suppliers to ensure that the market was aware of this tender coming out, market capacity and capability was understood, and NI Water could share aspirations for the contract. Bidder interest in the tender is a testament to the success of these events.

As part of our ongoing supplier relationship management development, the team have attended multiple Meet the Buyer events, sat on panel discussions, and delivered external presentations – from how we support our suppliers to drive social value, to how we are implementing our climate

NI Water staff at Supplier Market Engagement Session in Craigavon, County Armagh.

change strategy (particular Scope 3) within the delivery of our contracts. Participating in this level of external activity has provided us with the opportunity to raise our profile, build our networks while establishing strong relationships with stakeholders across various sectors.

The team have also had some of their work recognised at award level. CIPS and the Public Finance awards shortlisted NI Water for three awards in the categories - Best Initiative to Deliver Social Value through Procurement, Outstanding People Development Programme and Sustainability and Social Value. Read more about customer engagement on page 24.

Principal stakeholders

Our principal stakeholders helped us co-create our Strategy and Business Plan. A range of working groups and challenge groups provided us with assurance that we developed a plan that reflects our strategic priorities. Our participation in these groups has ensured that we have provided a forum for stakeholders for strategic discussion on priority issues.

The Outputs Review Group, chaired by the DfI ensures NI Water is held accountable for progress on key outputs, and can coordinate the delivery of the price control process.

Customer Measures/Satisfaction working group, chaired by the Utility Regulator and comprising CCNI, the DfI and NI Water coordinates the development and monitoring of new consumer performance measures and oversees the implementation of the Utility Regulator's consumer protection best practice framework.

Further details on engaging with our stakeholders is contained in the 'Listening to you' section on page 24.

Directors' report

Local Councils

We have offered all of the 11 NI councils the opportunity to receive a presentation on the current status of our PC21 capital investment programme, water and wastewater infrastructure and capacity constraints challenges. Nine of the Councils accepted the invitation dates and meetings were subsequently scheduled. In 2023/24, six of the nine meetings have been held. In addition, we have been proactively engaging with all of the Local Development Planning Teams, providing them with capacity constraint information and investment proposals in the context of their Local Development Plans which includes their 'hub' towns and cities that are central to their growth plans. NI Water has participated in six Independent Examinations held by the Planning Appeals Commission on Local Development Plans during the current PC21 period. Antrim and Newtownabbey Borough Council, Belfast City Council, Derry City and Strabane District Council, Fermanagh and Omagh District Council, Lisburn and Castlereagh City Council, Mid and East Antrim Borough Council. NI Water continues to liaise with these six Councils in the development of their Planning Policy Statements, and the other five Councils through the development stages of their Draft Plan Strategies which will go forward for Independent Examination in future.

Our engagement over 2023/24 highlighted that a fully funded PC21 Final Determination will only begin to address current development constraints and that sustained investment will be required in future price control periods into the mid-2040s. NI Water also stressed that we continue to work with Developers through the predevelopment process to find bespoke drainage solution to facilitate development where possible.

Business organisations

We continued to engage with business organisations and industry groups on service delivery improvements such as the new Developer Services portal and navigated the tariff increase through direct engagement with industry bodies. Particular emphasis has been placed on engaging with Developers and builders in advance of submission of planning applications to identify where we can overcome potential capacity issues. We also liaised with key stakeholders to outline progress, updates and implications for PC21 as well as our ambitious climate targets, highlighting some key advances in our hydrogen initiative and the great strides we have taken to reach our one million tree planting commitment.

Political parties

We held updated briefings advising Councils on our Capital Delivery Programme and how that impacts on their respective areas. Dr Sara Venning and Ronan Larkin presented to the newly formed Infrastructure Committee in late February and outlined the full adverse impact any future funding cuts would have on economic growth and the environment in Northern Ireland. We also attended a number of party political conferences to engage directly with elected representatives.

We met with a selection of Party Infrastructure Spokespersons and Party Policy Advisors to ensure that local elected representatives are all fully aware of the status of water and wastewater infrastructure. We also opened six of our water treatment facilities in February to a selection of key stakeholders including elected representatives to reinforce messaging that our water is world class and we have robust treatment processes in place to deal with any potential blue/green algae issues.

(d) Community and the environment

The Strategy and PC21 Business Plan were developed in line with the DfI's Draft Social and Environmental Guidance for Water and Sewerage Services (2021-27). Government priorities for PC21 are set out in the draft guidance. The strategic priorities focus on sustainably growing all forms of capital (natural capital, social capital, intellectual capital, human capital, manufactured capital and financial capital) to ensure that we put back more than we take out. The priorities provide a framework to support best practice corporate decision making (integrated thinking across the capitals and natural capital accounting) and corporate reporting (integrated reporting across the capitals). We are proud to play our part in supporting delivery of at least 12 of the UN's Sustainable Development Goals. Our Climate Change Strategy was published in May 2023 and outlines our approach to net zero and building climate resilience. Find out more at page 62.

Directors' report

GOVERNANCE

(e) Business conduct

As the Board of Directors, we are committed to the highest standards of behaviour in how we do business. Our values provide the cultural framework to support achievement of our purpose and vision, and we encourage our employees to live these values. Our values are at the heart of our decision making and underpin everything we do. They center around a more sustainable way of doing business by putting back more to society, the economy, and the natural environment than we take out. The values are embedded in our code of ethics, which links to other policies such as those on speak up (whistleblowing), fraud prevention, anti-bribery and corruption and modern slavery.

(f) Shareholder

As a Board of Directors, our intention is to behave responsibly toward our sole Shareholder the DfI, so it too may benefit from the successful delivery of our Business Plans. This includes servicing the borrowings from the DfI and paying a dividend to the DfI, which represents a return to the taxpayer on the amount invested in the Group.

Disclosure of information to auditors

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 Group's auditors are unaware and each Director has taken steps they should have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditor

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.

By order of the Board

M S Ellesmere

Mark Ellesmere
Company Secretary
8 July 2024

Directors' remuneration report

Nomination and Remuneration Committee

The Nomination and Remuneration Committee determines, on behalf of the Board, and subject to approval by the Shareholder, the NI Water policy on the remuneration of Executive Directors and Executives. Only independent Non-Executive Directors may serve on the Committee.

The Committee met three times in the year.

Board appointments and diversity

The Nomination and Remuneration Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, succession planning and making recommendations to the Board and Shareholder on maintaining an appropriate balance of skills and experience on the Board. This includes consideration of gender and ethnic diversity. The Shareholder appoints the Chair and all other Non-Executive Board members and participates in and approves the appointment of all Executive Directors to the Board.

Remuneration policy

NI Water's policy on remuneration of Executive Directors and Executives is to attract, retain and motivate the best people, recognising their significant responsibilities and the input they make to the ongoing success of the business.

Consistent with this policy, and in accordance with Article 62 of the Water and Sewerage Services (Northern Ireland) Order 2006, the benefit packages awarded by NI Water to Executive Directors and Executives are intended to be competitive and, under the policy, should comprise base salary and a discretionary performance related bonus designed to incentivise Directors and align their interests with those of the Shareholder. The remuneration consists of the following elements:

Base salaries

Under the policy, base salaries for each Executive Director and Executive should be reviewed annually considering inflation. Notwithstanding this policy NI Water is subject to public sector pay policy because of its current governance arrangements.

Annual bonus

There was no bonus scheme in 2023/24 for Executive Directors and Senior Managers.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Group Companies

Apart from NI Water Limited, the Directors of the other companies in the Group did not receive any emoluments for their services.

Non-Executive Directors' remuneration

The higher fees for the Chair of the Board reflect the additional responsibilities of that role. Further details on the fees paid to the Non-Executive Directors are provided on page 148.

Directors' employment contracts

The Executive Directors covered by this report hold appointments which are open ended. The policy relating to notice periods and termination payments is contained within their service agreements and/or NI Water's Employee Handbook. The Non-Executive Directors covered by this report hold appointments which last for four years and the DfI Minister has the option of reappointing for a further four years after consideration of relevant performance assessments.

Directors' remuneration report

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Fees paid to members of the Executive Committee

	Year to 31 March 2024					Year to 31 March 2023				
Current	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000[2]	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000	Total £000
Dr Sara Venning	**185 - 190**	**-**	**-**	**64**	**250 - 255**	180 - 185	-	-	92	270 - 275
Ronan Larkin	**140 - 145**	**-**	**-**	**34**	**175 - 180**	135 - 140	-	-	110	245 - 250
Paul Harper	**135 - 140**	**-**	**-**	**49**	**180 - 185**	130 - 135	-	-	47	175 - 180
Des Nevin, MBE	**70 - 75**	**-**	**-**	**-**	**70 - 75**	130 - 135	-	-	99	225 - 230
Stephanie McCullough	**70 - 75**	**-**	**-**	**-**	**70 - 75**	-	-	-	-	-
Current member of the Executive Committee (not Exective Director):										
Mark Ellesmere	**135 - 140**	**-**	**-**	**44**	**180 - 185**	130 - 135	-	-	90	220 - 225
Alistair Jinks	**135 - 140**	**-**	**-**	**32**	**165 - 170**	130 - 135	-	-	103	230 - 235
Rose Kelly	**130 - 135**	**-**	**-**	**48**	**180 - 185**	115 - 120	-	-	43	160 - 165
Tzvetelina Bogoina	**65 - 70**	**-**	**-**	**24**	**90 - 95**	-	-	-	-	-
Dr Gary Curran	**65 - 70**	**-**	**-**	**-**	**65 - 70**	-	-	-	-	-

Pay multiples

The relationship between the remuneration of the highest paid Director and the median remuneration of NI Water's workforce is shown below. The banded remuneration of the highest paid Director in NI Water was £185k to £190k on a full year equivalent basis (2022/23: £180k to £185k). This was 4.93 times (2022/23: 4.77 times) the median remuneration of the workforce, which was £38,008 (2022/23: £37,772). The marginal change in the median pay multiple (ratio) between 2022/23 and 2023/24 was primarily due to the annual uplift to the remuneration of the highest paid director offset in part by increases to the minimum levels of remuneration.

Group		
	Year to 31 March 2024	Year to 31 March 2023
Highest paid Director (£000)	**185 - 190**	180 - 185
25th Percentile (£)	**31,939**	31,786
Pay multiple ratio for 25th percentile	**5.87**	5.67
Median total remuneration (£)	**38,008**	37,772
Pay multiple ratio for median remuneration	**4.93**	4.77
75th Percentile (£)	**44,850**	45,028
Pay multiple ratio for 75th percentile	**4.18**	4.00
Range of remuneration (£000)	**17 - 187**	17 - 180

[2]The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases include increases due to inflation and any increase or decrease due to a transfer of pension rights.

Gender pay gaps

The gender pay gap regulations in place across the rest of the UK have not yet been brought into force in Northern Ireland. We have disclosed the gender pay gap information below to help as part of our commitment to a diverse and inclusive workforce. The median and mean gender pay gaps are the difference between the mean and median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees.

The reason for the pay gap (negative) is because 33% of our workforce are frontline employees who are typically lower paid than non-frontline employees and that 99% of our frontline employees are male. Further details on the gender of persons employed are shown in Note E1 to the Statutory Accounts.

Group		
	Year to 31 March 2024	Year to 31 March 2023
National median gender pay gap (%)	**7.7**	8.3
Our median pay gap (%)	**(9.2)**	(9.4)
Our mean pay gap (%)	**(7.3)**	(5.4)

Fees paid to Non-Executive Directors

	Year to 31 March 2023				Year to 31 March 2022			
Current Non-Executive Directors:	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Total £000
Dr Leonard J. P. O'Hagan CBE DL- Chair of the Board	**40 - 45**	**-**	**-**	**40 - 45**	40 - 45	-	-	40 - 45
Peter McNaney, CBE	**15 - 20**	**-**	**-**	**15 - 20**	15 - 20	-	-	15 - 20
Belinda Oldfield	**15 - 20**	**-**	**-**	**15 - 20**	15 - 20	-	-	15 - 20
Marie-Thérèse McGivern	**15 - 20**	**-**	**-**	**15 - 20**	15 - 20	-	-	15 - 20
Patrick Larkin	**15 - 20**	**-**	**-**	**15 - 20**	15 - 20	-	-	15 - 20
Maurice Bullick, OBE	**15 - 20**	**-**	**-**	**15 - 20**	15 - 20	-	-	15 - 20

Pension entitlements

Non-Executive Directors do not participate in NI Water's pension scheme. All Executive Directors are members of the defined benefit pension arrangements. The accrued pension entitlement is the amount that the Executive Director would receive at Normal Retirement Age if they retired at the end of the year. The increase in the accrued entitlement is the difference between the accrued benefit at the year end and that at the previous year end. Further details on pensions are provided in Notes E2 and G3 to the Statutory Accounts.

Transfer values

The Cash Equivalent Transfer Value (CETV) for an individual Executive Director is the actuarially assessed capitalised value of the pension scheme benefits accrued at a particular point in time. All transfer values have been calculated on the basis of actuarial advice in accordance with Technical Actuarial Standards issued by the Financial Reporting Council. The transfer values of the accrued entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefit. Transfer values do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

Directors' remuneration report

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Increase in transfer value less Directors' contributions

The real increase in CETV shows the increase over the year in the transfer value of the accrued benefits after deducting the Director's personal contributions to the scheme. Further details on Directors' remuneration are shown in Note E1a to the Statutory Accounts.

Pension benefits for members of the Executive Committee

Current Executive Directors:	Accrued pension at age 60 at 31 March 2024 £000	Related lump sum at 31 March 2024 £000	Real increase in pension at NRA £000	Real increase in lump sum at age 60 £000
Dr Sara Venning	45 - 50	90 - 95	5.0 - 7.5	17.5 - 20.0
Ronan Larkin	45 - 50	-	5.0 - 7.5	-
Paul Harper	15 - 20	50 - 55	2.5 - 5.0	10.0 - 12.5
Des Nevin, MBE	70 - 75	215 - 220	2.5 - 5.0	10.0 - 12.5
Stephanie McCullagh	20 - 25	65 - 70	0 - 2.5	0 - 2.5
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	50 - 55	65 - 70	5.0 - 7.5	12.5 - 15.0
Alistair Jinks	45 - 50	-	5.0 - 7.5	-
Rose Kelly	10 - 15	40 - 45	2.5 - 5.0	10.0 - 12.5
Tzvetelina Bogoina	0 - 5	0 - 5	0 - 2.5	2.5 - 5.0
Dr Gary Curran	45 - 50	135 - 140	0 - 2.5	2.5 - 5.0

Pension (CETV) benefits for members of the Executive Committee

Current Executive Directors:	CETV at 31 March 2024[3] £000	CETV at 31 March 2023[4] £000	Increase/(decrease) in transfer value less Director's contribution (net of inflation[5]) £000	Employer contribution (to nearest £100)
Dr Sara Venning	**491**	471	**47**	54,700
Ronan Larkin	**759**	699	**62**	42,200
Paul Harper	**309**	247	**53**	39,500
Des Nevin, MBE	**1,421**	1,426	**-**	20,400
Stephanie McCullagh	**245**	270	**-**	20,500
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	**595**	572	**44**	40,100
Alistair Jinks	**760**	727	**32**	39,500
Rose Kelly	**213**	167	**44**	38,700
Tzvetelina Bogoina	**8**	-	**8**	19,600
Dr Gary Curran	**848**	884	**-**	19,600

[3] Based on accrued benefits at 31 March 2024 and financial conditions as at 31 March 2024.
[4] Based on accrued benefits at 31 March 2023 and financial conditions as at 31 March 2023.
[5] CPI inflation of 3.10% (CPI figure for the year to September 2022).

What have we done to improve diversity and inclusion?

GOVERNANCE

Valuing people for who they are and the contributions they bring provides the cultural framework to support achievement of our purpose and vision, placing our commitment to equality, diversity, and inclusion at the heart of how we do business.

Our equality, diversity, and inclusion strategy aims to provide an inclusive work environment where everyone feels welcomed and treated with respect and dignity; and better meet the needs of our customers by ensuring that our workforce represents the diverse communities we serve. The objectives of the strategy are to:

- increase employee engagement through providing an inclusive workplace;
- increase diversity within our workforce;
- place a commitment to diversity, equality and inclusion firmly within our corporate values;
- enhance employer brand and promote breadth of careers within NI Water;
- widen our schools outreach, to positively influence STEM career choices;
- develop inclusive leaders capable of developing a culture of diversity and inclusion within teams; and
- involve employees in developing the strategy, focusing activity in the areas that matter most.

Highlights of our diversity and inclusion journey over 2023/24 are outlined below.

Employer of the Year

NI Water added to its list of prestigious business awards, winning the coveted Employer of the Year 2023 award at the Belfast Telegraph Awards. The award reflected the work done to embed equality, diversity and inclusion in our corporate values and behaviours.

In 2023/24, NI Water was re-accredited against its silver diversity charter mark by an independent panel of expert judges, retaining the standard for a further year.

NI Water is committed to ensuring that every customer, regardless of their individual needs, feel at ease throughout any interactions with NI Water staff. During 2023/24, NI Water became a JAM card accredited organisation. The JAM card allows anyone with a hidden disability or communication barriers to discreetly ask for 'Just A Minute' of patience when they need it. Around 1,300 of NI Water employees completed JAM card training, which helps equip them to provide the highest standard of customer care to any customer who requires understanding and additional support.

What have we done to improve diversity and inclusion?

Helping to 'Level Up' Northern Ireland

NI Water was the first company in Northern Ireland to sign up the UK Government's 'Levelling Up' goals, which seek to drive equality of opportunity and support social mobility. In recognition of the fact that 50% of young people from disadvantaged backgrounds in the UK leave compulsory education without GCSE Maths and English qualifications, we have changed our recruitment practice for relevant roles to offer a skills based alternative to assess basic numeracy and literacy, ensuring access to employment regardless of social background.

Increasing female representation

Changes have been made to hiring practices including use of female role models and imagery in recruitment marketing, changing the performance factors used to select, use of gender-neutral language in recruitment advertising, mandatory unconscious bias training for interviewers, female mentoring initiatives and revised schools outreach campaigns to strengthen our employer brand.

Female representation has increased at every level of the organisation:

- female hires increased from 30% in 2015/16 to 42% in 2023/24;
- 31% of NI Water's 2024 entry level intake is female compared to an average of 18% female representation in the water industry;
- Two new female Directors were appointed in 2023/24, increasing female representation at Director level to 50%;

NI Water CEO Dr Sara Venning named Business Leader of the Year 2023 at the Belfast Business Awards.

- NI Water's female CEO, Dr Sara Venning was named Business Leader of the Year 2023 at the Belfast Business Awards; and
- Jo Aston was appointed as the new Chair of NI Water's Board, further increasing female representation at the very highest levels.

Raising awareness

During 2023/24, we continued our diversity and inclusion education to support our key areas of focus (gender, age, and social mobility) via campaigns for International Women's Day and the continuation of our popular 'Return of the Retiree' featuring retired NI Water staff to help prepare others for retirement.

Four NI Water teams will compete in the Antrim Coast Half Marathon in 2024/25 to raise funds to help disadvantaged young people within our communities to receive important skills training. Last year, this initiative exceeded its intended funding target by 50%.

One of NI Water's teams who will compete in the Antrim Coast Half Marathon.

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What have we done to improve diversity and inclusion?

In 2023/24, we continued our involvement in the Sisters IN female mentoring programme. Three female senior leaders mentored schoolgirls interested in pursuing careers in STEM or in leadership. The programme culminated in a work shadowing day at NI Water where the students and their mentors visited NI Water's scientific laboratories, took a guided tour of a water treatment plant and had lunch with our CEO.

Developing inclusive leaders

Over 2023/24, Inclusive Leadership training was delivered to around 200 middle managers, HR, the senior leadership team, Executive Committee and Board. Over 80 other people managers will receive this training in 2024/25, completing Inclusive Leadership training for all people managers at NI Water.

Supporting early careers

Our award-winning apprentice academy continues to go from strength to strength, growing from five apprentices in 2019/20 to over 100 apprentices, higher level apprentices and graduates in 2023/24. We plan to increase the total intake to over 130 in 2024/25. In 2023/24, the academy continued to diversity into new business areas including Intelligent Operations, Science and Geographic Information Systems adding to our range of programmes across numerous disciplines. Our academy was named Northern Ireland's Best Apprenticeship Scheme 2023 at the Irish News Awards 2023. Our academy approach is helping achieve a more balanced age and gender profile.

Bringing our values to life

During 2023/24, we recruited and trained 30 Values Influencers to be the grass roots engine for change in living our corporate values. This group of change agents has delivered Values for All workshops to over 400 employees, aiming to reach most of our workforce over 2024/25.

Focus on Values sessions have been incorporated into NI Water's employee induction programme, entry level onboarding bootcamp and new manager essentials programmes. Values based selection techniques are being used from entry level to Director positions, hiring for the behaviours we want to see in building a truly values-based organisation.

Involving people in the decisions that affect them

Monitoring the health of our corporate culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. In 2023/24, we conducted a cultural analysis of NI Water involving interviews and focus groups with a diverse range of over 70 employees. The findings were used to inform the company wide employee survey (NI Water Unplugged), which was issued to all employees in 2023/24. Over 1,000 employees took part. The survey results reported higher than average engagement levels across all business areas, a supportive and inclusive culture, a strong emphasis on safety and an agile and empowered organisation. The survey also identified areas for development, which will form the basis for action planning in 2024/25 and beyond.

The journey continues

We've come a long way but there is more to do. In 2024/25, we will roll out Inclusive Leadership training to the remainder of our middle managers and deliver our 'Values for All' workshops to all employees. Our managers and leaders will receive training on how to interpret employee survey results and conduct meaningful action planning within their teams. We will continue with the delivery of our LEAD management development program for people managers, our awareness campaigns on gender, age and social mobility, and advance our social mobility strategy to help level up Northern Ireland.

Jo Aston
Chair of the Board
8 July 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report, the 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.

On that basis they have elected to prepare the Group and Parent Company financial statements consistent with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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 Group and Parent 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 Group or Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006, and the relevant provisions of the Water and Sewerage Services (Northern Ireland) Order 2006. They are responsible for such internal controls as they determine are 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 Group and the Parent Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Having taken advice from the Audit Committee, the Directors consider that the Annual Integrated Report and Accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the Shareholder to assess the Group and Parent Company's position, performance, business model and strategy.

Each of the Directors, whose names are listed on page 125 confirm that, to the best of their knowledge:

- the Group financial statements give a true and fair view of the assets, liabilities, financial position of the Group as at 31 March 2024 and of its profit for the year then ended;
- the Parent Company's statement of financial position gives a true and fair view of the state of affairs of the Parent Company's affairs as at 31 March 2024; and
- the Strategic Report includes a fair view of the development and performance of the business and the position of the Group and Parent Company together with a description of the principal risks and uncertainties it faces.

On behalf of the board

Mark Ellesmere
Company Secretary
8 July 2024

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Statutory accounts

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

STATUTORY ACCOUNTS

Statutory accounts

Consolidated statement of financial position

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

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

Dr Sara Venning,
Chief Executive,
8 July 2024

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

Statutory accounts

Company statement of financial position

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

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

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

Dr Sara Venning,
Chief Executive,
8 July 2024

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

Consolidated statement of comprehensive income

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

All profits relate to continuing operations.

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

Consolidated statement of changes in equity

	Attributable to the owner of the Group					
	Note	**Share capital £000**	**Statutory distributable reserve £000**	**Retained earnings £000**	**Fair value reserve £000**	**Total equity £000**
Balance at 1 April 2023	B3	500,000	171,690	500,808	(76)	1,172,422
Total comprehensive income for the period						
Profit for the year		-	-	71,502	-	71,502
Other comprehensive income						
Items that will never be reclassified to profit or loss:						
Defined benefit pension plan actuarial gains	E2	-	-	9,642	-	9,642
Deferred tax arising on gains in defined benefit plan	F1	-	-	(2,411)	-	(2,411)
Deferred tax arising on gains in defined benefit plan (rate change)	F1	-	-	-	-	-
Total other comprehensive income		**-**	**-**	**7,231**	**-**	**7,231**
Total comprehensive income for the period		**-**	**-**	**78,733**	**-**	**78,733**
Transactions with owner, recognised directly in equity **Distributions to owner of the Company**						
Dividends to owner of the Company	B3	-	-	(21,000)	-	(21,000)
Balance at 31 March 2024		**500,000**	**171,690**	**558,541**	**(76)**	**1,230,155**
Dividends per share (GBP)						0.04

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

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Consolidated statement of changes in equity continued

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

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

Statutory accounts

Company statement of changes in equity

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

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

STATUTORY ACCOUNTS

Company statement of changes in equity continued

	Attributable to the owner of the Company					
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	Total equity £000
Balance at 1 April 2022	B3	500,000	171,690	417,534	(76)	1,089,148
Total comprehensive income for the period						
Profit for the year		-	-	37,293	-	37,293
Other comprehensive income						
Items that will never be reclassified to profit or loss:						
Defined benefit pension plan actuarial gains	E2	-	-	84,206	-	84,206
Deferred tax arising on gains in defined benefit plan	F1	-	-	(21,052)	-	(21,052)
Deferred tax arising on losses in defined benefit plan (rate change)	F1	-	-	-	-	-
Total other comprehensive income		**-**	**-**	**63,154**	**-**	**63,154**
Total comprehensive income for the period		**-**	**-**	**100,447**	**-**	**100,447**
Transactions with owner, recognised directly in equity Distributions to owner of the Company						
Dividends to owner of the Company	B3	-	-	(19,000)	-	(19,000)
Balance at 31 March 2023		**500,000**	**171,690**	**498,981**	**(76)**	**1,170,595**
Dividends per share (GBP)						0.04

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

Statutory accounts

Consolidated statement of cash flows

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

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

STATUTORY ACCOUNTS

Company statement of cash flows

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

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

Notes to the Statutory accounts

1. Key accounting policies

a) Reporting entity

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

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

b) Basis of preparation

Statement of compliance

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

c) Basis of measurement

Going concern

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

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

[6]Departmental Expenditure Limits (DEL) are government budgets. The budgets are split between Resource DEL (RDEL) for day-today spending and Capital DEL (CDEL) for investment.

1. Key accounting policies continued

c) Basis of measurement continued

Going concern continued

2024/25 Operating Plan and Budget

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

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

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

Outlook to end of PC21 Price Control period

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

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

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

Notes to the Statutory accounts

1. Key accounting policies continued

c) Basis of measurement continued

Going concern continued

Outlook to end of PC21 Price Control period continued

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

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

1. Key accounting policies continued

c) Basis of measurement continued

Going concern continued

Outlook to end of PC21 Price Control period continued

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

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

d) Functional and presentation currency

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

e) Changes in accounting policies

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

f) Critical accounting estimates and judgements

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

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

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

Significant accounting policies are included at Note G1.

g) Climate related financial disclosures

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

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

Notes to the Statutory accounts

STATUTORY ACCOUNTS

1. Key accounting policies continued

Key themes for NI Water

A. The assets we use

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

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

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

A1. Property, plant and equipment

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

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

A1. Property, plant and equipment continued

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

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

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

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

Borrowing costs capitalisation

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

A1. Property, plant and equipment continued

Leased assets (Group and Company)

	At 31 March 2024 £000	At 31 March 2023 £000
The net book value of land and buildings comprises:		
Freehold	**87,430**	87,810
Leasehold - long and short-term	**1,688**	1,940
Total	**89,118**	89,750

	At 31 March 2024 £000	At 31 March 2023 £000
Land within this total is not depreciated and is shown as follows:		
Freehold and leasehold	**24,237**	23,986

PPP assets

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

Capital commitments

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

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

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

A2. Service concession agreements

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

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

Kinnegar

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

Omega

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

A2. Service concession agreements continued

Alpha (Company only)

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

Significant terms

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

Nature and extent of rights and obligations

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

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

Notes to the Statutory accounts

A3. Investment properties

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

Impairment loss

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

Notes to the Statutory accounts

A4. Intangible assets and goodwill

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

a) Impairment testing for goodwill

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

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

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

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

A4. Intangible assets and goodwill continued

Assets in the course of construction (AICC)

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

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

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

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

A5. Investments

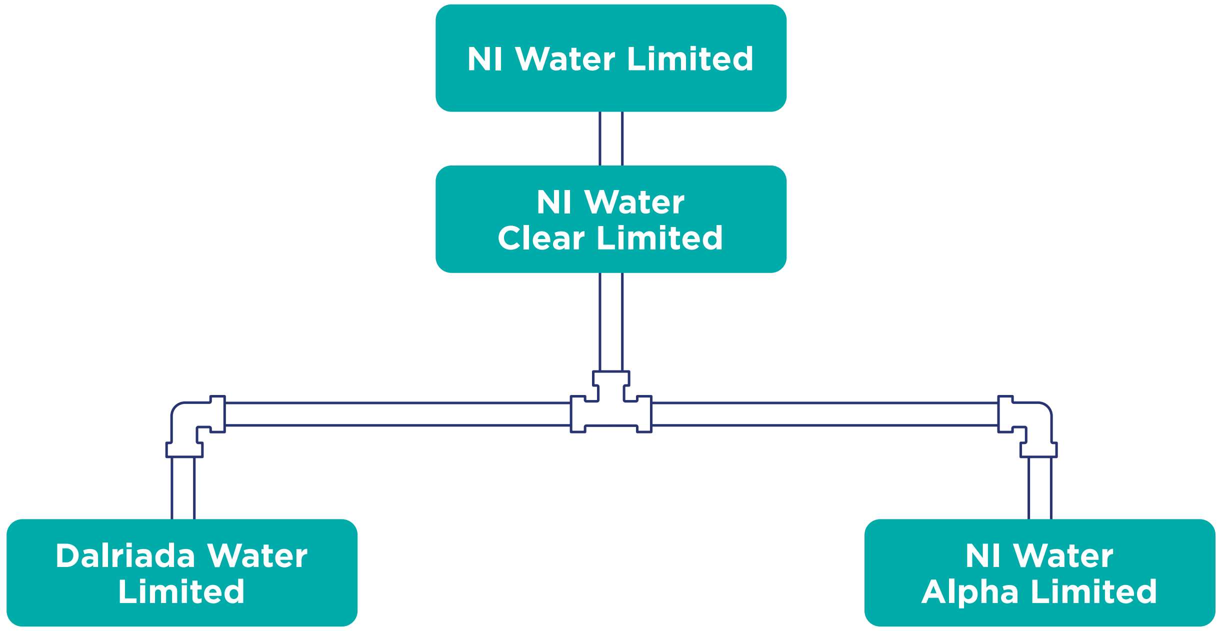
	Company	
	At 31 March 2024 £	At 31 March 2023 £
Investment in subsidiaries	**5,000,001**	5,000,001
Total	**5,000,001**	5,000,001

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

*Owned by NI Water Clear Limited.

List of subsidiaries

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



A6. Inventories

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

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

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

A7. Cash and cash equivalents

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

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

A8. Non-current assets held for sale

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

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

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

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

A9. Leases

See accounting policies in Note G1(o).

Leases as lessee (IFRS 16)

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

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

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

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

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

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

a) Right-of-use assets

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

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

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

A9. Leases continued

Leases as lessee (IFRS 16) continued

b) Amounts recognised in profit or loss

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

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

c) Amounts recognised in statement of cash flows

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

d) Extension options

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

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

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

A9. Leases continued

Leases as lessor

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

a) Operating lease

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

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

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

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

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

B. How we are financed

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

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

B1. Loans and borrowings

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

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

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

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

B1. Loans and borrowings continued

Terms and debt repayment schedule continued

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

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

Finance lease liabilities (PPP)

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

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

STATUTORY ACCOUNTS

B1. Loans and borrowings continued

Finance lease liabilities (PPP) continued

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

Finance lease liabilities (IFRS 16)

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

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

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

B1. Loans and borrowings continued

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

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

B2. Finance income and finance costs

Recognised in profit or loss

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

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

B3. Capital and reserves

Share capital

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

Ordinary shares

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

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

Statutory distributable reserve

The statutory distributable reserve was established under enabling legislation.

Notes to the Statutory accounts

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B3. Capital and reserves continued

Dividends

The following dividends were declared and paid by the Company.

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

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

B4. Financial instruments

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

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

Impairment losses

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

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

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

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

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

B4. Financial instruments continued

Impairment losses continued

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

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

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

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

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

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

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

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

B4. Financial instruments continued

Impairment losses continued

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

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

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

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

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

B4. Financial instruments continued

Liquidity risk

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

31 March 2024

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

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

B4. Financial instruments continued

Liquidity risk continued

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

31 March 2023

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

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

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

31 March 2024

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

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

STATUTORY ACCOUNTS

B4. Financial instruments continued

Liquidity risk continued

31 March 2023

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

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

Profile

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

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

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

B4. Financial instruments continued

Profile continued

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Fair values versus carrying amounts

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

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

B4. Financial instruments continued

Fair values versus carrying amounts continued

	Group					
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Fair value - hedging instruments £000	Total carrying amount £000
31 March 2023 **Financial assets not measured at fair value**						
Cash and cash equivalents	A7	-	73,812	-	-	**73,812**
Trade and other receivables	C5	-	8,559	-	-	**8,559**
Unbilled income	C5	-	12,724	-	-	**12,724**
Total		**-**	**95,095**	**-**	**-**	**95,095**
Financial liabilities not measured at fair value						
Finance lease liabilities (PPP)	B1	-	-	(94,452)	-	**(94,452)**
Finance lease liabilities (IFRS 16)	B1	-	-	(1,359)	-	**(1,359)**
Trade payables	D2	-	-	(177,173)	-	**(177,173)**
Other payables	D2	-	-	(20,794)	-	**(20,794)**
Loans and borrowings	B1	-	-	(1,594,560)	-	**(1,594,560)**
Bank loans	B1	-	-	(60,714)	-	**(60,714)**
Financial liabilities measured at fair value						
Interest rate swap	D2	-	-	-	(986)	**(986)**
Total		**-**	**-**	**(1,949,052)**	**(986)**	**(1,950,038)**

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

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

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

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

B4. Financial instruments continued

Fair values versus carrying amounts continued

	Company				
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
31 March 2024 **Financial assets not measured at fair value**					
Cash and cash equivalents	A7	-	90,369	-	**90,369**
Trade and other receivables	C5	-	41,226	-	**41,226**
Unbilled income	C5	-	16,769	-	**16,769**
Total		**-**	**148,364**	**-**	**148,364**
Financial liabilities not measured at fair value					
Finance lease liabilities (PPP)	B1	-	-	(152,618)	**(152,618)**
Finance lease liabilities (IFRS 16)	B1	-	-	(1,039)	**(1,039)**
Trade payables	D2	-	-	(201,345)	**(201,345)**
Other payables	D2	-	-	(21,000)	**(21,000)**
Loans and borrowings	B1	-	-	(1,809,560)	**(1,809,560)**
Total		**-**	**-**	**(2,185,562)**	**(2,185,562)**

	Company				
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
31 March 2023 **Financial assets not measured at fair value**					
Cash and cash equivalents	A7	-	58,499	-	**58,499**
Trade and other receivables	C5	-	39,608	-	**39,608**
Unbilled income	C5	-	12,724	-	**12,724**
Total		**-**	**110,831**	**-**	**110,831**
Financial liabilities not measured at fair value					
Finance lease liabilities (PPP)	B1	-	-	(164,417)	**(164,417)**
Finance lease liabilities (IFRS 16)	B1	-	-	(1,316)	**(1,316)**
Trade payables	D2	-	-	(176,300)	**(176,300)**
Other payables	D2	-	-	(21,544)	**(21,544)**
Loans and borrowings	B1	-	-	(1,594,560)	**(1,594,560)**
Total		**-**	**-**	**(1,958,137)**	**(1,958,137)**

B4. Financial instruments continued

Fair values versus carrying amounts continued

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

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

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

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

Notes to the Statutory accounts

C. Revenue and receivables

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

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

C1. Revenue

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

Customer subsidy provided by the DfI

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

Customer income

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

Road drainage income provided by the DfI

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

Transfers of assets from customers

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

Connection and infrastructure charges

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

Other third party contributions

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

STATUTORY ACCOUNTS

C2. Deferred income

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

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

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

C3. Other income

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

Notes to the Statutory accounts

C4. Trade and other receivables

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

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

C5. Exposure to credit risk

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

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

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

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

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

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

D. Purchases and payables

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

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

D1. Operating expenses

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

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

Refer to page 141 for expenditure on research and development.

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

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

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

Notes to the Statutory accounts

D2. Trade and other payables

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

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

Other payables

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

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

Exposure to currency risk

The Company is not exposed to any significant currency risks.

D3. Provisions

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

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

Public and employer liability claims

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

Notes to the Statutory accounts

D3. Provisions continued

Omega Obligation Provision

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

Other provisions

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

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

31 March 2024

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

31 March 2023

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

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

STATUTORY ACCOUNTS

D4. Contingencies

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

	Group		Company	
	At 31 March 2024 £000	At 31 March 2023 £000	**At 31 March 2024 £000**	At 31 March 2023 £000
Public and employer liability	**444**	492	**444**	492
Total	**444**	492	**444**	492

Debenture to the DfI

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

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

Parent Company guarantee

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

Contingent assets

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

Contingent liability

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

D5. Operating leases

Leases as lessee

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

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

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

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

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

STATUTORY ACCOUNTS

E. Our employees

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

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

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

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

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

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

E1. Personnel numbers and expenses

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

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

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

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

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

E1. Personnel numbers and expenses continued

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

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

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

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

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

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

E1a Key management personnel short-term employee benefit

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

In summary, key management personnel compensation comprised:

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

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

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

E1. Personnel numbers and expenses continued

E1b Exit packages

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

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

E1c Off-payroll engagements

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

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

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

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

Notes to the Statutory accounts

E2. Employee benefits

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

Components of defined benefit cost

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

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

Net defined benefit (asset)/liability reconciliation

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

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

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

E2. Employee benefits continued

Significant assumptions used in this disclosure

Weighted-average assumptions to determine benefit obligation

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

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

Notes to the Statutory accounts

F. Taxation

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

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

F1. Taxation

Group Income tax expense

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

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

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

F1. Taxation continued

Reconciliation of effective tax rate

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

Factors affecting Group future tax charge

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

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

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

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

Notes to the Statutory accounts

STATUTORY ACCOUNTS

F1. Taxation continued

Deferred tax assets and liabilities

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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

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

F1. Taxation continued

Movement in deferred tax balance during the year

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

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

Confirmation over income tax treatments

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

Notes to the Statutory accounts

STATUTORY ACCOUNTS

G. Supplementary notes to the accounts

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

G1. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Financial instruments

(i) Recognition and initial measurement

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

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

G1. Significant accounting policies continued

(b) Financial instruments continued

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

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

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

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

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

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

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

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

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

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

Notes to the Statutory accounts

G1. Significant accounting policies continued

(b) Financial instruments continued

(ii) Classification and subsequent measurement continued

Financial liabilities and equity

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

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

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

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

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

Intra-group financial instruments

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

(iii) Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

STATUTORY ACCOUNTS

G1. Significant accounting policies continued

(b) Financial instruments continued

(iii) Derivative financial instruments and hedging continued

Fair value hedges

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

(iv) Impairment

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

G1. Significant accounting policies continued

(c) Impairment of financial assets

(i) Non-derivative financial assets

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

(ii) Receivables

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

(ii) Assets in the course of construction

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

(iii) Subsequent costs

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

G1. Significant accounting policies continued

(d) Property, plant and equipment continued

(iv) Infrastructure assets

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

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

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

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

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

(vi) Depreciation

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

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

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

(e) Investment properties

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

G1. Significant accounting policies continued

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

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

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

(iv) Other intangible assets

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

(v) Intangible assets in the course of development

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

(vi) Subsequent expenditure

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

(vii) Amortisation

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

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

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

G1. Significant accounting policies continued

(g) PPP leased assets

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

Public Private Partnership (PPP) transactions

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

(h) Inventories

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

(i) Impairment of non-financial assets

(i) Non-financial assets

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

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

G1. Significant accounting policies continued

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

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

(k) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(l) Provisions

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

G1. Significant accounting policies continued

(m) Revenue recognition

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

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

(n) Government grants

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

(o) Leases

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

(i) As a lessee

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

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

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

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

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

G1. Significant accounting policies continued

(o) Leases continued

(i) As a lessee continued

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

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

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

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

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

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

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

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

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

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

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

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

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

G1. Significant accounting policies continued

(o) Leases continued

(ii) As a lessor continued

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

(p) Finance income and finance costs

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

(q) Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the SOFP date.

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

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

Deferred tax

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

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

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

Notes to the Statutory accounts

G1. Significant accounting policies continued

(q) Income tax continued

Deferred tax continued

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

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

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

Current tax and deferred tax for the year

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

(r) Foreign currency transactions

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

(s) Determination of fair values

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

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

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

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

STATUTORY ACCOUNTS

G1. Significant accounting policies continued

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

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

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

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

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

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

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

G2. Financial risk management

Overview

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

Further quantitative disclosures are included throughout these financial statements.

Credit risk

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

Trade and other receivables

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

G2. Financial risk management continued

Trade and other receivables continued

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

Banking relationships: Investment Deposits and Interest Rate Swaps

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

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

Liquidity risk

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

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

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

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

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

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

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

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

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

G2. Financial risk management continued

Market risk

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

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

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

Foreign Exchange Risk

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

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

Interest Rate Risk

Investment Deposits

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

Borrowings

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

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

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

Capital management

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

Other risks

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

Notes to the Statutory accounts

G3. Employee benefits

Defined contribution plans

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

Defined benefit pension scheme

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

Composition of the scheme

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

Assumed life expectancies on retirement at age 60

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

The weighted-average target asset allocations were as follows:

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

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

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

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

G3. Employee benefits continued

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

Defined benefit obligation by participant status

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

Change in the fair value of plan assets

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

Analysis of the present value of the defined benefit obligations

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

Notes to the Statutory accounts

STATUTORY ACCOUNTS

G3. Employee benefits continued

Amounts recognised in the statement of financial position

	Total year to 31 March 2024 £000	Total year to 31 March 2023 £000
Defined benefit obligation	**(263,660)**	(253,684)
Fair value of plan assets	**323,621**	300,141
Deficit in the scheme – pension asset/(liability)	**59,961**	46,457
Related deferred tax asset	**11,218**	10,668
Net pension asset/(liability)	**71,179**	57,125

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

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

Sensitivity of key assumptions

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

Impact of:

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

Expected cash flows for the following year

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

G4. Related parties

Parent and ultimate controlling party

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

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

Related party disclosures with the DfI are as follows:

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

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

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

Key management personnel's compensation

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

Key management personnel's and Directors' transactions

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

G5. Subsequent events

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

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

Report on the audit of the financial statements

Opinion

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

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

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

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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations. However, as set out in note 1c in the financial statements, they have also concluded that there is a material uncertainty that may cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

STATUTORY ACCOUNTS

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

Report on the audit of the financial statements continued

Material uncertainty related to going concern continued

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

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

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

Detecting irregularities including fraud

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

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

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

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety employment law, environmental law.

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

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

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

STATUTORY ACCOUNTS

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

Report on the audit of the financial statements continued

Detecting irregularities including fraud continued

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 153, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

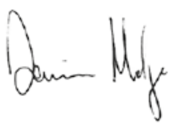
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other legal and regulatory requirements

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

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

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

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10 July 2024

niwater

Delivering what matters

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Calls cost 5p per minute plus your phone Company's network access charge. Call charges for mobiles may vary.
www.niwater.com/annual-report/

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