



Regulatory Accounts 2024/25

Statement of Directors' Responsibilities

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

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

The Directors of Northern Ireland Water Limited ('the directors') have accepted responsibility to prepare these financial statements for the year ending 31 March 2025 on the special purpose basis of preparation and accounting policies set out in note 2 to the financial statements.

In preparing these financial statements, the directors have:

- determined that the basis of preparation is acceptable in the circumstances;
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that are reasonable and prudent;
- assessed the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the entity and to prevent and detect fraud and other irregularities.

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

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

(1) At the time of writing, in the opinion of the Directors, Northern Ireland Water Limited ("the Appointee") does not have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities and in particular the investment programme necessary to fulfil NI Water's obligations under the Appointment.

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

- The Board of NI Water accepted the PC21 Final Determination in July 2021, encouraged that the first year of PC21 (2021/22) was, at that point, 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.

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

- Since acceptance of the PC21 Final Determination in July 2021, there has been significant volatility in global energy prices which, combined with higher inflation, has created upward pressures on Resource DEL in each of the first four years of PC21. NI Water's requirement for Capital DEL cover was fully met in the first two years of PC21 (2021/22 and 2022/23), but not in the third and fourth years (2023/24 and 2024/25); cumulative shortfall in Capital DEL of c.£150m.
- NI Water's Operating Plan and Budget for 2025/26 (the fifth year of PC21) sets out a Resource DEL requirement of £172m and a Capital DEL requirement of £405m designed to underpin and support the fifth year of PC21. Operating Plan targets for 2025/26 reflect the Utility Regulator's PC21 Mid Term Review with adjustment for slippage in 2024/25 due to constraint in Capital DEL funding and reprofiling for efficient delivery.
- On 27 February 2025, the DfI Minister wrote to NI Water advising a budget scenario for the 2025/26 financial year of £149.2m Resource DEL and £350m Capital DEL. On 3 June 2025, DfI Minister updated the indicative Resource DEL allocation to £150.3m resulting in shortfall of £21.7m Resource DEL and £55m Capital DEL against NI Water's Operating Plan and Budget.

2025/26 Funding Position	Resource DEL	Capital DEL	Total
	£m	£m	£m
NI Water Operating Plan & Budget	172.0	405.0	577.0
DfI Indicative Allocation (June 2025)	150.3	350.0	500.3
Shortfall in DfI Funding	(21.7)	(55.0)	(76.7)

Outlook to end of PC21 period

- The tables below compare PC21 Mid Term Review allowances with 2024/25 actuals and 2025/26 indicative allocations from DfI, assumed to be maintained into 2026/27.

Resource DEL	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Utility Regulator PC21 MTR Final Determination (Sept 2024)	170.5	162.9	158.5	491.9
Outturn / DfI indicative Allocation	153.8	150.3	150.3	454.4
Shortfall in DfI Funding	(16.7)	(12.6)	(8.2)	(37.5)

Capital DEL	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Utility Regulator PC21 MTR Final Determination (Sept 2024)	479.6	537.6	447.5	1,464.7
Outturn / DfI indicative Allocation	349.0	350.0	350.0	1,049.0
Shortfall in DfI Funding	(130.6)	(187.6)	(97.5)	(415.7)

- The Utility Regulator's PC21 Mid Term Review sets out a Capital DEL requirement of £1,465m over the last three years of PC21 (2024/25 – 2026/27) to deliver the planned investment and outputs - an average of £488m per year. Given Capital DEL allocation of £349m in 2024/25 and indicative allocation of £350m in 2025/26, there remains a significant mismatch between the PC21 output targets set by the Utility Regulator and the Public Expenditure funding allocated and indicated by DfI.

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

Material Uncertainty arising from competing obligations

- 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. £150m was drawn down in 2024/25 bringing the cumulative total drawdown to £520m. In addition, the Company has access to a working capital facility of £20m.
- Irrespective of access to cash, the availability of Resource and Capital DEL to enable delivery of PC21 outputs is the overriding constraint. 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 wastewater infrastructure. NI Water is prohibited from spending any cash in excess of the DEL allocations without prior approval from DfI.
- If NI Water cannot deliver the PC21 programme of work due to Resource DEL and Capital DEL constraints, it 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.
- Conversely, any attempt to deliver the PC21 programme of work could result in conflict with the NI Water Accounting Officer's responsibility not to overspend against budget and regularity of spend.
- 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. During 2024/25, stakeholders engaged around a proposed 'Capital Reasoned Submission' to consider adjusted outputs and outcomes for PC21 reflecting the gap in funding compared to PC21 price control. While the group met on four occasions, they were unable to agree on an adjusted programme for the remainder of the PC21 period.
- Our assessment of material uncertainty reflects the current divergence between DfI and the Utility Regulator, two key stakeholders with statutory and regulatory obligations relating to NI Water's 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 its functions.
- Until the procedures in the Memorandum of Understanding and Consequent Written Agreement are completed and agreed, NI Water faces a significant mismatch between the PC21 output targets set by the Utility Regulator and the Public Expenditure funding allocated and indicated by DfI.

Conclusion

The regulatory accounts have been prepared on a going concern basis notwithstanding the net current liabilities at 31 March 2025. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which NI Water 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, NI Water does not have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities and in particular the investment programme necessary to fulfil NI Water's obligations under the Appointment. In the absence of a process, material uncertainties exist which cast significant doubt on the ability of the organisation to continue as a going concern in the future.

- (2) In the opinion of the Directors the Appointee will, for at least the next 12 months, have available to it:
- (i) management resources;
 - (ii) methods of planning and internal control which, except for any control weaknesses reported separately to the Utility Regulator, are sufficient to enable it to carry out Regulated Activities necessary to fulfil its obligations under the Appointment; and

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

(3) On 20th November 2017, NI Water Limited through a subsidiary, acquired Dalriada Water Limited which is the PPP Concessionaire Company contracted to provide services to NI Water Limited. The activities of Dalriada Water Limited lies outside the Regulated Activities as defined by the Licence. The financial results of Dalriada Water Limited and the other businesses acquired by NI Water have been consolidated into the Group accounts which are included in the Annual Report and Accounts. Apart from the above in the opinion of the Directors, no contracts were entered into with any Associated Company.

For and on behalf of the Board



Dr Sara Venning
Chief Executive
10 July 2025

HISTORICAL COST FINANCIAL STATEMENTS

Profit and loss account

	Year to 31 March 2025			Year to 31 March 2024		
	Appointed business £000	Non - Appointed business £000	Total £000	Appointed business £000	Non - Appointed business £000	Total £000
Turnover	573,778	6,980	580,758	542,804	6,825	549,629
Operating costs	(269,272)	(4,395)	(273,667)	(277,590)	(3,938)	(281,528)
Historical cost depreciation	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>	<u>(109,426)</u>	<u>-</u>	<u>(109,426)</u>
Operating profit	184,506	2,585	187,091	155,788	2,887	158,675
Net interest payable	<u>(67,268)</u>	<u>-</u>	<u>(67,268)</u>	<u>(63,882)</u>	<u>-</u>	<u>(63,882)</u>
Profit on ordinary activities before taxation	117,238	2,585	119,823	91,906	2,887	94,793
<i>Taxation on profit on ordinary activities:</i>						
Corporation tax	-	-	-	-	-	-
Deferred tax	<u>(31,236)</u>	<u>-</u>	<u>(31,236)</u>	<u>(24,427)</u>	<u>-</u>	<u>(24,427)</u>
Profit/ (Loss) on ordinary activities after taxation	86,002	2,585	88,587	67,479	2,887	70,366
Dividends	<u>(21,415)</u>	<u>(2,585)</u>	<u>(24,000)</u>	<u>(18,113)</u>	<u>(2,887)</u>	<u>(21,000)</u>
Retained profit/ (loss) for the financial year	64,587	-	64,587	49,366	-	49,366

Balance sheet

	At 31 March 2025			At 31 March 2024		
	Appointed business £000	Non - Appointed business £000	Total £000	Appointed business £000	Non - Appointed business £000	Total £000
Fixed assets						
Tangible assets	4,427,967	-	4,427,967	4,134,420	-	4,134,420
Investments	5,000	-	5,000	5,000	-	5,000
	4,432,967	-	4,432,967	4,139,420	-	4,139,420
Pension asset	59,096	-	59,096	44,971	-	44,971
Current assets						
Stocks	5,611	-	5,611	5,236	-	5,236
Debtors	93,681	371	94,052	88,959	327	89,286
Cash at bank and in hand	70,222	2,368	72,590	88,215	2,154	90,369
	169,514	2,739	172,253	182,410	2,481	184,891
Creditors: amounts falling due within one year						
Payments received on account	(1,533)	-	(1,533)	(674)	-	(674)
Trade creditors	(11,744)	(105)	(11,849)	(8,502)	(96)	(8,598)
Intercompany creditors	-	-	-	(2,808)	-	(2,808)
Taxation and social security	(2,910)	-	(2,910)	(2,850)	-	(2,850)
Other creditors	(26,796)	-	(26,796)	(24,017)	-	(24,017)
Accruals and deferred income	(206,102)	(2,634)	(208,736)	(184,026)	(2,385)	(186,411)
Deferred grants and contributions	(1,141)	-	(1,141)	(1,072)	-	(1,072)
PPP finance lease	(14,385)	-	(14,385)	(12,955)	-	(12,955)
Other provisions	(2,794)	-	(2,794)	(2,382)	-	(2,382)
	(267,405)	(2,739)	(270,144)	(239,286)	(2,481)	(241,767)
Net current liabilities	(97,891)	-	(97,891)	(56,876)	-	(56,876)
Total assets less current liabilities	4,394,172	-	4,394,172	4,127,515	-	4,127,515
Creditors: amounts falling due after more than one year						
Loans and other borrowings	(2,085,877)	-	(2,085,877)	(1,950,262)	-	(1,950,262)
Other creditors	(648,242)	-	(648,242)	(619,477)	-	(619,477)
	(2,734,119)	-	(2,734,119)	(2,569,739)	-	(2,569,739)
Provisions for liabilities and charges						
Deferred tax provision	(355,195)	-	(355,195)	(325,566)	-	(325,566)
Other provisions	(3,768)	-	(3,768)	(5,012)	-	(5,012)
	(358,963)	-	(358,963)	(330,578)	-	(330,578)
Net Assets	1,301,090	-	1,301,090	1,227,198	-	1,227,198
Capital and reserves						
Called up share capital	500,000	-	500,000	500,000	-	500,000
Distributable reserve	171,690	-	171,690	171,690	-	171,690
Profit and loss account	629,400	-	629,400	555,508	-	555,508
Shareholder's funds	1,301,090	-	1,301,090	1,227,198	-	1,227,198

These financial statements were approved and authorised for issue by the Board of Directors on 10 July 2025 and were signed on its behalf by:

Sara Venning

Dr Sara Venning
Chief Executive
10 July 2025

Statement of total recognised gains and losses

	Year to 31 March 2025			Year to 31 March 2024		
	Appointed business	Non - Appointed business	Total	Appointed business	Non - Appointed business	Total
	£000	£000	£000	£000	£000	£000
Profit/ (Loss) for the financial year	64,587	-	64,587	49,366	-	49,366
Available for sale shares - fair value loss	-	-	-	-	-	-
Actuarial gains/ (losses) recognised in the pension scheme	12,409	-	12,409	9,642	-	9,642
Deferred tax arising on gains/ (losses) in the pension scheme	(3,102)	-	(3,102)	(2,411)	-	(2,411)
Total recognised gains and losses relating to the financial year	73,894	-	73,894	56,597	-	56,597

Cash flow statement

	Year to 31 March 2025			Year to 31 March 2024		
	Appointed business £000	Non - Appointed business £000	Total £000	Appointed business £000	Non - Appointed business £000	Total £000
Net cash inflow from operating activities (Note 7(a))	308,247	2,799	311,046	274,135	3,228	277,363
Returns on investments and servicing of finance						
Interest received	5,628	-	5,628	5,162	-	5,162
Interest paid	(57,890)	-	(57,890)	(50,828)	-	(50,828)
Interest element of finance lease	(13,680)	-	(13,680)	(14,800)	-	(14,800)
Net cash outflow from returns on investments and servicing of finance	(65,942)	-	(65,942)	(60,466)	-	(60,466)
Capital expenditure and financial investment						
Purchase of tangible fixed assets	(368,583)	-	(368,583)	(368,025)	-	(368,025)
Additional loan to subsidiaries	(8,500)	-	(8,500)	(750)	-	(750)
Repayment of loan from subsidiaries	624	-	624	795	-	795
Grants and contributions received	225	-	225	845	-	845
Disposal of fixed assets	194	-	194	193	-	193
Insurance proceeds	134	-	134	-	-	-
Net cash outflow from investing activities	(375,906)	-	(375,906)	(366,942)	-	(366,942)
Equity dividends paid to the Shareholder	(21,415)	(2,585)	(24,000)	(18,113)	(2,887)	(21,000)
Cash (outflow) / inflow before management of liquid resources and financing	(155,016)	214	(154,802)	(171,386)	341	(171,045)
Management of liquid resources	(27)	-	(27)	(25)	-	(25)
Cash (outflow) / inflow from management of liquid resources	(27)	-	(27)	(25)	-	(25)
Net cash flow before financing	(155,043)	214	(154,829)	(171,411)	341	(171,070)
Financing						
Loans advanced	150,000	-	150,000	215,000	-	215,000
Capital element of finance lease repayments	(12,976)	-	(12,976)	(12,083)	-	(12,083)
Net cash inflow from financing	137,024	-	137,024	202,917	-	202,917
Net (decrease)/increase in cash	(18,019)	214	(17,805)	31,506	341	31,847

Notes to the Regulatory Accounts

1 Regulatory reporting

To further understand the performance of the business the Regulatory Accounts should be read in conjunction with the Strategic Report on pages 8 to 143 of the Northern Ireland Water Annual Report and Accounts 2024/25 ('The Annual Report'). Reference should be made to the Directors' report in the Annual Report which provides information on the dividend policy (page 175) and on 'Disclosure of information to auditors' (page 179). The Annual Report also includes The Directors' remuneration report on pages 180 to 188 and information on Directors' pay and standards of performance in accordance with Article 62 of the Water and Sewerage Services (Northern Ireland) Order 2006. The Directors confirm that no amounts were given to charitable trusts assisting customers or similar funds in the year ended 31 March 2025.

2 Accounting policies

(a) Basis of preparation

The Regulatory Accounts have been prepared on such a basis as to comply with the requirements of the Utility Regulator. These requirements are similar to previous guidance issued by Ofwat, the economic regulator for the water and sewerage industry in England and Wales. The Regulatory Accounts have been prepared in accordance with Condition F of the 'Instrument of Appointment by the Department for Regional Development' of Northern Ireland Water Limited as a Water and Sewerage undertaker' and the Ofwat Regulatory Accounting Guidelines (RAGS) adopted by the Utility Regulator and modified where required for conditions prevalent in Northern Ireland, the accounting policies set out in these notes and, in the case of the Regulatory Historic Cost Accounts, under the historical cost convention. The Utility Regulator has instructed that for the year ended 31 March 2018, 31 March 2019, 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025 accounts should not be reported on a current cost basis. The Regulatory Accounts have been prepared on a going concern basis notwithstanding the net current liabilities at 31 March 2025. 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 significant doubt on the ability of the organisation to continue as a going concern in the future and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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, at that point, 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.

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

2 Accounting policies (continued)

(a) Basis of preparation (continued)

Resource DEL (2021/22 – 2024/25)

- Since acceptance of the PC21 Final Determination in July 2021, there has been significant volatility in global energy prices which, combined with higher inflation, has created upward pressures on Resource DEL in each of the first four years of PC21. Resource DEL pressures 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 pressure to £172m in line with NI Water's forecast.
- Throughout 2024/25, NI Water briefed DfI and other stakeholders of a Resource DEL pressure in order to be able to deliver water and wastewater services. While DfI was able to allocate £11.5m in October Monitoring Round and a further £2.9m to cover additional costs related to Storm Éowyn, NI Water remained at risk of overspending up to £3m against DfI Resource DEL allocation of £152.4m. On 27 March 2025, the DfI Minister made an additional allocation of £3m resulting in revised Resource DEL allocation for 2024/25 of £155.4m. The 2024/25 provisional outturn for Resource DEL was £153.8m, £1.4m (0.9%) over the DfI allocation of £152.4m and £1.6m (1.0%) below the revised DfI allocation of £155.4m. Higher income and lower PPP costs in March 2025, which contributed to an improved Resource DEL outturn, are attributable to March 2025 being the driest March since 2012 with only 26% of typical rainfall. The period from October 2024 to March 2025 was the driest last six months of the financial year since 1953.

Capital DEL (2021/22 – 2024/25)

- NI Water's requirement for Capital DEL cover was fully met in the first two years of PC21 (2021/22 and 2022/23), but not in the third and fourth years (2023/24 and 2024/25). 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 the minimum Capital DEL allocation required to mitigate the risk of prosecution, resulting in a shortfall of £31.8m to the opening 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 for Northern Ireland did not make any additional in-year capital allocations. In December 2023, DfI sought absolute assurance from the 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. Final Capital DEL allocation was £337.3m.
- The Capital DEL allocation has also been constrained in 2024/25. NI Water had to reduce its 2024/25 Operating Plan and Budget Capital DEL requirement of £470m by £121m, to £349m to reflect the Capital DEL allocation available in the October Monitoring Round. The provisional outturn for Capital DEL in 2024/25 is £349m in line with the DfI allocation.

PC21 Mid Term Review

- The Utility Regulator's PC21 Final Determination provided for a Mid Term Review to deal with material changes since the PC21 Final Determination and address any uncertainty that existed at the time of the PC21 Final Determination. NI Water made its PC21 Mid Term Review submission to the Utility Regulator in September 2023. Following engagement with NI Water and principal stakeholders, the Utility Regulator published its Final Determination in September 2024 with the following findings:
 - Limited adjustments to PC21 output targets.

2 Accounting policies (continued)

(a) Basis of preparation (continued)

- Average tariff increase of 4.5% in each of the last two years of the PC21 period to mitigate against an unprecedented increase in NI Water's power costs.
- A capital allowance of approximately £2.4bn in 'money of the day' prices (nominal) for the full price control period to maintain existing services and deliver the upgrades required to meet its quality, environmental and service level obligations.
- A follow-up review concluded that the determined cost allowances were, on average, likely underestimated by approximately 15%. While this indicates an additional allowance of £0.3bn taking the total to approximately £2.7bn, the Utility Regulator has decided not to 'reopen' the Mid Term Review but to consider any adjustment as part of the PC21 outturn process.

2025/26 Operating Plan and Budget

- NI Water's Operating Plan and Budget for 2025/26 (the fifth year of PC21) sets out a Resource DEL requirement of £172m and a Capital DEL requirement of £405m designed to underpin and support the fifth year of PC21. Operating Plan targets for 2025/26 reflect the Utility Regulator's PC21 Mid Term Review with adjustment for slippage in 2024/25 due to constraint in Capital DEL funding and reprofiling for efficient delivery.
- On 27 February 2025, the DfI Minister wrote to NI Water advising a budget scenario for the 2025/26 financial year of £149.2m Resource DEL and £350m Capital DEL based on NI Executive's Draft Budget. On 3 June 2025, DfI Minister updated the indicative Resource DEL allocation to £150.3m to include £1.0m for increased Employer's National Insurance Contribution. The gap to Operating Plan and Budget for 2025/26 is £21.7m Resource DEL and £55m Capital DEL.

2025/26 Funding Position	Resource DEL	Capital DEL	Total
	£m	£m	£m
NI Water Operating Plan & Budget	172.0	405.0	577.0
DfI Indicative Allocation (June 2025)	150.3	350.0	500.3
Shortfall in DfI Funding	(21.7)	(55.0)	(76.7)

- DfI expects a decision will be made following agreement on the final budget by the NI Executive and consideration of responses received through DfI Draft Budget 2025-26 Equality Impact Assessment Consultation which closed on 5 June 2025.

On 19 June 2025, 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 2025/26, ensuring that expenditure financed by loan funding is covered within its public expenditure budget agreed by the Department.

Outlook to end of PC21 period

- The tables below compare PC21 Mid Term Review allowances with 2024/25 actuals and 2025/26 indicative allocations from DfI, assumed to be maintained into 2026/27.

2 Accounting policies (continued)

(a) Basis of preparation (continued)

Resource DEL	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Utility Regulator PC21 MTR Final Determination (Sept 2024)	170.5	162.9	158.5	491.9
Outturn / Dfl Indicative Allocation	153.8	150.3	150.3	454.4
Shortfall in Dfl Funding	(16.7)	(12.6)	(8.2)	(37.5)

Capital DEL	2024/25	2025/26	2026/27	Total
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Outturn / Dfl Indicative Allocation	349.0	350.0	350.0	1,049.0
Shortfall in Dfl Funding	(130.6)	(187.6)	(97.5)	(415.7)

- The Utility Regulator's PC21 Mid Term Review sets out Capital DEL requirement of £1,465m over the last three years of PC21 (2024/25 – 2026/27) to deliver the planned investment and outputs - an average of £488m per year. Given Capital DEL allocation of £349m in 2024/25 and indicative allocation of £350m in 2025/26, there remains a significant mismatch between the PC21 output targets set by the Utility Regulator and the Public Expenditure funding allocated and indicated by Dfl.

Material Uncertainty arising from competing obligations

- 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. £150m was drawn down in 2024/25 bringing the cumulative total drawdown to £520m. In addition, the Company has access to a working capital facility of £20m.
- Irrespective of access to cash, the availability of Resource and Capital DEL to enable delivery of PC21 outputs is the overriding constraint. 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 wastewater infrastructure. NI Water is prohibited from spending any cash in excess of the DEL allocations without prior approval from Dfl.
- If NI Water cannot deliver the PC21 programme of work due to Resource DEL and Capital DEL constraints, it 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. Recent developments by the Utility Regulator have served to reinforce this risk:
 - On 20 December 2024, NI Water received correspondence from the Utility Regulator in relation to 'Notice of Initial Enquiry regarding NI Water's compliance with certain of its obligations as a water and sewerage undertaker'. A subsequent Article 261 Notice requesting that NI Water provide information was received on 27 March 2025. NI Water collated the data requested and made the submission to the Utility Regulator on 22 May 2025. We await further engagement.
 - On 6 February 2025, NI Water received correspondence from the Utility Regulator in relation to the Directors' certificate of going concern' (Condition F6A.2A of the Licence) in the 2023/24 Regulatory Accounts. NI Water provided further information requested on 6 March 2025. We await further engagement.

2 Accounting policies (continued)

(a) Basis of preparation (continued)

- Conversely, any attempt to deliver the PC21 programme of work could result in conflict with the NI Water Accounting Officer's responsibility not to overspend against budget and regularity of spend. Another recent development serves to highlight this risk.
 - On 25 March 2025, the DfI Minister announced plans to engage a Forensic Accountant to investigate the reasons why NI Water has been unable to live within its Resource budget allocation in 2024/25. NI Water has engaged constructively with the investigation and awaits the final report.
- 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. During 2024/25, stakeholders engaged around a proposed 'Capital Reasoned Submission' to consider adjusted outputs and outcomes for PC21 reflecting the gap in funding compared to PC21 price control. While the group met on four occasions, they were unable to agree on an adjusted programme for the remainder of the PC21 period.
- Our assessment of material uncertainty reflects the current divergence between DfI and the Utility Regulator, two key stakeholders with statutory and regulatory obligations relating to NI Water's 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 its functions.
- Until the procedures in the Memorandum of Understanding and Consequent Written Agreement are completed and agreed, NI Water faces a significant mismatch between the PC21 output targets set by the Utility Regulator and the Public Expenditure funding allocated and indicated by DfI. In such circumstances, material uncertainties exist, which cast doubt on the ability of the Company to continue as a going concern in the future. The financial statements are prepared on the going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

(b) General

The regulatory accounting policies are based on UK-adopted international accounting standards (IFRS Standards) as directed by the Utility Regulator.

3 Analysis of historical cost turnover and operating income for the appointed business

	Year to 31 March 2025			Year to 31 March 2024		
	Water services £000	Sewerage services £000	Total £000	Water services £000	Sewerage services £000	Total £000
Turnover						
Unmeasured – household	176,473	219,227	395,700	165,501	205,599	371,100
Unmeasured – non household	3,385	3,871	7,256	3,179	3,652	6,831
Total unmeasured	179,858	223,098	402,956	168,680	209,251	377,931
Measured – non household	59,695	38,028	97,723	57,950	37,373	95,323
Total measured	59,695	38,028	97,723	57,950	37,373	95,323
Trade effluent	-	7,638	7,638	-	7,113	7,113
Large user and special agreements	7,035	7,140	14,175	7,340	6,526	13,866
Total trade effluent and large user special agreements	7,035	14,778	21,813	7,340	13,639	20,979
Rechargeable works	98	98	196	52	52	104
Other third party services	8,203	42,887	51,090	7,488	40,979	48,467
Total third party services	8,300	42,985	51,286	7,540	41,031	48,571
Total turnover	254,889	318,889	573,778	241,510	301,294	542,804

	Year to 31 March 2025			Year to 31 March 2024		
	Water services £000	Sewerage services £000	Total £000	Water services £000	Sewerage services £000	Total £000
Operating income and working capital adjustment for the appointed business:						
Historical cost profit on disposal of fixed assets	88	98	186	88	86	174

4a Analysis of operating costs and tangible fixed assets

Year to 31 March 2025								
	Water Services			Sewerage Services				Total £000
	Resource and treatment £000	Distribution £000	Water services subtotal £000	Sewerage £000	Sewage treatment £000	Sludge treatment and disposal £000	Sewerage services subtotal £000	
Direct costs								
Employment costs	4,926	12,753	17,679	4,786	6,113	-	10,899	28,578
Power	20,253	6,610	26,863	7,567	19,704	4,484	31,755	58,618
Hired and contracted services	4,268	12,748	17,016	7,058	3,166	4,113	14,337	31,353
Materials and consumables	8,697	658	9,355	502	1,499	192	2,193	11,548
Service charges	940	-	940	1	1,009	339	1,349	2,289
Other direct costs	35	60	95	7	5	-	12	107
Total direct costs	39,119	32,829	71,948	19,921	31,496	9,128	60,545	132,493
General and support expenditure	14,841	13,700	28,541	10,057	19,160	3,397	32,614	61,155
Total functional expenditure	53,960	46,529	100,489	29,978	50,656	12,525	93,159	193,648
Business activities								
Customer services			6,556				5,520	12,076
Scientific services			3,164				2,664	5,828
Other business activities			608				512	1,120
Rates			16,109				13,183	29,292
Doubtful debts			78				(90)	(12)
Total operating expenditure less third party services			127,004				114,948	241,952
Services for third parties			-				-	-
Total PPP unitary charge			14,923				13,789	28,712
Total operating expenditure			141,927				128,737	270,664
Capital costs								
<i>Historical cost depreciation:</i>								
service activities			47,214				72,785	119,999
business activities			1				-	1
Amortisation of grants			(141)				(5,412)	(5,553)
Total capital costs			47,074				67,373	114,447
Total operating costs			189,001				196,110	385,111
Analysis of tangible fixed assets – Historical Cost								
Service activities	434,037	1,234,657	1,668,694	1,423,653	1,296,289	39,327	2,759,269	4,427,963
Business activities			4				-	4
Total			1,668,698				2,759,269	4,427,967

4b Analysis of operating costs and tangible fixed assets

Year to 31 March 2024								
	Water Services			Sewerage Services				Total £000
	Resource and treatment £000	Distribution £000	Water services subtotal £000	Sewerage £000	Sewage treatment £000	Sludge treatment and disposal £000	Sewerage services subtotal £000	
Direct costs								
Employment costs	4,748	12,236	16,984	5,987	5,222	-	11,209	28,193
Power	18,159	6,778	24,937	9,421	19,093	4,124	32,638	57,575
Hired and contracted services	3,810	12,137	15,947	6,967	1,954	3,851	12,772	28,719
Materials and consumables	8,727	558	9,285	605	1,226	300	2,131	11,416
Service charges	864	-	864	4	866	298	1,168	2,032
Other direct costs	290	14	304	9	6	-	15	319
Total direct costs	36,598	31,723	68,321	22,993	28,367	8,573	59,933	128,254
General and support expenditure	17,654	16,682	34,336	13,563	20,562	4,026	38,151	72,487
Total functional expenditure	54,252	48,405	102,657	36,556	48,929	12,599	98,084	200,741
Business activities								
Customer services			7,038				6,173	13,211
Scientific services			2,714				2,380	5,094
Other business activities			503				441	944
Rates			15,180				12,657	27,837
Doubtful debts			410				396	806
Total operating expenditure less third party services			128,502				120,131	248,633
Services for third parties			-				-	-
Total PPP unitary charge			14,667				15,588	30,255
Total operating expenditure			143,169				135,719	278,888
Capital costs								
<i>Historical cost depreciation:</i>								
service activities			43,637				65,788	109,425
business activities			1				-	1
Amortisation of grants			(191)				(5,145)	(5,336)
Total capital costs			43,447				60,643	104,090
Total operating costs			186,616				196,362	382,978
Analysis of tangible fixed assets – Historical Cost								
Service activities	391,881	1,173,741	1,565,622	1,366,516	1,170,095	32,182	2,568,793	4,134,415
Business activities			5				-	5
Total			1,565,627				2,568,793	4,134,420

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

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

Reactive and planned maintenance

Expenditure on reactive and planned maintenance included in operating costs for the year ended 31 March 2025 in respect of infrastructure assets amounted to £11.5m (2024: £10.7m) for water services and £2.6m (2024: £2.5m) for sewerage services.

5 Historical cost analysis of tangible fixed assets by assets type

Water Services

	Operational Assets £000	Infrastructure Assets £000	Other Assets £000	Total £000
Gross book value				
At 1 April 2024	785,938	1,102,434	125,938	2,014,310
Disposals	(112)	(341)	(379)	(832)
Additions	82,654	57,778	9,848	150,280
At 31 March 2025	868,480	1,159,871	135,407	2,163,758
Depreciation				
At 1 April 2024	(234,571)	(141,477)	(72,632)	(448,680)
Disposals	112	341	378	831
Charge for year	(27,292)	(12,216)	(7,703)	(47,211)
At 31 March 2025	(261,751)	(153,352)	(79,957)	(495,060)
Net book value at 31 March 2025	606,729	1,006,519	55,450	1,668,698
Net book value at 1 April 2024	551,367	960,957	53,306	1,565,630

Sewerage Services

	Operational Assets £000	Infrastructure Assets £000	Other Assets £000	Total £000
Gross book value				
At 1 April 2024	1,601,653	1,503,830	167,589	3,273,072
Disposals	(789)	(371)	(453)	(1,613)
Additions	153,190	84,888	25,197	263,275
At 31 March 2025	1,754,054	1,588,347	192,333	3,534,734
Depreciation				
At 1 April 2024	(519,634)	(112,325)	(72,323)	(704,282)
Disposals	789	371	446	1,606
Charge for year	(52,677)	(10,796)	(9,316)	(72,789)
At 31 March 2025	(571,522)	(122,750)	(81,193)	(775,465)
Net book value at 31 March 2025	1,182,532	1,465,597	111,140	2,759,269
Net book value at 1 April 2024	1,082,019	1,391,505	95,266	2,568,790

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

Total Services	Operational Assets £000	Infrastructure Assets £000	Other Assets £000	Total £000
Gross book value				
At 1 April 2024	2,387,591	2,606,264	293,527	5,287,382
Disposals	(901)	(712)	(832)	(2,445)
Additions	235,844	142,666	35,045	413,555
At 31 March 2025	2,622,534	2,748,218	327,740	5,698,492
Depreciation				
At 1 April 2024	(754,205)	(253,802)	(144,955)	(1,152,962)
Disposals	901	712	824	2,437
Charge for year	(79,969)	(23,012)	(17,019)	(120,000)
At 31 March 2025	(833,273)	(276,102)	(161,150)	(1,270,525)
Net book value at 31 March 2025	1,789,261	2,472,116	166,590	4,427,967
Net book value at 1 April 2024	1,633,386	2,352,462	148,572	4,134,420

6 Net debt analysis

	Fixed rate Year to 31 March 2025 £000	Total Year to 31 March 2025 £000	Fixed rate Year to 31 March 2024 £000	Total Year to 31 March 2024 £000
Maturity Profile				
Less than one year	(14,385)	(14,385)	(12,956)	(12,956)
Between one and two years	(33,467)	(33,467)	(29,494)	(29,494)
Between two and five years	(50,201)	(50,201)	(44,241)	(44,241)
Between five and twenty years	(2,002,209)	(2,002,209)	(1,876,527)	(1,876,527)
More than twenty years	-	-	-	-
Total borrowings	<u>(2,100,262)</u>	<u>(2,100,262)</u>	<u>(1,963,218)</u>	<u>(1,963,218)</u>
Cash	68,884	68,884	86,903	86,903
Short term deposits	1,338	1,338	1,312	1,312
Net debt at 31 March	<u>(2,030,040)</u>	<u>(2,030,040)</u>	<u>(1,875,003)</u>	<u>(1,875,003)</u>

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

	Year to 31 March 2025 £000	Year to 31 March 2024 £000
Historical cost operating profit	184,506	155,788
Movement in working capital	14,651	18,157
Historical cost depreciation	120,000	109,426
Historical cost profit on sale of fixed assets	(185)	(174)
Other non-cash items		
Amortisation of deferred grants and contributions	(5,553)	(5,335)
Excess of pension payments over FRS17 charge	(4,342)	(2,408)
Non-cash movement relating to pension	-	873
Movement in provisions and creditors greater than 1 year	(830)	(2,192)
Net cash inflow from operating activities	<u>308,247</u>	<u>274,135</u>

7b Analysis of net debt

	1 April 2024 £000	Additions** £000	Cash flows £000	Non cash* changes £000	31 March 2025 £000
Cash at bank and in hand	86,903	-	(18,019)	-	68,884
Deposits and investments	1,312	-	26	-	1,338
	<u>88,215</u>	<u>-</u>	<u>(17,993)</u>	<u>-</u>	<u>70,222</u>
Debt due within one year	(12,956)	-	-	(1,429)	(14,385)
Debt due after one year (including PPP liability)	(1,950,262)	(20)	(137,024)	1,429	(2,085,877)
Total	<u>(1,875,003)</u>	<u>(20)</u>	<u>(155,017)</u>	<u>-</u>	<u>(2,030,040)</u>

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

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

8 Regulatory capital value (RCV)

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

In line with Regulatory Accounting Guideline (RAG) 1.04, this note is compiled using figures assumed in setting prices during the Price Control (PC) process. Figures in the year to 31st March 2025 are therefore consistent with figures contained within the Water and Sewerage Service Price Control 2021-2027 (PC21) published by the Utility Regulator in May 2021.

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

	At 31 March 2025 £'m	At 31 March 2024 £'m
Prior Year Closing RCV	3,737.4	3,307.4
Indexation and other adjustments	123.4	247.4
Opening RCV	3,860.8	3,554.8
Capital expenditure	478.2	340.8
Infrastructure renewals expenditure	55.7	57.8
Infrastructure renewals charge	(55.7)	(57.8)
Grants and contributions	(16.5)	(15.9)
Depreciation (including capital grants)	(162.1)	(141.5)
Disposal of assets	(0.9)	(0.8)
Closing RCV (pre regulatory adjustments)	4,159.5	3,737.4
Regulatory adjustments	-	-
Closing RCV (post regulatory adjustments)	4,159.5	3,737.4
Average RCV	3,948.4	3,522.4

9 Atypical and re-organisational operating expenditure items

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

	Year to 31 March 2025 £000	Year to 31 March 2024 £000
Holiday Pay settlement	-	9,200
Business improvement programme	500	600
PPP Atypical expenditure	(1,600)	600
PPP Constructive Liabilities	-	(2,800)
Major incidents arising from Freeze/Thaw in January 2025 & Storm Eowyn in January/February 2025	3,400	300
Total	2,300	7,900

10 Turnover of Associated Companies

NI Water acquired the Alpha PPP contract in 2017. In addition to two existing companies (NI Water Alpha Ltd and Dalriada Water Ltd) for which NI Water became 100% shareholder, NI Water also formed a holding company (NI Water Clear Ltd) which acts as the holding company for these two subsidiaries. The following are the turnover of the subsidiaries.

	Year to 31 March 2025 £000	Year to 31 March 2024 £000
NI Water Clear Ltd	-	-
Dalriada Water Ltd	18,227	13,942
NI Water Alpha Ltd	10,822	10,588

11 Related Transactions with Associated Companies

On the acquisition of the Alpha PPP contract, a restructuring post acquisition took place and resulted in the creation of a £20m loan from NI Water to NI Water Clear Ltd with NI Water Clear Ltd making repayments until 2032. An intercompany cash pooling arrangement from NI Water to NI Water Clear Ltd is also in place.

	Year to 31 March 2025 £000	Year to 31 March 2024 £000
£20m Term Loan to NI Water Clear Ltd	13,608	15,073
Intercompany Cash Pooling to NI Water Clear Ltd	22,204	12,790



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

Report on the audit of the Regulatory Accounts

Accounts Opinion

We have audited the Regulatory Accounts ("Regulatory Accounts") of Northern Ireland Water Limited ("the Company") for the year ended 31 March 2025 as set out on pages 5 to 21 which comprise the regulatory historical cost financial statements for the appointed and non-appointed business comprising the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and the related notes to the regulatory accounts including the statement of accounting policies set out in note 2.

These Regulatory Accounts have been prepared in accordance with the Company's Regulatory Licence, Regulatory Accounting Guidelines 1.04, 2.03, 3.06, 4.03 and 5.04 ("the RAGs") and the basis of preparation and accounting policies set out in the Statement of Accounting Policies. The Regulatory Accounts have been prepared for the reasons set out in note 2 to Regulatory Accounts.

In our opinion the Regulatory Accounts for the year ended 31 March 2025 have been properly prepared, in all material respects, in accordance with condition F of the Company's Regulatory Licence, Regulatory Accounting Guidelines, and the accounting policies set out in note 2.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800, the terms of our engagement letter dated 27 June 2023, and having regard to the guidance contained in ICAEW Technical Release 02/16AAF (Revised) Reporting to Regulators on Regulatory Accounts. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Regulatory Accounts section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounts in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - basis of preparation

We draw attention to the fact that the Regulatory Accounts have been prepared in accordance with a special purpose framework, being condition F of the Company's Regulatory Licence, the RAGs issued by the Regulator, the accounting policies set out in the statement of accounting policies and in the case of the regulatory historical cost accounting statements, under the historical cost convention. As a result, the Regulatory Accounts may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



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

Report on the audit of the Regulatory Accounts *(continued)*

Material uncertainty related to going concern

We draw attention to note 2a in the Regulatory Accounts, 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 2a, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on 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 Regulatory Accounts on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. As set out in note 2a in the Regulatory Accounts, they have also concluded that there is a material uncertainty that could cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Regulatory Accounts ("the going concern period").

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

Our evaluation of the directors' assessment of 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 Company from the Utility Regulator and the Department for Infrastructure, held discussions with the Utility Regulator to understand the implications of under funding 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 under funding 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 Regulatory Accounts and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board and Audit and Risk committee minutes.

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

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

Report on the audit of the Regulatory Accounts *(continued)*

Detecting irregularities including fraud

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

The Company 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 regulatory accounts, 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, and 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 the risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the regulatory accounts.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the regulatory accounts, 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 regulatory accounts, 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. The other information comprises the information included in the Condition F6A of the Licence (Directors' certificate of going concern). The Regulatory Accounts and our auditor's report thereon do not comprise part of the other information. Our opinion on the Regulatory Accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Report on the audit of the Regulatory Accounts *(continued)*

Other information *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether, based on our Regulatory Accounts audit work, the information therein is materially misstated or inconsistent with the Regulatory Accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Directors' responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 1 the Directors are responsible for the preparation of the Regulatory Accounts in accordance with the special purpose basis of preparation and accounting policies as set out in note 2 to the Regulatory accounts; determining that the basis of preparation is acceptable in the circumstances; such internal control as they determine is necessary to enable the preparation of Regulatory Accounts that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

Our opinion on other matters prescribed by Condition F is unmodified

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

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

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

Report on the audit of the Regulatory Accounts *(continued)*

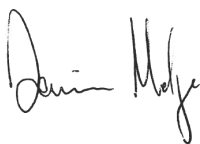
The purpose of our audit work and to whom we owe our responsibilities

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

- a) to assist the Company to meet its obligation under the Company's Instrument of Appointment to procure such a report; and
- b) to facilitate the carrying out by the UR of its regulatory functions, and for no other purpose.

In accordance with our Services Contract with the Company, to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the UR, for our audit work, for this report, or for the opinions we have formed.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2025 on which we reported on 11 July 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our 'statutory audit') was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



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

11 July 2025