

# Annual Integrated Report & Accounts 2021/22

northern ireland  
water



Delivering what matters



# Northern Ireland Water

## Annual Integrated Report and Accounts For the year ended 31 March 2022

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 24 August 2022.

# 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 eco-system 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 22). 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 Management Statement and Financial Memorandum, 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 Value Reporting Foundation (formerly known as the International Integrated Reporting Council). 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.

## 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 Head of Climate and Business Reporting in Finance, Regulation and Commercial Directorate. Our contact details are on the back cover of this report.

Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2022



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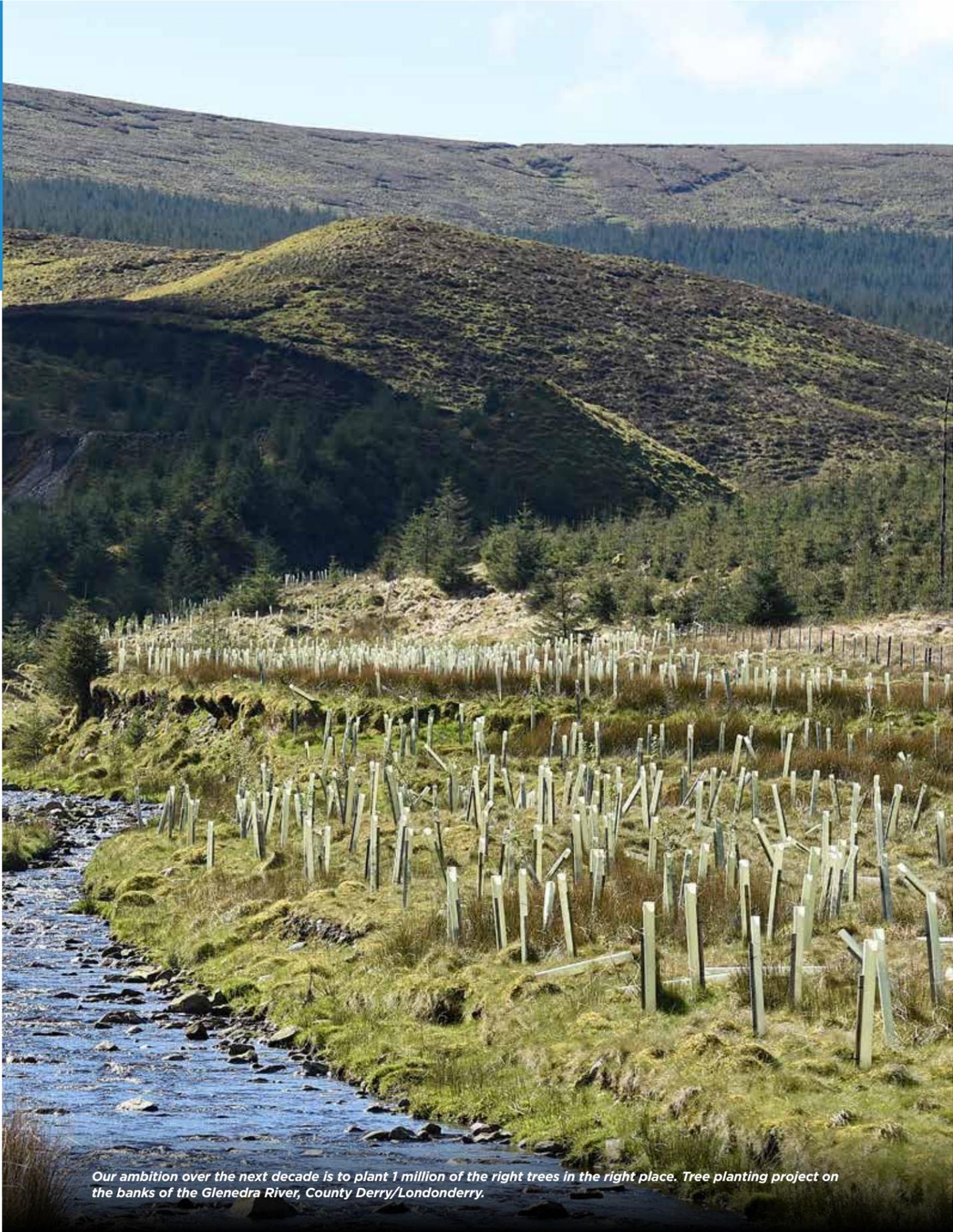
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### OGL

Any enquires regarding this publication should be addressed to the Head of Climate and Business Reporting 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 218 for details on which areas of this report have been subject to audit.



*Our ambition over the next decade is to plant 1 million of the right trees in the right place. Tree planting project on the banks of the Glenedra River, County Derry/Londonderry.*

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# Strategic Report

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

STRATEGIC REPORT

STRATEGIC REPORT



*NI Water CEO and staff with NI Water's first electric vans.*



## Water sits at the heart of a prosperous society

Largely unseen, our infrastructure underpins every aspect of life in Northern Ireland. It is the foundation for public health, it can unlock economic growth and help restore the natural environment.

NI Water can only continue to play this vital role if we are able to invest today to meet not only the increased demand for our services, but also the combined challenge of the climate emergency and the biodiversity crisis. In the last year NI Water has led the way in developing approaches to tackle these pressures. Now we need to work with our stakeholders to make this a reality through innovation, collaboration and the right sense of urgency.

## Our infrastructure is needed now more than ever

Northern Ireland is facing unprecedented risks to its economy and natural environment arising from the climate emergency and the biodiversity crisis. Northern Ireland is also struggling with rising prices, low productivity and low growth and with more than a quarter of the working-age population not employed, the highest level in the UK. These challenges are further exacerbated by political instability.

## Building a carbon neutral and climate resilient business

Climate change is of particular importance to the water sector given its impact on the quality and quantity of water sources, the carbon intensity of its supply chain, and the exposure of its assets to extreme weather events. At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. Our Strategy 2021-46 commits us to reducing our emissions to net zero by 2050 in line with the net zero target for Northern Ireland. The Power of Water Report launched in 2021/22 shows how our assets can play a strategically important role in helping society to generate and store renewable energy through kick-starting our hydrogen economy and deploying battery storage at scale. As one of Northern Ireland's largest land owners we can also help remove and store carbon and support strong biodiverse ecosystems, which are the basis for a resilient water supply chain. We are looking forward to launching our Climate Change

Strategy in 2022/23, which will set out our transition path to a carbon neutral and climate resilient business.

## Boosting biodiversity

NI Water is a nature based business at its heart. Our assets are entwined with the natural water cycle and our land holdings hold a rich array of plants and animals. We are partnering with our stakeholders to help restore our natural environment by rewetting our degraded peatbogs, planting 1 million trees and using nature based infrastructure solutions. Not only can this help boost biodiversity, but it can also deliver a range of other benefits such as improved raw water quality, flood alleviation, carbon removal and storage and cost efficiencies.

In 2021, no river water bodies in Northern Ireland achieved good or high overall status. NI Water is one of the primary polluters along with agriculture. We are committed to rectifying this. Our PC21 Business plan makes a start to addressing the generational underinvestment in our wastewater infrastructure. A great example of how we can make the change is the £1bn Living With Water Programme, which will improve strategic drainage infrastructure in the greater Belfast area through a combination of traditional and nature based solutions.

## We must start to properly fund our vital infrastructure

We share the Government's vision that we will 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 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.

Having been underfunded through our PC15 period (2015-21), we were encouraged to receive full funding for the first year PC21 period (2021-27) as part of an overall £2bn investment. However the extreme rise in energy prices over 2021/22 resulted in the need for emergency funding from Government to enable NI Water to continue to deliver its services. The absence of a functioning NI Executive resulted in uncertainty over funding for 2022/23 at a time of continued energy price volatility and significant price pressures in the supply chain. 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. This is placing service delivery to our customers at considerable risk.

Infrastructure by its nature requires an intergenerational contract and only functions when the current generation is prepared to pay its contribution towards maintaining and building the assets, some of which can have lifespans approaching 150 years. Government, as our sole Shareholder, needs to properly fund our national critical infrastructure. We continue to engage with our Shareholder and other stakeholders to secure the funding across PC21, supported by financial resilience. We are engaging with the NI Audit Office's review on funding our infrastructure and welcome the wider focus being brought on funding from the NI Fiscal Commission and the NI Fiscal Council. The approach to funding our infrastructure rests with the DfI Minister and the NI Executive.

## Seizing the opportunity

The transition to a high productivity, low carbon, climate resilient economy and restoring biodiversity are systemic problems requiring systemic solutions. We can no longer afford to take a fragmented approach to infrastructure. Looking at all forms of infrastructure, public and private, built and natural, as an interconnected system rather than isolated silos requires big changes to

Government policy and strategy, and how infrastructure is designed, delivered, funded and regulated.

We are committed to collaborating with all our stakeholders to make these urgent changes in order to deliver infrastructure fit for the challenges of the 21st century.

## Delivering what matters

NI Water continued to face limitations to usual ways of working due to COVID-19 lockdown restrictions over 2021/22. Around 800 staff worked from home and around 500 staff worked in frontline operations, within the laboratories, networks or treatment works. Our role in ensuring that drinking water continued to flow to hospitals, care homes and for food production was crucial. I would like to express my sincere appreciation to all our staff, contractors, suppliers, and Board colleagues, for their continued commitment and dedication to delivering what matters. NI Water was fittingly named Team of the Year 2021 at the Belfast Chamber Business Awards, in recognition of the vital role our essential workers played at the frontline of the pandemic in ensuring public health protection across Northern Ireland.

Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2022

# About NI Water

It costs around £680m each year to deliver water services in Northern Ireland. Thousands of assets at a value of around £3bn, are operated and maintained to provide these services. This includes over 40,000km 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 & businesses

Our customers rely on the services we provide

900k

## Water treatment works

We clean the water, making it safe to drink

23

## Water mains length

We distribute the drinking water to our customers through water mains

27,000 km

## Pumping stations

We use pumping stations to get the drinking water to our customers

344

## Service reservoirs

We store the drinking water in service reservoirs

366



736k

## Households & businesses

We collect wastewater from our customers

16,000 km

## Length of sewers

We collect wastewater from our customers using a network of sewers

1,300

## Pumping stations

We use pumping stations to get the wastewater to our treatment works

1,029

## Wastewater treatment works

We treat wastewater and return it safely to the environment

66

## Sludge management centres

Sludge is de-watered before being incinerated

# How we create value

## Our Purpose

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

### Our resources

#### Financial

(financial efficiency and resilience)

#### Natural

(plants, animals, water, soils and the eco-system services they provide)

#### Social

(stakeholder relationships)

#### Human

(talent, health and wellbeing)

#### Manufactured

(pipes, treatment works, plant and equipment, IT & offices)

#### Intellectual

(knowledge and processes)

## Our Vision

To grow value and trust by being world class

### Where we add value

#### Customer

Read more pg26

#### Water

Read more pg32

#### Economy

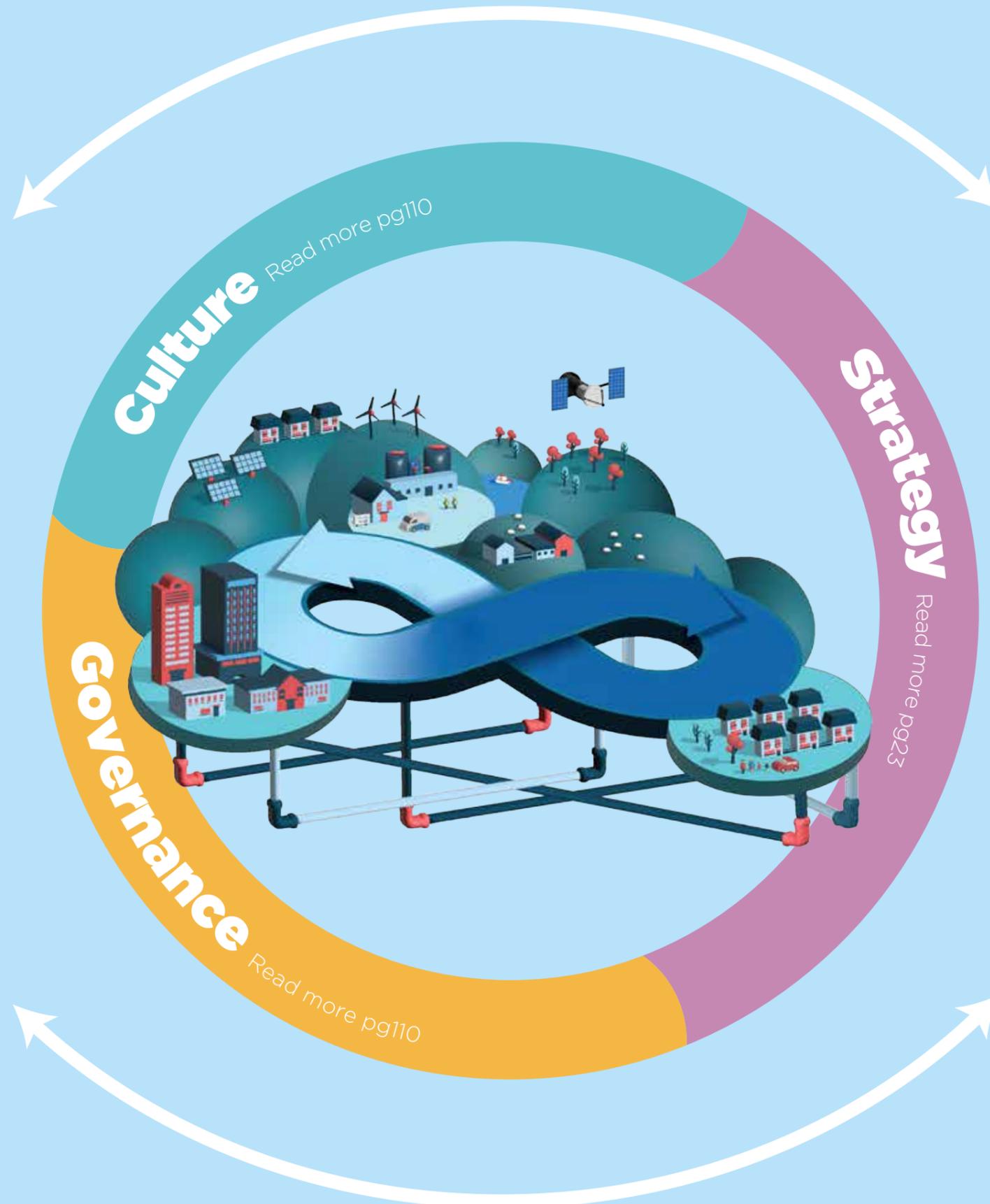
Read more pg46

#### Nature

Read more pg54

#### People

Read more pg76





We have completed the first year of our six year PC21 Business Plan (2021-27). Our performance is set in the context of COVID-19, climate change, extreme energy price volatility, significant inflationary pressures across our supply chain, and the continued uncertainty over PC21 funding.

Despite these challenges, we have largely delivered against the targets set by the independent Utility Regulator for 2021/22. This is a tremendous credit to our colleagues and business partners who have continued to deliver what matters. Some of the notable highlights over 2021/22 are provided below and further details on progress are contained in this report.

## Delighting our customers

During 2021/22 we increased the operational hours of our social media platforms and Web Chat Service. Our customer base for web self-serve also continues to grow, building on the launch of our first web form for reporting a leak in 2020/21.

We have had our best ever year in terms of unwanted customer contacts. This is despite the challenges from the high demand event and the major burst on the Dunore trunk main over the summer. Our Net Promoter Score compares favourably with other utilities and UK water companies, although it is below the challenging target set by the Utility Regulator.

Further improvements have been introduced to our text update services for web forms and an early warning text notification for metered non domestic customers experiencing high water consumption. The introduction of automation for processing sewer blockages has enabled quicker response times. We plan to launch a digital application process for new connections to our water and wastewater network for housing developers and applications for trade effluent. We are also planning improvements to our website and to pilot the use of geo targeted social media posts to give advance warning of water outages to customers that do not follow us on social media.

We continue to work with Health Trusts, Councils and other Utilities to promote our Customer Care Register and collaborate with the National Cyber Security Centre to keep at the forefront of an ever changing cyber threat landscape.

**P26** Read more about delivering an exceptional customer experience.

## Clean and safe water when you need it

As one of the largest land owners in Northern Ireland, we are working to improve the water quality at source in our catchments. We have been working with our partner organisations to roll out the pilot Land Incentive Scheme to farmers in the River Derg cross border catchment, as part of the EU INTERREG VA funded Source to Tap project. Project Officers have engaged with over 220 landowners and undertaken farm visits, making recommendations for measures that benefit both the farm business and the environment.

NI Water has been working closely with RSPB Northern Ireland and Natural Capital Solutions on the 'Valuing Our Peatlands' Project. This assessment of peatland habitat in NI shows that investing in bog restoration makes economic sense, with every £1 spent on peatland restoration returning £3.91 in benefits such as improved water quality, flood management, carbon storage and biodiversity.

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. Northern Ireland experienced its highest ever temperature in July 2021. We moved a staggering 38.5 million litres of water, by tanker, across Northern Ireland to keep customers in supply. This high demand incident was further complicated towards the end of July when a major burst close to Dunore water treatment works resulted in a temporary loss of water supply and intermittent supply to properties in Antrim and surrounding areas.

Overall drinking water quality compliance in 2021 was 99.88%, above the target of 99.83%. COVID-19 had an impact on regulatory sampling with zone sampling at customer taps suspended, in line with social distancing guidelines. To ensure that we continued to monitor water quality within the distribution system, regulatory zone samples were taken at designated fixed points, service reservoirs (which store treated water) and at a number of fixed point customer addresses. Customer tap sampling recommenced in February 2022.

Drinking water compliance is underpinned by investment in our water infrastructure. A major £12m investment in Derg water treatment works got underway in 2021/22. The upgrade will improve the water quality within the Derg network and provide additional security of the water supply to the Castlederg and Strabane supply area and further afield, benefiting around 40,000 people.

Leakage was reduced by over 2 million litres per day over 2021/22 to 155.6 million litres per day through use of leakage detection techniques such as ground microphones. We have also expanded our leakage team and upskilled staff on best practice detection and repair methods. Around a quarter of leaks occur on customer properties, highlighting the importance of fixing any leaky taps and loos in homes and other premises.

A major burst at a strategic trunk main in July 2021 resulted in our failure to achieve the target for customers without supply for >6 hours in 2021/22. Performance against the targets for >12 hours and >24 hours was also impacted, but recovered over 2021/22.

**P32** Read more about supporting a healthy and thriving population.

## Sustainable economic growth

The public expenditure made available from Government for investment in wastewater services has been below the investment required to provide increased capacity to facilitate growth or achieve water quality targets. Our PC21 Business Plan sets out the investment required to start to address the wastewater capacity constraints in over 100 towns and cities across Northern Ireland. The £18m Ards North wastewater improvement project forms part of this plan and shows what can be delivered through proper funding. We anticipate that it will

take a sustained increase in investment over the next quarter of a century to solve the problem of development constraints.

Following approval by the Utility Regulator, NI Water increased its non-household water and wastewater tariffs by 6.6% on average from 1 April 2022. When setting tariffs, NI Water seeks to strike a balance between the conflicting priorities of minimising the impact on customers whilst at the same time ensuring that enough revenue is generated. NI Water is facing considerable budgetary pressures, which are likely to continue through 2022/23, primarily due to the impact of rising power prices and other unavoidable increases affecting other material costs such as chemicals. Whilst any increase is unwelcome we have worked hard to ensure our water and sewerage services continue to provide good value for money to our customers. This increase means most of our customers will see their bills rise by less than inflation.

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. The launch of the NI Water Power of Water Report in 2021/22 set out a number of practical examples of how NI Water might be part of a wider decarbonisation agenda.

**P46** Read more about supporting a growing economy.

## Flourishing 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. We understand that internal sewer flooding is one of the worst things that can happen to our customers' properties. We removed three of the 108 properties at risk of internal flooding as a result of the capacity of the sewerage system being exceeded.

Reducing the amount of surface water reaching the sewers can help reduce the risk of sewer flooding due to overcapacity. The Ravenhill Avenue flood alleviation project commenced in 2021/22 and will remove an impermeable area equivalent to around 12 football pitches, which currently discharges into the Belfast sewerage network.

Ongoing investigation work on storm water removal will result in re-profiling the total impermeable area removed during PC21.

During 2021/22, Infrastructure Minister Nichola Mallon published Living With Water in Belfast: An Integrated Plan for Drainage and Wastewater Management in Greater Belfast. This follows Executive approval and a public consultation on the Plan. At £1.4bn over 12 years it is not a quick, or inexpensive fix. The Plan aims to deliver a long-term approach to drainage and wastewater management that will protect from flooding, provide a cleaner and greener environment and ensure that Belfast is open for business and investment.

Reforming our Wastewater Compliance Assessment is a key part of a wider programme of Water Regulation Reform being taken forward by our environmental regulator, the Northern Ireland Environment Agency. To help inform this, we are undertaking an unannounced sampling programme to get a better understanding of wastewater treatment works' performance. We are also installing flow meters at wastewater treatment works and event and duration monitors (EDMs) on our sewer network to better understand spills from combined sewer overflows and enable future regulatory reporting on spills. Combined sewer overflows act as emergency discharge valves in our sewerage system, discharging untreated sewage and wastewater when the system is overloaded. They are a necessary part of the existing sewerage system, preventing sewage from flooding homes and businesses. We delivered 52 monitors at combined sewer overflows against a target of 50 for 2021/22. We didn't deliver any EDMs at wastewater treatment works against target of 16 for 2021/22. We continue to work with NIEA to establish the method for measurement of flow requirements at wastewater treatment works, which may be a combination of flow meters and EDMs at most wastewater treatment works. We removed five unsatisfactory intermittent discharges against a target of seven for 2021/22. We plan to recover this slippage over PC21.

Every day we recycle wastewater from 736,000 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 and have deployed a number of innovative approaches such as lower energy technologies and nature based solutions. This includes the use of low energy Nereda technology at Dungannon wastewater treatment works and natural reed beds at Clabby wastewater treatment works. We continued to make good progress on the construction of the new £6.4m Ballygowan wastewater treatment works. NI Water is planning to install a new 65 KW renewable solar energy system within the footprint of the old wastewater treatment works site. The electricity created from the new solar panels will be used to provide additional power to run the treatment works, reducing energy usage and lowering the carbon footprint of the site.

NI Water is a natural capital business and we are committed to putting nature at the heart of our decision making. The Water Industry Forum, working with Water UK's Environment Policy Advisory Group members including NI Water has been developing further guidance on driving best value decision making using a multi-capitals approach. We continue to pilot the use of multi-capitals decision making on the Living With Water Programme and have a number of activities within our draft Climate Change Strategy to support multi-capitals decision making. We plan to roll out the new approach across our investment programme to inform our next business plan in PC27 (2027-33).

We deal with around 15,000 blockages of our sewers each year, over 11,000 of which could have been prevented. 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. Our customer campaigns continued the messages around bag it and bin it, with focus on 'hot spots' and promotion of 'refillution' messaging to reduce the number of single use plastic water bottles.

**P54** Read more about protecting and enhancing the natural environment.

## Happy, safe and healthy people

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. In an increasingly competitive talent market, it is important that we address

the challenges presented by STEM skills shortages in the marketplace and an ageing workforce to ensure NI Water remains fit for the future.

We have a healthy picture of career development across the organisation with over 85% of all promotions in the last year filled internally. Our employer brand is strong in the marketplace and we have hired over 200 new recruits in the last two years. Whilst many organisations are experiencing the 'great resignation', our staff turnover remained consistently low. Our Apprenticeship Academy continues to go from strength to strength with the recruitment, on boarding and development of over 35 new apprentices in 2021/22, including the launch of NI Water's first Higher Level Apprenticeship programme. Around 17% of our class of 2021/22 are female. We have launched a wide reaching campaign to recruit a further 28 apprentices and higher level apprentices to join in 2022/23.

Significant investment continues to be made over PC21 to both review and upgrade our province wide network of facilities and above ground buildings and related assets. Another area of focus is driver safety, which we will target through the use of 'safe driving' workshops for all staff. 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, tough book, or laptop. The ability to undertake health and safety audits and spot checks is also now available via Assure.

NI Water's award-winning health and wellbeing strategy is designed with and for employees to support their physical, mental, social and financial health in the belief that prevention is better than cure. This strategy is informed by absence data, employee pulse surveys, monthly polls and employee focus groups to understand the diverse needs of our workforce and ensure wide appeal.

We use a range of listening strategies to gather the voice of the employee and ensure that action is targeted in the right place. These include employee surveys, frontline focus groups, cultural ambassador network, monthly polls and employee workgroups. Feedback received has helped inform a variety of corporate strategies including the new hybrid working strategy.

A diverse workforce is good for business, providing different perspectives, encouraging innovation, and fostering a more collaborative working culture. We hold the Bronze Diversity Charter mark and are working towards achieving the silver standard in 2022/23. In 2021/22, NI Water became 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.

NI Water was named Team of the Year 2021 at the Belfast Chamber Business Awards. We were recognised for the vital role our essential workers played at the frontline of the pandemic in ensuring public health protection across Northern Ireland.

Amazingly our Cares Challenge volunteering scheme celebrates its 10 year anniversary in 2021/22 and to celebrate, we've launched an exciting new programme of events. Over 1,500 staff have volunteered in around 100 challenges to date, equating to over 10,000 hours of volunteering to help support communities across Northern Ireland.

NI Water is proud to lead the local WaterAid NI Committee, raising over £74k, including £34k at a virtual fundraising ball. These funds will go a long way in helping bring clean water, decent toilets and good hygiene to health centres in Machinga and Zomba districts of Malawi, where the Deliver Life project is based.

We are also really proud of our unique education programme, which includes the Waterbus mobile classroom initiative. We have educated over 218,000 'water-whizz' school kids about the value of water for health, the economy and nature.

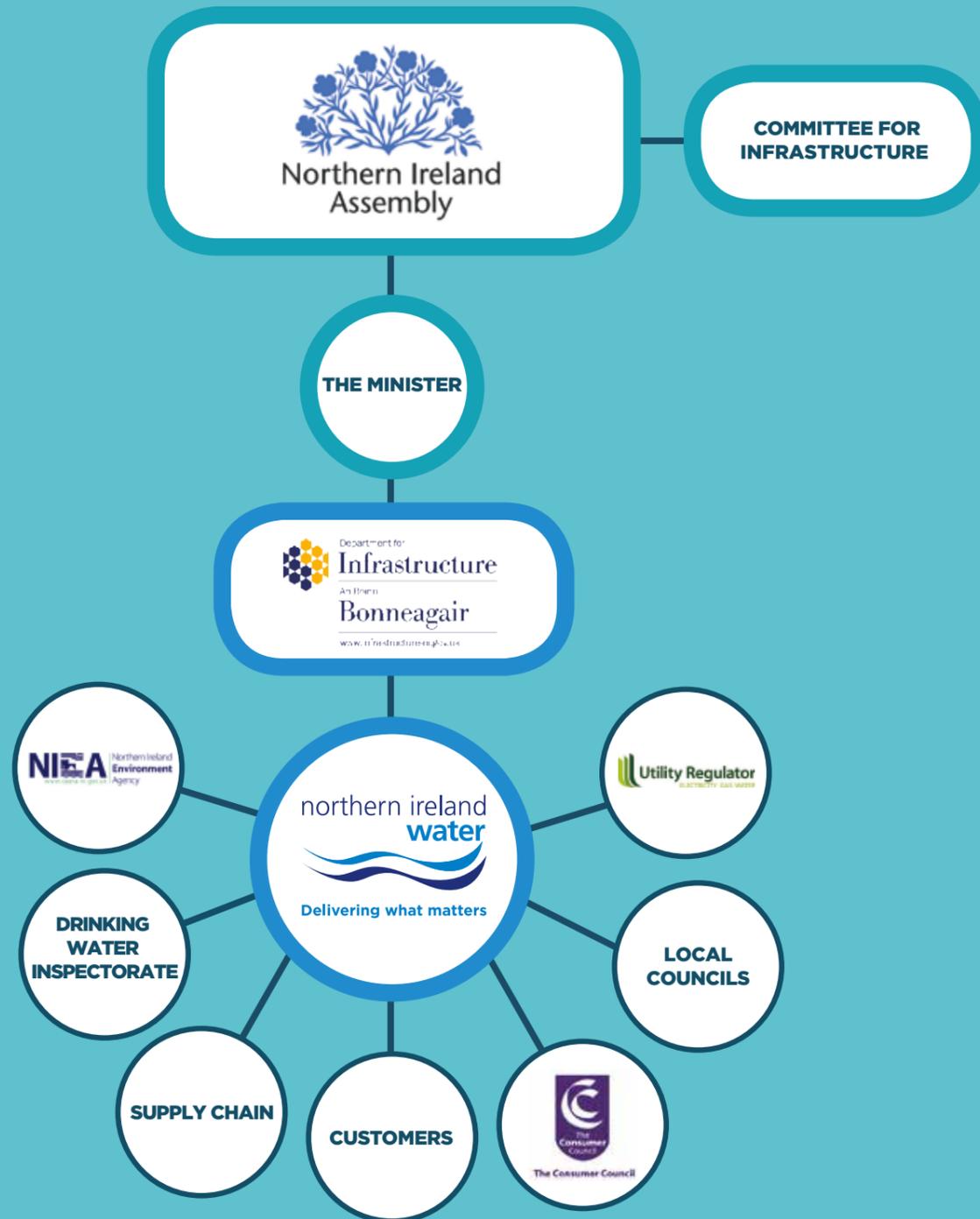
**P76** Read more about helping our people and communities to thrive.



Sara Venning  
Chief Executive  
29 June 2022

# 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 900,000 households and businesses and wastewater services to around 736,000 households and businesses.

# Listening to you

Listening to our customers' and stakeholders' views and building these into our strategy is essential for us to ensure that our customers' needs are at the heart of our service delivery.

## We are all ears

Customer Research/  
Annual Omnibus Survey  
**1,400**

Domestic customers (face to face)  
Business customers (computer  
assisted telephone interviewing).

**855**

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

**20,000+**

f Facebook fans.

**200**

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

**7,500**

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

**190,000**

Conversations with our Customer  
Relations Centre annually.

**9,000+**

Twitter followers.

**150+**

Elected representatives  
surveyed on a regular basis.

**1.6m+**

NI Water website views.

## 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.



DRINKING WATER  
INSPECTORATE

## Customer priorities\*

### High

Internal sewer flooding

Supply interruptions

External sewer flooding

Low water pressure

### Medium

Odour and noise

Sewer blockages

Taste, smell and  
appearance

Pollution incidents

### Low

Water abstraction

Quality of river waters

Quality of coastal  
waters

## 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.

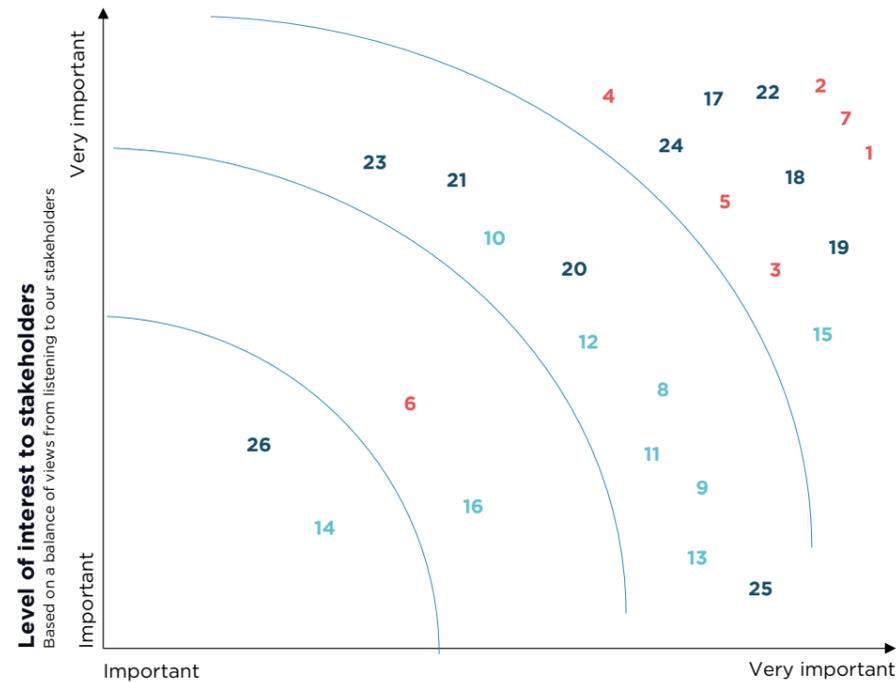
\*[https://www.consumer council.org.uk/sites/default/files/original/Connecting\\_with\\_Consumers\\_Report.pdf](https://www.consumer council.org.uk/sites/default/files/original/Connecting_with_Consumers_Report.pdf)

# 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 133. 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

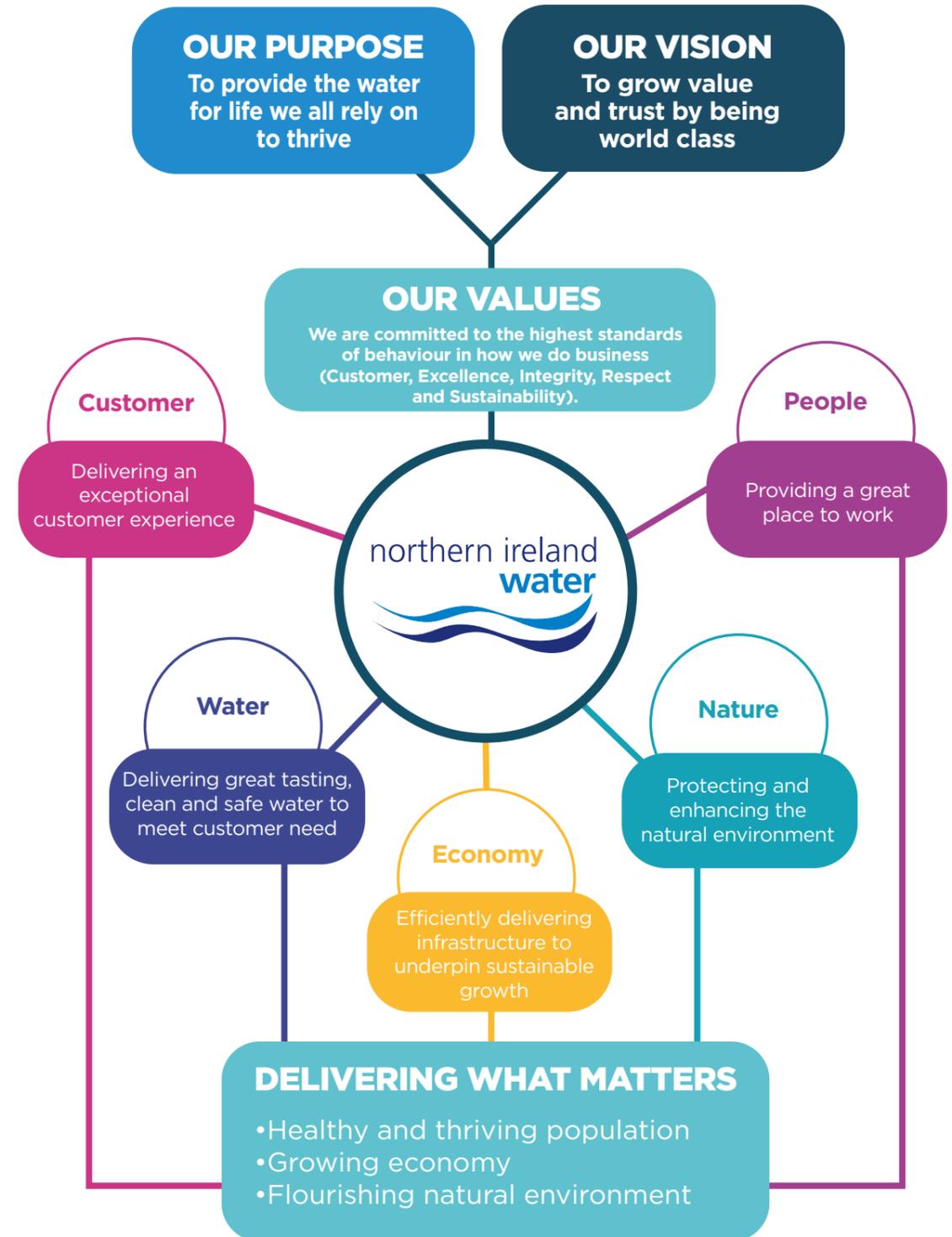
### Internal and external matters

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/](http://www.niwater.com/ourstrategy/)  
[www.youtube.com/watch?v=i8GCuvWp5wl](https://www.youtube.com/watch?v=i8GCuvWp5wl)

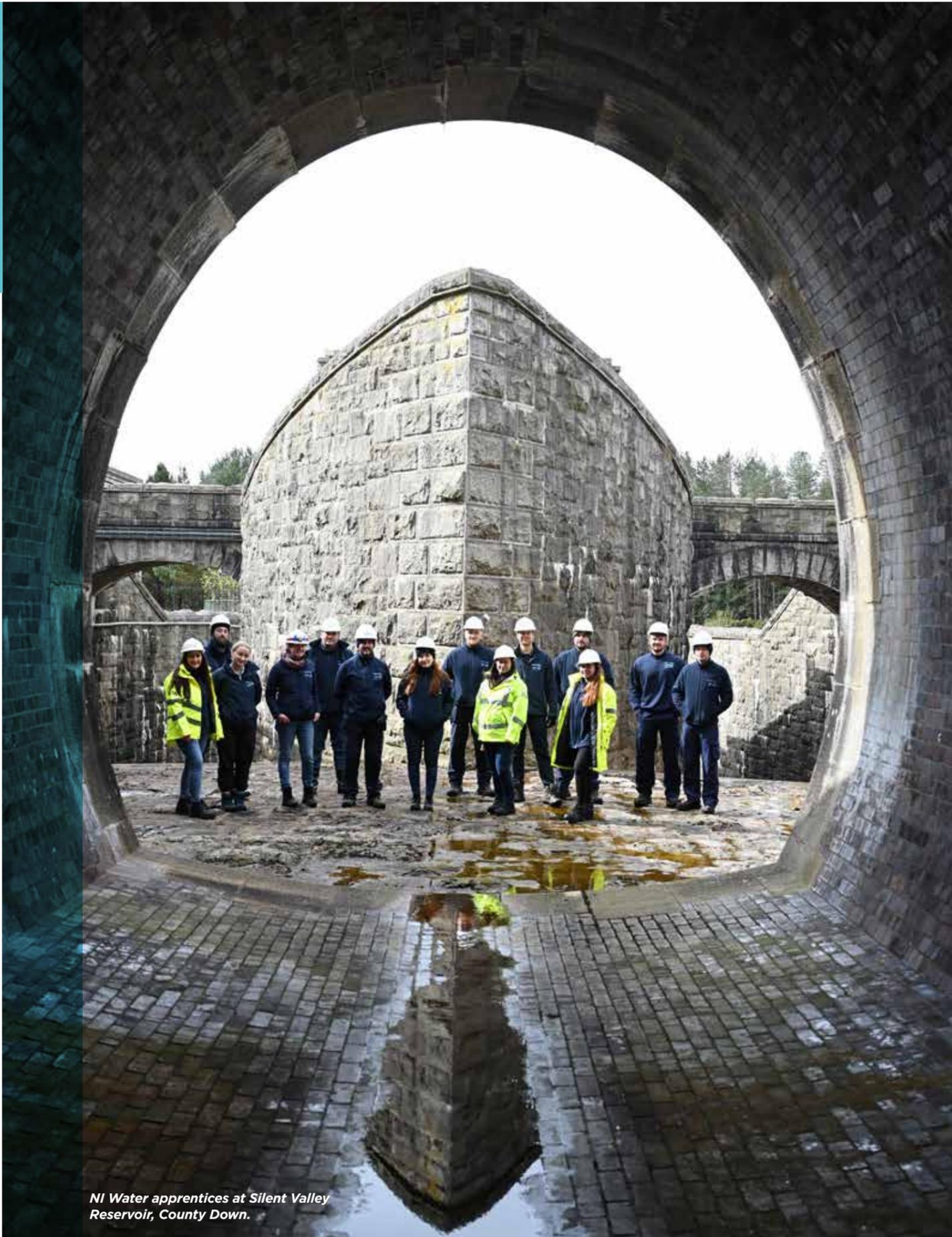


## Our global world

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:

# SUSTAINABLE DEVELOPMENT GOALS

<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 
<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 



NI Water apprentices at Silent Valley Reservoir, County Down.



NI Water staff on site at a development in Enniskillen, County Fermanagh.

**Strategic areas of focus**



**Sustainable development goals**



**Principal threats/opportunities**



Page 84 Read more about principal threats and opportunities.

**Strategic performance indicators**

Customer	Unit of measurement	Target 2021/22	Actual 2021/22	Pass/Fail	Target 2022/23
Reduction in customers reporting service failures	Number	67,000	66,064	Pass	66,100
First point of contact resolution	%	84	84	Pass	84
More customers singing our praises (Net Promoter Score)	Number	42	32	Fail	42

## Right place, right time, right channel

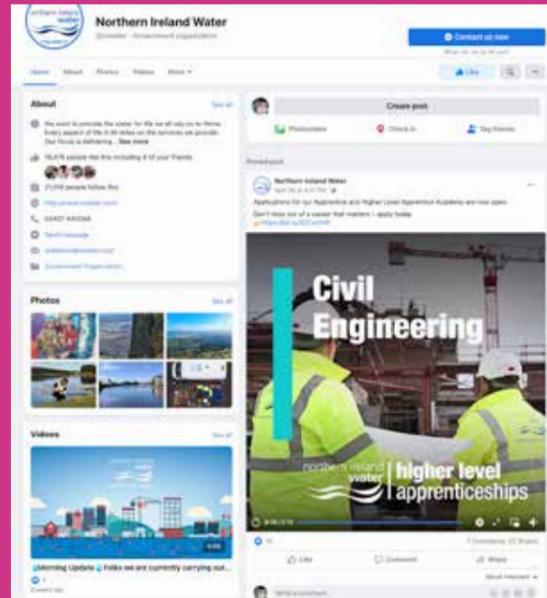
Social media provides us with a fantastic platform to keep our customers informed of the challenges we face delivering great tasting, clean drinking water and recycling wastewater safely back to the natural environment. Our Website, Facebook and Twitter accounts allow us to reach out to our customers 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. During 2021/22 we increased the operational hours of our social media platforms and Web Chat Service, which we have also added to the front page of our web site. For the first time our social media followers has surpassed 30,000 and our Web Chat usage has increased by over 40%. Feedback from customers for these channels has been very positive with both Web Chat and social media registering high consumer advocacy scores.

Our customer base for web self-serve also continues to grow and in 2020/21 we launched our first web form for reporting a

leak. 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.



One of NI Water's digital communication 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 2021/22 we have had our best ever year in terms of unwanted customer contacts, outperforming our 67,000 target and also delivering against our First Point of Contact Resolution target of 84%. This is despite the challenges from the high demand event and the major burst on the Dunore trunk main over the summer. Our Net Promoter Score (NPS) of 32 compares favourably with other utilities and UK water companies, although it is below the challenging target set by the Utility Regulator.

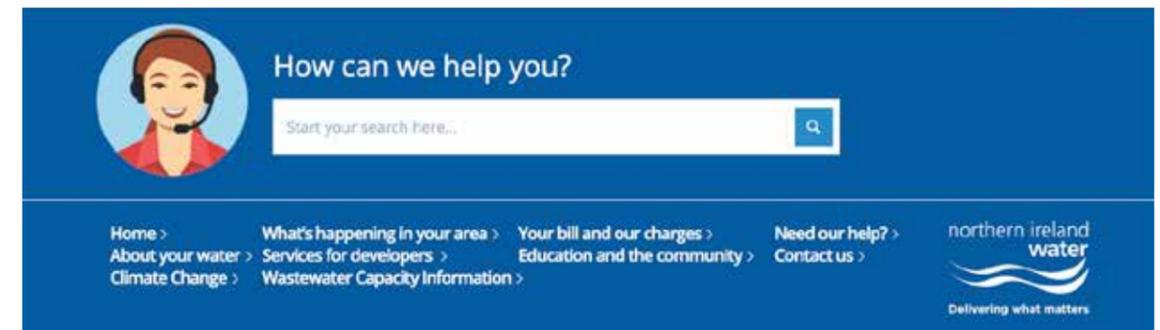
Over 2021/22 we focused on changes to our billing complaints process and reduced our billing escalation threshold to ensure that more complex customer issues are resolved quicker and repeat contacts are reduced. In 2022/23 we will continue to enhance customer satisfaction by focusing on our worst performing NPS contact types and improving operational customer journeys.

## Bots beat blockages

We have introduced further improvements to our text update services for web forms and an early warning text notification for metered non domestic customers experiencing high water consumption. In 2022/23 we are planning further improvements to our 'no water' text update service. The introduction of automation (a 'feature manipulation engine') for processing sewer blockages that customers report has enabled a quicker response time. This process also identifies potential recurring issues, providing an opportunity for us to undertake early investigations and expedite repairs. We are exploring additional ways to use automation

to speed up the processing time of routine activities, so we can dedicate more time to more complex issues.

Our 'Knowledge Base' tool uses chatbot technology and artificial intelligence to help guide customers through a structured dialogue, providing answers to a wide range of their questions across all our service areas. Similarly, an interactive voice response for a number of transactions such as bill payment provides another choice of contact channel, and improves customer service by offering convenience and the potential to save time.



NI Water chatbot technology.

## 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 Health Trusts, Councils and other Utilities to promote our Customer Care Register. A further 218 customers have been added to the register, with a total of 2,694 customers/organisations registered. We continue to engage with the Utility Regulator, CCNI and other utilities on the Consumer Protection Programme Best Practice Framework, which will standardise the approach to consumer vulnerability across the Northern Ireland utility sector. We are also liaising with the British Standards Institution with regard to understanding process for attaining the internationally recognised consumer vulnerability accreditation.



**Getting smarter**

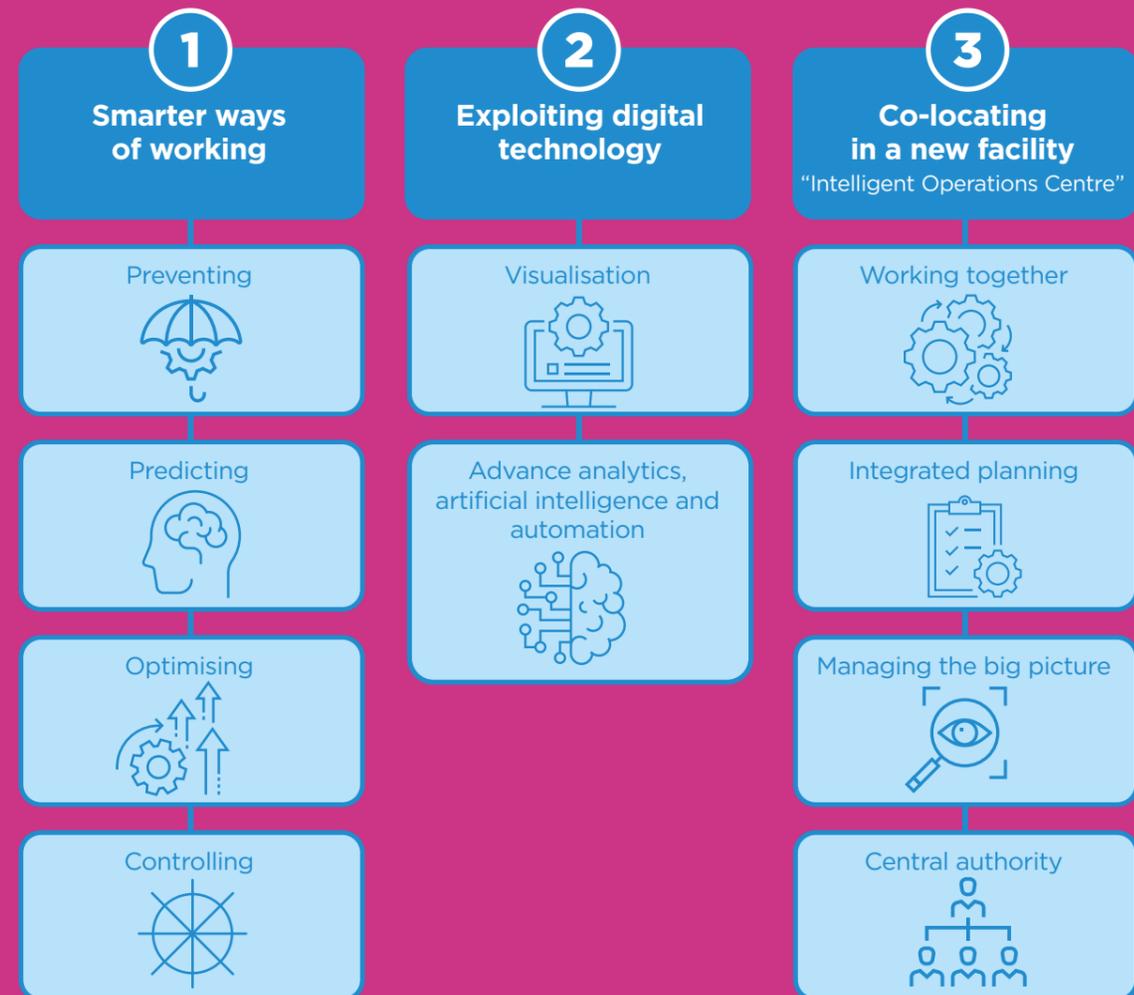
Our customers tell us they want a modern, interactive web-based platform where they can submit applications for our services, track progress, make payments and digitally sign documents without the need for paper or telephone contact. Over 2022/23 we plan to launch a digital application process for new connections to our water and wastewater network for housing developers and applications for trade effluent. We are also planning improvements to our website and to pilot the use of geo targeted social media posts to give advance warning of water outages to customers that do not follow us on social media.

Intelligent Operations is a new approach to how we operate. It comprises smarter ways of working that:

- ensure a more preventative approach to maintenance of assets instead of fixing when they fail;
- predict when issues are about to occur and intervene sooner – so reducing our reliance on customers having to tell us that issues have occurred;
- set up and tune our end-to-end water and wastewater system to run at its optimum state; and
- establish more central control of assets and the work we do on them.

This is enabled through the deployment of digital and visualisation technology and a new Intelligent Operations Centre. The centre opened in 2021/22 and brings together around 180 of our dispersed operational staff to work together in a more collaborative and intelligent way.

**Intelligent Operations**



NI Water's Intelligent Operations Centre.

**Protecting you**

Cyber crimes are increasing in both frequency and in their disruptive potential. These crimes could lead to an interruption in the delivery of our essential services, damage our computer control systems, or lead to a data breach. We continued our internal education campaigns with simulated phishing emails. External assurance of our

cyber programme for operational technology is complete and broadly positive. We continue to liaise and collaborate with the National Cyber Security Centre to keep at the forefront of an ever changing threat landscape and be aware of new methods of attack as they develop.



NI Water CEO and staff promoting the cyber awareness training.

Despite all of the technical barriers and processes which we can introduce, NI Water depends primarily on its employees and supply chain partners, to protect the systems and equipment that provide the services to

our customers. A short video was developed over 2021/22 for employees and supply chain partners to highlight their important roles in protecting against cyber-attacks.



Tankering of water and water wise messaging during the heatwave high demand event in July 2021.

**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 2021/22	Actual 2021/22	Pass/Fail	Target 2022/23
Water quality compliance*	%	99.83	99.88	Pass	99.83
Leakage	MI/d (Million litres/day)	157	156	Pass	156
Reduction in supply interruptions in excess of:					
• 6 hours	%	0.699	1.504	Fail	0.683
• 12 hours		0.091	0.079		0.087
• 24 hours		0.010	0.001		0.010

\*Calendar year target.

### Improve at source

NI Water is one of the largest land owners in Northern Ireland. The peat bogs in our water catchments are amongst nature's superstars, providing a range of eco-system services. They provide a natural form of water purification, protect against floods, help reduce greenhouse gas emissions by removing and storing carbon and enable us to restore our biodiversity.

#### Source to Tap



of the project, the partnership has continued to roll out the pilot Land Incentive Scheme to farmers in the River Derg cross border catchment. Project Officers have engaged with over 220 landowners and undertaken farm visits, making recommendations for measures that benefit both the farm business and the environment, and this has identified over 1,700 issues affecting water quality. Remediation measures installed on farms to protect and improve water quality include the provision of 56km of riparian fencing to prevent livestock entering watercourses and eroding riverbanks. Where fencing has now been installed, we have grant aided 69 farms with alternative drinking water sources including 19 pasture pumps, 17 solar powered pumps for water troughs and 33 farms utilising mains fed water drinkers, to ensure livestock can avail of fresh water in a sustainable way. We have also improved 35 farm tracks and funded 20 clean/dirty water separation projects for farmyards. Each of these measures helps to reduce sediment run-off into rivers and drains.

We have encouraged farmers to replace field-wide spraying of the herbicide MCPA with targeted methods of rush topping (cutting) and weed-wiping to control rush growth. We have proactively paid farmers to avail of these herbicide mitigation measures in over 2,400 acres of land across the River Derg catchment, to protect and improve water quality by reducing the concentrations of MCPA in the raw water.



Fencing to prevent livestock entering watercourses and eroding riverbanks.

**€5m**  
project engaged

↓

**220**  
landowners

**40km**  
of fencing

Herbicide mitigation measures in over

**3,000**  
acres of land

Since 2017 we have been working in partnership with Irish Water, The Rivers Trust, Ulster University, Agri Food and Bioscience Institute (AFBI), and East Border Region on an EU INTERREG VA funded project with a total investment of €4.9m. The Source to Tap project aims to improve the Erne and Derg cross border river catchments that are a shared source of our drinking water. As part

Find out more at <https://www.sourcetotap.eu/>

Sustainable catchment management is about improving the quality of the raw water using nature-based solutions prior to treatment. In doing so, we can save resources and extend the life of our assets.

Upland reservoirs adjacent to commercial conifer plantations are at risk of colour and turbidity fluctuations following felling. As part of the INTERREG VA funded Source to Tap project we trialled and monitored measures to reduce sediment run-off at sites where harvesting had taken place. Another element of the Source to Tap project was peatland restoration work at Tullychurry Forest, County Fermanagh. It trialled the novel cell bunding technique by creating low bund walls from fresh oxidized peat, forming watertight cells to re-wet the area. By slowly recreating the anaerobic waterlogged environment, bog conditions return and Sphagnum mosses can recolonise. We directly transferred these techniques to a 27ha area around Lough Bradan, County Tyrone. The Tullychurry and Lough Bradan

forest to bog restoration projects have received a Green Apple Award 2021 in the climate change category and featured in a BBC Digital news item. NI Water also featured in a documentary at COP26 for the work that we are doing on climate change and biodiversity at the Garron Plateau, County Antrim.



NI Water's catchment management officer at the peatbog restoration project adjacent to Lough Bradan, County Tyrone.



NI Water staff marking the Green Apple award at Tullychurry forest, County Fermanagh.

The Education element of the Source to Tap project aims to raise awareness about the connection between our rivers and lakes and the water that comes out of our taps. Over 1,900 children have received at least one unit of our education programme and now know more about the importance of protecting our precious drinking water resources.

As well as this Source to Tap has delivered rush control events and a webinar to farmers to increase their awareness of the risks of the herbicide MCPA to water quality.

As part of the citizen science element of the Source to Tap project, over 40 volunteers across the Erne and Derg river catchments have been trained in the Riverfly monitoring technique. This enables them to go out into a local river armed with the correct equipment and to monitor it for Riverfly life on a regular basis. By doing so they can act as guardians of their local water environment to detect changes in the water quality, which may be signs of pollution and, to report them. This training has also provided them with new skills, confidence and the opportunity to be citizen scientists.



Educating our water whizz-kids on the Source to Tap project.



Partnering with members of the public across the Erne and Derg river catchments.



Partnering with farmers to reduce water quality risks from the MCPA herbicide.

 Find out more at <https://www.sourcetotap.eu/>

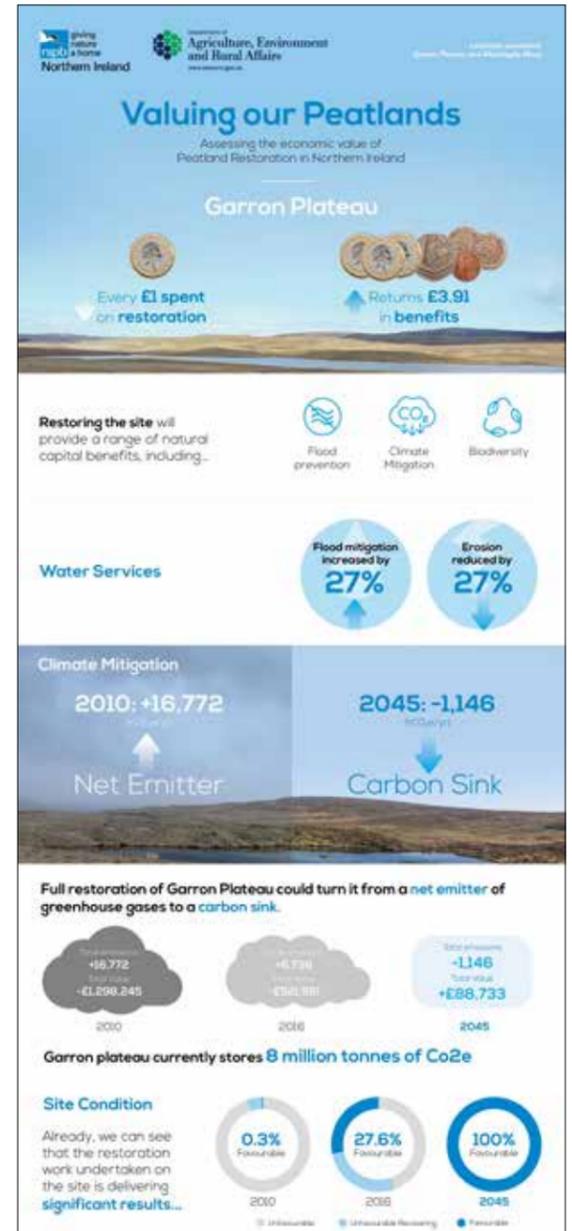
### Valuing our peatlands

Peatlands store more carbon than all other vegetation types in the world combined. They can improve our water quality, provide natural flood management and support an array of species and provide wild places for people to enjoy. It is crucial for us to restore our natural habitats so they can play their role in the climate emergency and restoring biodiversity.

NI Water has been working closely with RSPB Northern Ireland who commissioned Natural Capital Solutions to complete a report on the Garron Project, 'Valuing Our Peatlands'. This is a Natural capital assessment and investment appraisal of peatland restoration in Northern Ireland. At Garron Plateau, County Antrim, and Lough Bradan, County Tyrone we have worked to block drains to raise the water levels in the peat, recreating bog pools and restoring natural habitats. This gives the ideal conditions for Sphagnum mosses and vegetation to grow, which then naturally filters the water, aiming to produce high quality water with fewer chemicals needed to clean the water. This assessment of peatland habitat shows that investing in bog restoration makes economic sense, with every £1 spent on peatland restoration returning £3.91 in benefits. The blanket bog restoration is not only a win in terms of raw water quality, but restoring the site will also provide a range of natural capital benefits, including flood prevention, climate mitigation and biodiversity. The restoration of Garron Plateau turns it from a net emitter of greenhouse gases to a carbon sink.

We are continuing to work with a number of our key partners including RSPBNI and DAERA Forest Service to identify further areas appropriate for peatland restoration in our land holding. Over the next number of years, we hope to increase the areas we can call 'bogs' around our drinking water catchments, to improve raw water quality but also to contribute to our corporate net zero targets, contribute to the national net zero targets and increase biodiversity on our most valuable habitats.

 Find out more at <https://www.rspb.org.uk/about-the-rspb/at-home-and-abroad/northern-ireland/policyinnorthernireland/valuing-our-peatlands/>



The Infrastructure Minister launched the NI Water's Schools Peatlands Poster competition along with pupils from St Mary's Queen of Peace PS, Glenravel and NI Water's Environmental Outreach and Learning Officer at the Garron Plateau, County Antrim.

## Enough water for all

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.

### High demand incident

On 22 July 2021 NI experienced its highest ever temperature (31.3°C).

July 2021 saw Northern Ireland basking in tropical weather conditions with record temperatures above 30°C. The demand for treated water peaked at almost 750 million litres per day on top of already elevated levels of demand seen since the COVID-19 lockdown.

To help manage the high demand a Category 1 Major Incident Regime was put in place to run and control the incident.

It was a huge operation with a massive concerted effort to reduce the impact on customers. From 16 July 2021, when the high demand incident began, over 36 tankers carried 1,800 loads of treated water to reservoirs which were struggling to cope with customer demand.

In total we moved a staggering 38.5 million litres of water, by tanker, across Northern Ireland to keep customers in supply. The high demand incident was further complicated towards the end of July when a major burst close to Dunore water treatment works resulted in a temporary loss of water supply and intermittent supply to properties in Antrim and surrounding areas. It was a difficult repair and Dunore water treatment works had to be closed down for a period with the loss of vital water production.



This was one of the largest movements of water across the network by tanker that NI Water has ever carried out.

## 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/](http://www.niwater.com/water-saving/)



## Pumping £12m into water resilience for Strabane, Omagh and Fermanagh

A major £12m investment in Derg water treatment works got underway in 2021/22. The original works was built in 2002 and serves Strabane and Omagh as well as supplying water into the Fermanagh area. The upgrade will improve the water quality within the Derg network and provide additional

security of the water supply to the Castlederg and Strabane supply area and further afield, benefiting around 40,000 people. The investment will also protect the natural environment by improving the herbicide and organics removal.



Construction of Derg water treatment works, Strabane, County Tyrone.

[https://www.youtube.com/watch?v=To9tWnI\\_vII](https://www.youtube.com/watch?v=To9tWnI_vII)

**Reservoir safety**

A £6m programme of reservoir improvements commenced across Northern Ireland to refurbish and enhance the safety of the impounding reservoir portfolio. Our impounding reservoir portfolio plays a critical role in the storage of untreated water for future supply to our treatment works. This will ensure that our reservoirs comply with the highest standards and meet the requirements of the Reservoirs Act (NI) 2015, when commenced. This major programme of work commenced at Seagahan reservoir in County Armagh and Silent Valley reservoir in County Down. Work will continue until 2024/25 and will involve completing improvements at over 30 major reservoirs throughout Northern Ireland.



*Ben Crom reservoir, 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. The fresh water we use to produce our high quality drinking water is predominantly taken from Lough Neagh, local rivers and a range of upland sources.

**World class on tap**

The water we supply for domestic use or food production must comply with the standards in the Northern Ireland Water Quality Regulations, which incorporate European Union standards and more stringent UK national standards. The standards are strict and generally include wide safety margins. They cover: bacteria; chemicals such as nitrates and pesticides; metals such as lead; and how water looks and tastes. To make sure that your water supply is clean and safe, we take samples for testing. Sampling and analysis is carried out 365 days per year to ensure that our drinking water is tasty, clean and safe. 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 2021 was 99.88%, above the target of 99.83%. We publish a Drinking Water Quality Report each year, which is available on our website.

COVID-19 had an impact on regulatory sampling with zone sampling at customer taps suspended, in line with social distancing guidelines. To ensure that we continued to monitor water quality within the distribution system regulatory zone samples were taken at designated fixed points, service reservoirs (which store treated water) and at a number of fixed point customer addresses. Customer tap influenced parameters (such as lead, copper and nickel) were not sampled at service reservoir sample points. The suspension of sampling at customer taps samples was agreed with the DWI. Customer tap sampling recommenced in June 2021 at non-domestic properties and samples were scheduled to include the customer tap influenced parameters. Customer tap sampling recommenced at domestic properties in September 2021. In late December 2021 due to increased COVID-19 cases and public health concern sampling at customer properties was suspended again. This was agreed in advance with the DWI. Customer tap sampling recommenced in February 2022.

**NI Water awards major £7m sampling contract to RPS**

NI Water has awarded a contract for the sampling and transportation of water and wastewater samples to Belfast based company RPS Environmental Management Ltd. This contract is worth almost £7m over a five-year period.

The three-year contract operates around the clock, 365 days a year and involves taking samples at NI Water’s treatment works and various other locations throughout both the drinking water supply and sewerage networks. The samples are then transported under strictly controlled conditions to NI Water’s Analytical Services laboratories, where they undergo analysis to demonstrate compliance with water and wastewater quality regulations.



*NI Water Head of Drinking Water Regulation pictured with the Regional Manager at RPS.*

In 2020/21 we trialled a number of pilot studies at Derg water treatment works, County Tyrone, to remove heavy metals, suspended solids (turbidity) and pesticides including using a form of volcanic crushed rock and recycled brown and green glass to filter the water. We are working towards the delivery of treatment process at Derg water treatment works, County Tyrone, for herbicide (MCPA) removal to be completed by 31 March 2022.

**NI Water revealed ‘rock solid’ solution to high quality water**

NI Water revealed a ‘rock solid’ solution to obtaining a sustainable water supply by tapping into Earth’s most hidden asset, groundwater. A long term, resilient water supply is a top priority for the company, which is why we are using boreholes to access this sustainable water supply.

Groundwater is perfect as it is stored underneath the Earth’s surface and is a largely unused water source in Northern Ireland. It is also naturally filtered through rocks so requires minimal treatment to make it drinkable. NI Water is using solar panels for abstraction and treatment of the water which will offset electricity usage and activated filter media (recycled glass) to ensure it is treated to drinking standards. Overall, this innovative solution will not only provide water in all weathers but reduces chemical use and carbon.



*NI Water and supplier staff pictured at the Moneymore Borehole test site in County Derry/Londonderry.*

**Water upgrade!**



Completion of the £13m investment at Drumaroad water treatment works in County Down to benefit a quarter of Northern Ireland's population.

 <https://www.youtube.com/watch?v=leu7b81X4Wc&t=9s>

**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.

We plan to replace over 11,000 lead communication pipes in PC21, with an annual target of 1,844 replacements. 1,864 proactive lead pipe replacements have been completed over 2021/22. We launched a

media campaign to highlight the risk for lead pipework in customer properties and to encourage customers to replace lead pipework. We continue to engage with stakeholders concerning the potential for the establishment of a new grant scheme, to enable private customers to access funds for replacement of their private supply pipe.

 Find out more about reducing the risk of lead at: [www.niwater.com/lead-pipes/](http://www.niwater.com/lead-pipes/)

 [https://www.youtube.com/watch?v=9k9FIO\\_FcZE](https://www.youtube.com/watch?v=9k9FIO_FcZE)

**Drive down leakage**

Throughout the pandemic and every day of the year, NI Water's leakage teams work around the clock, locating and repairing approximately 220 leaks a week saving water, a precious resource for hygiene and hydration.

In 2021/22 we further reduced leakage to 155.6 million litres per day. This is a reduction of over 2 million litres per day compared to 2020/21. It is a credit to our leakage team, who work 24/7, using highly skilled leakage repair and detection techniques to have achieved this.

The leakage team is highly skilled and use a variety of leakage detection methods to find leaks, whether they are on water mains or within customer properties. Some of these techniques involve using a listening stick, a tried and tested way of detecting a leak. Another method of detection is by using ground microphones.

The leakage team works hard to reduce the amount of leakage on our vast network;

however, there is more that we can do and we are asking the public to help. If you see a leak on the footpath or on the road, whether it's a trickle of water or it's gushing from a burst pipe, you can help by letting us know. You can report it by visiting [www.niwater.com/leak](http://www.niwater.com/leak) or by calling our Leakline number on 0800 028 2011, open 24 hours a day, every day. Calls are free of charge.



Detecting leaks using a ground microphone.



Networks Leakage Technician, using a listening stick to detect a leak.

**Always on**

Every week we repair around 350 customer related bursts that occur on our water network of 27,000 km operational distribution and trunk mains. Many of these bursts can result in interruptions to customers' supply or customers experiencing low water pressure. Our 'Every minute counts' ethos helps to focus at ways to improve our performance and explore innovative solutions. Examples include post interruption reviews to establish key learnings; utilising water tankers in response to interruption to supply events; and providing each field manager area with emergency restoration trailers in order to increase our response capability.

We experienced a major burst at a strategic trunk main in Summer 2021 close to one of our largest water treatment works at Dunore in County Down. This resulted in a temporary loss of water supply to properties in Antrim and surrounding areas. It was a complicated repair to a large diameter trunk main and the treatment works had to be shut down resulting in the loss of water production during an already challenging high demand period. The burst inevitably led to loss of supply for around 12,500 customers. The burst resulted in failing to achieve our target for customers without supply for >6 hours in 2021/22. Performance against the targets for >12 hours and >24 hours was also impacted, but recovered over 2021/22. We have completed detailed post event analysis to mitigate and inform the response to such an event in the future.



Emergency trailer for use during a supply interruption event.

Our PC21 Business Plan includes capital investment to reduce the minutes lost per property by 50%, aiming for zero lost minutes per property by 2050. The SMART network capital programme for PC21 aims to maintain a CALM network and increase visibility on all our water assets to minimise customer impact should a failure occur.



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



Ben Crom impounding reservoir, County Down, marks its 70th year of service!



Attending the Power of Water Event at the ICC Belfast were NI Water's Chairman, Dr Len O'Hagan, NI Water's Chief Executive, Sara Venning and Minister for Infrastructure, Nichola Mallon MLA.

**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 2021/22	Actual 2021/22	Pass/Fail	Target 2022/23
Increase/(decrease) in customer tariffs	%	0.9	0.9	Pass	6.6
Number of economic constraint areas removed (cumulative over 2021-27 period)	Number	0	0	n/a	0
Number of serious development restrictions removed (cumulative over 2021-27 period)	Number	4*	0	Fail	0
Bathing water quality**	Excellent	Majority excellent or good	24	Pass	Majority excellent or good
	Good		1		
	Sufficient		1		
	Poor		0		

\* We have reprofiled the delivery dates for this target and plan to recover performance by 2022/23.

\*\*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 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.

### From stop-start to multi-year funding



The Organisation for Economic Co-operation and Development (OECD) recommends that infrastructure be underpinned by fiscally sustainable multi-year funding. Recent reforms of infrastructure delivery in the UK public sector have been driven by the need to address the absence of multi-year funding and the adverse impact on infrastructure planning and delivery.



Network Rail benefits from five year funding settlements.

Unlike Highways England and Network Rail, NI Water lacks funding visibility. This lack of visibility has been exacerbated by the absence of buffer to deal with financial shocks such as the energy price rises in 2021/22.



Scottish Water is an example of another Government owned water company with the ability to build up significant cash reserves as a buffer for financial shocks. NI Water's Non-Departmental Public Body Status limits the amount of cash that can be held in reserve.



Lack of multi-year funding also creates detrimental effects from cyclical as highlighted by HM Treasury's report on smoothing investment cycles in the water sector. The report noted that the stop-start nature of five year investment cycles in England and Wales can lead to lean periods of great uncertainty, loss of productivity across the five year cycle, redundancies and an environment of uncertainty in which small and medium enterprises are adversely impacted.



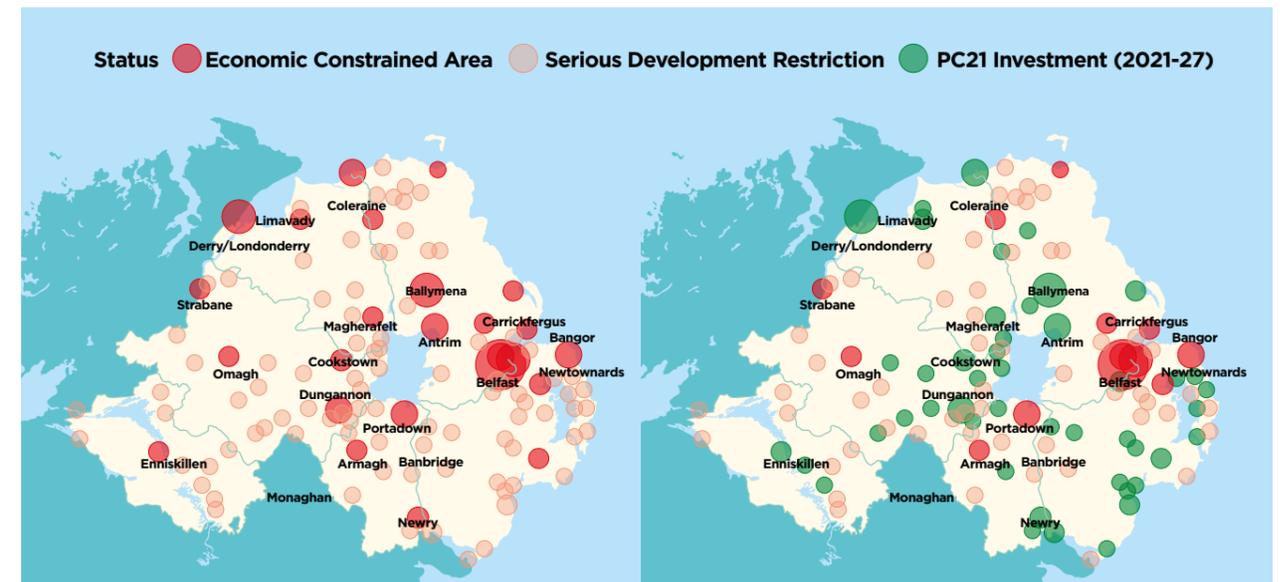
The Department of Transport's Road Reform consultation noted that uncertainty of stop-start funding was having detrimental impacts on the delivery of multi-year projects and the supply chain. Highways England now benefits from ring fenced operational and capital expenditure across five year budgets.



The National Infrastructure Commission has also highlighted the need for the UK's framework for economic regulation of utilities to be updated and strengthened due to the emerging and long term challenges it was not designed to address. This includes reaching net zero, protecting and enhancing the environment and increasing digitalisation. The Commission notes that it is vital that utility regulators have appropriate and coherent duties covering price, quality, resilience, the environment and net zero.



The NI Audit Office is undertaking a review on the funding of NI Water's infrastructure and plans to publish its report by Autumn 2022. We welcome this review and are assisting the NI Audit Office with its enquiries. Further details are available at <https://www.niauditoffice.gov.uk/publications/funding-ni-waters-infrastructure>



Development constraints across Northern Ireland at the end of year one of PC21 (2021/22).

Development constraints across Northern Ireland at the end of PC21 (2027).

### 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 quarter of a century to solve the problem of development constraints.

During 2021/22, we continued our engagement with local councils and other stakeholders on wastewater capacity constraints. We are also developing tools to help us further prioritise and target investment on wastewater capacity constraints across Northern Ireland.

**£18m boost for Ards Peninsula**

The Ards North Wastewater Improvement Project represents an £18m investment by NI Water to upgrade the existing wastewater collection and treatment systems serving a large part of the Ards Peninsula to bring about social, economic and environmental benefits.

The extensive project involves the rationalisation of the Carrowdore, Ballywhiskin and Ballywalter catchments so that all wastewater flows from these areas are transferred to a new state-of-the-art wastewater treatment works being constructed off the Ganaway Road in Ballywalter.

In addition to these catchments, the new treatment works has been designed to treat wastewater flows from nearby caravan parks and small settlements, which currently have no treatment facilities.

The effluent from the wastewater treatment works will be treated to strict environmental standards and will flow to a new long sea outfall. To achieve excellent bathing water quality at local beaches, the outfall discharges 550m off shore where the treated effluent is dispersed and diluted in 4m depth of seawater.

The new wastewater treatment infrastructure will support long-term economic growth in local development and tourism. Additionally, the investment will deliver environmental improvements, including cleaner beaches and bathing waters, which will benefit all those living, working or visiting this scenic part of the Ards Peninsula.



Outline design for the new wastewater treatment works.



Caravan park on the Ards Peninsula.



Beach on the Ards Peninsula.

**Efficient and affordable service**

We have reduced operating costs and improved comparative efficiency with water companies in England and Wales. The gap between us and the most efficient water companies in England and Wales has reduced from 49% in 2007/08 to just 5.7% in 2018/19. We are committed to reducing annual operating costs by a further £13m to eliminate this efficiency gap by 2027.

We recognise the need for innovation diffusion to close the UK's productivity gap with its main competitors. We will play our part in closing the gap by harnessing innovation and embracing new technology in pursuit of ever more efficient and sustainable solutions. We recognise efficient solutions often require changes to culture and collaboration with the supply chain, Universities and others.

We have developed a cost-to-serve tool and new metrics that create a more cost-conscious culture. The metrics include £/million litres of water delivered to customer and £/population equivalent of wastewater recycled. The tool draws together the 250 million operational, financial and asset data points from our core systems and presents this information in easy to use Microsoft Power BI dashboards. The dashboards cover all main operating cost components: labour, electricity, chemicals, materials, contractors and operational capital.



NI Water receiving the Best Procurement Delivery and Highly Commended Team of the Year awards at the GO Awards Northern Ireland 2021/22.



Piloting the production of green hydrogen - NI Water staff showing Alliance Party of Northern Ireland MLA's Andrew Muir MLA and Stewart Dickson MLA the 10kW Electrolyser at Kinnegar Wastewater Treatment Works in Belfast.

**NI Water Taps into Local Companies for Innovation in Water and Wastewater Treatment**

Four Belfast-based local companies are leading the way in developing innovative technologies for NI Water’s Water and Wastewater Treatment Plants and other assets in the water and sewerage network.

Analytics Engines, RPS, Lagan Meica and Advanced Analytics Labs are leading the way in helping NI Water to identify ground-breaking processes and data intelligence techniques to achieve efficiencies in the area of water and wastewater treatment.

These projects are all supported by the Small Business Research Initiative (SBRI), which is a pre-commercial procurement model promoted by Innovate UK, which enables public sector bodies to connect with technology organisations in order to stimulate the development of innovative solutions to specific public sector challenges and needs.

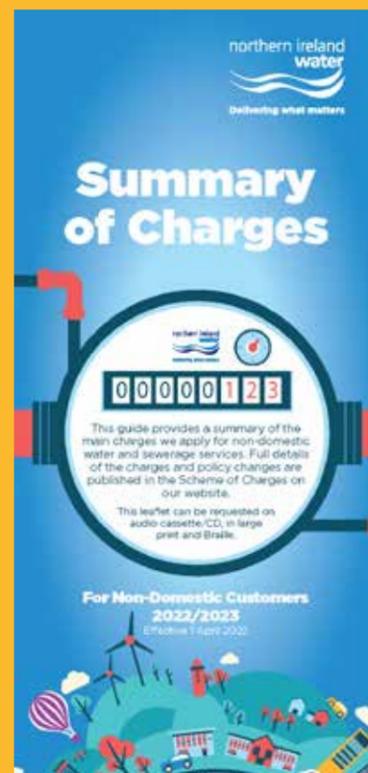


NI Water and supply chain staff involved in the projects.

**Customer tariffs**

The amount by which NI Water can increase customer tariffs is determined by the Utility Regulator. We work with the Utility Regulator to ensure the fairest pricing outcome for our customers. NI Water is acutely aware of its responsibility to strike a balance between our need to generate sufficient income to allow us to continue delivering our services and minimising the impact on non-domestic customers.

Following approval by the Utility Regulator, NI Water increased its non-household water and wastewater tariffs by 6.6% on average. This came into effect from 1 April 2022. When setting tariffs, NI Water seeks to strike a balance between the conflicting priorities of minimising the impact on customers whilst at the same time ensuring that enough revenue is generated. NI Water is currently facing considerable budgetary pressures which are likely to continue through 2022/23, primarily due to the impact of rising power prices and other unavoidable increases affecting costs such as chemicals. Whilst any increase is unwelcome we have worked hard to ensure our water and sewerage services continue to provide good value for money to our customers. This increase means most of our customers will see their bills rise by less than inflation.



Find out more at <https://www.niwater.com/siteFiles/resources/pdf/WaterCharges/202223/NIWSummaryofChargesLeaflet.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. In order to improve our long term resilience we need to ensure our infrastructure can withstand pressures such as climate change, growth in the economy and the need to 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. Energy is at the nexus of this approach.

**Power of Water could help the local economy go greener faster**

A different type of ICU was the subject at the launch of the NI Water Power of Water Report. Innovate, Collaborate, Urgency – these were the three key messages if we are to decarbonize our energy system. Northern Ireland could be a world leader but we need to act. The Power of Water Report sets out a number of practical examples of how NI Water might be part of a wider decarbonisation agenda.

NI Water can help to integrate more sustainable energy sources into our supply system and reduce the tax payer’s subsidy for water services.

NI Water is our largest electricity user. Future electricity generation will be driven by the weather. NI Water will be rewarded by being flexible in our use.



Hydro pump storage schemes store water at height when energy is plentiful to generate electricity later.

The NI energy system will need to store energy when it is plentiful for subsequent use. NI Water will require large batteries for resilience and to operate efficiently.



Find out more at: <https://www.niwater.com/climatechange/power-of-water/>



Nature based solution for treating wastewater using a wetland at Castle Archdale, County Fermanagh.

**Strategic areas of focus**

More resilient network

Sustainable solutions

Keep it clear

Towards zero carbon

**Sustainable development goals**



**Principal threats/opportunities**



Page 84 Read more about principal threats and opportunities.

**Strategic performance indicators**

Nature	Unit of measurement	Target 2021/22	Actual 2021/22	Pass/Fail	Target 2022/23
Reduction in pollution incidents - sewage (high and medium)*	Number	12	12	Pass	11
Wastewater compliance (% population equivalent served)**	%	99.18	99.23	Pass	94.65
Reduction in number of properties at risk of out of sewer flooding (cumulative over 2021-27 period)	Number	0	3	Pass	6
Reduction in carbon footprint. Relates to reduction in net operational carbon emissions measured in tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	%	***	13	***	***

\*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.

\*\*\*Target to be set following development of net zero carbon route map in 2022/23.

## More resilient network

### Reducing sewer flooding

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.

We understand that internal sewer flooding is one of the worst things that can happen to our customers' properties. We maintain a register which defines properties verified to be at risk of internal flooding as a result of the capacity of the sewerage system being exceeded. There were 108 properties on the register at the start of PC21. We removed three properties from the register in 2021/22 and plan to remove a further six properties in 2022/23.

We have a smarter approach to drainage area planning. Our new modelling studies are transforming our analysis and providing a world class evidence base on which informed decisions can be made. Our growing toolbox of digital surveys, powerful analytical tools and integrated environmental models are giving us better insight than ever into how our wastewater networks performing and how this performance affects our customers, nature and the economy. Industry leading modelling software (Infoworks ICM) is now being used to perform complex hydraulic analysis. It enables us to identify our worst performing overflows. Interactive Power BI dashboards then convey risks and recommendations; and bespoke software enables creation 3D visualisations.

Reducing the amount of surface water reaching the sewers can help reduce the risk of sewer flooding due to overcapacity. The Ravenhill Avenue flood alleviation project commenced in 2021/22 and will remove an impermeable area equivalent to around 12 football pitches, which currently discharges into the Belfast sewerage network. Ongoing investigation work on storm water removal will result in re-profiling the total impermeable area removed during PC21.



Storm water modelling.

### "Timmy the Tunneller" arrives at £7m Ravenhill flood alleviation project

A major Tunnelling Machine has arrived in Belfast, for use on a major £7m Flood Alleviation Project, which is well underway in the Ravenhill area of South Belfast. Once complete, in early 2023, this major project will reduce the risk of out of sewer flooding in the area.

The machine, which is over 2 metres in diameter and 2.5 metres long will tunnel below the busy Ravenhill Road and help reduce disruption during construction. The tunnel will extend 75 metres from the edge of Ormeau Park up Ravenhill Avenue. Once the tunnelling works are completed, the more traditional open cut method will be used to construct the remaining sewers and manholes.

This essential infrastructure project involves the upgrade of existing and installation of new sewers along a section of Ravenhill Avenue and surrounding streets. It will increase the capacity of the sewerage system in this area of South Belfast and update the existing infrastructure, some of which dates back to the early 1900's.

Work is taking place in phases, progressing along Ravenhill Avenue, Sunwich Street, Federation Street and Millar Street. The project team have worked well with the local community to minimise disruption, including employing the use of underground trenchless construction methods where appropriate.



Tunnelling machine used for the Ravenhill flood alleviation project.

**Tunnel boring machine arrives at £8m South Belfast project**

A “friendly giant” Tunnel Boring Machine (TBM) over 10 feet in length has arrived in Belfast, for use on a major £8m Flood Alleviation Project. The work is to upgrade the sewerage infrastructure and substantially reduce the risk of out-of-sewer flooding in the Marguerite Park area of South Belfast, and pave the way for future works in the Sicily Park area.

Work on Phase one of this major infrastructure project is underway within the grounds of Musgrave Park & Musgrave Park Hospital, and the overall project will take up to two years to complete.

The machine will help reduce disruption within Musgrave Park/ Musgrave Park Hospital and Malone College by tunnelling around 800m of the new sewer underground – right below our feet! We will also tunnel under the main Belfast to Dublin Railway line, avoiding the need for any closures. The tunnelled sections of sewer will be up to 8m below ground level, the equivalent height of two double decker buses!

NI Water is delighted to welcome the arrival of the TBM on this major Flood Alleviation

Project and look forward to putting the machine into operation!

The machine will remove approximately 4,000 tonnes of soil, equivalent to 250 full lorry loads of earth from below the ground, while users of the park and hospital will be unaware of what is happening below their feet! Tunnelling will also significantly reduce excavation works, and avoid the use of 21,000 tonnes of new stone fill, saving around 24,000 litres of fuel in transportation.

NI Water would like to thank the public for their ongoing patience as construction progresses on this major project. Once complete, the local community will benefit from reduced risk of out-of-sewer flooding in the Marguerite Park area for many years to come.

The overall project involves constructing over 1.3km of new large diameter sewer from the ‘Grovelands’ area of Musgrave Park, through the park grounds, Musgrave Park Hospital and Malone College, crossing under the railway line and through an area of private land into Diamond Gardens/Marguerite Park and Donegal Park.



NI Water Project Managers at the arrival of the tunnel boring machine.

Find out more: <https://www.niwater.com/major-infrastructure-detail/10029/sicilymarguerite-park-flood-alleviation-project-phase-1/>

**Delivering a 21st century drainage and wastewater system for Belfast**

Infrastructure Minister Nichola Mallon published Living With Water in Belfast: An Integrated Plan for Drainage and Wastewater Management in Greater Belfast. This follows Executive approval and a public consultation on the Plan. At £1.4bn over 12 years it is not a quick, or inexpensive fix. The Plan aims to deliver a long-term approach to drainage and wastewater management that will protect from flooding, provide a cleaner and greener environment and ensure that Belfast is open for business and investment. The publication of the Plan is a major milestone as it represents the culmination of five years of studies by the programme partners to assess the challenges faced and determine drainage

and wastewater related investment needed for Greater Belfast. It also marks the start of the delivery phase. Over 50 engineers are working full time to deliver the construction works which will include upgrading six wastewater treatment works and their sea outfalls, replacing pumping stations, building new tunnels and upgrading pipelines and sewers across the area. NI Water is working closely with partners to deliver sustainable solutions that provide adaptation to climate change and will also, where possible, provide a range of benefits to communities such as improved green spaces.



The Infrastructure Minister, the Belfast Lord Mayor and NI Water’s Head of the Living With Water Programme visit the demonstration project at Cave Hill Country Park in Belfast.

Find out more at Living With Water Programme | Department for Infrastructure (<https://www.infrastructure-ni.gov.uk/topics/living-water-programme>)

**Completing the picture on wastewater compliance**

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. 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. We have agreed a revised governance structure for wastewater regulation, refreshed the terms of reference and developed a route map for the programme of work over PC21.

Reforming our wastewater compliance assessment is a key part of a wider programme of Water Regulation Reform being taken forward by our environmental regulator, the NIEA. To help inform this, we are undertaking an unannounced sampling programme to get a better understanding of wastewater treatment works' performance.

We are also installing flow meters at wastewater treatment works and event and duration monitors (EDMs) on our sewer network to better understand spills from combined sewer overflows and enable future regulatory reporting on spills. Combined sewer overflows act as emergency discharge valves in our sewerage system, discharging untreated sewage and wastewater when the system is overloaded. They are a necessary part of the existing sewerage system,

preventing sewage from flooding homes and businesses. We delivered 52 monitors at combined sewer overflows against a target of 50 for 2021/22. We didn't deliver any EDMs at wastewater treatment works against target of 16 for 2021/22. We continue to work with NIEA to establish the method for measurement of flow requirements at wastewater treatment works, which may be a combination of flow meters and EDMs at most wastewater treatment works. We removed five unsatisfactory intermittent discharges against a target of seven for 2021/22. We plan to recover this slippage over PC21.

There are a number of key projects proposed for PC21 which will improve wastewater compliance performance and support the wastewater regulation reform programme. These include delivery of capital investment schemes to upgrade wastewater treatment works and parts of the network, doubling the number of event duration monitors to around 650, installing flow meters and improving our environmental models.

The intelligent control of wastewater flow involves the deployment of a digital tool called Aquasuite. It uses AI to control all the feed from each individual pumping station to ensure the flow to the treatment works is at a constant rate, so avoiding peaks and troughs. We expect this solution to create more headroom at works which means capital investment for upgrading can be deferred or avoided. It will improve treatment efficiency and deliver better compliance at the works – and improve our carbon footprint through running our pumps more efficiently.

**Building capacity for Ballygowan**

We continued to make good progress on the construction of the new £6.4m Ballygowan wastewater treatment works despite ongoing delays with some building services and materials. Overall, the work on site is at an advanced stage with the testing and commissioning phases planned for the end of 2021/22. NI Water is planning to install a new

65kW renewable solar energy system within the footprint of the old wastewater treatment works site. The electricity created from the new solar panels will be used to provide additional power to run the treatment works, reducing energy usage and lowering the carbon footprint of the site.



Construction of the wastewater treatment works at Ballygowan, County Down.



Find out more: <https://www.niwater.com/major-infrastructure-detail/10035/ballygowan-wastewater-treatment-works/>

## Sustainable solutions

Every day we recycle wastewater from 736,000 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 and have deployed a number of innovative approaches such as lower energy technologies and nature based solutions.

### Lower energy treatment solutions

Set in the heart of an agri food hub, Dungannon wastewater treatment works, County Tyrone (NI Water land ownership outlined in blue) receives over 60% of its influent from agri food traders. To treat difficult, high strength influent effectively and to serve these vital business customers in a way that protects the natural environment required the installing of a state-of-the-art treatment process known as Nereda®. This technology places the plant at the forefront of world-class industry innovation, offering a low-energy solution for the treatment of both domestic and industrial wastewater. The investment – which forms the first phase in a wider programme of improvements planned for Dungannon wastewater treatment works – extended the existing works to meet the current demand and maintain regulatory compliance.

Its application is well suited to Dungannon as it allows delivery of a high quality effluent but only required a quarter of the space of traditional wastewater treatment solutions, meaning that it was installed without NI Water needing to purchase additional land. The addition of this process at Dungannon means that the works can cope with increasing current demand and maintain regulatory compliance.



The diagram above shows the layout of the Dungannon wastewater treatment works, County Tyrone (NI Water land ownership outlined in blue) with the new Nereda® process being installed to the north of the site (marked in colour).

## Working with wetlands

In keeping with our ambition to put back more than we take out, we identified a green solution, which uses constructed natural wetlands to treat wastewater instead of traditional wastewater treatment processes. Wetlands do more than you think – they filter our fresh water, absorb and retain carbon, and support biodiversity.

NI Water has many examples of using reed beds at the end of a conventional (mechanical) wastewater treatment system to ‘polish’ or ‘purify’ the water. Clabby is the first site in Northern Ireland where we are leading the way with reed bed technology for the full treatment of wastewater. Known as Phragmifiltre®, this innovative system is the first reed bed technology in the UK that provides complete treatment of wastewater in one wetland system, with no pre-settlement and using little to no power. Because of the unique way the Phragmifiltre® process stores and composts sludge on site, there is no need for tankers to visit the site to desludge - a major difference to the previous treatment works. This natural system also provides wildlife habitats - another important element that a conventional treatment works doesn't have.

We are partnering with the Agri-Food and Bioscience Institute on an EU EU-funded project, CatchmentCARE, that aims to improve freshwater quality within the North Western and Neagh Bann international river basins. The project is focussed across three cross-border catchments, the Arney, Blackwater and Finn. As part of the project, final effluent from Cavanagrow wastewater treatment works is instead of being discharged into the local water course when ground conditions are suitable and used to irrigate a crop of willows. This improves the water course quality and provides irrigation for the crop.



Clabby wastewater treatment works, County Fermanagh - Courtesy of BSG Civil Engineering Ltd.

## Boosting biodiversity

Strong biodiverse ecosystems are the basis for our water supply chains. We are partners in the All-Ireland Pollinator Plan, an island-wide initiative to reverse the decline of precious pollinating insects. We have been conducting fieldwork to identify areas best suited to be left aside for pollinators and mapped these areas on the All Ireland Pollinator Plan web-mapping tool. Working with the NI Water Bee Keeping Group is helping us identify areas to survey in the pollinator season. We are also undertaking counts of pollinators alongside site surveys, to assist the UK Centre for Ecology and Hydrology citizen science project.



Find out more at <https://pollinators.ie/wp-content/uploads/2021/03/FINAL-All-Ireland-Pollinator-Plan-2021-2025-WEB.pdf>

**Nature based decision making**

We are committed to putting nature at the heart of our decision making. The Water Industry Forum, working with Water UK’s Environment Policy Advisory Group members including NI Water, produced a set of principles in 2020/21 on using natural capital type approaches in investment decision making. The principles are seen as a best practice guide for water companies and regulators to help design and apply natural capital type tools, ultimately with the aim of making more sustainable investment decisions and delivering better outcomes for customers and the environment. Over 20221/22, the Forum has been developing further guidance on driving best value decision making using a multi-capitals approach. We continue to pilot the use of multi-capitals decision making on the Living

With Water Programme and have a number of activities within our Climate Strategy to support multi-capitals decision making. We plan to roll out the new approach across our investment programme to inform our next business plan in PC27 (2027-33).



**Keep it clear**

We deal with around 15,000 blockages of our sewers each year, over 11,000 of which could have been prevented. The most common causes 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 (FOG) 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.

is the flushing of inappropriate items such as wipes and sanitary products. It is not the first time this has happened but NI Water and local Councillor William McCandless are appealing for it to be the last. If we all make changes to our flushing habits, then incidents like this, and those where we see an overflowing manhole, can be avoided in the future.

Our customer campaigns continued the seasonal messages around bag it and bin it and FOG over Christmas and Easter. This included messages carried in daily papers. Belfast Live featured Belfast wastewater treatment works skips and the volume of sewer related debris. This was in turn supported by the work of our education team who engage school children and the community to support and spread the message.

**‘Wipe’ Out at Christie Park**

NI Water is appealing to customers in the Coleraine area to bag and bin their bathroom rubbish such as wipes and sanitary items after hundreds of wet wipes recently washed up at Christie Park. The sewer will require an upgrade, however the main problem here



NI Water staff and Councillor William McCandless at the manhole at Christie Park, Coleraine, County Derry/Londonderry.



Find out more at: <https://www.niwater.com/fats-oil-and-grease-fog/>

**Got the Bottle?**

Northern Ireland uses 145 million single use plastic bottles every year. Across the UK, 7.7 billion plastic water bottles are used each year, with the average person now using 150 plastic water bottles every year – that’s more than three a week. Many are discarded, and end up polluting our rivers and seas. Staggeringly if just one in ten refilled just once a week, we would save around 340 million plastic bottles a year.

NI Water is committed to tackling the problems caused by plastic bottles and bottle tops, which block up our drains and rivers, and pollute our seas and shorelines. By refilling a reusable bottle, not only do you reduce plastic waste, you are also helping to drive down your carbon footprint. Our Councils have signed up hundreds of local businesses across their local area who welcome any member of the public on to

their premises to refill their reusable bottle with tap water. Over 300 primary and secondary schools have also signed up to become Refill schools, pledging to reduce the number of single use plastic water bottles in school and encouraging all pupils to refill a reusable bottle with world class tap water.

NI Water is a member of the Responsible Plastic Management Programme, which aims to introduce reducing plastic use initiatives across the company. The Programme helps to positively manage plastic enquiries that are becoming more prevalent in business, society and from interest groups and regulators. We will work collaboratively with the Programme to develop a responsible action management plan, with a view to engaging internally and externally our commitment to reducing plastic pollution.



### Towards zero carbon

Climate change is of strategic importance to the water sector given its carbon intensity and exposure to extreme weather events. Operational emissions from the water industry account for nearly 1% of the UK's total carbon emissions. This is because water and wastewater treatment is energy and chemical intensive and transporting water requires a great deal of pumping. Grid electricity accounts for the majority of our operational carbon emissions.

At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. We are committed to net zero by 2050 in line with the net zero target for Northern Ireland. 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.

We know that we can't do this alone. We will need support from all of our partners and stakeholders; a positive policy and regulatory environment from government and regulators, innovation from our supply chain, reduced water use from our customers, collaborative planning from councils and other partners, and more.

We are encouraged to see progress by the NI Executive on climate change legislation for Northern Ireland with a net zero 2050 target and key climate related strategies on Energy, Green Growth, Environment, Infrastructure and Skills. We have engaged through the relevant consultations.

**NI Water is Northern Ireland's single, largest electricity consumer**

**One of Northern Ireland's largest land owners**

**Carbon neutral by 2050**

### Battery Energy Storage Project

Following a competitive tender, NI Water has awarded Continu Ltd funding under Phase 2 of the SBRI (Small Business Research Initiative) to undertake a collaborative research project into the benefits of the use of large-scale battery storage technology to store and use renewable energy.

Head of Energy at NI Water said:-

“To provide the green power for the increasing adoption of electric vehicles and to start to decarbonise the heating for homes and places of work, Northern Ireland needs to double its renewable generating capacity in the next ten years.

“NI Water has over 3,000 widely distributed grid connected sites, which have the potential to play a vital part in the deployment of large-scale batteries across the province. The key outcome for this exciting research project is to reduce usage and costs while maintaining reliability of supply at all times.

MD of Continu, commented,

“Having successfully completed six months of feasibility research (Phase 1), we are

excited to build on this further to develop our findings. This will identify opportunities to use battery energy storage technologies within NI Water in order to reduce energy consumption, reduce cost, improve resilience and generate income. Given NI Water's position in the Northern Ireland electricity market, the project has the potential to demonstrate major benefits and will provide valuable information to other large energy users in both public and private sectors.”



NI Water staff and supplier representatives involved in the battery project.

### Approach to climate disclosures

There have been a number of significant developments over 2021/22 including the Sustainability Accounting Standards Board and the International Integrated Reporting Council merger to form the Value Reporting Foundation, the publication of draft IFRS sustainability disclosure standards and the draft Task Force on Nature-related Financial Disclosures (TNFD) framework. This builds on the move towards mandatory climate change reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) for large sections of the UK economy by 2025.

We have undertaken a gap analysis with TCFD and identified a number of actions to take as part of our transition towards mandatory TCFD reporting for large companies in 2023/24. NI Water has registered with Carbon Disclosure Project (CDP) and used the CDP questionnaire to prepare the TCFD climate disclosures. 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.



**Climate governance**

**Board**

The NI Water Board is responsible for overseeing the management of risks associated with climate change. Climate change is one of NI Water’s Principal risks and the Board receives regular updates on the management of climate change risks throughout the year. Find out more about our Principal Risks on page 84.

The Board also provides leadership on climate change. The Chair of the Board launched the Power of Water Report in November 2021 at the International Convention Centre in Belfast. The Report highlighted the unique opportunity we have in Northern Ireland to collaborate with urgency to deliver a green economy. The hybrid event as attended by over 300 stakeholder representatives and received widespread media coverage. Find out more about the Power of Water Report at page 53.

The Audit Committee and Risk Committee received updates on the development of the Climate Risk Model to support the TCFD disclosures. Refer to the reports by the Committee Chairs at page 118 and page 120.

The Board has also been updated on the development of the Climate Change Strategy.

The Climate Change Strategy will be a call to action. We will engage widely to understand how we can work together to reach the targets set out in the strategy. However, this does not mean that our Climate Change Strategy will be the only one to focus on. We all need to plan, engage and come together to ensure we are moving in the right direction.

**Executive Committee**

Responsibility for the management of climate risks rests with the Executive Committee. The Director of Asset Delivery is the designated Senior Responsible Owner for climate change and is supported by designated senior managers and their teams across relevant areas of the business. The Executive Committee received regular updates on the management of climate risks over 2021/22. This included a half day workshop in January 2022 to review progress on the development of NI Water’s Climate Change Strategy, the Climate Risk Model and building momentum on the Power of Water Report.

**Climate Strategy**

Focusing on climate is not new for NI Water. Since our formation in 2007, we have made significant improvements in water resilience for customers; delivering high 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.

**Corporate Strategy**

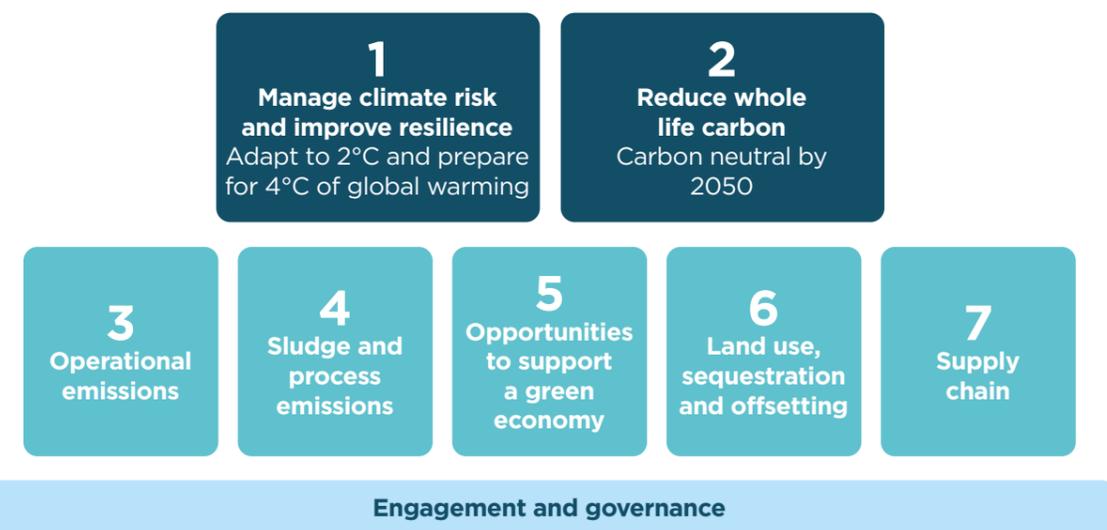
Our Strategy 2021–2046 was launched in 2019 and through our strategic priority on nature, set out our goal to fully exploit innovative approaches to energy and new technology to reduce our carbon footprint and ultimately become carbon neutral. The long term corporate strategy also recognised the need for a sustained step change in levels of investment to improve asset resilience, particularly for our wastewater infrastructure. We recognised the need to develop a Climate Change Strategy to provide the targets that

support this ambition, and begin to identify how and what we will need to change in order to deliver on these targets.

**Developing a Climate Change Strategy**

In 2021/22, Deloitte completed an advisory project regarding a Climate Change Strategy. A key recommendation was to identify prioritised actions required to take forward development of NI Water’s Net Zero carbon route map and climate resilience strategy, including actions required to align with TCFD.

Over 2021/22, NI Water engaged ARUP climate change subject matter specialists to assist in developing a Climate Change Strategy and implementation road map. A series of workshops were facilitated by ARUP and were held over several months. They involved the active participation of NI Water senior managers and technical staff as well as workshop participation and discussions with Directors. The outcome of this work is a draft NI Water Climate Change Strategy that is framed around twin targets for climate resilience and Net Zero and starts by outlining NI Water’s current carbon emissions and understanding of climate risk. To achieve our overarching targets, the draft strategy and associated action plan covers seven core pillars:



Seven core pillars in NI Water’s draft Climate Change Strategy.

Together these areas will contribute to the management of climate risk and the reduction of whole life carbon. The strategy also sets out how NI Water will work with others, through internal governance to monitor and review progress, and engagement with wider stakeholders.

NI Water actions and action owners have been identified to ensure traction and delivery of the proposed NI Water Climate Change Strategy for informing NI Water’s first net zero, climate change resilient business plan - PC27 (2027-33).

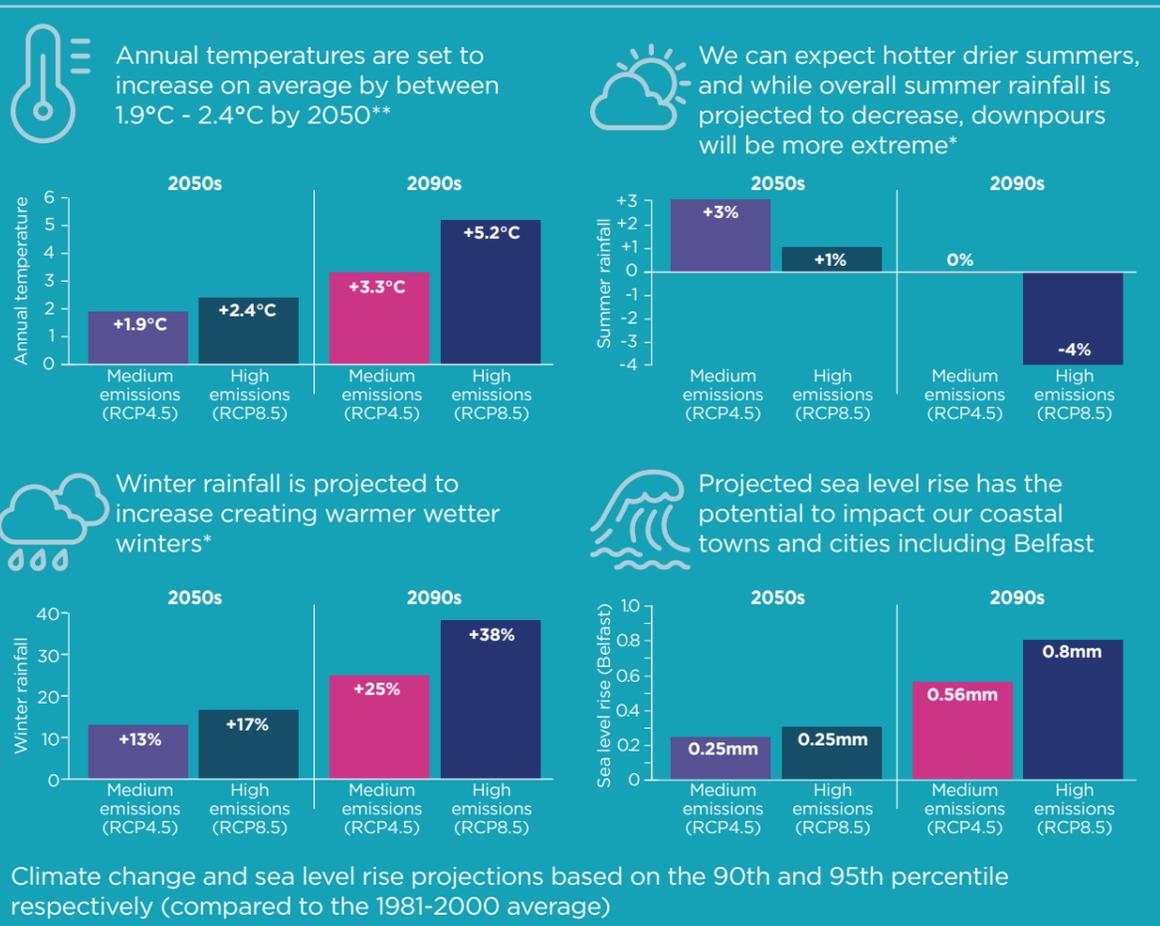
Climate risks

Climate risks include physical (extreme weather related) risks, transitional (net zero) risks and opportunities (such as outlined in the Power of Water Report).

Physical risks

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 of these factors create challenges across our business.

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. As the future is uncertain for future planning we are planning for a temperature increase of 2°C in 2050 and for a 4°C increase in the 2090s.



Future climate projections for Northern Ireland.

The key risks identified across the UK water sector include\*\*\*:

- risks to water networks from cascading failures;
- risks to infrastructure from river, surface water, groundwater and coastal flooding and erosion;
- risks to subterranean and surface infrastructure from subsidence;
- risks to water supplies from reduced water availability;
- risks to health from poor water quality and household supply interruptions; and
- risks to aquifers and agriculture and from sea level rise and saltwater intrusion.

\*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>.  
 \*\*UKCP18 key results, available at <https://www.metoffice.gov.uk/pub/data/weather/uk/ukcp18/science-reports/UKCP18-Key-results.xlsx>.  
 \*\*\*CCRA3, 2021, Water briefing, available at <https://www.ukclimaterisk.org/wp-content/uploads/2021/06/CCRA3-Briefing-Water.pdf>.

Transitional risks

Limiting warming to 1.5°C means that corporates face transition risks from the required 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.

Opportunities

We have an exciting opportunity to address the challenge of climate change whilst also creating opportunities for development, improving infrastructure in a sustainable way, reducing inequalities, embracing the environment, providing places future generations can be proud of, cleaner air, jobs and opportunities for all. The Power of Water gave an insight to the possibilities that are already within our grasp. We truly believe that Northern Ireland has the skills and ambition to come together in agreeing and implementing a common approach. An approach that will outline a roadmap to success. Find out more about the Power of Water Report at page 53.

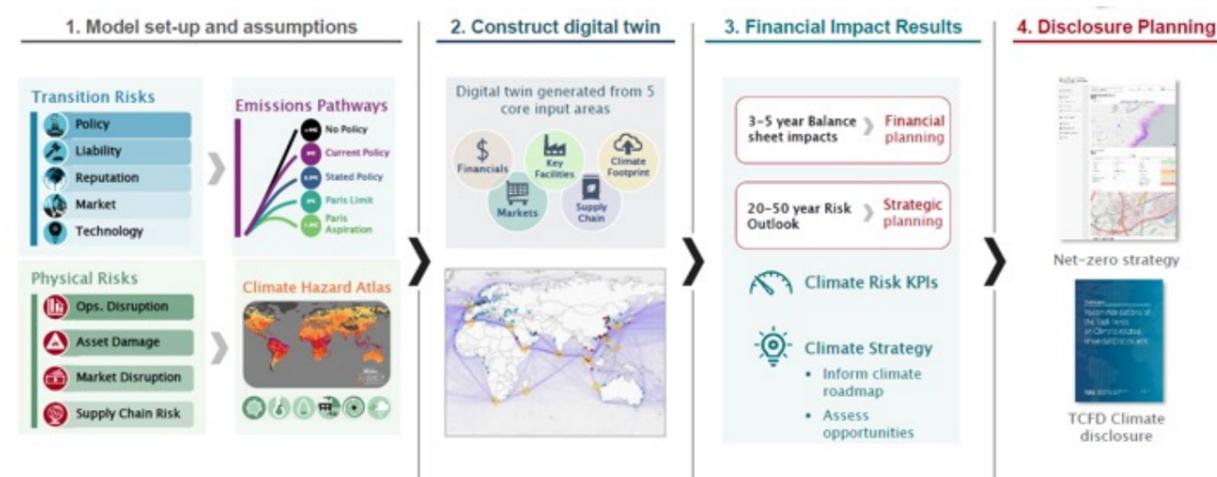
Risk scenario modelling

NI Water has worked with its insurance broker, Marsh, and the Centre for Risk Studies at the University of Cambridge (drawing on the Resilience platform\*) to develop a Climate Risk Model to assess the financial impacts of physical and transitional risks over PC21. Marsh and the Centre for Risk

Studies supported a number of workshops over 2021/22 involving relevant colleagues from across the business. The modelling is centred on scenario analysis disclosures for a range of climate warming pathways but also supports a number of other TCFD disclosure reporting areas. The model was developed in an iterative process starting from an existing generic model template, developed by the Centre for Risk Studies, which was tailored for NI Water.

The modelling involved the following steps:

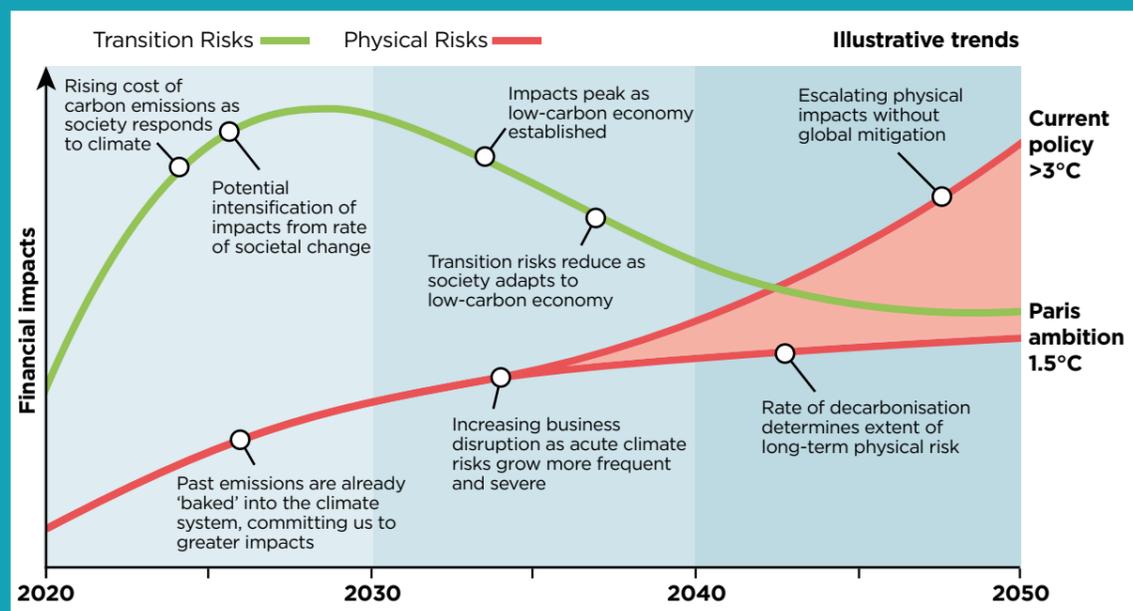
1. Model set up and assumptions – the model identified relevant transitional and physical risk categories. The physical risks categories were informed by a climate hazard atlas. A number of emission pathways were also identified to reflect the range of policy options;
2. Construct digital twin – a digital twin of NI Water was constructed using the PC21 financial actuals and forecasts;
3. Assess financial impact – the financial impacts were assessed over the medium term (2022-27). Indicative financial impacts were outlined over the longer term to 2050; and
4. Disclosure planning – outputs were aligned with the TCFD disclosure requirements.



Overview of NI Water's Climate Risk Model developed in partnership with Marsh and the Centre for Risk Studies at the University of Cambridge.

\*Resilience is a platform used by global companies to facilitate strategic and financial decision making from climate change. Resilience uses a rigorous scenario-based framework that integrates a wide range of threat classes with the latest international standards in climate science to provide a competitive view of a corporation's balance sheet. Resilience works closely with its academic partner, the Centre for Risk Studies at the University of Cambridge Judge Business School, to tackle complex issues of management science and business risk.

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.



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

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.

**Key areas for development of scenario modelling**

The modelling exercise has identified a number of areas for development, which have been incorporated into the draft Climate Change Strategy action plan:

**Transitional risk:**

- policy risk – assessment of scope 3 supply chain emissions as part of setting of science based targets;
- technology risk – quantifying the cost to decarbonise the business by 2050 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 25 year resilience plans for clean water (in place and to be updated for latest

climate change projections by 2023/24) and wastewater (to be developed by 2023/24).

**Embedding climate risks**

Our principal risk on climate change is being aligned with the analysis on physical and transitional risks and the action plan for the draft 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 127.

The Directors have considered in the Section 172 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 133.

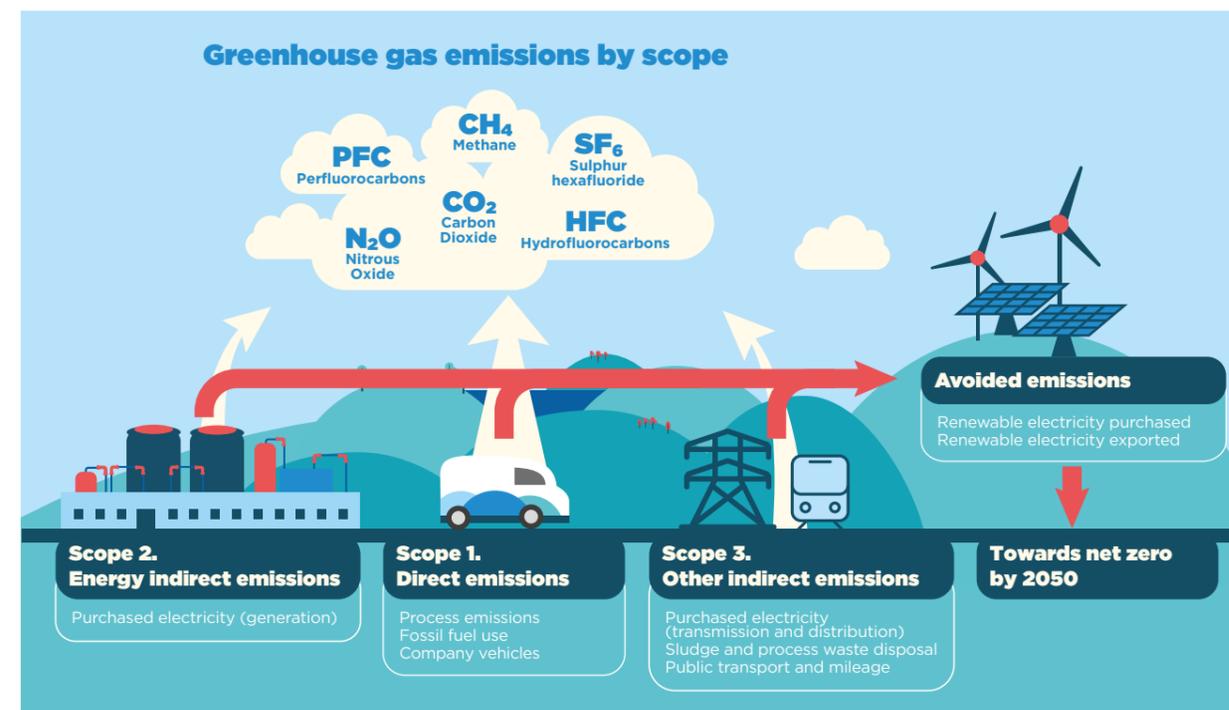
We have also considered the impact of climate change on the financial statements across areas such as provisions, impairment, contingent liabilities and accounting judgements and estimates. Find out more at page 155.

**Climate metrics and targets**

Our greenhouse gas emissions are accounted for and calculated using the UK Water Utilities industry Carbon Accounting Workbook, which aligns with the Greenhouse Gas Protocol. The workbook is updated each year with the most recent carbon emission factors released by government. We follow the 2019 UK Government Environmental Reporting Guidelines including the streamlined energy and carbon reporting guidance and are transitioning towards TCFD compliance.

We are liaising with our climate change subject matter specialists and the water industry to determine how we can capture additional areas in our carbon footprint reporting and embed carbon in our business case decision making for our PC27 Business Plan. Our carbon footprint doesn't currently

capture some emissions from wastewater treatment processes, embedded carbon in materials such as carbon dense concrete used to construct our infrastructure or all the carbon stored in our land. This will include setting 'science based' climate targets for scope 1, 2 and 3 emissions. 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 will also consider validation of our targets by the Science Based Target initiative (SBTi), which defines and promotes global best practice in science-based target setting.



NI Water greenhouse gas emissions	2021/22 tCO <sub>2</sub> e	2021/22 kWh	2020/21 tCO <sub>2</sub> e	2020/21 kWh
<b>Scope 1 direct emissions</b>				
Direct emissions from burning of fossil fuels	4,319	20,040,113	4,520	19,387,492
Process emissions from our treatment plants	13,000*	n/a	13,100*	n/a
Transport: Company owned or leased vehicles	2,466	10,592,784	2,569	11,019,559
<b>Total scope 1 direct emissions</b>	<b>19,785</b>	<b>30,632,897</b>	<b>20,189</b>	<b>30,407,052</b>
<b>Scope 2 energy indirect emissions</b>				
Grid electricity purchased	62,797	295,727,438	69,300	297,246,290
<b>Total scope 2 energy indirect emissions</b>	<b>62,797</b>	<b>295,727,438</b>	<b>69,300</b>	<b>297,246,290</b>
<b>Scope 3 other indirect emissions</b>				
Business travel on public transport and private vehicles used for Company business	344	1,477,878	68	292,614
Emissions from sludge and process waste disposal	12,400*	n/a	12,400*	n/a
Grid electricity purchased - transmission and distribution	5,556	24,156,522	5,960	25,564,039
<b>Total scope 3 other indirect emissions</b>	<b>18,300</b>	<b>25,634,400</b>	<b>18,428</b>	<b>25,856,653</b>
<b>GROSS OPERATIONAL CARBON EMISSIONS</b>	<b>100,882</b>	<b>351,994,734</b>	<b>107,917</b>	<b>353,509,994</b>
Avoided emissions from renewable electricity exported	(469)	(2,036,957)	(605)	(2,595,007)
Avoided emissions from biomethane exported	-	-	-	-
Avoided emissions from renewable electricity purchased	(31,838)	(136,561,723)	(28,490)	(122,201,252)
<b>Total avoided emissions</b>	<b>(32,307)</b>	<b>(138,598,679)</b>	<b>(29,095)</b>	<b>(124,796,260)</b>
<b>NET OPERATIONAL CARBON EMISSIONS</b>	<b>68,575</b>	<b>213,396,055</b>	<b>78,822</b>	<b>228,713,734</b>
<b>NI Water greenhouse gas emissions intensity</b>			<b>2021/22</b>	<b>2020/21</b>
Operational emissions per megalitre of treated water (tCO <sub>2</sub> e/MI)			0.113	0.132
Operational emissions per megalitre of sewage water (tCO <sub>2</sub> e/MI)			0.184	0.214

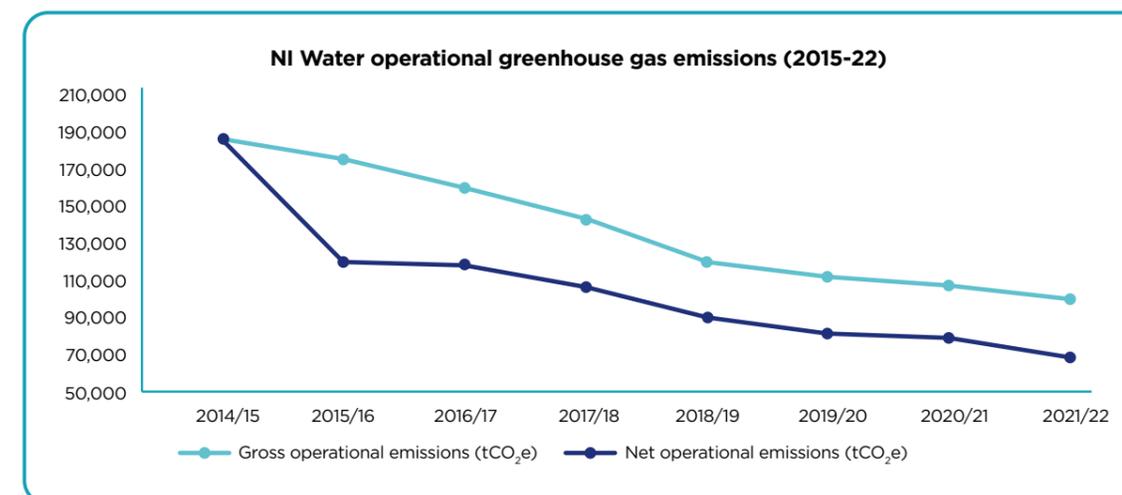
\*The Scope 1 process emissions from our treatment plants and the Scope 3 emissions from sludge and process waste disposal are being reviewed to determine the tCO<sub>2</sub>e. This work will take place over 2022/23. Provisional tCO<sub>2</sub>e have been used for 2021/22 reporting based on the 2020/21 tCO<sub>2</sub>e.

The net operational carbon emissions reduced from 78,822 tCO<sub>2</sub>e in 2020/21 to 68,575 tCO<sub>2</sub>e in 2021/22, a reduction of 13%. The reduction in net operational carbon emissions was primarily due to the use of a lower carbon supply of grid electricity and the increase in renewable electricity purchased. There was a resulting decrease in greenhouse gas emissions intensity.

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

Electricity consumption and renewable energy generation	2021/22 MWh	2020/21 MWh
Grid electricity purchased (excluding renewable energy)	144,222	174,988
Grid electricity purchased - renewable energy	151,506	122,279
Renewable electricity generated and used	9,612	10,426
<b>Total electricity consumption</b>	<b>305,340</b>	<b>307,694</b>
Renewable electricity generated and used	9,612	10,426
Renewable electricity generated and exported to the grid	2,386	2,798
<b>Total renewable energy generated</b>	<b>11,998</b>	<b>13,225</b>

Progress in reducing our operational greenhouse gas emissions is shown below:



We're playing a pivotal role in doubling Northern Ireland's renewable generating capacity.



NI Water celebrated International Women in Engineering Day on 23 June by recognising some of the female engineers making a splash in the world of water.

**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 2021/22	Actual 2021/22	Pass/Fail	Target 2022/23
Number of positions filled	Number	*	123	*	*
Employee promotion	%	*	10	*	*
Employee turnover	%	*	6	*	*
Health and safety incidents	Number	≤7	3	Pass	≤7

\*Targets to be set following development of new indicators.

## 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, happy and healthy workplace, helping to make NI Water an organisation in which we are all proud to work.

In an increasingly competitive talent market, it is important that we address the challenges presented by STEM skills shortages in the marketplace and an ageing workforce to ensure NI Water remains fit for the future.



We do this by driving individual and organisational development through:

- modernising our total reward strategy;
- attracting, developing and retaining top talent;
- building a strong pipeline of entry level talent through our prestigious Apprenticeship Academy;
- continuous professional development and a focus on learning at all career stages; and
- building current and future leadership capability at all levels.

As a result, we have a healthy picture of career development across the organisation with over 85% of all promotions in the last year filled internally. Our employer brand is strong in the marketplace and we have hired over 200 new recruits in the last two years. Whilst many organisations are experiencing the 'great resignation', our staff turnover remained consistently low at 6% in 2021/22 (of which one-third was due to retirement) and average tenure has remained high at 18 years. Our Apprenticeship Academy continues to go from strength to strength with the recruitment, on boarding and development of over 35 new apprentices in 2021/22, including the launch of NI Water's first Higher Level Apprenticeship programme.

Around 17% of our class of 2021/22 are female as we re-invent our workplace and address longstanding gender imbalance in typically male dominated areas.

Riding high on the success of our Apprenticeship Academy we will continue to ramp up year on year to seed our organisation with top entry level talent to support succession planning. In January 2022 we welcomed a further intake of 10 water and wastewater apprentices and have launched a wide reaching campaign to recruit a further 28 apprentices and higher level apprentices to join in September 2022. The apprentices will work across a range of areas to support business growth and diversification including water operations, mechanical engineering, civil engineering and cyber security.

Our entry level strategy is supported by a robust outreach strategy through which we continue to promote careers in STEM, partner with further and higher education bodies and influence early career choices. In 2022/23 this will include participating with NIE Networks in a major schools outreach project. Around 7,500 school children across Northern Ireland took part in the 4CUR future careers event in June 2022. Our involvement takes the form of the design of a 'Race to Net Zero' game to help key stage 3 children gain insights into their future career opportunities before they make their GCSE choices.

In 2022/23 we will engage 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 people 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.



## Providing a safe, happy and healthy workplace

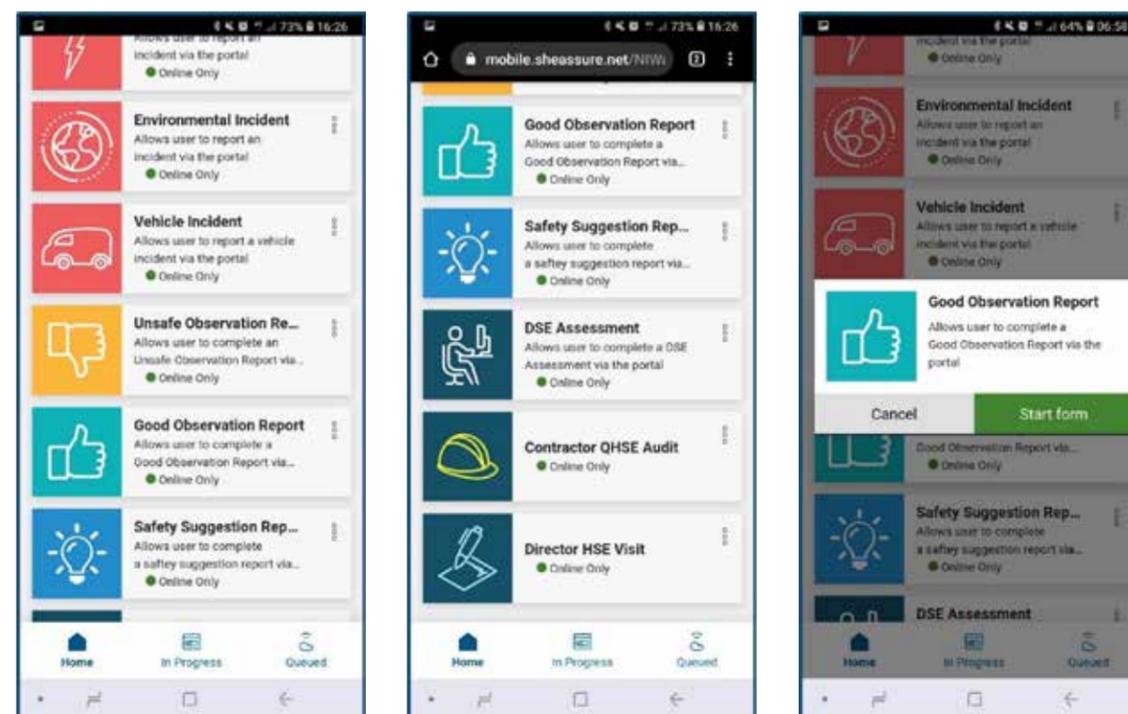
It is only with a safe, happy and healthy workforce that we can deliver exceptional standards of customer service. We do this by placing care for our people front and centre

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

Significant investment continues to be made over PC21 to both review and upgrade our province wide network of facilities and above ground buildings and related assets. Another area of focus is driver safety, which we will target through the use of 'safe driving' workshops for all staff. 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, tough book, or laptop. The ability to undertake health and safety audits and spot checks is also now available via Assure. The system will give NI Water real time, accurate and meaningful data that will allow us to appropriately target and resource both our short and long-term health and safety priorities.



NI Water's Assure health and safety app.

### Prioritising health

NI Water's award-winning health and wellbeing strategy is designed with and for employees to support their physical, mental, social and financial health in the belief that prevention is better than cure. This strategy is informed by absence data, employee pulse surveys, monthly polls and employee focus groups to understand the diverse needs of our workforce and ensure wide appeal. It was recognised as an example of best practice through the achievement of two prestigious business awards in 2021 - a year in which health had never been more important.



**‘Flushed’ with success at Business in the Community Awards!**

NI Water is celebrating after winning the Business in the Community Awards in the ‘Wellbeing at Work’ category.

Sara Venning, CEO at NI Water commented

“The health, wellbeing and safety of our people is always our first priority and being recognised as a champion in this category is a highly rewarding affirmation of our commitment to their welfare. It is particularly gratifying to know that our health and wellbeing strategy and programmes have been recognised for their excellence and positive impact during an unprecedented health crisis.”

NI Water’s Health and Wellbeing Manager commented

“We are absolutely thrilled to have won the highly contested Wellbeing at Work Award. This award demonstrates NI Water’s excellence in inspiring and supporting our employees to prioritise their health and

wellbeing and embrace positive lifestyle choices.

Our wellbeing strategy is designed with and for our employees and encompasses a vast array of programmes, activities and benefits to meet a diverse range of needs and circumstances. This supports the provision of a happy and healthy workplace, helping to make NI Water a really great place to work.”



NI Water staff receiving the Business in the Community ‘Wellbeing at Work’ Award.

**Involving people in the decisions that affect them**

We use a range of listening strategies to gather the voice of the employee and ensure that action is targeted in the right place. These include employee surveys, frontline focus groups, cultural ambassador network, monthly polls and employee workgroups.

This approach provides agile ways of staying connected with our people to understand the sentiment of our workforce. Feedback received has helped inform a variety of corporate strategies including the new hybrid working strategy.

**Celebrating and promoting diversity**

A diverse workforce is good for business, providing different perspectives, encouraging innovation, and fostering a more collaborative working culture. As a traditionally male dominated industry, we recognise the importance of attracting more female applicants into the industry and have significantly increased our investment to achieve our diversity and inclusion ambitions. Find out more about diversity and inclusion at page 140.



**Modernising our communication channels**

Our Microsoft Teams Live broadcasts continue to be a great way to brief staff on a variety of ‘hot topics’ including climate change and capital investment as well as providing insights into different areas of the

business through broadcasting live from our locations and sites. Held once a quarter, these broadcasts are extremely well attended averaging 300 participants each session.

**Reinventing our workplace**

To help support our transition towards hybrid working for office based staff, we launched a programme of education and support for our future hybrid workers and line managers. The programme includes a guide to hybrid work and aims to help prepare and guide staff through the next phase of change and will set us up for success in the new hybrid model.



**Making a Splash**

NI Water was named Team of the Year 2021 at the Belfast Chamber Business Awards. We were recognised for the vital role our essential workers played at the frontline of the pandemic in ensuring public health protection across Northern Ireland, the clear sense of pride and duty continuously demonstrated by our employees in delivering over and above what is expected of them and overcoming challenges with an ‘all hands on deck’ approach. This is much welcomed external recognition for our collective efforts during a time of extreme personal and professional challenge. It shines a light on the vitally important work we do at NI Water, the many heroes and heroines we have and the phenomenal team to which we all belong.



NI Water receiving the Team of the Year award at the Belfast Chamber Business Awards 2021.

## Creating a legacy for our communities

### Helping hand

Amazingly our Cares Challenge volunteering scheme celebrates its 10 year anniversary in 2021/22 and to celebrate, we've launched an exciting new programme of events. Over 1,500 staff have volunteered in around 100 challenges to date, equating to over than 10,000 hours of volunteering to help support communities across Northern Ireland. Our colleagues have missed helping face to face in local communities during recent times and are keen to get back out and make a worthwhile contribution to the many charities who have struggled during COVID-19.

As part of the new 2021/22 programme, colleagues have already been out to help the NI Children's Hospice, Willowbridge Special School in Enniskillen and at Creggan Country Park in Derry/Londonderry.



NI Water staff celebrating 10 years of volunteering with Cares Challenge scheme at Northern Ireland Children's Hospice, Newtownabbey, County Antrim.

### A toilet can be a life saver

Who cares about toilets? We do! This is the question posed by the UN to mark World Toilet Day. It aims to inspire action to tackle the global sanitation crisis and achieve sanitation for all by 2030. NI Water supports WaterAid to show that a toilet is not just a toilet; it's a life-saver, dignity-protector and opportunity-maker. World Toilet Day is an opportunity to influence decision makers and raise awareness that there are still 1.7 billion people living without a decent toilet of their own. Living without a safe toilet threatens the health, education and livelihood of billions of people. Everyone everywhere has the right to sanitation, but progress on achieving this is very slow. NI Water is proud to lead the local WaterAid NI Committee, raising over £74k, including £34k at a virtual fundraising ball, building on the £57k raised in 2020, including £48k at the 2020 virtual ball. These funds will go a long way in helping bring clean water, decent toilets and good hygiene to health centres in Machinga and Zomba districts of Malawi, where the Deliver Life project is based. Within the four healthcare centres in this project, these funds are helping to introduce a variety of facilities such as solar-powered piped water supply systems, inclusive bathrooms and other sanitary facilities.

The local committee continues to fundraise this year with many activities including a World Water Day partnership with local schools in March 2022 and the WaterAid ball in November 2022.



WaterAid virtual fundraising ball.



The Virtual WaterAid NI Ball is helping the Deliver Life project in Malawi. Photo credit Dennis Lupenga.

### Water-whizz kids

We are really proud of our unique education programme, which includes the Waterbus mobile classroom initiative. We have educated over 218,000 'water-whizz' school kids about the value of water for health, the economy and nature.

As pupils headed back to the classroom the Education Team has been back on the road visiting schools to deliver the key messages of water efficiency, water for health and bag it and bin it. The team has also developed several new lessons to engage pupils with the wonderful world of water including a climate change escape room and the wonders of peat bogs presentation. We have supported both primary and secondary schools with the provision of 280 waterbutts to inspire water efficiency outdoors. This initiative included a popular 'brighten your butt' competition which encouraged schools to get creative and paint their new waterbutts to brighten up the school gardens.



Water-whizz pupils from St Malachy's Primary School, Armagh, County Armagh.



Brighten your Butt Winners Drumragh College, Omagh, County Tyrone.

# 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 pg88
<b>Customer</b> – delivering an exceptional customer experience Read more pg26	<ul style="list-style-type: none"> <li>Reduction in customers reporting service failures</li> <li>First point of contact resolution</li> <li>More customers singing our praises (Net Promoter Score)</li> </ul>	
<b>Water</b> – delivering great tasting, clean and safe water to meet customer need Read more pg32	<ul style="list-style-type: none"> <li>Water quality compliance</li> <li>Reduction in leakage</li> <li>Reduction in supply interruptions</li> </ul>	
<b>Economy</b> – efficiently delivering infrastructure to underpin sustainable growth Read more pg46	<ul style="list-style-type: none"> <li>Increase/(decrease) in customer tariffs</li> <li>Number of economic constraint areas removed</li> <li>Number of serious development restrictions removed</li> <li>Bathing water quality</li> </ul>	
<b>Nature</b> – protecting and enhancing the natural environment Read more pg54	<ul style="list-style-type: none"> <li>Reduction in our pollution incidents</li> <li>Wastewater compliance</li> <li>Reduction in number of properties at risk of out of sewer flooding</li> <li>Reduction in our carbon footprint</li> </ul>	
<b>People</b> – providing a great place to work Read more pg76	<ul style="list-style-type: none"> <li>Employee engagement score</li> <li>Reduction in health and safety incidents</li> </ul>	



## Risk and resilience

Increasingly, NI Water faces downside threats which are external to the organisation. These include, for example, COVID-19, factors which impact our supply chain, uncertainty regarding funding, Brexit, cyber attacks and climate change/extreme weather events.

While management of these threats is to a large extent outside the control of NI Water, we recognise the need to build a resilience culture in order to protect the value we create.

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.

A resilience culture within NI Water means that 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. Our response to the impact of COVID-19 is a prime example of how having effective business resilience in place makes a difference to managing even unexpected incidents. 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

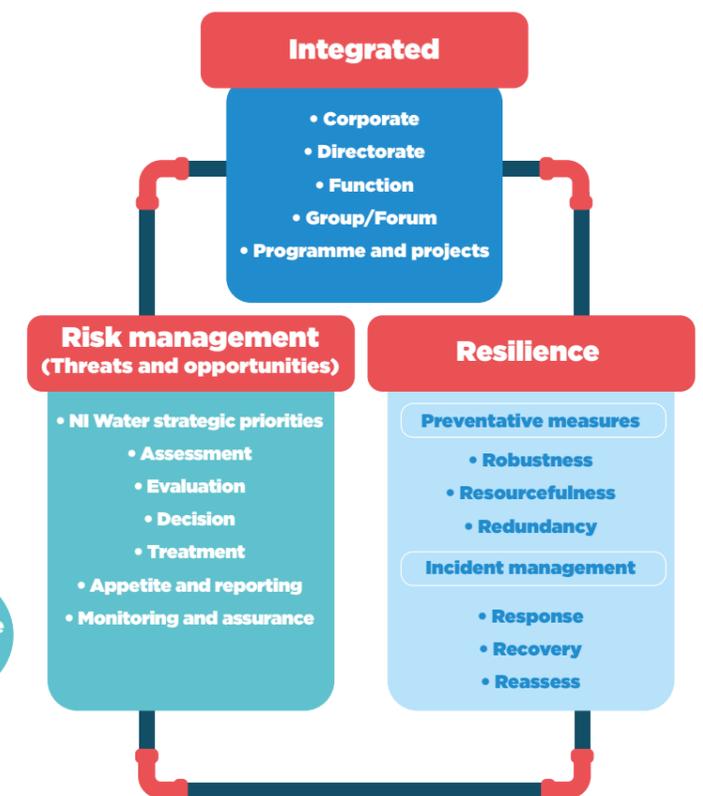
The framework and the model outline the requirement for risks (threats and opportunities) to be managed on a cross-directorate basis and with input from external partners where required (e.g. supply chain, strategic partners and service users).

## Resilient

NI Water recognises the need to adopt a resilience culture to prepare for unavoidable risk factors, which are external to NI Water.

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'.

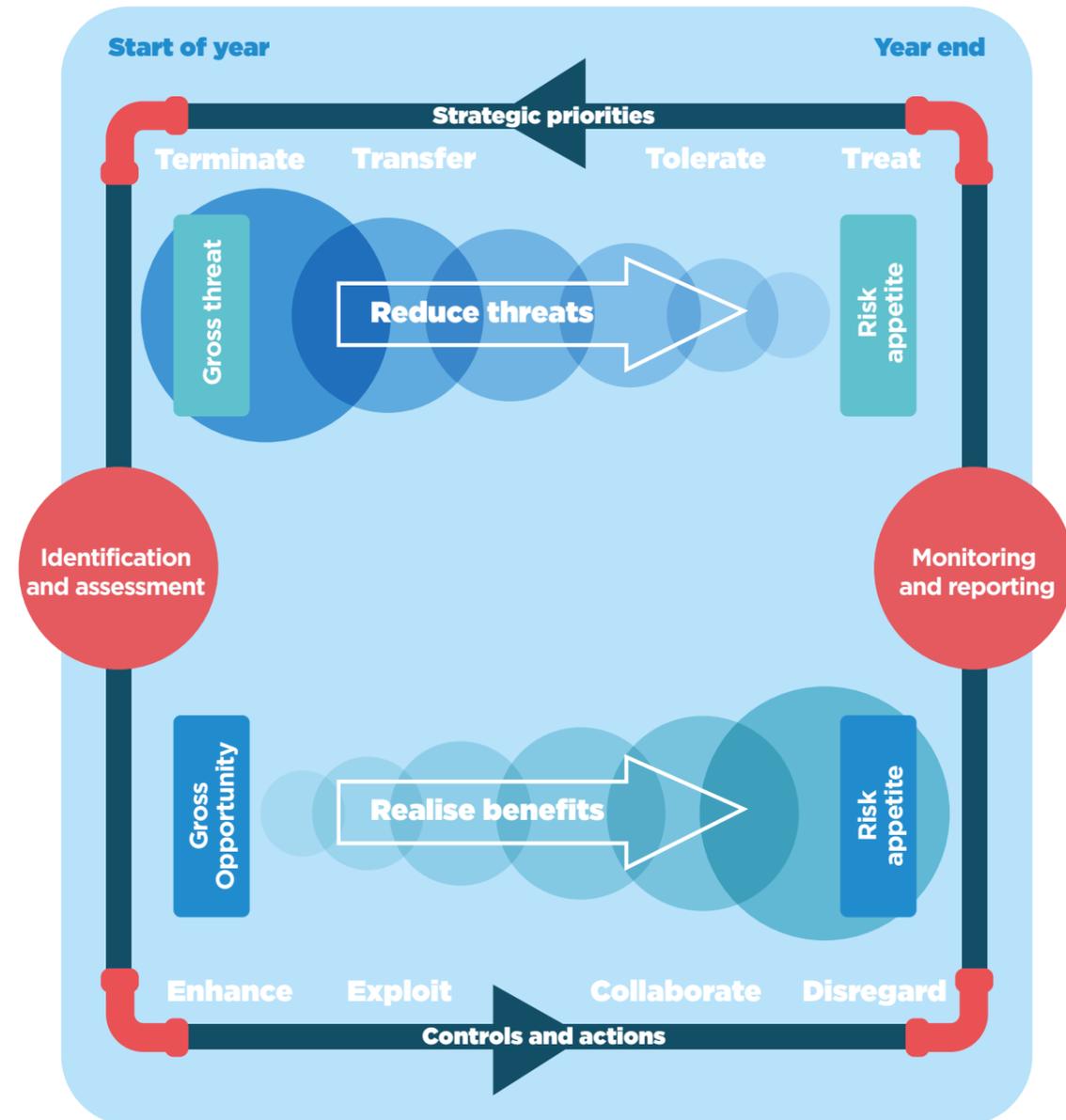
### NI Water's integrated risk and resilience model



## NI Water's approach to risk management

NI Water's 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, as shown below:



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 wording of the risk, the risk gradings and the individual risk appetite are approved by the Board. The Board receives a monthly

progress report on the management of risks towards the projected risk appetite for each individual risk.

The Board has set the risk appetite for seven principal risk themes. The movement of the current risk position against each of these seven principal risk themes is reported to the Risk Committee twice each year.

The Risk Committee considers the 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 considers 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 meets on a monthly basis to consider corporate risk maps and the completion of actions within agreed timelines.

Corporate risk maps are linked to directorate, programme and project threats and opportunities, and business-wide groups either have or are being encouraged

to have updated 'live' risk registers in order to better integrate risk management into ongoing activities.

Read more about risk management on pages 120 and 123.

Emerging from the corporate risk maps are a number of significant principal threats and opportunities. For each principal threat or opportunity, we have identified the related strategic priority and the change in the level of threat or opportunity over 2021/22. These threats and opportunities have not been ranked and therefore are not listed in order of significance.

Principal threat	Strategic priority	Change in threat level*
Governance model and funding	Customer, Water, Economy, Nature, People	▲
COVID-19	Customer, Water, Economy, Nature, People	▬
Brexit and Northern Ireland Protocol	Customer, Water, Economy, Nature, People	▬
Health and safety	Water, Nature, People	▬
Climate change	Customer, Water, Economy, Nature, People	▲
Asset resilience	Customer, Water, Economy, Nature, People	▲
Data integrity and cyber risks	Customer, Water, People	▲
Supply chain**	Water, Economy, Nature	▲

Principal opportunity	Strategic priority	Level of Opportunity***
Customer service and innovation	Customer, Water, Economy, Nature, People	▬
Wellbeing	People	▲
Living with Water Programme	Customer, Economy, Nature	▲
Stakeholder engagement and sustainable development	Customer, Water, Economy, Nature, People	▬

\*This column shows the change in the threat level compared to what was reported in 2020/21. An upward arrow means that the level of threat has increased.

\*\*New threat.

\*\*\*This column represents the change in the opportunity compared to what was reported in 2020/21. An upward arrow means that the potential benefits to NI Water from the opportunity have increased.

# Principal threats



## Governance model and funding

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



### Background to the threat

NI Water seeks to efficiently deliver infrastructure to underpin sustainable growth. In order to deliver this, NI Water requires a sustainable funding model which will ensure access to secure and resilient finances. The absence of a sustainable funding model has been recognised as the top principal threat to the delivery of our strategy in PC21.

The current sub-optimal funding model is a result of the dual status of NI Water as both a regulated Government Owned Company (GoCo) and a Non-Departmental Public Body (NDPB) which leads to potentially conflicting requirements and continual difficulties in applying government guidance that may be in conflict with the legal requirements under statute as a limited company.

NI Water prepares a six-year Business Plan, to inform the Utility Regulator's price setting process, setting out the investment required to address the most critical needs and enable Northern Ireland to thrive from its water and sewerage infrastructure. The medium-term funding settlement required to enable NI Water to efficiently deliver that plan does not align with the annual cycle of public sector funding which NI Water faces as a NDPB.

NI Water is an asset intensive business and medium- and long-term planning is essential to improve services for customers today while investing to safeguard services for future customers. The uncertainty over funding adds complexity and inefficiency to longer-term asset resilience, as NI Water is unable to take a multi-year view of its investment profile. This makes it difficult to maintain momentum to complete programmes of work.

Like many businesses, NI Water is subject to threats which are largely outside its control such as pandemics; inflation and cost increases; adverse weather resulting in recovery costs and damage to our assets; unlawful acts by third parties (e.g. pollution, terrorism, legislation breaches) as well as downturns in the economy which could adversely impact on business performance.

The timing and impact of these are dependent on the nature of the threat. NI Water does not have a contingency fund to deal with such financial shocks. This could potentially impact on NI Water's ability to recover from the incident.

The Board of NI Water accepted the PC21 Final Determination in July 2021 and was encouraged that the first year of PC21 (2021/22) was fully funded by DfI and the NI Executive. Since then, global energy prices have risen to unprecedented levels which created a significant shortfall in Resource DEL in 2021/22. The shortfall was met by DfI in January Monitoring Round. However pressures in relation to energy and inflation are expected to prevail into 2022/23 budget and beyond. These pressures are exacerbated by the lack of visibility of funding for the final four years (2023/24 to 2026/27) of the six year PC21 final determination. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets.

### Managing the threat

Government, as our sole Shareholder, needs to properly fund our national critical infrastructure. We continue to engage with our Shareholder and other stakeholders to secure the funding across PC21, supported by financial resilience. We are engaging with the NI Audit Office's review on funding our infrastructure and welcome the wider focus being brought on funding from the NI Fiscal Commission and the NI Fiscal Council. In the meantime, NI Water ensures that the implications on the delivery of our services as a consequence of funding constraints are fully analysed, managed and communicated to the public in a clear and responsive manner.



Find out more about funding world class economic infrastructure at page 48, going concern and managing the threat at page 155.



## COVID-19

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



### Background to the threat

In late 2019/20, we faced one of our biggest challenges with the onset of COVID-19. As an essential service provider, we continued to deliver water and wastewater services to protect public health. We activated our business continuity plans and pandemic major incident plan in response.

The focus over 2021/22 has been to ensure continuing operations and to start to develop plans for a return to office locations for non-front line staff.

### Managing the threat

NI Water continues to monitor any threats associated with COVID-19. We faced challenges in January 2022 with the Omicron wave of COVID-19 which resulted in increased staff absences. This was managed using our business continuity and pandemic plans.

Significant work has been undertaken to ensure that offices are ready for a return to work.

We have developed a hybrid working model for non-frontline employees, with significant consultation and engagement with employees on how the hybrid model will work. This includes dedicated training sessions on the model. Hybrid workers have also received a NI Water Guide to Hybrid Working prior to returning to the office.

The hybrid working model is being piloted across NI Water sites.



## Brexit and the Northern Ireland Protocol

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



### Background to the threat

The UK's exit from the European Union ('Brexit'), including the implementation of the Northern Ireland Protocol, has added complexity to how NI Water provides its services. The Northern Ireland Protocol has led to some supply chain volatility for Northern Ireland Water with increased prices and longer lead times.

### Managing the threat

Our Brexit preparations focused on having well developed and tested plans to address potential difficulties, the aim of which was to increase our resilience and provide assurance to key stakeholders.

To prepare for and manage the threat of Brexit, NI Water established a Brexit Incident Management Group and has been working in collaboration with DfI and WaterUK. WaterUK implemented its Platinum Incident Management and National Chemical Specialist Group, which involved regular meetings with senior management from all UK Water companies, working together at a national level to address any risks to the UK Water Industry's ability to provide services. We also engaged with local government, stakeholders and community groups to improve resilience. While WaterUK have stood down their Brexit working groups, given the impact of the Northern Ireland Protocol, NI Water has maintained its Brexit Incident Management Group.

We engaged suppliers to mitigate supply chain risk by storing additional stock of key chemicals, as well as spare parts for our treatment works, distribution network and vehicles. We also identified the key supply chains and routes and increased the number of suppliers on our frameworks and considered, with DfI, opportunities for different supply routes and alternative arrangements.



## Health and safety

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



### Background to the threat

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'. We are committed to ensuring that all work activities are conducted in compliance with the Health and Safety at Work (NI) Order.

### Managing the threat

To prepare for and manage the threat of Brexit NI Water has a Health and Safety Action Plan 2021 – 2025 which sets out a number of priorities for health and safety over the next four years. A significant amount of work was undertaken during 2021/22 to progress this plan, with progress being tracked by Risk Committee and Board.

We have undertaken significant work to ensure that sites and offices are safe and have implemented a hybrid working pilot to manage the return to office locations for non-front line staff.



Find out more about health and safety at page 79.



## Climate change

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

### Background to the threat

As a natural capital business, with infrastructure entwined with the natural water cycle, we are committed to playing our part in addressing climate change. The changes required to decarbonise our economy, build climate resilience and restore biodiversity over this century will require a colossal joined up effort across the public, private and voluntary sectors to rethink policy development, decision making, funding and delivery.

Climate change is of strategic importance to the water sector given its carbon intensity and exposure to extreme weather events. Operational emissions from the water industry account for nearly 1% of the UK's total carbon emissions. This is because water and wastewater treatment is energy and chemical intensive and transporting water requires a great deal of pumping. Grid electricity accounts for the majority of our operational carbon emissions. 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. This will require us to both mitigate and adapt to climate change.

### Managing the threat

At NI Water, we're committed to delivering a net zero, climate resilient future for all our customers. We are determined to harness the huge and largely unseen potential for NI Water to address climate change. We are committed to net zero by 2050 in line with the net zero target for Northern Ireland. 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.

We know that we can't do this alone. We will need support from all of our partners and stakeholders; a positive policy and regulatory environment from government and regulators, innovation from our supply chain, reduced water use from our customers, collaborative planning from councils and other partners, and more.

Over 2021/22, NI Water engaged ARUP climate change subject matter specialists to assist in developing a Climate Change Strategy and implementation road map. The outcome of this work is a draft NI Water Climate Change Strategy that is framed around twin targets for climate resilience and net zero and starts by outlining NI Water's current carbon emissions and understanding of climate risk. The draft Climate Change Strategy will be brought to the Board for approval in 2022/23.

We are encouraged to see progress by the NI Executive on climate change legislation for Northern Ireland with a net zero 2050 target and key climate related strategies on Energy, Green Growth, Environment, Infrastructure and Skills. We have engaged through the relevant consultations.



Find out more about our climate action at page 66.



## Asset resilience

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

### Background to the threat

NI Water inherited an aged asset base and significant investment is required to bring it to a comparable level by UK standards. Significant capital investment together with a funded maintenance programme for water and wastewater networks and treatment facilities is required in order to comply with regulatory and environmental performance standards.

There is a very real threat that NI Water could suffer a major failure in its assets or be unable to respond effectively to a major incident such as severe weather which has affected NI Water's assets. 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.

The threat of service failure or service deterioration due to ageing assets not being replaced in a timely way is increasing.

### Managing the threat

NI Water continues to work with the Utility Regulator and DfI on 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 in order to be able to maintain service levels.

Work was undertaken during the year to improve resilience across a number of our sites. This included building additional storage for treated water at one of our largest treatment works.

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



## Data integrity and cyber risks

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



### Background to the threat

The robustness and accuracy of data, increasing regulation, changes in technology and the impact of cyber-crime may have a significant disruption to the quality of service that customers have come to expect.

The General Data Protection Regulation (GDPR) brings increasing 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.

Cyber-crimes are increasing in both frequency and disruptive potential, leading to disruption to services, 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 and policy making.

In terms of the NI Water Corporate IT Network, there is a constant cycle of work to improve cyber resilience through updating of systems controls, compliance with IT system supplier updates and through training and awareness programmes.

In 2021/22 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 continued to liaise and collaborate with the National Cyber Security Centre to keep at the forefront of an ever changing threat landscape to ensure that we are aware of new methods of attack as they develop.

For operational technology (OT), which is the technology used to run the NI Water sites, a Cyber Resilience Programme was created in 2018/19 in response to an external report on cyber security readiness. Significant work has been ongoing to deliver this Programme and significant improvements have been made in key areas.



## Supply chain

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



### Background to the threat

In order to deliver NI Water's essential service we rely on a significant supply chain for goods, services and construction works. Any disruption to this supply chain could impact on the delivery of our strategic objectives. That supply chain is experiencing increasing disruption for a number of reasons including; supply chain and logistics fallout from the COVID-19 pandemic; an unprecedented increase in energy prices feeding directly through to manufacturers and supply chain partners; unprecedented levels of inflation generally.

### Managing the threat

NI Water has established a Commercial team which brings together procurement teams and contract managers.

Like most businesses NI Water is experiencing significant cost increases across many of the materials used to construct and operate our assets. As noted in our Governance model and funding Principal threat, we experienced extreme volatility in energy costs in the latter part of 2021/22. A combination of energy cost shocks, COVID-19 and wider geopolitical uncertainty have resulted in significant inflationary pressures across our contracts for goods, services and capital investment.

In addition to the significant inflationary pressures, we faced longer lead times and difficulty in sourcing some goods, services and construction materials. We have established a Supply Chain Resilience Working Group to review supply chain risks and agree mitigating actions to ensure resilience in this area. This can result in the need to re-profile planned deliverables.

In order to mitigate the threat posed by restricted resource across our supply chain, NI Water has a procurement strategy in place to establish four Integrated Partnerships. The establishment of these partnerships will ultimately expand our available supply chain.

The significant supply chain pressures have resulted in material budgetary pressures which are detailed at page 155.

We anticipate the factors described above, which give rise to disruption within the Supply Chain, will prevail beyond this immediate reporting period for a time to come.

# Principal opportunities



## Customer service and innovation

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



### 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.

### Exploiting 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 and universities and in-house development, we continue to support and implement new technologies to improve customer experience and efficiency in service delivery.

In 2021/22, we enhanced our social media provision which has allowed us to proactively keep customers up to date with relevant matters in their area. We also continued to support our vulnerable customers through promotion of our Customer Care Register.



Find out more about delivering a world class customer experience at page 28.



## Wellbeing

Strategic priorities: **People**



### Background to the opportunity

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.

We recognise the link between wellbeing and performance, and our award-winning Health and Wellbeing Strategy encourages and supports employees to prioritise their health to 'live well', enabling a culture of attendance and high performance.

We want to involve people in the decisions that affect them and ensure that our people strategies are focused in the areas that matter most.

### Exploiting the opportunity

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, happy and healthy workplace.

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. The strategy uses absence data, survey feedback and best practice benchmarking to ensure that it is targeted in the right places and brings to NI Water the very best in corporate wellness practice.

The quality and impact of our health and wellbeing programme has been recognised externally, as NI Water has been named winner of the Best Health and Well-being Initiative award at the CIPD business awards.

NI Water has undertaken significant work in relation to diversity and inclusion. Our roadmap includes investment in inclusive leadership training for the Executive Committee and Board members, a Choose to Challenge campaign recognising International Women's day and the creation of a new working group made up of employee champions from across the business.

In recognition of our commitment and progress in this area, NI Water was awarded the Bronze Diversity Charter Mark for the third year.



Find out more about wellbeing at page 79, and diversity and inclusion at page 140.



## Living With Water Programme

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

### Background to the opportunity

In July 2014 the NI 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' (LWWP) and is led by DfI.

NI Water has been a key partner in the LWWP since inception as the plan strongly aligns with NI Water's strategic priority of protecting and enhancing the natural environment and building a more resilient network. Implementation of the programme will provide an opportunity to deliver significant investments that will help to improve the drainage networks and wastewater treatment works that discharge into Inner Belfast Lough.

The LWWP is currently overseen by a Board that includes DfI, NI Water, the Utility Regulator, Department for Agriculture, Environmental and Rural Affairs (DAERA), NIEA and Belfast City Council.

The LWWP was referenced in the draft Programme for Government and the 'New Decade, New Approach' deal which accompanied the restoration of devolved government for Northern Ireland in January 2020. DfI led a public consultation on the draft LWWP Belfast Strategic Drainage Infrastructure Plan, which ended in January 2021. The consultation responses received were overwhelmingly positive, and welcomed the objectives and approach taken, both in terms of the partnership working proposed and the whole catchment methodology.

### Exploiting the opportunity

NI Water's participation in the programme provides an opportunity to develop the catchment based multi-agency and sustainable solutions needed to achieve key outcomes included within the draft Programme for Government and upgrade the sewerage networks and six wastewater treatment works that discharge into Inner Belfast Lough. The upgrades need to be undertaken in a way that Government and NI Water can afford, and which minimises disruption during construction.

In 2021/22, Infrastructure Minister Nichola Mallon published Living With Water in Belfast: An Integrated Plan for Drainage and Wastewater Management in Greater Belfast. This follows Executive approval and a public consultation on the Plan. At £1.4 billion over 12 years it is not a quick, or inexpensive fix. The Plan aims to deliver a long-term approach to drainage and wastewater management that will protect from flooding, provide a cleaner and greener environment and ensure that Belfast is open for business and investment.



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



## Stakeholder engagement and sustainable development

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 in order to educate and benefit local communities.

### Exploiting 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/Little Ripples programmes were temporarily on hold during 2021/22 and were replaced with digital volunteering for local charities. In December, we were able to recommence some of our usual volunteering activities supporting local charity Foodstock to deliver essential Christmas food parcels to those in need across Belfast. Our Cares Challenge celebrates its 10th anniversary during 2022 and we are delighted that it is now able to restart with a comprehensive new programme for 2022/23, supporting charities such as Barnardos, Southern Area Hospice and Women's Aid.

We are really 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.

We are delighted to become the first company in Northern Ireland to sign up to the Levelling Up goals and partner with 'This is Purpose' to help us identify meaningful actions we can take to improve access and opportunity for all. We are focusing our efforts on supporting successful school years, fair career progression, good health and wellbeing and achieving equality through diversity and inclusion.



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

# Our finances explained

## Revenue

### Government subsidy

We receive subsidy from the DfI in lieu of deferred domestic charges. In 2021/22 we received a subsidy of £318.7m.

### Bills

We bill non-domestic customers which generated £81.8m of revenue in 2021/22 and road drainage charges of £23.3m from DfI.

### Other revenue

Other forms of revenue were £17.4m in 2021/22.

## Government loans

We borrow from the DfI to help fund our capital investment programme. £170m was borrowed in 2021/22.

## Investment

Investment in new assets and on our network totalled £238.7m in 2021/22.

## Day-to-day operating costs

Our day-to-day running costs totalled £338.2m in 2021/22. These costs include staff, power, rates, hired and contracted services.

## Operating profit

Operating profit (revenue less day-to-day operating costs) was £105.4m in 2021/22.

## Financing our investment

Interest on our borrowings from DfI £50.9m and our Public Private Partnership liabilities £11.1m comprised the majority of our net finance charges of £59.0m in 2021/22.

## Profit before tax

The profit before tax was £46.4m in 2021/22.

## Corporation tax

We have paid £0.4m of corporation tax in 2021/22. We have charged £78.3m for tax to be paid in future years.

## Loss after tax

The loss after tax for the year was £31.9m.

## Cash flow from operating activities

Balance of cash remaining determines the loans required from DfI.

## Dividend

A dividend of £31.2m was paid to the DfI in 2021/22. The dividend to DfI represents a return to the taxpayer on the amount invested in the Company.

# Financial performance

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

- Statutory Group Accounts prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 (“Adopted IFRS”) 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 144 to 220  
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 (SOCl) is presented on page 148 is summarised below.

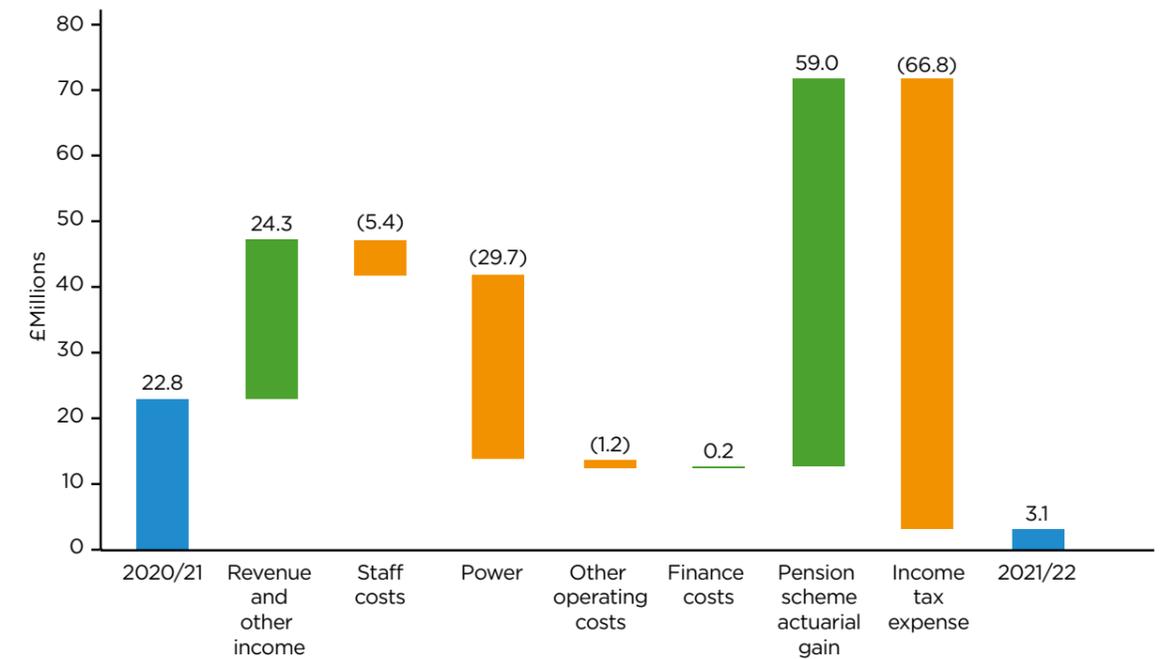
### Summary Consolidated Statement of Comprehensive Income

	Year to 31 March 2022 £m	Year to 31 March 2021 £m
<b>Revenue</b>	<b>441.2</b>	418.9
Results from operating activities	<b>105.4</b>	117.4
Net finance charges	<b>(59.0)</b>	(59.2)
<b>Profit before tax</b>	<b>46.4</b>	58.2
Income tax expense	<b>(78.3)</b>	(11.5)
<b>(Loss)/Profit for the year</b>	<b>(31.9)</b>	46.7
Other comprehensive expenditure, net of income tax	<b>35.0</b>	(23.9)
<b>Total comprehensive income for the period</b>	<b>3.1</b>	22.8

Revenue has been stated excluding the value of adopted assets (£40.0m) (2020/21: £40.7m) 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 (£3.8m) (2020/21: £3.5m).

A reduction of £1.0m (2021: £2.0m) to Revenue was made to take account of the estimated impact of continued economic uncertainty post COVID-19 on our billed customers.

## Movement in total consolidated comprehensive income for the period



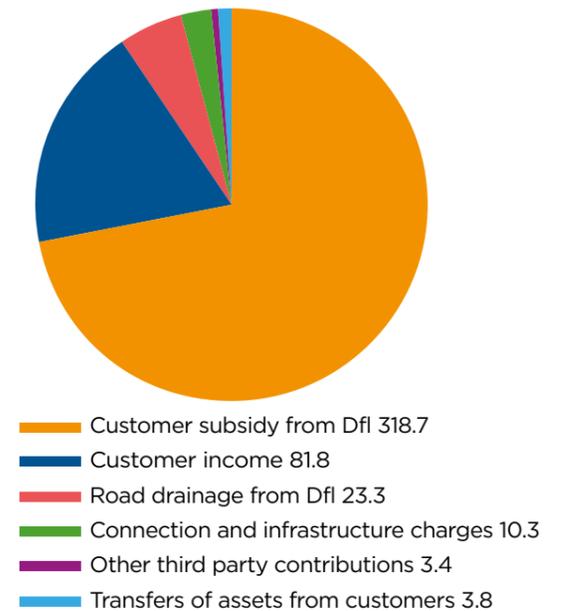
## Revenue

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 £441.2m for the year to 31 March 2022 (2021: £418.9m). Included in revenue was £341.9m (2021: £337.0m) received from DfI, being subsidy of £318.7m (2021: £314.2m) and road drainage charges of £23.3m (2021: £22.8m). All the revenue was in relation to NI Water Limited as subsidiary revenue was all within the Group.

## Sources of revenue 2021/22 (£m)

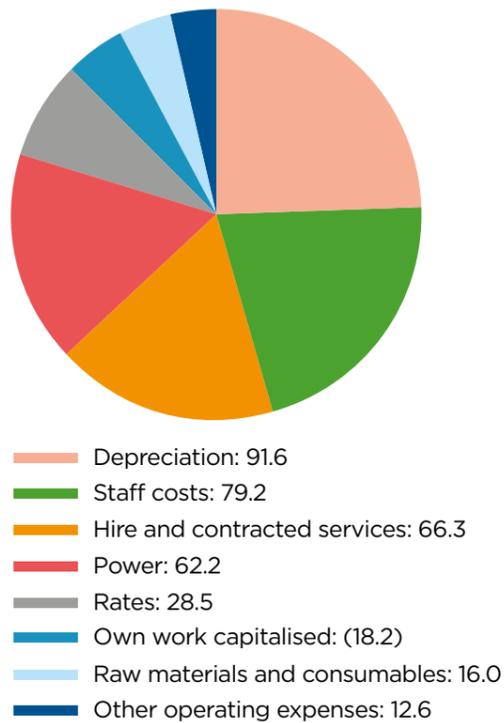


See Statutory Accounts Note C1.

## Operating activities

Operating expenses in 2021/22 of £338.2m (2021: £301.9m) increased from last year. The increase primarily resulted from higher power costs driven by the unprecedented increase in wholesale gas prices, higher staff costs and higher depreciation costs as a result of the increased asset base. Results from operating activities before interest for the year was £105.4m (2021: £117.4m).

### Operating expenses 2021/22 (£m)



NI Water is one of the largest users of electricity in Northern Ireland. We spent around £62.2m on power in 2021/22.

## Finance income and costs

The net finance costs are primarily due to interest on our borrowings of £50.9m (2021: £49.5m); our Public Private Partnership (PPP) liabilities of £11.1m (2021: £11.7m) and net finance costs on the pension fund of £1.2m (2021: £0.6m). This was partly offset by £3.7m (2021: £2.1m) fair value increase in the value of financial liabilities and fair value impairment of senior loan debt and bank interest received of £0.6m (2021: £0.6m). See Statutory Accounts Note B2.

## Taxation

The tax charge for the year was £78.3m (2021: £11.5m) for which payment is deferred to future years. The effective tax rate for the year to 31 March 2022 was 168.6% (2021: 19.8%). The increase from 2021 is largely due to the increase in the rate of corporation tax from 19% to 25% from 1 April 2023. Since this new rate has been enacted at the balance sheet date, the deferred tax for 2021/22 has been calculated at the appropriate tax rate which is expected to apply when the assets are realised or liabilities settled. See Statutory Accounts Note F1.

## Pension scheme actuarial gain

In 2021/22 there was an actuarial gain of £35.0m (2021: £24.0m loss). See page 106 and Statutory Accounts Note E2 and G3.

## Distributions

The Board will consider a proposal to declare a dividend of £19.0m later this year (2021: £31.2m). See Statutory Accounts Note B3.

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

## Capital structure

The Consolidated Statement of Financial Position (SOFP) at 31 March 2022 as presented on page 146 is summarised below.

Total assets increased by 7.1% to £3,764.2m (2021: £3,515.0m).

Our net debt<sup>1</sup> figure was £1,526.8m at 31 March 2022 (2021: £1,416.9m).

Gearing (the ratio of net debt to equity and net debt) was 58.4% (2021: 56.0%).

### Summary Consolidated Statement of Financial Position

	At 31 March 2022 £m	At 31 March 2021 £m
Total non-current assets	<b>3,624.9</b>	3,437.8
Total current assets	<b>139.3</b>	77.2
<b>Total Assets</b>	<b>3,764.2</b>	3,515.0
<b>Equity</b>	<b>1,087.2</b>	1,115.2
Total non-current liabilities	<b>2,494.6</b>	2,243.7
Total current liabilities	<b>182.4</b>	156.1
<b>Total liabilities</b>	<b>2,677.0</b>	2,399.8
<b>Total equity and liabilities at 31 March</b>	<b>3,764.2</b>	3,515.0

## Liquidity

Operating activities generated a net cash inflow of £190.7m (2021: £200.7m). Net cash outflows of £212.7m (2021: £159.5m) related to investing activities. Net financing activities created a cash inflow of £68.3m (2021: outflow £16.4m).

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 (previously LIBOR).

Investing activities included the acquisition of property, plant and equipment of £216.7m (2021: £170.9m), proceeds from the sale of property, plant and equipment of £1.7m (2021: £0.3m) and grants received of £2.3m (2021: £11.1m).

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

<sup>1</sup> Refer to Notes A7 and B4 in the Statutory Accounts. Net debt consists of loans from Dfl of £1,439.6m (2021: £1,269.6m), external loans relating to subsidiaries of £67.1m (2021: £72.3m), derivative financial instruments of £4.5m (2021: £8.2m); and finance leases of £101.5m (on consolidation Alpha finance lease excluded) (2021: £106.4m) less cash and cash equivalents of £85.9m (including £15.8m from consolidated entities), (2021: £39.6m (including £13.4m from consolidated entities)).

### Pension funding

The pension scheme was valued at a liability of £29.1m at 31 March 2022 (2021: liability of £62.6m). This was made up of a total market value of assets of £323.0m (2021: £293.6m) less actuarial value of liabilities of £352.1m (2021: £356.2m). The decrease in the net liability arises primarily due to the increase in net discount rate assumption which has served to reduce liabilities, return on assets being higher than expected and small experience gain allowing for actual inflation. 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

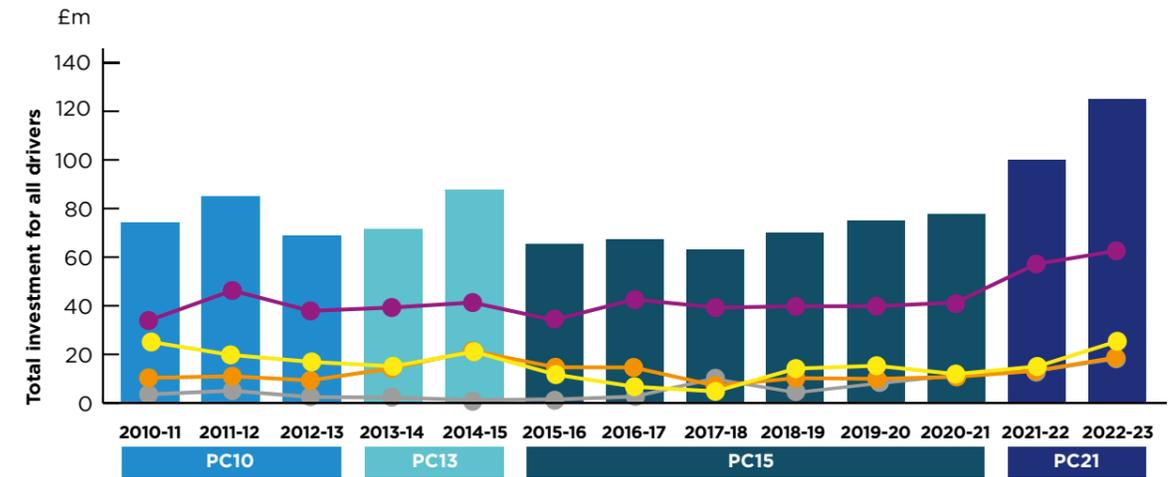
We have invested £2.9bn in Northern Ireland's water and wastewater infrastructure since our formation in 2007/08.

Around £229m of capital investment was delivered during 2021/22. £121m was invested in maintaining the current assets and a further £108m was invested to deliver quality enhancements, improve service and accommodate growth. Investment of £288m is planned for 2022/23.

Investment in 2021/22 included the completion of one wastewater treatment work, remediation of four unsatisfactory intermittent discharges and laying approximately 102km of new, renewed and relined water mains.

### Investment analysed by investment driver

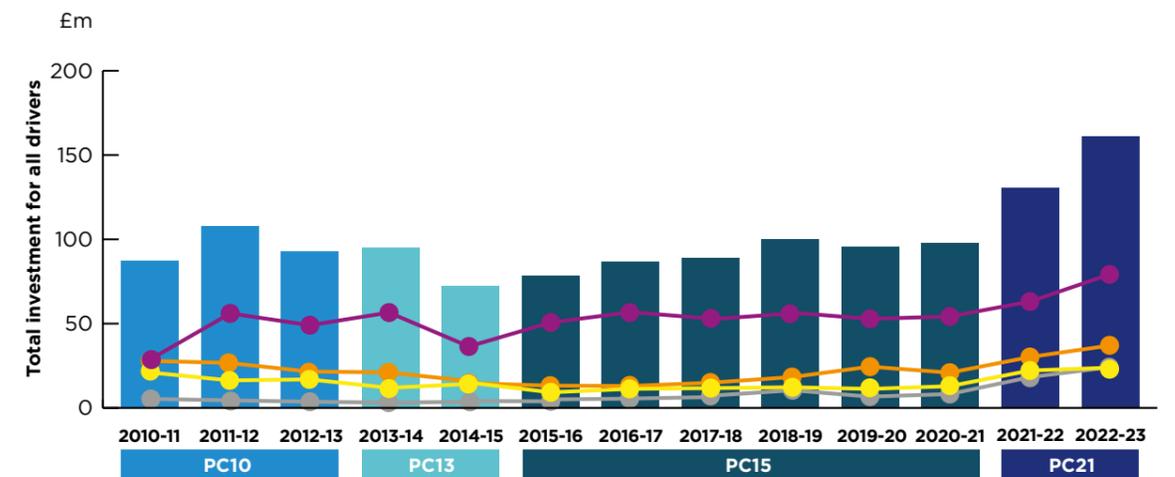
#### Water service



#### 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 29 June 2022 and signed on its behalf by Mark Ellesmere, Company Secretary.

Mark Ellesmere  
Company Secretary  
29 June 2022



NI Water staff undertaking sewer improvement work.



## Introduction by the Chair of the Board

I am pleased to present the Corporate Governance Report for 2021/22. 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 Company under the Companies Act 2006 and as a NDPB sponsored by 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 of the Companies Act 2006 have been considered in the Board's discussions and decision making are set out on page 133.

## 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.

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.

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. We also have a role to play in supporting the outcomes in the Draft Programme for Government developed by the Northern Ireland Executive.



Read more at <https://www.niwater.com/ourstrategy/>

## 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. Our Values provide the cultural framework to support achievement of our purpose and vision and we encourage our employees to live these values.

We are committed to the highest standards of behaviour in how we do business. As a proud winner of the prestigious 'Team of The Year' 2021 award from the Belfast Business Awards 2021, it is clear that our people are central to everything we do. Our Values are at the heart of our decision making and centre around a more sustainable way of doing business by giving back more to society, the economy and the natural environment than we take out.

Monitoring culture involves regular analysis and interpretation of evidence and information gathered from a range of sources. Through 2021/22 we used a range of listening strategies to understand the voice of our employees including two pulse surveys to help inform our ongoing COVID-19 response and understand how we could best support our people. Over 100 employees participated in 'The Big Conversation' values workshops to define the behaviours associated with each of our values and create a common standard to which we can all hold ourselves accountable, ensuring that it's not just what we do that is important but also how we do it.

Over 700 office based workers took part in consultation meetings with HR Leaders to inform our hybrid working approach and subsequently received training on 'making hybrid work', 'leading hybrid teams' and 'high engagement remote meetings' in order to set them up for success in a hybrid model.

To further support early careers at NI Water, we surveyed our entry level class of 2021 to

understand their experience of work. The results were overwhelmingly positive with 100% of respondents stating that they felt comfortable to 'be themselves' at work and 100% said that their teams on the ground demonstrated NI Water's corporate values in their day to day work.

We held our very first virtual leadership conference in 2021/22 entitled 'Making Waves'. The conference focused on the role of leadership in challenging times and modernised our approach to communication with the introduction of new NI Water Live Broadcasts for all staff.

During 2021/22, we continued our work on creating a diverse and inclusive workplace through expanding our Inclusive Leadership Training Programme to a range of priority groups (including the NI Water Board) and becoming the first company in Northern Ireland to sign up to the UK Government's Levelling Up Goals which aim to drive equality of opportunity and social mobility post COVID-19.

## 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



### 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 of the Companies Act 2006 have been considered in the Board’s discussions and decision making are set out on page 133. 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 annual employee engagement surveys; COVID-19 pulse 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.

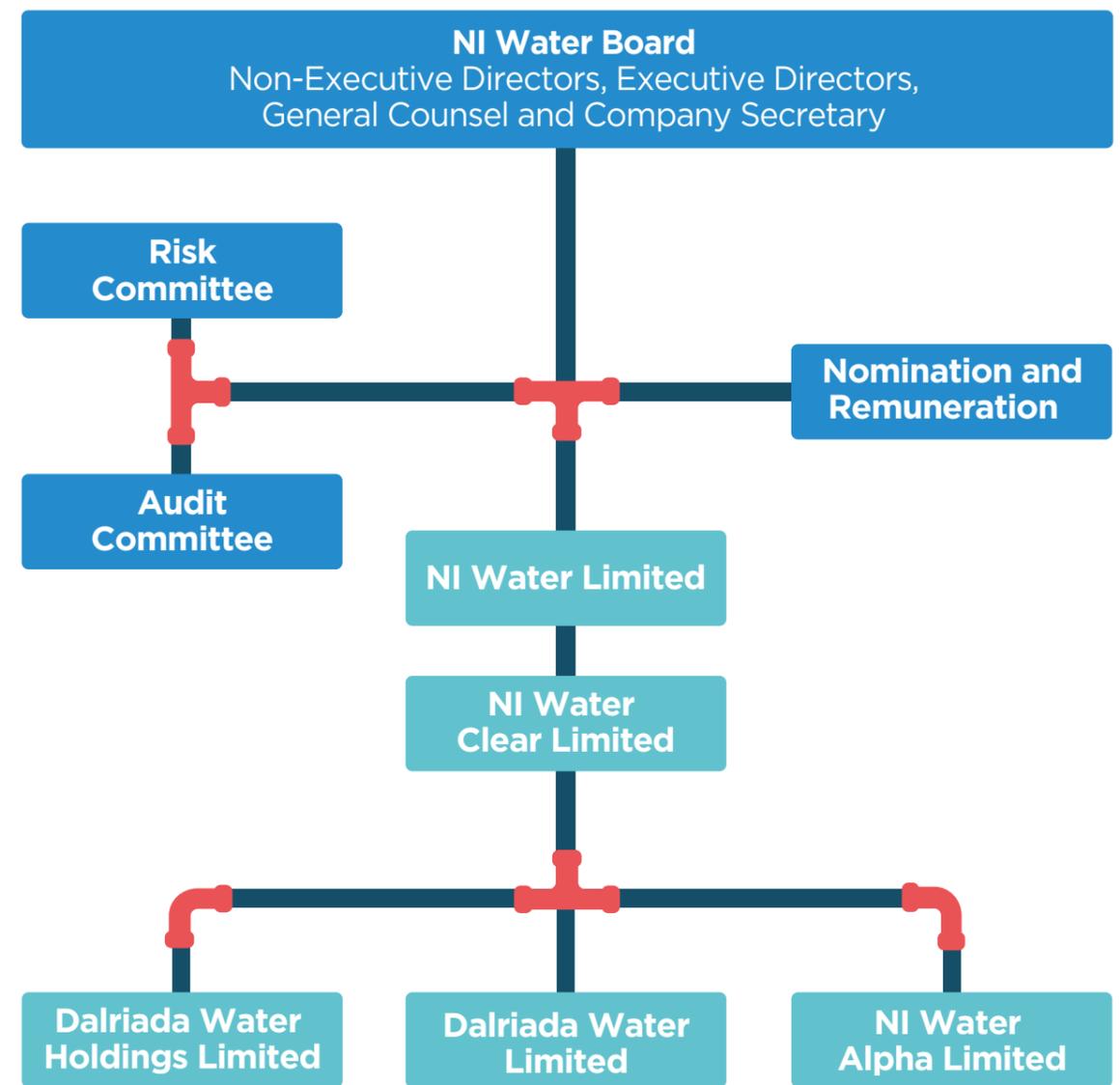
### Compliance statement

The Board has taken into consideration the governance arrangements established between NI Water Limited and its sole Shareholder (DfI) through the Management Statement and Financial Memorandum (MSFM) 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 MSFM, 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 MSFM 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 MSFM 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. This includes the arrangements for appointment and termination of Board Members and their remuneration.

### Board and Executive Committee

The Board and Executive Committee structure is shown below:



### 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.



The operation of the Board and its responsibilities are outlined in the MSFM: <https://www.niwater.com/siteFiles/resources/pdf/2021/FR002MSFM-Revised24thApril2019-SignedVersion.pdf>

## Summary of Board activity

The Board activity over 2021/22 is summarised below:

		Cross reference
<b>Strategy</b>	• 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 24
	• Discussed the Group's plan in relation to Brexit;	Page 90
	• Monitored the Group's response to COVID-19;	Page 89
	• Reviewed the approach to the development of a Climate Change Strategy for NI Water including compliance requirements with TCFD;	Page 66
<b>Governance</b>	• Reviewed the corporate risks and the risk appetite;	Page 86
	• Reviewed the effectiveness of the risk management system and reviewed the effectiveness of the internal control systems;	Page 123
	• Reviewed the terms of reference for the Audit, Risk, Nomination and Remuneration committees;	Page 118
	• Reviewed developments in corporate governance;	Page 118
	• Reviewed the External Auditors' performance;	Page 119
<b>Business performance</b>	• Approved the formal response to the PC21 Final Determination;	Page 155
	• Reviewed and approved the Annual Integrated Report and Accounts for 2021/22;	Page 118
	• Reviewed and approved the Regulatory Accounts and the Annual Information Return for 2021/22;	Page 118
	• Reviewed and approved the going concern and long term viability statements;	Page 118
	• Monitored the delivery of the Annual Operating Plan and Budget for 2021/22;	Page 118
<b>Employees</b>	• 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 79
	• Discussed the results of the COVID-19 pulse 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 79
	• Reviewed the work being taken forward on the Group wide diversity and inclusion policy;	Page 140
<b>Stakeholders</b>	• 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 134
	• Undertook half yearly meetings with senior Shareholder representatives.	Page 135

## 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
	Paddy Larkin
Risk Committee	Belinda Oldfield (Chair)
	Marie-Thérèse McGivern
	Paddy Larkin
Nomination and Remuneration Committee	Dr Leonard J. P. O'Hagan, CBE DL (Chair)
	Peter McNaney, CBE
	Belinda Oldfield

## Length of service

The time served by Board members is shown below:

	Length of service as at 31 March 2022 (full years)	Date of appointment	Date of cessation
Dr Leonard J. P. O'Hagan, CBE DL	7	1 April 2015	31 March 2024
Peter McNaney, CBE	6	1 August 2015	31 January 2024
Paddy Larkin	2	1 February 2020	31 January 2024
Belinda Oldfield	2	1 February 2020	31 January 2024
Marie-Thérèse McGivern	2	1 February 2020	31 January 2024
Maurice Bullick	2	1 February 2020	31 January 2024
Sara Venning	11	21 May 2010	n/a
Ronan Larkin	16	19 September 2005*	n/a
Mark Ellesmere	15	26 June 2006*	n/a
Paul Harper	5	1 January 2017	n/a
Des Nevin	2	1 September 2020	n/a

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

## Meetings

Details of the Board and Board Committees' meetings attended by each Director during 2021/22 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	11	-	-	-	-	-	-	-	-	-	2	2	2
Peter McNaney, CBE	11	11	11	4	4	4	-	-	-	1	1	1	2	2	2
Paddy Larkin	11	11	11	4	4	4	4	4	4	1	1	1	-	-	-
Maurice Bullick	11	11	10	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	4	1	1	0	-	-	-
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	11	11	-	-	-	4	4	4	1	1	1	-	-	-
Des Nevin**	11	11	11	-	-	-	4	4	4	1	1	1	-	-	-

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



Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2022

# 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 and procedures, conflict of interest, cyber-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 2021/22, including the agreement of an opening budget, the significant in-year funding pressure created by rising power prices and the successful resolution of the in-year funding pressure in January Monitoring Round. The Committee was also kept apprised of the proposed Operating Plan and Budget for 2022/23, ongoing liaison with DfI and funding arrangements over the PC21 period;
- **Subsidiary companies and consolidation:** the Audit Committee considered the appropriate accounting treatment on the consolidation of the subsidiary companies acquired in 2017/18. 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;
- **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;
- **TCFD climate disclosures:** the Audit Committee was regularly briefed on the development of NI Water's Climate Change Strategy and Climate Risk Model, including the draft disclosures as part of the transition towards alignment with the TCFD framework by 2023/24;
- **NI Audit Office review of NI Water's funding:** the Audit Committee was briefed on the NI Audit Office's review of the funding of water infrastructure in Northern Ireland. The report is to be published during 2022/23;
- **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;
- **Corporate governance and reporting reform:** the Audit Committee was briefed on the Department of Business, Energy and Industrial Strategy (BEIS) corporate reform agenda and wider developments in climate and sustainability related disclosures;
- **Going concern:** the Audit Committee was briefed on the new loan note instrument put in place for the last five years of PC21, extension of the working capital facility and ongoing communications with DfI in relation to securing appropriate funding for 2022/23 to enable NI Water to comply with its statutory duties and secure the continued provision of water and wastewater services; and
- **Claims:** the claims level and treatment of claims from contractors were monitored during the year with additional information sought from management as appropriate.

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 first one-year extension to November 2022. The first set of accounts signed by the current audit partner, John Poole, was for the year ended 31 March 2016.

## External Audit

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 2021/22 were £11k (2020/21: £11k).

## Internal Audit

The Audit Committee approved the Internal Audit Strategy, which includes reviews of corporate governance, risk management, financial and operational key processes. The Committee also monitored completion of the 2021/22 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 2021.

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.

Peter McNaney, CBE  
Chair of the Audit Committee  
29 June 2022

# Report by Chair of the Risk Committee



The Risk Committee provides oversight on NI Water's risk and resilience management framework. The Committee met on a quarterly basis and reviewed the risk and resilience 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 prevention measures.

The Committee also considered emerging risks and the potential impact to NI Water, benchmarking of threats and opportunities, training and awareness and the management of actions to reduce NI Water's risk exposure to an acceptable level and to maximise 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 the year 2021/22 and emerging risks going forward. This included the impact of COVID-19 on service delivery and hybrid working, customer care under new ways of working, colleagues and business partners' health, safety and wellbeing; quality and security of water supply and wastewater management; Brexit and the impact of the Northern Ireland Protocol on supply chain management; net zero, sustainability and the impact of climate change; cyber risks and data security; business continuity and major incident management; asset resilience and improvement plans; and opportunities for further improvements to customer experience and stakeholder engagement. The Committee reviewed the completion of actions and the effectiveness of controls, considering both internal and external audit reports on specific risks and the completion of their recommendations;
- 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 measure benefits through opportunity management are reported to the Committee on a quarterly basis. Even though 2021/22 was an extraordinary year due to a combination of external risk factors such as COVID-

19's new variants, Brexit/Northern Ireland Protocol, the summer demand surge with added complexity in the supply-chain, geo-political impact on energy costs and cyber-risk exposure, net zero and the growing frequency of extreme weather events, these risks were managed as part of "business as usual" with effective engagement with the DfI, business partners and stakeholders. Five principal threats and two principal opportunities had an increase in the threat/opportunity level over 2021/22 (page 87) and actions are in place to manage these risks.

NI Water has been underfunded through the PC15 regulatory settlement (2015-21) and has no visibility of funding for the final four years (2023/24 to 2026/27) of the six year PC21 regulatory settlement. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Further details on the availability of public expenditure funding are contained at page 155;

- 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 Risk appetite session was held during the year to review the effectiveness of completed actions to move closer to the agreed risk appetite levels. A six-monthly update is provided to the Risk Committee and a summary report to the Board;

- Emerging risks:** details of emerging risks based on local and global research, developments and incidents were reported to the Risk Committee along with details of the mitigating steps being taken and further action to improve resilience. This included the consideration of 'High Impact, Low Probability' risks and implications on NI Water's improvements in preventative measures, response and recovery. For some external risk factors that are beyond the control of NI Water, such as the uncertainties brought about by the Northern Ireland Protocol and an increase in geo-political risk (such as the war in Ukraine) impact on costs and the supply-chain, we have and will continue to communicate with stakeholders on their implications and steps needed to improve service and financial resilience (refer to the long term viability statement on page 127). NI Water continues to take steps to manage emerging risks through horizon scanning;
- Environmental Social Governance (ESG):** 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 restore the natural environment and benefit wider society. These activities are reported in other sections of the Annual Integrated Report. NI Water collaborated with its insurance broker, Marsh, to facilitate an independent review of NI Water's ESG activities and reported that NI Water is in the 'upper-tier' when benchmarked with international corporations. Marsh supported NI Water in the development of a TCFD aligned Climate Risk Model, with support from the Centre for Risk Studies at the University of Cambridge, and provided recommendations for further improvements. Marsh also undertook a review of NI Water's sites and provided training to senior managers on the increasing flood risk exposure on water and wastewater facilities as a result of climate change;
- Business resilience:** the Risk Committee received quarterly updates on business continuity management, emergency and major incident management and IT disaster recovery plans. The activation

of business continuity plans helped to ensure continuity of services and safety at work in response to COVID-19 and supported the transition to hybrid-working. There was no interruption to service delivery, and we have taken steps to ensure colleagues and business partners are safe, whether on our sites or working from home, and that our customer needs are met whether at NI Water facilities or when we make home visits;

- Risk training and awareness:** risk and resilience workshops and risk map meetings continued on a virtual basis and risk training was conducted through e-learning and webinars. One-to-one virtual training sessions were held over the year to meet colleagues and business partners' specific needs and colleagues were continually briefed on policy changes and updates through internal emails and NI Water's (Source) intranet. Some mandatory health and safety training was conducted in a safe environment over the year and more training is being provided on a face-to-face basis with online participation under hybrid-working; and
- Risk research, development and innovation:** the Risk Committee is encouraged by NI Water's involvement in both local and international research activities in governance, risk and resilience management. Over the year the Committee received reports on the guest lectures provided to the masters programmes in Northern Ireland and the Republic of Ireland and the outcome of research projects for masters students in Queen's University Belfast Management School and the Ulster University Business School. NI Water continues to participate in UK, European and international research through the 'Water Research Foundation' (WRF), Financial Reporting Council LABs (reporting on risks, uncertainties, opportunities and scenarios – September 2021) and International Insurance Cooperation between water companies, which has helped to implement innovative ways to improve risk and resilience management.

The Committee reviewed the corporate threats and opportunities and the Chair of the Risk Committee provided a report to the Board on a quarterly basis on key matters

# Governance Statement

## Introduction

The Governance section on pages 108 to 143 sets out the role of the Board and the assessment of its effectiveness in discharging its responsibilities under the Companies Act 2006. 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 needs to be read in conjunction with this section. The Governance Statement forms part of the audited financial statements.

## Scope of responsibility

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 MPMNI, and as specified in the MSFM.

The governance arrangement complies with the best practice standards of regularity and propriety in the use of public funds and the principles of MPMNI. DfI approves NI Water's Annual Budget and Operating Plan and 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 2022 and up to the date of approval of the Annual Integrated Report and Accounts, and accords with 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. It also takes into account the Financial Reporting Council's guidance on reporting on COVID-19, the UK's exit from the EU and sustainability reporting for the year 2021/22.

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.

regarding risk and assurance. A corporate threat and opportunity management report was included in the Chief Executive's report to the Board on a monthly basis.

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  
29 June 2022



Refer to the Directors' remuneration report on page 136 in relation to the work of the Nomination and Remuneration Committee.

The Board received summary information on a monthly basis. 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, risk escalated and completion of improvement actions. The Audit Committee received reports on financial risk management and informed the Board on NI Water's current and emerging financial risks.

The Board approved the risk appetite and received updates on the management of threats and opportunities. The Board provides a biannual risk management report, at a strategic level, to DfI. Risk management is a permanent agenda item in the Shareholder meetings. Other stakeholders are involved in managing risks that impact upon them.

### Key risks materialising in year

During the year, risks have been effectively managed and principal risks are as reported in pages 88 to 99. Risks such as funding constraints continue to place NI Water in a situation where operational service delivery could be impacted in the short to medium term and inadequate levels of capital investment can impact the economic development in Northern Ireland due to lack of asset capacity. Discussions are ongoing with the DfI on the governance funding model and the availability of public expenditure funding for the Utility Regulator's PC21 Final Determination (2021-27). Further details on the availability of public expenditure funding are contained at page 155. Risks such as COVID-19, Brexit and the Northern Ireland Protocol, escalating energy and material costs, net zero and adverse weather-related events, 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 are contained in the Principal Risks section on page 84.

### Internal Audit

The Head of Internal Audit provided an 'Annual Opinion' on NI Water's system of governance, risk management and internal control. The opinion for the year ended 31 March 2022 is 'Satisfactory': 'While there is some residual risk identified this should not significantly impact on the achievement of 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.

I am therefore satisfied that the governance, risk management and internal control framework in NI Water is 'Satisfactory'.

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

Whilst there is an adequate system of internal control in place in NI Water, a number of matters included in the 'Exception Report', appended to my Annual Assurance Statement to the DfI Accounting Officer, have been identified for further action. Most of the matters are reflected in the 'Principal risks' section, while others are reported to the Shareholder.

NI Water has been underfunded through PC15 regulatory settlement (2015-21) and has no visibility of funding for the final four years (2023/24 to 2026/27) of the six year PC21 regulatory settlement. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Any underfunding of the Utility Regulator's PC21 Final Determination will increase the size and likelihood of the financial shocks as outlined in the long term viability statement. Further details on the risks of underfunding are contained in the Principal Risks section on page 84. Further details on the availability of public expenditure funding are contained at page 155.

The Board and I will continue to address these matters. We will also work with our Shareholder, where there is joint accountability on certain threats and opportunities, to manage them towards the relevant risk appetite or opportunity realised level.



Sara Venning  
Accounting Officer  
29 June 2022

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

## 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 Dfl.

## Going concern

The financial statements have been prepared on a going concern basis notwithstanding the net current liabilities at 31 March 2022. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Parent Company operates as described below:

- NI Water Limited 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 Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006, which designates NI Water Limited as the sole Water and Sewerage Undertaker for Northern Ireland;
- following the NI Assembly decision to defer the introduction of domestic water charges, NI Water Limited receives funding by means of a subsidy provided by Dfl. Due to the level of subsidy, NI Water Limited is also designated as a NDPB and is subject to public sector spending rules i.e. public expenditure;
- following the launch of the 25 year strategy in September 2019, NI Water submitted its Business Plan for the PC21 Price Control period (April 2021 to March 2027) to the Utility Regulator in January 2020. The PC21 Business Plan is a strong, challenging and ambitious plan seeking to balance service delivery and consumer interests with continuing efficiency over both the near and longer term;

- the Utility Regulator published the PC21 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 the Department for Infrastructure and the NI Executive and on the basis of a continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers; and
- Since then, global energy prices have risen to unprecedented levels which created a c.£20m shortfall in Resource DEL in 2021/22. The shortfall was met by Dfl in January Monitoring Round however pressures in relation to energy and inflation are expected to prevail into 2022/23 and beyond.

NI Water's Operating Plan and Budget for the 2022/23 year sets out a Resource Cash DEL<sup>2</sup> requirement of £173.2m and a Capital DEL requirement of £282m. This reflects the second year of the PC21 Final Determination (2022/23) adjusted for higher energy costs and higher than forecast inflation. Since then, energy prices have continued to fluctuate and current best estimate of our Resource Cash DEL requirement for 2022/23 is £184m.

The Dfl Accounting Officer has written to NI Water setting out current arrangements in relation to Resource DEL and Capital DEL planning envelopes for 2022/23 in the absence of budgets being approved by the NI Executive.

- The indicative Resource DEL allocation shared was £107.8m, a £65m shortfall to the 2022/23 Operating Plan and Budget approved by the NI Water Board in January 2022 and a £76m shortfall to the current best estimate.
- The Capital DEL allocation shared was £250m, a £32m shortfall to the 2022/23 Operating Plan and Budget approved by the NI Water Board in January 2022.

- The expectation is that current shortfalls in both Resource Cash DEL and Capital DEL can be successfully bid for in Monitoring Rounds.

Dfl has subsequently confirmed full Capital DEL allocation for 2022/23 of £282m to secure necessary investment in Northern Ireland's vital water and wastewater infrastructure.

The Dfl Accounting Officer has also provided a letter of assurance to NI Water in relation to the current shortfall in the Resource DEL planning envelope and contingency arrangements that may need to be put in place such that NI Water can continue to trade and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements for the year ended 31 March 2022. The letter of assurance provides the confirmation required to enable NI Water to comply with its statutory duties and secure the continued provision of water and wastewater services.

NI Water has access to cash through the new loan note instrument which enables the Company to draw down loans up to £1.75bn from 1 April 2022 to 31 March 2027. In addition, the Company has access to a working capital facility of £20m.

Operating Plan targets for 2022/23 reflect the Utility Regulator's PC21 Final Determination with some adjustment for efficient delivery.

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

## 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 qualifications or assumptions 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

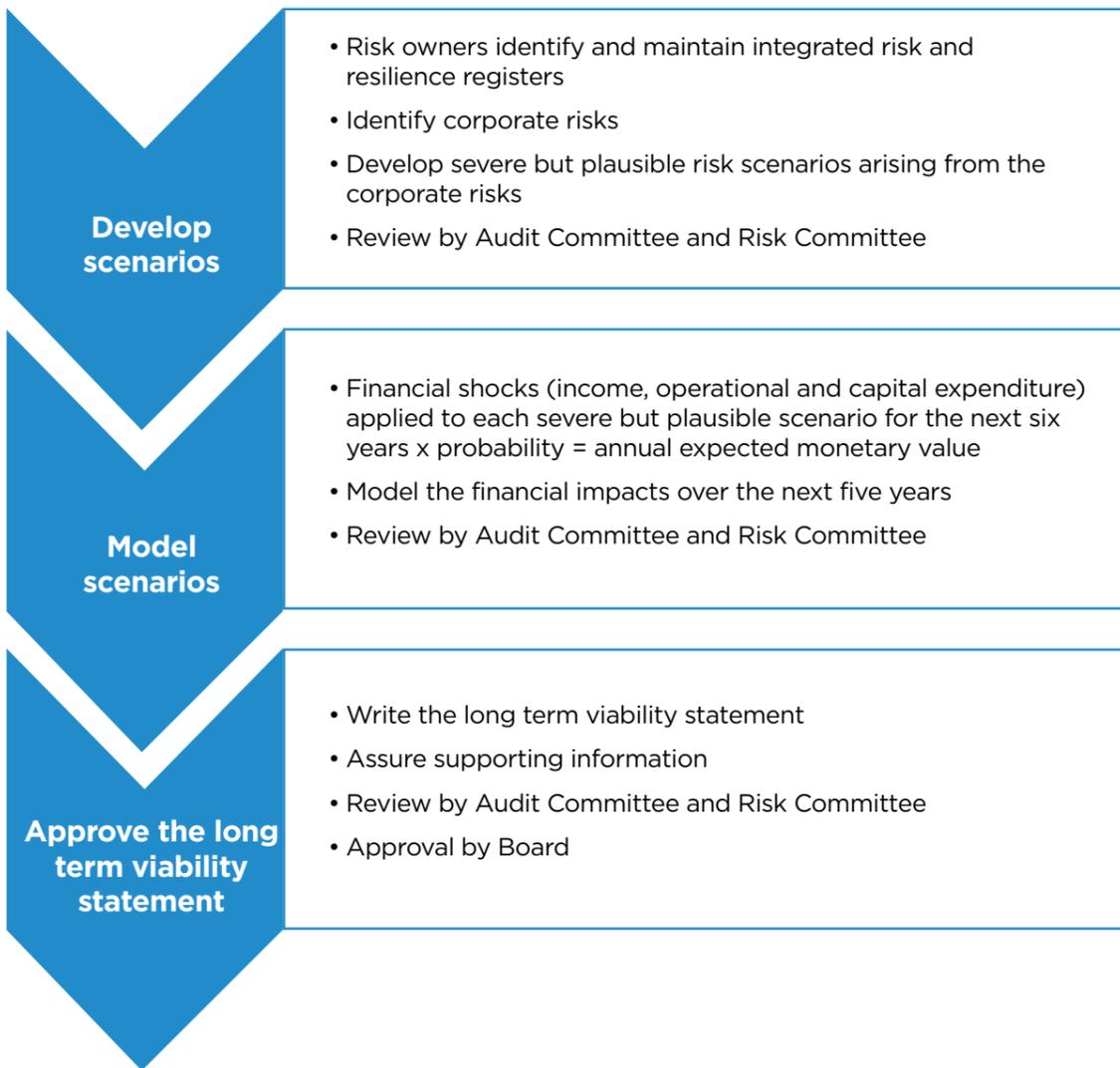
#### Period covered

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 across the water sector. The Directors consider that a five year period is appropriate given NI Water's position within the current regulatory cycle and the extent to which information is available on the direction of the subsequent Business Plans. This five year period extends to the end of the PC21 regulatory period (March 2027) and falls within our current strategic planning horizon (2021-46). The long term Corporate Strategy and the PC21 Business Plan 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.

<sup>2</sup> Departmental Expenditure Limits (DEL) are government budgets. The budgets are split between Resource DEL (RDEL) for day-to-day spending and Capital DEL (CDEL) for investment.

**Approach**

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



**Scenarios**

A number of 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 Business Plan	
2	Macroeconomic	Macro-economic 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 & 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 as a result of changes in legislation, technology and climate	

Financial shocks have not been developed in relation to scenario one due to the uncertainty around funding over PC21 and the subsequent difficulty in estimating the degree to which financial shocks relating to other scenarios will increase as a result of any underfunding. Scenario one is unique to NI Water as all other UK water companies benefit from funded regulatory settlements. NI Water has been underfunded through PC15 regulatory settlement (2015-21) and has no visibility of funding for the final four years (2023/24 to 2026/27) of the six year PC21 regulatory settlement. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. Any underfunding of the determination will increase the size and likelihood of the financial shocks across the other scenarios. Further details on the availability of public expenditure funding are contained at page 155.

The financial shocks in relation to scenario 12 (net zero carbon) have been developed in the absence of a climate strategy and net zero carbon route map, both of which are under development.

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.

Pandemics and energy price shocks are included within the suite of scenarios. Both events are difficult to predict given the level of uncertainty about their duration. COVID-19 and energy price rises are considered to be more extreme than the planning assumptions used in the above scenarios. We have, however, considered the actual known impact of both events and will reassess our planning assumptions as the full impact becomes more certain.

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.

#### Fundamental assumptions

This viability statement is based on the following fundamental assumptions:

- that the Shareholder, as the sponsoring Government Department, will provide public expenditure budget cover to fully fund the Utility Regulator's PC21 Final Determination;
- that the Shareholder will provide public expenditure budget cover and liquidity to allow the Group to incur additional expenditure over and above the Utility Regulator's PC21 Final Determination, and associated with one or more of the severe but plausible scenarios occurring. This includes the full impact of COVID-19, future energy price shocks and wider inflationary shocks;
- that a mechanism is agreed with the Shareholder to address the commitment for repayment of the 2027 Capital Loan Note on 31 March 2027;
- 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

- that the 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 as outlined on page 155;
- the Group's current liquidity position as outlined on page 105;
- 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, 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) and has no visibility of funding for the final four years (2023/24 to

2026/27) of the six year PC21 regulatory settlement. The absence of a functioning NI Executive prevents the setting of multi-year public expenditure budgets. NI Water's financial resilience is therefore very 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 in all likelihood 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 are contained at page 155.

#### Assurance

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

- Level 1 - review of the information supporting the financial shocks by corporate risk owners, Corporate Governance, Financial Accounting and Regulation teams. 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 review 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 outlined above, there is a reasonable expectation that NI Water will be able to continue in operation and meet its liabilities as they fall due over the five year assessment period ending in March 2027.

## 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 Dfl 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 threats and opportunities (page 84) for factors which could impact on the amount of distributable profits.

It is anticipated that a final dividend of £19.0m for the year ended 31 March 2022 (2021: £31.2m<sup>3</sup>) 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 2022.

## 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 117.



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 2022, was 31.6 days (2021: 31.7 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 2022, the year to date ratio stood at 11.5 days (2021: 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 £0.34m on Research and development in 2021/22 (2021: £0.35m).

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

## 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 140.

## 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 2022, 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 75.

## 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 2022 (see page 114) 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 (Atkins) 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. 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 will be engaging with employees and Trade Unions over 2022/23 on the Climate Change Strategy.

<sup>3</sup> This dividend in respect of the year ended 31 March 2021 was paid in September 2021.

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

We regularly engage with our supply chain through a variety of channels. Following our successful supplier event in March 2021, where new contacts were established, a number of more targeted pre-market engagement sessions were held throughout 2021/22. There was also substantial engagement with our suppliers on the challenges they were experiencing due to COVID-19, Brexit and wider supply chain issues. Preparation also got underway for our Supplier Engagement event in June 2022 relating to the publication of the Scoring Social Value Policy (PPN01/21).

#### Customers

Our Strategy and Business Plan are based on engagement with our domestic customers and our non-domestic customers including developers. We recognise that we have a different relationship with our domestic customers from our peers in the rest of the UK and that not paying directly for water and sewerage services makes them even further removed and our service even more invisible. In this first year of PC21 we have continued to work in partnership with the Utility Regulator, the CCNI and the DfI in our approach to meeting customer expectations and targets via the consumer engagement oversight group Understanding the views of customers through surveys and feedback has remained a focus for us. Read more about customer engagement on page 20.

#### 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. These included:

- Consumer Engagement Oversight Group, chaired by NI Water and focusing on issues associated with Customers;
- Drinking Water Quality Working Group, chaired by the Drinking Water Inspectorate and focusing on issues associated with Water;

- Social Policy Working Group, chaired by the DfI and focusing on all the other issues associated with People and the Economy;
- Environmental Quality Working Group, chaired by the NIEA and focusing on issues associated with Nature; and
- Cost Assessment Working Group, led by the Utility Regulator and focusing on regulatory cost comparison with England and Wales.

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.

Further details on engaging with our stakeholders is contained in the 'Listening to you' section on page 20.

#### Local Councils

We have presented the current status of water and wastewater infrastructure, capacity constraints and our PC21 capital investment programme to all 11 Local Councils in the context of their Local Development Plans and the 'hub' towns and cities that are central to their growth plans. We have also engaged with the Northern Ireland Local Government Association (NILGA), the Society of Local Authority Chief Executives (SOLACE), as well as the Northern Ireland Federation of Housing Associations (NIFHA). Our engagement over 2021/22 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.

#### Business organisations

This year we continued to focus on engaging with industry groups on our PC21 Business Plan, showcasing what can be done when investment is in place. These groups included construction, manufacturing and agri-food. We liaised with key stakeholders and groups such as the Construction Employers' Federation, NI Food and Drink Association and the Ulster Farmers Union.

#### Political parties

We held updated briefings advising Councils on our Capital Delivery Programme. We also met with Party Leaders, Party

Infrastructure Spokespersons and Party Policy Advisors to ensure that local elected representatives are all fully aware of the current status of water and wastewater infrastructure, NI Water's recommended PC21 capital investment programme for Northern Ireland and the consequences should inadequate funding continue.

### (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 is due for publication in 2022/23 and will outline our approach to net zero and building climate resilience. Find out more at page 66.

### (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 centre 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 the Board of Directors, our intention is to behave responsibly toward our sole Shareholder (DfI), so it too may benefit from the successful delivery of our Business

Plans. This includes servicing the borrowings from DfI and paying a dividend to 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

Pursuant to Section 487 of the Companies Act 2006, the External Auditors will be deemed to be re-appointed and KPMG will therefore continue in office.

By order of the Board



Mark Ellesmere  
Company Secretary  
29 June 2022

# 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 twice 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 so as to maintain 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 the input they have 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 taking into account inflation. Notwithstanding this policy NI Water Limited has been subject to public sector pay policy as a result of its current governance arrangements.

#### Annual bonus

There was no bonus scheme in 2021/22 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 138.

#### 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 a performance assessment.

## Fees paid to members of the Executive Committee

Current	Year to 31 March 2022					Year to 31 March 2021				
	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000 <sup>4</sup>	Total £000	Salary and allowances £000	Bonus £000	Benefits in kind (to nearest £100)	Pension benefits £000	Total £000
Sara Venning	165 - 170	-	-	71	235 - 240	160 - 165	-	-	50	210 - 215
Ronan Larkin	125 - 130	-	-	62	185 - 190	125 - 130	-	-	13	135 - 140
Paul Harper	115 - 120	-	-	44	160 - 165	115 - 120	-	-	43	160 - 165
Des Nevin	115 - 120	-	-	101	220 - 225	110 - 115	-	-	106	215 - 220
<b>Current member of the Executive Committee (not Executive Director):</b>										
Mark Ellesmere	120 - 125	-	-	61	180 - 185	115 - 120	-	-	29	145 - 150
Alistair Jinks	115 - 120	-	-	60	180 - 185	115 - 120	-	-	80	195 - 200
Rose Kelly	105 - 110	-	-	40	145 - 150	105 - 110	-	-	39	140 - 150

### 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 £165k to £170k on a full year equivalent basis (2021: £160k to £165k). This was 4.74 times (2021: 4.79 times) the median

remuneration of the workforce, which was £35,046 (2021: £33,960). The marginal change in the median pay multiple (ratio) between 2020/21 and 2021/22 was primarily due to the annual uplift to the remuneration of the highest paid director offset to a greater degree by increases to the minimum levels of remuneration.

Group	Year to 31 March 2022		Year to 31 March 2021	
	Value	Ratio	Value	Ratio
Highest paid Director (£000)	165 - 170		160 - 165	
25 <sup>th</sup> Percentile (£)	28,925	5.74	- <sup>5</sup>	- <sup>5</sup>
Pay multiple ratio for 25th percentile				
Median total remuneration (£)	35,046	4.74	33,960	4.79
Pay multiple ratio for median remuneration				
75 <sup>th</sup> Percentile (£)	41,642	3.99	- <sup>5</sup>	- <sup>5</sup>
Pay multiple ratio for 75th percentile				
Range of remuneration (£000)	15 - 170		15 - 165	

<sup>4</sup>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.

<sup>5</sup>The 2021/22 financial year is the first year disclosures in respect of the 25th percentile pay ratio and 75th percentile pay ratio are required and the 2021/22 Financial FD (DoF) 04/22 - Appendix A.1 Reporting Manual does not require comparative figures to be disclosed for 2020/21.

## 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 36% 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 2022	Year to 31 March 2021
National median gender pay gap (%)	<b>7.9</b>	7.4
Our median pay gap (%)	<b>(16.3)</b>	(14.9)
Our mean pay gap (%)	<b>(8.8)</b>	(9.0)

## Fees paid to Non-Executive Directors

Current Non-Executive Directors:	Year to 31 March 2022				Year to 31 March 2021			
	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	<b>40 - 45</b>	-	-	<b>40 - 45</b>	40 - 45	-	-	40 - 45
Peter McNaney, CBE	<b>15 - 20</b>	-	-	<b>15 - 20</b>	15 - 20	-	-	15 - 20
Belinda Oldfield	<b>15 - 20</b>	-	-	<b>15 - 20</b>	15 - 20	-	-	15 - 20
Marie-Thérèse McGivern	<b>15 - 20</b>	-	-	<b>15 - 20</b>	15 - 20	-	-	15 - 20
Patrick Larkin	<b>15 - 20</b>	-	-	<b>15 - 20</b>	15 - 20	-	-	15 - 20
Maurice Bullick	<b>15 - 20</b>	-	-	<b>15 - 20</b>	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 if he/she 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.

## 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 2022 £000	Related lump sum at 31 March 2022 £000	Real increase in pension at age 60 £000	Real increase in lump sum at age 60 £000
Sara Venning	35 - 40	60 - 65	2.5 - 5.0	7.5 - 10.0
Ronan Larkin	35 - 40	-	2.5 - 5.0	-
Paul Harper	10 - 15	30 - 35	0 - 2.5	5.0 - 7.5
Des Nevin	60 - 65	185 - 190	5.0 - 7.5	15.0 - 17.5
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	35 - 40	45 - 50	2.5 - 5.0	5.0 - 7.5
Alistair Jinks	30 - 35	-	2.5 - 5.0	-
Rose Kelly	5 - 10	25 - 30	0 - 2.5	5.0 - 7.5

## Pension (CETV) benefits for members of the Executive Committee

Current Executive Directors:	CETV at 31 March 2022 <sup>6</sup> £000	CETV at 31 March 2021 <sup>7</sup> £000	Increase/(decrease) in transfer value less Director's contribution (net of inflation <sup>8</sup> ) £000	Employer contribution (to nearest £100)
Sara Venning	<b>734</b>	641	<b>67</b>	48,500
Ronan Larkin	<b>869</b>	786	<b>82</b>	37,400
Paul Harper	<b>255</b>	196	<b>45</b>	35,000
Des Nevin	<b>1,749</b>	1,647	<b>142</b>	35,000
Current member of the Executive Committee (not Executive Director):				
Mark Ellesmere	<b>831</b>	770	<b>63</b>	35,500
Alistair Jinks	<b>836</b>	753	<b>83</b>	35,000
Rose Kelly	<b>179</b>	127	<b>38</b>	32,100

<sup>6</sup>Based on accrued benefits at 31 March 2022 and financial conditions as at 31 March 2022.

<sup>7</sup>Based on accrued benefits at 31 March 2021 and financial conditions as at 31 March 2021.

<sup>8</sup>CPI inflation of 0.5% (CPI figure for the year to September 2020).

## What have we done to improve diversity and inclusion?

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 diversity and inclusion front and centre of how we do business.

Our 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 and inclusion firmly within our new 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.

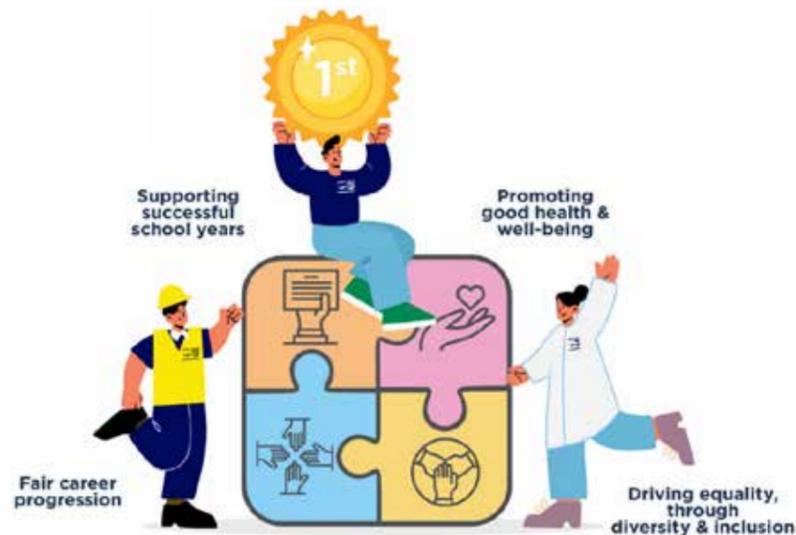
Over the last two years, we have significantly strengthened our commitment to diversity and inclusion, forming strategic partnerships with a range of external advocacy bodies and investing in dedicated resources to drive the strategy forward. Our diversity and inclusion employee working group, formed in 2019 continues to go from strength to strength, informing and participating in campaigns, initiatives and decisions on diversity and inclusion.

Highlights of our diversity and inclusion journey are shown below:



### Helping to 'Level Up' Northern Ireland.

In 2021, NI Water became 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 post COVID-19.



**NI Water, the first Company in NI to sign up to Government's Levelling Up Goals**



### Badge of best practice.

NI Water achieved the Bronze Diversity Charter mark in 2019/20 and has been successfully re-accredited against this standard for three years running. In 2022/23 we are working towards achieving the silver standard.



### Social mobility.

First company in Northern Ireland to sign up to the UK Social Mobility Pledge in 2019/20, demonstrating our commitment to improve social mobility in the communities we serve.



### Disability confident.

Recognised in 2019/20 as a disability confident employer, as an endorsement of our commitment to recruit and retain disabled people and people with health conditions.



### Responsible business champion.

Recognised in 2020/21 as a Responsible Business Champion in the diversity and inclusion category through Business in the Community responsible business awards. Champion status is awarded to companies that have demonstrated full commitment to the responsible business agenda and exemplify best practice that can motivate and inspire others.



### Energy and Utility Skills Partnership: Inclusion Commitment.

In 2020/21 NI Water became one of 45 partner organisations to sign up to the EU Skills Inclusion Commitment. Participating organisations agree to five key inclusion principles and commit to measuring and being transparent about diversity and inclusion progress in their organisation and across the sector.

### Increasing female representation

Changes have been made to hiring practices including use of software to check for gender neutral language in recruitment advertising, mandatory unconscious bias training for interviewers and revised schools outreach campaigns to strengthen our employer brand. As a result, female representation through hiring strategies increased from 30% in 2016 to 42% in 2021.

### Raising awareness

During 2021/22, over 40 NI Water colleagues across all Directorates participated in six diversity campaigns to raise awareness of, and commit to, diversity and inclusion. These campaigns were International Women's Day, Maths Week at Work, International Women in Engineering Day, National Inclusion Week, International Men's Day and our inaugural month long Menopause Awareness programme.



### Developing inclusive leaders

In 2021/22, NI Water's Board participated in an inclusive leadership workshop led by EY in order to model our commitment from the top in developing a culture of diversity and inclusion.

### Providing opportunities for all

Despite the pandemic, NI Water recruited over 100 employees in 2021, including over 30 apprentices, supporting employment in the local economy.

### Supporting early careers

In 2021/22, we launched our first reverse mentoring programme, matching new apprentices with experienced staff in a mutually beneficial mentoring arrangement. We also surveyed our entry level class of 2021/22 to understand their experience of work at NI Water. The results were overwhelmingly positive with 100% of respondents stating that they felt comfortable to 'be themselves' at work (testament to the work being done to create a culture of diversity and inclusion) and 100% said they would recommend NI Water as a great place to work to others.

### Bringing our values to life

In 2021/22, over 100 employees participated in our values project to define the behaviours that sit behind our values (Respect, Excellence, Integrity, Customer and Sustainability) and create a common standard of behaviour to which we can all aspire.

### The journey continues

We've come a long way in the last two years but there is more to do. In 2022/23, we've prioritized a number of key groups to receive diversity and inclusion training including all senior leaders. We will continue our awareness campaigns in four areas (gender, age, social mobility and neuro diversity) and we will advance our social mobility agenda via actioning our 'levelling up' recommendations, ramping up our apprenticeship strategy and increasing the use of social clauses within our supply chain contracts.



Dr Leonard J. P. O'Hagan CBE DL  
Chair of the Board  
29 June 2022

## 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 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 117 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 2022 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 2022; 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  
29 June 2022



*NI Water Developers Services staff on site at a housing development in Craigavon, County Armagh.*

## Consolidated statement of financial position

	Note	At 31 March 2022 £000	At 31 March 2021 £000
<b>Assets</b>			
Property, plant and equipment	A1	3,550,238	3,378,565
Investment properties	A3	1,874	1,876
Intangible assets and goodwill	A4	72,760	57,356
Investments	A5	-	-
<b>Total non-current assets</b>		<b>3,624,872</b>	<b>3,437,797</b>
Inventories	A6	4,598	4,463
Trade and other receivables	C4	36,098	22,880
Unbilled revenue	C5	10,641	8,647
Prepayments		2,059	1,556
Cash and cash equivalents	A7	85,911	39,592
Assets classified as held for sale	A8	26	40
<b>Total current assets</b>		<b>139,333</b>	<b>77,178</b>
<b>Total assets</b>		<b>3,764,205</b>	<b>3,514,975</b>
<b>Equity</b>			
Share capital	B3	500,000	500,000
Statutory distributable reserve		171,690	171,690
Retained earnings		415,583	443,617
Fair value reserve		(76)	(76)
<b>Total equity attributable to owner of the Company</b>		<b>1,087,197</b>	<b>1,115,231</b>
<b>Liabilities</b>			
Loans and borrowings	B1	1,596,609	1,438,675
Interest rate swap	D2	4,517	8,225
Other payables	D2	2,039	1,116
Deferred income	C2	558,998	523,384
Provisions	D3	7,405	1,247
Deferred tax liabilities	F1	296,023	208,402
Employee benefits	E2	29,055	62,627
<b>Total non-current liabilities</b>		<b>2,494,646</b>	<b>2,243,676</b>
Loans and borrowings	B1	11,542	9,517
Trade payables	D2	147,449	124,063
Other payables	D2	16,511	15,962
Deferred income	C2	4,400	4,791
Provisions	D3	2,460	1,735
<b>Total current liabilities</b>		<b>182,362</b>	<b>156,068</b>
<b>Total liabilities</b>		<b>2,677,008</b>	<b>2,399,744</b>
<b>Total equity and liabilities</b>		<b>3,764,205</b>	<b>3,514,975</b>

The financial statements were authorised for issue by the Board of Directors on 29 June 2022 and were signed on its behalf by:



Sara Venning,  
Chief Executive,  
29 June 2022

The Notes on pages 155 to 217 form part of these financial statements.

## Company statement of financial position

	Note	At 31 March 2022 £000	At 31 March 2021 £000
<b>Assets</b>			
Property, plant and equipment	A1	3,549,922	3,378,077
Investment properties	A3	1,874	1,876
Intangible assets	A4	49,839	34,435
Investments	A5	5,000	5,000
<b>Total non-current assets</b>		<b>3,606,635</b>	<b>3,419,388</b>
Inventories	A6	4,424	4,312
Trade and other receivables	C4	69,615	55,807
Unbilled revenue	C5	10,641	8,647
Prepayments		2,302	1,565
Cash and cash equivalents	A7	70,135	26,161
Assets classified as held for sale	A8	26	40
<b>Total current assets</b>		<b>157,143</b>	<b>96,532</b>
<b>Total assets</b>		<b>3,763,778</b>	<b>3,515,920</b>
<b>Equity</b>			
Share capital	B3	500,000	500,000
Statutory distributable reserve		171,690	171,690
Retained earnings		417,534	447,760
Fair value reserve		(76)	(76)
<b>Total equity attributable to owner of the Company</b>		<b>1,089,148</b>	<b>1,119,374</b>
<b>Liabilities</b>			
Loans and borrowings	B1	1,605,278	1,445,962
Other payables	D2	2,039	1,116
Deferred income	C2	558,998	523,384
Provisions	D3	7,405	1,247
Deferred tax liabilities	F1	290,183	204,680
Employee benefits	E2	29,055	62,627
<b>Total non-current liabilities</b>		<b>2,492,958</b>	<b>2,239,016</b>
Loans and borrowings	B1	10,700	8,949
Trade payables	D2	147,362	126,153
Other payables	D2	16,750	15,902
Deferred income	C2	4,400	4,791
Provisions	D3	2,460	1,735
<b>Total current liabilities</b>		<b>181,672</b>	<b>157,530</b>
<b>Total liabilities</b>		<b>2,674,630</b>	<b>2,396,546</b>
<b>Total equity and liabilities</b>		<b>3,763,778</b>	<b>3,515,920</b>

The Company's loss for the year ended 31 March 2022 was (£34,042k) (2021: £44,475k).

The financial statements were authorised for issue by the Board of Directors on 29 June 2022 and were signed on its behalf by:



Sara Venning,  
Chief Executive,  
29 June 2022

The Notes on pages 155 to 217 form part of these financial statements.

## Consolidated statement of comprehensive income

	Note	Year to 31 March 2022 £000	Year to 31 March 2021 £000
<b>Revenue</b>	C1	<b>441,191</b>	418,906
Other income	C3	2,729	750
Operating expenses	D1	(338,178)	(301,869)
Research and development expenses		(342)	(350)
<b>Results from operating activities</b>		<b>105,400</b>	117,437
Finance income	B2	4,278	2,716
Finance costs	B2	(63,242)	(61,881)
<b>Net finance costs</b>		<b>(58,964)</b>	(59,165)
<b>Profit before income tax</b>		<b>46,436</b>	58,272
Income tax expense	F1	(78,286)	(11,527)
<b>(Loss)/Profit for the year</b>		<b>(31,850)</b>	46,745
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss: Defined benefit plan actuarial gains/(losses)	F1	34,985	(23,983)
<b>Other comprehensive income for the period, net of income tax</b>		<b>34,985</b>	(23,983)
<b>Total comprehensive income for the period</b>		<b>3,135</b>	22,762
<b>(Loss)/Profit attributable to:</b>			
Owner of the Company		(31,850)	46,745
<b>Total comprehensive income attributable to:</b>			
Owner of the Company		3,135	22,762

All profits relate to continuing operations.

## 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 2021	B3	500,000	171,690	443,617	(76)	1,115,231
<b>Total comprehensive income for the period</b>						
Loss for the year		-	-	(31,850)	-	(31,850)
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	44,209	-	44,209
Deferred tax arising on gains in defined benefit plan	F1	-	-	(11,052)	-	(11,052)
Deferred tax arising on losses in defined benefit plan (rate change)	F1	-	-	1,828	-	1,828
<b>Total other comprehensive income</b>		-	-	34,985	-	34,985
<b>Total comprehensive income for the period</b>		-	-	3,135	-	3,135
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to owner of the Company	B3	-	-	(31,169)	-	(31,169)
<b>Balance at 31 March 2022</b>		<b>500,000</b>	<b>171,690</b>	<b>415,583</b>	<b>(76)</b>	<b>1,087,197</b>
Dividends per share (GBP)						0.06

The Notes on pages 155 to 217 form part of these financial statements.

The Notes on pages 155 to 217 form part of these financial statements.

## 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 2020	B3	500,000	171,690	450,740	(76)	1,122,354
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	46,745	-	46,745
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial losses	E2	-	-	(29,609)	-	(29,609)
Deferred tax arising on losses in defined benefit plan	F1	-	-	5,626	-	5,626
<b>Total other comprehensive income</b>		-	-	(23,983)	-	(23,983)
<b>Total comprehensive income for the period</b>		-	-	22,762	-	22,762
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to the owner of the Company	B3	-	-	(29,885)	-	(29,885)
Balance at 31 March 2021		500,000	171,690	443,617	(76)	1,115,231
Dividends per share (GBP)						0.06

## 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 2021	B3	500,000	171,690	447,760	(76)	1,119,374
<b>Total comprehensive income for the period</b>						
Loss for the year		-	-	(34,042)	-	(34,042)
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial gains	E2	-	-	44,209	-	44,209
Deferred tax arising on gains in defined benefit plan	F1	-	-	(11,052)	-	(11,052)
Deferred tax arising on losses in defined benefit plan (rate change)	F1	-	-	1,828	-	1,828
<b>Total other comprehensive income</b>		-	-	34,985	-	34,985
<b>Total comprehensive income for the period</b>		-	-	943	-	943
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to the owner of the Company	B3	-	-	(31,169)	-	(31,169)
Balance at 31 March 2022		500,000	171,690	417,534	(76)	1,089,148
Dividends per share (GBP)						0.06

The Notes on pages 155 to 217 form part of these financial statements.

The Notes on pages 155 to 217 form part of these financial statements.

## Company statement of changes in equity continued

	Attributable to the owner of the Company					Total equity £000
	Note	Share capital £000	Statutory distributable reserve £000	Retained earnings £000	Fair value reserve £000	
Balance at 1 April 2020	B3	500,000	171,690	457,153	(76)	1,128,767
<b>Total comprehensive income for the period</b>						
Profit for the year		-	-	44,475	-	44,475
<b>Other comprehensive income</b>						
<b>Items that will never be reclassified to profit or loss:</b>						
Defined benefit pension plan actuarial losses	E2	-	-	(29,609)	-	(29,609)
Deferred tax arising on losses in defined benefit plan	F1	-	-	5,626	-	5,626
<b>Total other comprehensive income</b>		-	-	<b>(23,983)</b>	-	<b>(23,983)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>20,492</b>	-	<b>20,492</b>
<b>Transactions with owner, recognised directly in equity</b>						
<b>Distributions to owner of the Company</b>						
Dividends to the owner of the Company	B3	-	-	(29,885)	-	(29,885)
Balance at 31 March 2021		<b>500,000</b>	<b>171,690</b>	<b>447,760</b>	<b>(76)</b>	<b>1,119,374</b>

Dividends per share (GBP)

0.06

## Consolidated statement of cash flows

	Note	Year to 31 March 2022 £000	Year to 31 March 2021 £000
<b>Cash flows from operating activities</b>			
Profit before tax		<b>46,436</b>	58,273
Adjustments for:			
Depreciation	A1, A3	<b>84,544</b>	81,708
Amortisation of intangible assets	A4	<b>7,065</b>	6,556
Amortisation of deferred credit on adopted assets		<b>(3,787)</b>	(3,498)
Gain on sale of property, plant and equipment	C3	<b>(585)</b>	(193)
Interest expense (net)	B2	<b>58,964</b>	59,165
Amortisation of goodwill	A4	-	-
Amortisation of fair value senior debt loan and associated deferred tax		<b>(552)</b>	(552)
Tax paid		<b>(417)</b>	(200)
		<b>191,668</b>	201,259
Changes in:			
- inventories		<b>135</b>	705
- trade and other receivables		<b>(14,675)</b>	(365)
- unbilled revenue		<b>(2,757)</b>	3,884
- trade and other payables		<b>1,451</b>	7,551
- provisions		<b>6,882</b>	(1,008)
- excess of pension charge over cash pension contributions		<b>8,026</b>	(11,372)
<b>Cash generated from operating activities</b>		<b>190,730</b>	200,654
<b>Cash flows from investing activities</b>			
Interest received		<b>3</b>	36
Proceeds from sale of property, plant and equipment		<b>613</b>	257
Insurance proceeds		<b>1,120</b>	-
Acquisition of property, plant and equipment, and intangible assets		<b>(216,715)</b>	(170,869)
Grants received		<b>2,257</b>	11,076
<b>Net cash used in investing activities</b>		<b>(212,722)</b>	(159,500)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>170,000</b>	83,000
Payment of finance lease liabilities		<b>(4,927)</b>	(4,930)
Payment of bank loans		<b>(4,641)</b>	(3,895)
Interest paid		<b>(60,952)</b>	(60,714)
Dividends paid	B3	<b>(31,169)</b>	(29,885)
<b>Net cash from financing activities</b>		<b>68,311</b>	(16,424)
<b>Net increase in cash and cash equivalents</b>		<b>46,319</b>	24,730
<b>Cash and cash equivalents at 1 April</b>	A7	<b>39,592</b>	14,862
<b>Cash and cash equivalents at 31 March</b>	A7	<b>85,911</b>	39,592

The Notes on pages 155 to 217 form part of these financial statements.

The Notes on pages 155 to 217 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 international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS").

### 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 2022. The Directors consider it appropriate to adopt the going concern approach given the regulatory, financial and governance environment within which the Parent Company operates as described below:

- NI Water Limited 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 Utility Regulator and underpinned by the Water and Sewerage Services (Northern Ireland) Order 2006, which designates NI Water Limited as the sole Water and Sewerage Undertaker for Northern Ireland;
- following the NI Assembly decision to defer the introduction of domestic water charges, NI Water Limited receives funding by means of a subsidy provided by DfI. Due to the level of subsidy, NI Water Limited is also designated as a NDPB and is subject to public sector spending rules i.e. public expenditure;
- following the launch of the 25 year strategy in September 2019, NI Water submitted its Business Plan for the PC21 Price Control period (April 2021 to March 2027) to the Utility Regulator in January 2020. The PC21 Business Plan is a strong, challenging and ambitious plan seeking to balance service delivery and consumer interests with continuing efficiency over both the near and longer term;
- the Utility Regulator published the PC21 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 the DfI and the NI Executive and on the basis of a continuing commitment to fund the PC21 Final Determination to deliver the outputs and outcomes for customers; and
- since then, global energy prices have risen to unprecedented levels which created a c.£20m shortfall in Resource DEL<sup>9</sup> in 2021/22. The shortfall was met by DfI in January Monitoring Round however pressures in relation to energy and inflation are expected to prevail into 2022/23 and beyond.

NI Water's Operating Plan and Budget for the 2022/23 year sets out a Resource Cash DEL requirement of £173.2m and a Capital DEL requirement of £282m. This reflects the second year of the PC21 Final Determination (2022/23) adjusted for higher energy costs and higher than forecast inflation. Since then, energy prices have continued to fluctuate and current best estimate of our Resource Cash DEL requirement for 2022/23 is £184m.

The DfI Accounting Officer has written to NI Water setting out current arrangements in relation to Resource DEL and Capital DEL planning envelopes for 2022/23 in the absence of budgets being approved by the NI Executive.

<sup>9</sup>Departmental Expenditure Limits (DEL) are government budgets. The budgets are split between Resource DEL (RDEL) for day-to-day spending and Capital DEL (CDEL) for investment.

## Company statement of cash flows

	Note	Year to 31 March 2022 £000	Year to 31 March 2021 £000
<b>Cash flows from operating activities</b>			
Profit before tax		42,236	55,721
Adjustments for:			
Depreciation	A1, A3	84,359	81,524
Amortisation of intangible assets	A4	7,065	6,556
Gain on sale of property, plant and equipment	C3	(585)	(193)
Interest expense (net)		63,781	62,362
Amortisation of deferred credit for adopted assets	C1	(3,787)	(3,498)
Tax paid		(223)	(88)
		192,846	202,384
Changes in:			
- inventories		(112)	(754)
- trade and other receivables		(15,972)	(1,897)
- unbilled revenue		(2,731)	3,843
- trade and other payables		(1,275)	9,792
- provisions		6,882	(1,008)
- excess of pension charge over cash pension contributions		8,026	(11,372)
<b>Cash generated from operating activities</b>		187,664	200,988
<b>Cash flows from investing activities</b>			
Interest received		1,356	1,525
Proceeds from sale of property, plant and equipment		613	250
Insurance proceeds		1,120	-
Acquisition of property, plant and equipment, and intangible assets		(216,772)	(171,994)
Loan to subsidiaries		-	(1,097)
Repayment of loan from subsidiaries		710	-
Grants received		2,257	11,076
<b>Net cash used in investing activities</b>		(210,716)	(160,240)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		170,000	83,000
Payment of finance lease liabilities		(8,994)	(8,148)
Interest paid		(62,811)	(62,634)
Dividends paid	B3	(31,169)	(29,885)
<b>Net cash from financing activities</b>		67,026	(17,667)
<b>Net increase in cash and cash equivalents</b>		43,974	23,081
<b>Cash and cash equivalents at 1 April</b>	A7	26,161	3,080
<b>Cash and cash equivalents at 31 March</b>	A7	70,135	26,161

## 1. Key accounting policies continued

### c) Basis of measurement continued

#### Going concern continued

- The indicative Resource DEL allocation shared was £107.8m, a £65m shortfall to the 2022/23 Operating Plan and Budget approved by the NI Water Board in January 2022 and a £76m shortfall to the current best estimate.
- The latest Capital DEL allocation shared was £250m, a £32m shortfall to the 2022/23 Operating Plan and Budget approved by the NI Water Board in January 2022.
- The expectation is that current shortfalls in both Resource Cash DEL and Capital DEL can be successfully bid for in Monitoring Rounds.

DfI has subsequently confirmed full Capital DEL allocation for 2022/23 of £282m to secure necessary investment in Northern Ireland's vital water and wastewater infrastructure.

The DfI Accounting Officer has also provided a letter of assurance to NI Water in relation to the current shortfall in the Resource DEL planning envelope and contingency arrangements that may need to be put in place such that NI Water can continue to trade and meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements for the year ended 31 March 2022. The letter of assurance provides the confirmation required to enable NI Water to comply with its statutory duties and secure the continued provision of water and wastewater services.

NI Water has access to cash through the new loan note instrument which enables the Company to draw down loans up to £1.75bn from 1 April 2022 to 31 March 2027. In addition, the Company has access to a working capital facility of £20m.

Operating Plan targets for 2022/23 reflect the Utility Regulator's PC21 Final Determination with some adjustment for efficient delivery.

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

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.

## Key themes for NI Water

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## 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 106 to 107.

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 section G1.

### A1. Property, plant and equipment

	Company						Group	
	Land and buildings £000	Infrastructure assets £000	Operational assets* £000	Vehicle plant and equipment £000	Assets in the course of construction £000	Total £000	Vehicle plant and equipment £000	Total £000
<b>Cost or deemed cost</b>								
Balance at 1 April 2020	86,979	2,073,184	1,507,311	17,484	250,091	<b>3,935,049</b>	852	<b>3,935,901</b>
Additions	-	3,858	-	-	171,345	<b>175,203</b>	8	<b>175,211</b>
Additions - Right-of-use assets	-	-	23	-	-	<b>23</b>	39	<b>62</b>
Customer contributions	-	40,153	527	-	-	<b>40,680</b>	-	<b>40,680</b>
Disposals	(8)	(1,254)	(2,052)	(260)	-	<b>(3,574)</b>	(10)	<b>(3,584)</b>
Transfers	902	66,135	92,202	975	(160,214)	-	-	-
Transfer from investment properties	12,000	-	-	-	-	<b>12,000</b>	-	<b>12,000</b>
<b>Balance at 31 March 2021</b>	<b>99,873</b>	<b>2,182,076</b>	<b>1,598,011</b>	<b>18,199</b>	<b>261,222</b>	<b>4,159,381</b>	<b>889</b>	<b>4,160,270</b>
Balance at 1 April 2021	99,873	2,182,076	1,598,011	18,199	261,222	<b>4,159,381</b>	889	<b>4,160,270</b>
Additions	-	4,611	-	-	211,583	<b>216,194</b>	-	<b>216,194</b>
Additions - Right-of-use assets	-	-	28	-	-	<b>28</b>	13	<b>41</b>
Customer contributions	1	38,475	1,518	-	-	<b>39,994</b>	-	<b>39,994</b>
Disposals	-	(789)	-	(850)	-	<b>(1,639)</b>	-	<b>(1,639)</b>
Transfers	1,929	42,066	88,963	2,305	(135,263)	-	-	-
Transfer from investment properties	(3)	-	-	-	-	<b>(3)</b>	-	<b>(3)</b>
<b>Balance at 31 March 2022</b>	<b>101,800</b>	<b>2,266,439</b>	<b>1,688,520</b>	<b>19,654</b>	<b>337,542</b>	<b>4,413,955</b>	<b>902</b>	<b>4,414,857</b>

\*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
<b>Depreciation and impairment losses</b>								
Balance at 1 April 2020	(12,953)	(175,171)	(493,881)	(13,853)	-	<b>(695,858)</b>	(220)	<b>(696,078)</b>
Depreciation for the year	(1,286)	(19,782)	(58,805)	(1,340)	-	<b>(81,213)</b>	(133)	<b>(81,346)</b>
Depreciation for the year - Right-of-use assets	(274)	(10)	(23)	-	-	<b>(307)</b>	(51)	<b>(358)</b>
Disposals	8	1,254	2,052	260	-	<b>3,574</b>	3	<b>3,577</b>
Transfer from investment properties	(7,500)	-	-	-	-	<b>(7,500)</b>	-	<b>(7,500)</b>
<b>Balance at 31 March 2021</b>	<b>(22,005)</b>	<b>(193,709)</b>	<b>(550,657)</b>	<b>(14,933)</b>	-	<b>(781,304)</b>	<b>(401)</b>	<b>(781,705)</b>
Balance at 1 April 2021	(22,005)	(193,709)	(550,657)	(14,933)	-	<b>(781,304)</b>	(401)	<b>(781,705)</b>
Depreciation for the year	(1,308)	(20,089)	(61,370)	(1,288)	-	<b>(84,055)</b>	(135)	<b>(84,190)</b>
Depreciation for the year - Right-of-use assets	(274)	(10)	(16)	-	-	<b>(300)</b>	(50)	<b>(350)</b>
Disposals	-	789	-	837	-	<b>1,626</b>	-	<b>1,626</b>
<b>Balance at 31 March 2022</b>	<b>(23,587)</b>	<b>(213,019)</b>	<b>(612,043)</b>	<b>(15,384)</b>	-	<b>(864,033)</b>	<b>(586)</b>	<b>(864,619)</b>
<b>Carrying amounts</b>								
At 31 March 2021	77,868	1,988,367	1,047,354	3,266	261,222	3,378,077	488	3,378,565
<b>At 31 March 2022</b>	<b>78,213</b>	<b>2,053,420</b>	<b>1,076,477</b>	<b>4,270</b>	<b>337,542</b>	<b>3,549,922</b>	<b>316</b>	<b>3,550,238</b>

\* 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 £1,174k 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 £6,886k (2021: £6,503k) of borrowing costs capitalised during the period using a capitalisation rate of 3.29% (2021: 3.54%) relating to the Parent Company.

## A1. Property, plant and equipment continued

### Leased assets (Group and Company)

	At 31 March 2022 £000	At 31 March 2021 £000
The net book value of land and buildings comprises:		
Freehold	75,996	75,373
Leasehold - long and short term	2,217	2,495
<b>Total</b>	<b>78,213</b>	<b>77,868</b>

	At 31 March 2022 £000	At 31 March 2021 £000
Land within this total is not depreciated and is shown as follows:		
Freehold	23,957	20,895

### 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 2022 £000	At 31 March 2021 £000
Contracted	243,762	146,165

In addition to the above, at the end of the financial year the Group and Company had entered into commitments amounting to £3,540m (2021: £802m). These commitments relate to planned future capital spend. The contracted amount of £244m (2021: £146m) 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 2022 is £13.00m and £5.29m respectively (2021: £12.89m and £5.37m). The amount included in PPP Creditors at 31 March 2022 is £0.77m (2021: £1.02m).

### 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 2022 is £153.46m and £99.06m respectively (2021: £150.40m and £100.54m). The amount included in PPP Creditors at 31 March 2022 is £99.03m (2021: £103.34m).

## 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 2022 is £129.20m and £80.42m respectively (2021: £126.81m and £82.05m). The amount included in PPP Creditors at 31 March 2022 is £75.02m (2021: £79.14m). 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.

### A3. Investment properties

	Group	Company
	Total £000	Total £000
<b>Cost or deemed cost</b>		
Balance at 1 April 2020	18,960	18,960
Disposals	(1)	(1)
Transfers to non-current assets held for sale	(6)	(6)
Transfers from non-current assets held for sale	3	3
Transfer to property, plant and equipment	(12,000)	(12,000)
<b>Balance at 31 March 2021</b>	<b>6,956</b>	<b>6,956</b>
Balance at 1 April 2021	6,956	6,956
Disposals	-	-
Transfers to non-current assets held for sale	-	-
Transfers from non-current assets held for sale	2	2
Transfer to property, plant and equipment	-	-
<b>Balance at 31 March 2022</b>	<b>6,958</b>	<b>6,958</b>
<b>Accumulated depreciation and impairment losses</b>		
Balance at 1 April 2020	(12,576)	(12,576)
Disposals	-	-
Impairment loss	-	-
Depreciation for the year	(4)	(4)
Transfers to property, plant and equipment	7,500	7,500
<b>Balance at 31 March 2021</b>	<b>(5,080)</b>	<b>(5,080)</b>
Balance at 1 April 2021	(5,080)	(5,080)
Disposals	-	-
Impairment loss	-	-
Depreciation for the year	(4)	(4)
Transfers to property, plant and equipment	-	-
<b>Balance at 31 March 2022</b>	<b>(5,084)</b>	<b>(5,084)</b>
Carrying amounts		
At 31 March 2021	1,876	1,876
<b>At 31 March 2022</b>	<b>1,874</b>	<b>1,874</b>

#### Impairment loss

During the year ended 31 March 2022, the Group and Company did not recognise any impairment loss for investment properties (2021: £Nil).

### A4. Intangible assets and goodwill

	Company			Group	
	Computer programs and software £000	Assets in the course of construction £000	Total £000	Goodwill £000	Total £000
<b>Cost</b>					
Balance at 1 April 2020	87,065	7,905	94,970	23,935	118,905
Additions	-	12,035	12,035	-	12,035
Transfers	9,431	(9,431)	-	-	-
Disposals	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>96,496</b>	<b>10,509</b>	<b>107,005</b>	<b>23,935</b>	<b>130,940</b>
Balance at 1 April 2021	96,496	10,509	107,005	23,935	130,940
Additions	-	22,469	22,469	-	22,469
Transfers	28,239	(28,239)	-	-	-
Disposals	-	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>124,735</b>	<b>4,739</b>	<b>129,474</b>	<b>23,935</b>	<b>153,409</b>
<b>Amortisation and impairment losses</b>					
Balance at 1 April 2020	(66,014)	-	(66,014)	(1,014)	(67,028)
Amortisation for the year	(6,556)	-	(6,556)	-	(6,556)
Disposals	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>(72,570)</b>	<b>-</b>	<b>(72,570)</b>	<b>(1,014)</b>	<b>(73,584)</b>
Balance at 1 April 2021	(72,570)	-	(72,570)	(1,014)	(73,584)
Amortisation for the year	(7,065)	-	(7,065)	-	(7,065)
Disposals	-	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>(79,635)</b>	<b>-</b>	<b>(79,635)</b>	<b>(1,014)</b>	<b>(80,649)</b>
<b>Carrying amounts</b>					
At 31 March 2021	23,926	10,509	34,435	22,921	57,356
<b>At 31 March 2022</b>	<b>45,100</b>	<b>4,739</b>	<b>49,839</b>	<b>22,921</b>	<b>72,760</b>

#### a) Impairment testing for goodwill

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

The cash flow projections included specific estimates for the life of the finite contract and the discount rate was a post-tax measure estimated based on the historical industry average weighted-average equity cost of capital, at a market interest rate of 7.5%.

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 2028/29 onwards based on the current forecasts.

## 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.

£342k (2021: £350k) of research and development expenditure was recognised as an expense during the period. The following intangible assets are deemed to be material to the Group and Company's financial statements:

Description	Carrying amount	Remaining amortisation period (years)
MC2 implementation (mobile work management)	£0.4m	2
Water mains studies	£0.3m	2
Wastewater networks modelling	£4.2m	10
In-sourcing Network Modelling	£0.3m	7
Oracle	£0.9m	6
Clean water model	£2.3m	9
Capital Efficiency Portfolio	£1.0m	9
Capital Programme, Monitoring and Reporting	£0.3m	5
Netbase	£0.4m	7
Energy Storage	£0.5m	7
Digital Client Side Support	£0.6m	6
Asbestos Surveys	£1.0m	10
Strategic Sewerage Network Modelling	£1.9m	10
Digital Services	£2.3m	7
Metering & Billing	£6.0m	7
NI Asset Management Plan 5	£4.8m	9
Goodwill arising on acquisitions	£22.92m	10

The contractual commitments for the acquisition of intangible assets as at 31 March 2022 are £7,322k (2021: £5,431k).

## A5. Investments

	Company	
	At 31 March 2022 £	At 31 March 2021 £
Investment in subsidiaries	5,000,001	5,000,001
<b>Total</b>	<b>5,000,001</b>	<b>5,000,001</b>

In January 2022, NI Water Group was restructured to facilitate dissolution of Dalriada Water Holdings Limited. Dalriada Water Holdings Limited agreed to sell its entire issued share capital in Dalriada Water Limited to NI Water Clear Limited for nil consideration and Dalriada Water Limited Loan Note deed was novated from Dalriada Water Holdings Limited to NI Water Clear Limited.

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
Dalriada Water Holdings 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.

\*\* Owned by NI Water Clear Limited as of 24 January 2022.

## A5. Investments continued

### List of subsidiaries

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



## A6. Inventories

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Raw materials and consumables	4,598	4,463	4,424	4,312
<b>Total</b>	<b>4,598</b>	<b>4,463</b>	<b>4,424</b>	<b>4,312</b>

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

During the year raw materials, consumables and work in progress issued from stores and recognised within operating costs for the Group amounted to £4,867k (2021: £4,564k) (Company: £699k, 2021: £732k). The inventory held in stores is a component of total inventories. In the year ending 31 March 2022 the write-down of inventories to net realisable value amounted to £60k (2021: £60k). This relates to a provision against slow moving raw materials and consumables stock of £60k (2021: £60k). The write-downs are included in operating expenses.

## A7. Cash and cash equivalents

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Bank balances	84,893	38,574	69,117	25,143
Call deposits	1,018	1,018	1,018	1,018
<b>Cash and cash equivalents</b>	<b>85,911</b>	<b>39,592</b>	<b>70,135</b>	<b>26,161</b>

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

## A8. Non-current assets held for sale

The Company's Land Management Department is focused on selling the properties no longer required for operational purposes. Efforts to sell the assets have commenced and where the sale is expected by March 2022 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 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Balance at 1 April	40	93	40	93
Net transfer from investment properties	-	6	-	6
Net transfer to investment properties	(2)	(3)	(2)	(3)
Net transfer from property, plant and equipment	3	-	3	-
Impairment/Depreciation	-	-	-	-
Disposals	(15)	(56)	(15)	(56)
<b>Balance at 31 March</b>	<b>26</b>	<b>40</b>	<b>26</b>	<b>40</b>

A gain of £2k (2021: £103k) 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.

## A9. Leases continued

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 2021	1,448	367	4	118	1,937
Depreciation charge for the year	(274)	(10)	(16)	(50)	(350)
Additions to right-of-use assets	-	-	28	13	41
<b>Balance at 31 March 2022</b>	<b>1,174</b>	<b>357</b>	<b>16</b>	<b>81</b>	<b>1,628</b>

	Land and buildings £000	Infrastructure assets £000	Operational assets £000	Vehicle plant and equipment £000	Total £000
Balance at 1 April 2020	1,722	377	4	130	2,233
Depreciation charge for the year	(274)	(10)	(23)	(51)	(358)
Additions to right-of-use assets	-	-	23	39	62
<b>Balance at 31 March 2021</b>	<b>1,448</b>	<b>367</b>	<b>4</b>	<b>118</b>	<b>1,937</b>

### b) Amounts recognised in profit or loss

2022 - Leases under IFRS 16	Profit or loss and cash flow £000
Interest on lease liabilities	36
Depreciation on right-of-use assets	350
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	35

2021 - Leases under IFRS 16	Profit or loss and cash flow £000
Interest on lease liabilities	43
Depreciation on right-of-use assets	358
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	16

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

	At 31 March 2022 £000
Total cash outflow for leases	378

## A9. Leases continued

### 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.

During the year a new direct award contract to Xerox was awarded for two years for the photocopier lease starting on 1 June 2021 and ending on 31 May 2023.

### 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 2022 was £1,365k (2021: £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.

2022 - Operating leases under IFRS 16	At 31 March 2022 £000
Less than one year	1,365
One to two years	1,365
Two to three years	1,365
Three to four years	1,365
Four to five years	1,365
More than five years*	118,235
<b>Total</b>	<b>125,060</b>

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

## 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 section 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 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
<b>Non-current liabilities</b>				
Capital loan notes	1,439,560	1,269,560	1,439,560	1,269,560
Bank loans	61,266	67,664	-	-
Finance lease liabilities (PPP)	94,452	99,805	164,416	174,822
Finance lease liabilities (IFRS 16)	1,331	1,646	1,302	1,580
<b>Total</b>	<b>1,596,609</b>	<b>1,438,675</b>	<b>1,605,278</b>	<b>1,445,962</b>
<b>Current liabilities</b>				
Current portion of bank loans	5,846	4,641	-	-
Current portion of finance lease liabilities (PPP)	5,353	4,549	10,406	8,669
Current portion of finance lease liabilities (IFRS 16)	343	327	294	280
<b>Total</b>	<b>11,542</b>	<b>9,517</b>	<b>10,700</b>	<b>8,949</b>

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Group					
			At 31 March 2022		At March 2021	
	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	286,000	286,000
Bank loan - EIB	5.18%	2030	29,087	30,920	31,626	33,714
Bank loan - RBC	LIBOR + margin	2029	34,047	36,192	36,202	38,591
PPP finance lease liabilities - Omega	3.67%	2032	99,033	99,033	103,339	103,339
PPP finance lease liabilities - Kinnegar	3.99%	2024	772	772	1,015	1,015
Finance lease liabilities (IFRS 16)	2.20% - 2.70%	2020-69	1,674	1,674	1,973	1,973
<b>Total</b>			<b>1,604,173</b>	<b>1,608,151</b>	<b>1,443,715</b>	<b>1,448,192</b>

The secured bank loans are secured over trade receivables within Dalriada Water Limited with a carrying amount of £92,503k (2021: £94,577k).

## B1. Loans and borrowings continued

	Company					
	Nominal interest rate	Year of maturity	At 31 March 2022		At 31 March 2021	
			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	286,000	286,000
PPP finance lease liabilities - Alpha	5.81%	2031	75,017	75,017	79,137	79,137
PPP finance lease liabilities - Omega	3.67%	2032	99,033	99,033	103,339	103,339
PPP finance lease liabilities - Kinnegar	3.99%	2024	772	772	1,015	1,015
Finance lease liabilities (IFRS 16)	2.20%	2020-69	1,596	1,596	1,860	1,860
<b>Total</b>			<b>1,615,978</b>	<b>1,615,978</b>	<b>1,454,911</b>	<b>1,454,911</b>

The capital loan notes (denominated in GBP) have been issued under the instruments constituting £1,280,200k Fixed Coupon Unsecured loan notes 2027 and £600,000k Fixed Coupon Unsecured loan notes 2034. During the year to 31 March 2022, £170m of loan notes were issued under the £600,000k Fixed Coupon Unsecured loan notes 2034 instrument (2021: £83m). Capital loan notes are issued to Dfl and those issued under the £1,280,200k Fixed Coupon Unsecured loan notes instrument are repayable in full in 2027 and those issued under the £600,000k Fixed Coupon Unsecured loan notes instrument are repayable in full in 2034. 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 0.69% to 4.42%.

### 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 2022			At 31 March 2021		
	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	15,890	10,537	5,353	15,626	11,077	4,549
Between one and five years	64,722	35,070	29,652	64,192	38,030	26,162
More than 5 years	85,214	20,414	64,800	101,633	27,990	73,643
<b>Total</b>	<b>165,826</b>	<b>66,021</b>	<b>99,805</b>	<b>181,451</b>	<b>77,097</b>	<b>104,354</b>

## B1. Loans and borrowings continued

	Company					
	At 31 March 2022			At 31 March 2021		
	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	26,205	15,799	10,406	25,327	16,658	8,669
Between one and five years	108,716	52,035	56,681	106,143	56,723	49,420
More than 5 years	135,302	27,567	107,735	164,081	38,679	125,402
<b>Total</b>	<b>270,223</b>	<b>95,401</b>	<b>174,822</b>	<b>295,551</b>	<b>112,060</b>	<b>183,491</b>

### Finance lease liabilities (IFRS 16)

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

	Group					
	At 31 March 2022			At 31 March 2021		
	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	372	29	343	363	36	327
Between one and five years	531	82	449	821	91	730
More than 5 years	1,104	222	882	1,157	241	916
<b>Total</b>	<b>2,007</b>	<b>333</b>	<b>1,674</b>	<b>2,341</b>	<b>368</b>	<b>1,973</b>

	Company					
	At 31 March 2022			At 31 March 2021		
	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	322	28	294	314	34	280
Between one and five years	503	81	422	755	91	664
More than 5 years	1,102	222	880	1,157	241	916
<b>Total</b>	<b>1,927</b>	<b>331</b>	<b>1,596</b>	<b>2,226</b>	<b>366</b>	<b>1,860</b>

## B1. Loans and borrowings continued

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

Group	Group £000
<b>Balance at 1 April 2020</b>	<b>1,374,473</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	83,000
Payment of bank loans	(3,895)
Payment of finance lease liabilities	(4,930)
<b>Total changes from financing cash flows</b>	<b>74,175</b>
<b>Non-cash changes</b>	
New leases (IFRS 16)	104
Amortisation of fair value adjustment arising on consolidation of senior loan	(552)
<b>Total non-cash changes</b>	<b>(448)</b>
<b>Balance at 31 March 2021</b>	<b>1,448,200</b>
<b>Changes from financing cash flows</b>	
Proceeds from borrowings	170,000
Payment of bank loans	(4,641)
Payment of finance lease liabilities	(4,927)
<b>Total changes from financing cash flows</b>	<b>160,432</b>
<b>Non-cash changes</b>	
New leases (IFRS 16)	77
Amortisation of fair value adjustment arising on consolidation of senior loan	(552)
<b>Total non-cash changes</b>	<b>(475)</b>
<b>Balance at 31 March 2022</b>	<b>1,608,157</b>

## B2. Finance income and finance costs

### Recognised in profit or loss

	Group	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Interest income on bank deposits	18	30
Financial liabilities at fair value through profit or loss - net change in fair value	3,708	2,134
Amortisation of senior loan debt fair valued at acquisition date	552	552
<b>Net finance income</b>	<b>4,278</b>	<b>2,716</b>
Financing charges on pension scheme	(1,233)	(648)
Financial liabilities at fair value through profit or loss - net change in fair value		-
Interest expense on financial liabilities measured at amortised cost	(50,897)	(49,533)
Interest on PPP financing arrangements	(11,076)	(11,660)
Interest expense on finance lease liability	(36)	(40)
<b>Finance costs</b>	<b>(63,242)</b>	<b>(61,881)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(58,964)</b>	<b>(59,165)</b>

All finance income and finance costs above relate to assets/(liabilities) not at fair value through profit or loss except for financial liabilities held at fair value. Of the above amount £54,101k (2021: £52,134k) was payable by the Company to DfI in relation to loan notes issued (see Note B1 'Loans and borrowings' and Note G4 'Related parties'). Interest of £6,886k was capitalised by the Group in the year (2021: £6,503k).

## B3. Capital and reserves

### Share capital

	Company	
	Ordinary shares	
	At 31 March 2022 £000	At 31 March 2021 £000
<b>Allotted called up and fully paid</b>		
500m Ordinary shares of £1 each	<b>500,000</b>	500,000

### Ordinary shares

At 31 March 2022 the authorised share capital of the Company comprised 500 million ordinary shares (2020: 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.

### Dividends

The following dividends were declared and paid by the Company.

	Company	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
6.23 pence per allotted ordinary share (2021: 5.98 pence)	<b>31,169</b>	29,885

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 and no impairment allowance is necessary in respect of trade receivables not past due.

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 2022		At 31 March 2021	
	£000	£000	£000	£000
Not past due	19,606	934	16,504	614
Past due 0-30 days	2,628	352	2,268	250
Past due 31-60 days	586	153	613	158
Past due 61-90 days	328	144	781	221
Past due 91-120 days	236	136	733	341
Past due 121-150 days	188	144	824	413
Past due 151-365 days	630	601	418	394
Past due 1-2 years	594	578	792	804
Past due 2+ years*	406	406	350	323
<b>Total</b>	<b>25,202</b>	<b>3,448</b>	<b>23,283</b>	<b>3,518</b>

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

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

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

## B4. Financial instruments continued

### Impairment losses

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

	Company			
	Gross	Impairment	Gross	Impairment
	At 31 March 2022		At 31 March 2021	
	£000	£000	£000	£000
Not past due	19,606	934	16,504	614
Past due 0-30 days	2,628	352	2,268	250
Past due 31-60 days	586	153	613	158
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Past due 121-150 days	188	144	824	413
Past due 151-365 days	630	601	418	394
Past due 1-2 years	594	578	792	804
Past due 2+ years*	406	406	350	323
<b>Total</b>	<b>25,202</b>	<b>3,448</b>	<b>23,283</b>	<b>3,518</b>

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

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

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

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

	Group	
	At 31 March 2022 £000	At 31 March 2021 £000
Not past due	18,998	13,931
Past due 0-30 days	2,737	2,312
Past due 31-60 days	509	563
Past due 61-90 days	204	737
Past due 91-120 days	81	785
Past due 121-150 days	21	764
Past due 151-365 days	684	412
Past due 1-2 years	593	2,567
Past due 2+ years*	1,376	1,212
<b>Total</b>	<b>25,202</b>	<b>23,283</b>

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

## B4. Financial instruments continued

	Company	
	At 31 March 2022 £000	At 31 March 2021 £000
Not past due	18,998	13,931
Past due 0-30 days	2,737	2,312
Past due 31-60 days	509	563
Past due 61-90 days	204	737
Past due 91-120 days	81	785
Past due 121-150 days	21	764
Past due 151-365 days	684	412
Past due 1-2 years	593	2,567
Past due 2+ years*	1,376	1,212
<b>Total</b>	<b>25,202</b>	<b>23,283</b>

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

	Group and Company	
	At 31 March 2022 £000	At 31 March 2021 £000
Balance at 1 April	3,518	2,421
New provisions	2,922	3,098
Debt provision utilised	(415)	(415)
Provision released unused	(2,577)	(1,586)
<b>Balance at 31 March</b>	<b>3,448</b>	<b>3,518</b>

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

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

## B4. Financial instruments continued

### Liquidity risk

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

#### 31 March 2022

	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	1,439,560	(1,788,172)	(28,255)	(28,101)	(56,510)	(1,152,627)	(522,679)
Bank loans	67,112	(62,647)	(3,044)	(2,802)	(12,316)	(25,686)	(18,799)
Finance lease liabilities (PPP)	99,805	(165,825)	(7,945)	(7,945)	(16,162)	(48,559)	(85,214)
Finance lease liabilities (IFRS 16)	1,674	(2,004)	(187)	(185)	(302)	(228)	(1,102)
Trade and other payables	164,182	(164,182)	(162,143)	-	-	(2,039)	-
Derivative financial instrument*	4,517	(4,517)	-	-	-	-	(4,517)
<b>Total</b>	<b>1,776,850</b>	<b>(2,187,347)</b>	<b>(201,574)</b>	<b>(39,033)</b>	<b>(85,290)</b>	<b>(1,229,139)</b>	<b>(632,311)</b>

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

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

#### 31 March 2021

	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	1,269,560	(1,627,362)	(26,437)	(26,293)	(52,730)	(158,334)	(1,363,568)
Bank loans	72,305	(67,342)	(2,244)	(2,397)	(12,144)	(22,865)	(27,692)
Finance lease liabilities (PPP)	104,354	(181,451)	(7,813)	(7,813)	(15,890)	(48,303)	(101,632)
Finance lease liabilities (IFRS 16)	1,973	(2,341)	(184)	(178)	(354)	(467)	(1,158)
Trade and other payables	141,141	(141,141)	(140,025)	-	-	(1,116)	-
Derivative financial instrument*	8,225	(8,225)	-	-	-	-	(8,225)
<b>Total</b>	<b>1,597,558</b>	<b>(2,027,862)</b>	<b>(176,703)</b>	<b>(36,681)</b>	<b>(81,118)</b>	<b>(231,085)</b>	<b>(1,502,275)</b>

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

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

## B4. Financial instruments continued

31 March 2022

	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	1,439,560	(1,788,172)	(28,255)	(28,101)	(56,510)	(1,152,627)	(522,679)
Finance lease liabilities (PPP)	174,822	(270,223)	(13,102)	(13,102)	(26,590)	(82,126)	(135,303)
Finance lease liabilities (IFRS 16)	1,596	(1,927)	(161)	(161)	(285)	(218)	(1,102)
Trade and other payables	166,151	(166,151)	(164,112)	-	-	(2,039)	-
<b>Total</b>	<b>1,782,129</b>	<b>(2,226,473)</b>	<b>(205,630)</b>	<b>(41,364)</b>	<b>(83,385)</b>	<b>(1,237,010)</b>	<b>(659,084)</b>

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

31 March 2021

	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	1,269,560	(1,627,362)	(26,437)	(26,293)	(52,730)	(158,334)	(1,363,568)
Finance lease liabilities (PPP)	183,491	(295,551)	(12,663)	(12,663)	(26,205)	(79,938)	(164,082)
Finance lease liabilities (IFRS 16)	1,860	(2,225)	(160)	(154)	(308)	(446)	(1,157)
Trade and other payables	143,171	(143,171)	(142,055)	-	-	(1,116)	-
<b>Total</b>	<b>1,598,082</b>	<b>(2,068,309)</b>	<b>(181,315)</b>	<b>(39,110)</b>	<b>(79,243)</b>	<b>(239,834)</b>	<b>(1,528,807)</b>

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

## B4. Financial instruments continued

### Profile

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

	Group	
	Carrying amount	
	At 31 March 2022 £000	At 31 March 2021 £000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(1,571,959)	(1,409,601)
<b>Total</b>	<b>(1,571,959)</b>	<b>(1,409,601)</b>
<b>Variable rate instruments</b>		
Financial assets	85,911	39,592
Financial liabilities*	(36,192)	(38,591)
<b>Total</b>	<b>49,719</b>	<b>1,001</b>

\* Financial liabilities of £36,192k is at variable rate but the Group has entered into a derivative financial instrument contract to fix the interest rate payable.

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

	Company	
	Carrying amount	
	At 31 March 2022 £000	At 31 March 2021 £000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(1,615,978)	(1,454,911)
<b>Total</b>	<b>(1,615,978)</b>	<b>(1,454,911)</b>
<b>Variable rate instruments</b>		
Financial assets	70,135	26,161
Financial liabilities	-	-
<b>Total</b>	<b>70,135</b>	<b>26,161</b>

### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss or cash flow.

## B4. Financial instruments continued

### 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 2022

##### Financial assets not measured at fair value

Cash and cash equivalents	A7	-	85,911	-	-	<b>85,911</b>
Trade and other receivables	C5	-	11,112	-	-	<b>11,112</b>
Unbilled income	C5	-	10,641	-	-	<b>10,641</b>
<b>Total</b>			<b>107,664</b>			<b>107,664</b>

##### Financial liabilities not measured at fair value

Finance lease liabilities (PPP)	B1	-	-	(99,805)	-	<b>(99,805)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,674)	-	<b>(1,674)</b>
Trade payables	D2	-	-	(147,449)	-	<b>(147,449)</b>
Other payables	D2	-	-	(18,550)	-	<b>(18,550)</b>
Loans and borrowings	B1	-	-	(1,439,560)	-	<b>(1,439,560)</b>
Bank loans	B1	-	-	(67,112)	-	<b>(67,112)</b>

##### Financial liabilities measured at fair value

Interest rate swap	D2	-	-	-	(4,517)	<b>(4,517)</b>
<b>Total</b>				<b>(1,774,150)</b>	<b>(4,517)</b>	<b>(1,778,667)</b>

## B4. Financial instruments 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 2021

##### Financial assets not measured at fair value

Cash and cash equivalents	A7	-	39,592	-	-	<b>39,592</b>
Trade and other receivables	C5	-	11,102	-	-	<b>11,102</b>
Unbilled income	C5	-	8,647	-	-	<b>8,647</b>
<b>Total</b>			<b>59,341</b>			<b>59,341</b>

##### Financial liabilities not measured at fair value

Finance lease liabilities (PPP)	B1	-	-	(104,354)	-	<b>(104,354)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,973)	-	<b>(1,973)</b>
Trade payables	D2	-	-	(124,063)	-	<b>(124,063)</b>
Other payables	D2	-	-	(17,078)	-	<b>(17,078)</b>
Loans and borrowings	B1	-	-	(1,269,560)	-	<b>(1,269,560)</b>
Bank loans	B1	-	-	(72,305)	-	<b>(72,305)</b>

##### Financial liabilities measured at fair value

Interest rate swap	D2	-	-	-	(8,225)	<b>(8,225)</b>
<b>Total</b>					<b>(1,589,333)</b>	<b>(1,597,558)</b>

The carrying amount of all financial assets and liabilities not measured at fair value, with the exception of loans, borrowings and finance lease liabilities, is considered to be a reasonable approximation of fair value. The fair value of loans and borrowings, which includes third party borrowings, is £1,666m (2021: £1,503m). 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 £1,666m fair value of loans and borrowings are £67m 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, Dfl, and third party bank borrowings.

## B4. Financial instruments continued

	Company				
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
<b>31 March 2022</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	A7	-	70,135	-	<b>70,135</b>
Trade and other receivables	C5	-	44,635	-	<b>44,635</b>
Unbilled income	C5	-	10,641	-	<b>10,641</b>
<b>Total</b>			<b>125,411</b>	<b>-</b>	<b>125,411</b>
<b>Financial liabilities not measured at fair value</b>					
Finance lease liabilities (PPP)	B1	-	-	(174,822)	<b>(174,822)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,596)	<b>(1,596)</b>
Trade payables	D2	-	-	(147,362)	<b>(147,362)</b>
Other payables	D2	-	-	(18,789)	<b>(18,789)</b>
Loans and borrowings	B1	-	-	(1,439,560)	<b>(1,439,560)</b>
<b>Total</b>				<b>(1,782,129)</b>	<b>(1,782,129)</b>

	Company				
	Note	FVOCI - equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
<b>31 March 2021</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	A7	-	26,161	-	<b>26,161</b>
Trade and other receivables	C5	-	44,029	-	<b>44,029</b>
Unbilled income	C5	-	8,647	-	<b>8,647</b>
<b>Total</b>			<b>78,837</b>	<b>-</b>	<b>78,837</b>
<b>Financial liabilities not measured at fair value</b>					
Finance lease liabilities (PPP)	B1	-	-	(183,491)	<b>(183,491)</b>
Finance lease liabilities (IFRS 16)	B1	-	-	(1,860)	<b>(1,860)</b>
Trade payables	D2	-	-	(126,153)	<b>(126,153)</b>
Other payables	D2	-	-	(17,018)	<b>(17,018)</b>
Loans and borrowings	B1	-	-	(1,269,560)	<b>(1,269,560)</b>
<b>Total</b>				<b>(1,598,082)</b>	<b>(1,598,082)</b>

## B4. Financial instruments 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 £1,599m (2021: £1,431m). 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, Dfl.

## 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 section G1.

### C1. Revenue

	Group	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Customer subsidy provided by DfI	318,675	314,217
Customer income	81,843	68,450
Road drainage income provided by DfI	23,251	22,807
Transfers of assets from customers	3,787	3,498
Connection and infrastructure charges	10,269	8,240
Other third party contributions	3,366	1,694
<b>Total</b>	<b>441,191</b>	<b>418,906</b>

#### Customer subsidy provided by DfI

The customer subsidy provided by 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 DfI

This revenue from 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 £39,994k (2021: £40,680k) 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 £3,787k (2021: £3,498k).

#### 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.

### 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 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Government grants	24,593	25,199	24,593	25,199
Customer billing in advance	3,309	3,687	3,309	3,687
Adopted assets	535,496	499,289	535,496	499,289
<b>Total</b>	<b>563,398</b>	<b>528,175</b>	<b>563,398</b>	<b>528,175</b>
Non-current	558,998	523,384	558,998	523,384
Current	4,400	4,791	4,400	4,791
<b>Total</b>	<b>563,398</b>	<b>528,175</b>	<b>563,398</b>	<b>528,175</b>

The Group and Company credited £439k (2021: £4,463k) 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 £439k 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 2022 £000	Year to 31 March 2021 £000
Net gain on sale of property, plant and equipment	585	193
Amortisation of deferred grants and contributions	1,024	557
Insurance proceeds	1,120	-
<b>Total</b>	<b>2,729</b>	<b>750</b>

### C4. Trade and other receivables

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Trade and other receivables from related parties (see Note G4)	2,198	2,009	2,198	2,009
Trade and other receivables from subsidiaries	-	-	33,523	32,927
Trade receivables	8,914	9,094	8,914	9,094
Other receivables	24,986	11,777	24,980	11,777
<b>Total</b>	<b>36,098</b>	<b>22,880</b>	<b>69,615</b>	<b>55,807</b>
<b>Current</b>	<b>36,098</b>	<b>22,880</b>	<b>69,615</b>	<b>55,807</b>

At 31 March 2022 other receivables include VAT receivable of £9,082k (2021: £5,950k) for the parent Company.

## C5. Exposure to credit risk

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

	Note	Group		Company	
		At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Trade and other receivables	B4	11,112	11,102	44,635	44,029
Unbilled income	B4	10,641	8,647	10,641	8,647
Cash and cash equivalents	A7	85,911	39,592	70,135	26,161
<b>Total</b>		<b>107,664</b>	<b>59,341</b>	<b>125,411</b>	<b>78,837</b>

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

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

	Group		Company	
	Carrying amount			
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
End-user customers	21,753	19,749	55,276	52,676

The maximum exposure to cash and cash equivalents (Note A8) is £85,911k (2021: £39,592k). 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 section G1.

### D1. Operating expenses

	Group	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Depreciation and other amounts written off tangible and intangible assets	91,609	88,264
Hire and contracted services	66,251	67,239
Staff costs	79,164	73,734
Power	62,193	32,524
Rates	28,514	28,309
Raw materials and consumables	16,014	15,076
Sundry operating expenses	12,615	12,769
Own work capitalised*	(18,182)	(16,046)
Impairment of goodwill	-	-
<b>Total operating expenses</b>	<b>338,178</b>	<b>301,869</b>

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

Refer to page 132 for expenditure on research and development.

The net increase in inventories for the year was £135k (2021: £705k increase).

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.

	Group	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
<b>Auditors' remuneration:</b>		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	71	62
Fees payable to the Company's auditor for other services: Audit of the accounts of subsidiaries	21	20
Audit of regulatory financial statements	11	11
Other assurance opinions (Group)	22	22
<b>Total</b>	<b>125</b>	<b>115</b>
<b>Amounts receivable by the auditor in respect of:</b>		
Accounting and regulatory advice (Group)	11	11
<b>Total</b>	<b>11</b>	<b>11</b>
<b>Total fees paid to the Group auditor</b>	<b>136</b>	<b>126</b>

## D2. Trade and other payables

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Payments received on account	1,583	2,128	1,583	2,128
Trade payables	2,320	3,043	872	2,143
Taxation and social security	2,561	2,419	2,561	2,419
Accruals – operating expenditure	52,718	52,609	52,110	52,276
Accruals – capital expenditure	83,316	61,324	83,316	61,324
Accruals relating to related parties (see Note G4)	4,951	2,540	4,951	2,540
Accruals relating to subsidiaries	-	-	1,969	3,323
<b>Total</b>	<b>147,449</b>	<b>124,063</b>	<b>147,362</b>	<b>126,153</b>

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

### Other payables

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Non-current – interest rate swap	4,517	8,225	-	-
Non-current – others	2,039	1,116	2,039	1,116
Current	16,511	15,962	16,750	15,902
<b>Total</b>	<b>23,067</b>	<b>25,303</b>	<b>18,789</b>	<b>17,018</b>

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

### Exposure to currency risk

The Company is not exposed to any significant currency risks.

## 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 2021	1,749	263	-	970	2,982
New Provisions	957	25	6,493	378	7,853
Utilised	(347)	(72)	(173)	-	(592)
Transferred to accruals	-	-	-	-	-
Amounts released unused	(370)	(8)	-	-	(378)
<b>Balance at 31 March 2022</b>	<b>1,989</b>	<b>208</b>	<b>6,320</b>	<b>1,348</b>	<b>9,865</b>
Non-current	1,194	156	6,055	-	7,405
Current	795	52	265	1,348	2,460
<b>Total</b>	<b>1,989</b>	<b>208</b>	<b>6,320</b>	<b>1,348</b>	<b>9,865</b>

	Group and Company				
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	Total £000
Balance at 1 April 2020	1,788	186	-	2,016	3,990
New Provisions	865	50	-	61	976
Utilised	(359)	(15)	-	-	(374)
Transferred to accruals	-	-	-	(1,107)	(1,107)
Amounts released unused	(545)	42	-	-	(503)
<b>Balance at 31 March 2021</b>	<b>1,749</b>	<b>263</b>	<b>-</b>	<b>970</b>	<b>2,982</b>
Non-current	1,050	197	-	-	1,247
Current	699	66	-	970	1,735
<b>Total</b>	<b>1,749</b>	<b>263</b>	<b>-</b>	<b>970</b>	<b>2,982</b>

### Public and employer liability claims

The public liability and employer liability claims at 31 March 2022 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 £0.7m represents an amount relating to the value of claims received above the provision included in the financial statements.

### Omega Obligation Provision

The new provision at 31 March 2022 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 (£3.5m). 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 (£6.3m) based on prevailing power rates in the 2021/22 year.

## D3. Provisions continued

### Other provisions

Other provisions relate to management's best estimates of the value of entitlement in relation to holiday pay totalling £1,348k (2021: £970k).

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

#### 31 March 2022

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Within one year	795	52	265	1,348	2,460
In the second to fifth years	1,194	156	2,641	-	3,991
Over five years	-	-	3,414	-	3,414
<b>Total</b>	<b>1,989</b>	<b>208</b>	<b>6,320</b>	<b>1,348</b>	<b>9,865</b>

#### 31 March 2021

	Group and Company				Total £000
	Public liability claims £000	Employer liability claims £000	Omega obligation provision £000	Other provisions £000	
Within one year	699	66	-	970	1,735
In the second to fifth years	1,050	197	-	-	1,247
Over five years	-	-	-	-	-
<b>Total</b>	<b>1,749</b>	<b>263</b>	<b>-</b>	<b>970</b>	<b>2,982</b>

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

## D4. Contingencies

The Group and Company is disputing liability in some public and employer liability cases. The estimate of the financial effect is £0.7m (2021: £0.6m). 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. During the year, the number of claims from contractors which were disputed by the Group and Company has been settled with no further claims arising (2021: £10.8m). A summary of contingent liabilities is set out below:

	Group		Company	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Public and employer liability	686	601	686	601
Contractor claims	-	10,800	-	10,800
<b>Total</b>	<b>686</b>	<b>11,401</b>	<b>686</b>	<b>11,401</b>

## D4. Contingencies continued

### Debenture to Dfl

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

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

### Parent Company guarantee

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

### Contingent assets

The Group and Company receives performance bonds from customers in relation to requisition of water mains and sewerage services. The balance of cash bonds held at 31 March 2022 is £16.3m (2021: £15.0m) 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 2022 is £34.6m (2021: £31.6m). 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 2021/22 pension service costs have been increased by £nil (2021: £1.5m) 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 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Less than one year	19	35	19	35
Between one and five years	-	19	-	19
More than 5 years	-	-	-	-
<b>Total</b>	<b>19</b>	<b>54</b>	<b>19</b>	<b>54</b>

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

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

During the year ended 31 March 2022 an amount of £35k (2021: £16k) (Company: £35k, 2021: £16k) was recognised as an expense in profit or loss in respect of operating leases.

## 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 2022. 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 section 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 2022	No. of employees Year to 31 March 2021	No. of employees Year to 31 March 2022	No. of employees Year to 31 March 2021
Directors	7	7	7	7
Non-industrial staff	891	859	862	829
Industrial staff	472	455	472	455
<b>Total staff</b>	<b>1,370</b>	<b>1,321</b>	<b>1,341</b>	<b>1,291</b>

The gender of persons employed by the Group (including Directors) during the year ended 31 December 2021, analysed by category, was as follows\*:

	Group					
	No. of employees Year to 31 December 2021			No. of employees Year to 31 December 2020		
	Male	Female	Total	Male	Female	Total
Directors and senior managers	53	19	72	47	18	65
Non-industrial staff	564	270	834	549	260	809
Industrial staff	462	4	466	442	2	444
<b>Total staff</b>	<b>1,079</b>	<b>293</b>	<b>1,372</b>	<b>1,038</b>	<b>280</b>	<b>1,318</b>

\*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 2021, analysed by category, was as follows\*:

	Company					
	No. of employees Year to 31 December 2021			No. of employees Year to 31 December 2020		
	Male	Female	Total	Male	Female	Total
Directors and senior managers	53	19	72	47	18	65
Non-industrial staff	538	268	806	523	258	781
Industrial staff	462	4	466	442	2	444
<b>Total staff</b>	<b>1,053</b>	<b>291</b>	<b>1,344</b>	<b>1,012</b>	<b>278</b>	<b>1,290</b>

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

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

	Group	
	Year to 31 March 2022 £000	Year to 31 March 2021 £000
Wages and salaries	50,845	49,934
Social security costs	5,332	5,271
Other pension costs	22,987	18,529
<b>Total payroll costs</b>	<b>79,164</b>	<b>73,734</b>

An amount of £15,795k (2021: £13,937k) 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 136 to 139. 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 2022 £000	Year to 31 March 2021 £000
Short term employee benefits	1,019	997
Post-employment benefits	259	252
<b>Total benefits</b>	<b>1,278</b>	<b>1,249</b>

The emoluments of the highest paid Director were £166k (2021: £163k).

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 2022	Number of other departures agreed 31 March 2022	Total number of exit packages by cost band 31 March 2022	Number of compulsory redundancies 31 March 2021	Number of other departures agreed 31 March 2021	Total number of exit packages by cost band 31 March 2021
0 - 10	-	-	-	-	-	-
10 - 25	-	9	9	-	12	12
25 - 50	-	2	2	-	5	5
50 - 100	-	-	-	-	-	-
Above 100	-	-	-	-	-	-
<b>Total number</b>	-	<b>11</b>	<b>11</b>	-	<b>17</b>	<b>17</b>
<b>Total cost (£'000)</b>	-	<b>219</b>	<b>219</b>	-	<b>342</b>	<b>342</b>

### E1c Off-payroll engagements

In accordance with 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 2022	Number
Number of existing engagements as of 31 March 2022	<b>36</b>
<i>Of which have:</i>	
Existed for less than one year at time of reporting	<b>21</b>
Existed for between one and two years at time of reporting	<b>14</b>
Existed for between two and three years at time of reporting	-
Existed for between three and four years at time of reporting	<b>1</b>
Existed for four or more years at time of reporting	-

Table 2 - All temporary off-payroll workers engaged at any point during the year ended 31 March 2022	Number
Number of off-payroll workers engaged during the year ended 31 March 2022	<b>21</b>
<i>Of which:</i>	
Number determined as out-of-scope of IR35	<b>16</b>
Number determined as in-scope of IR35	<b>5</b>
Number of engagements reassessed for compliance or assurance purposes during the year	-
<i>Of which: Number of engagements that saw a change to IR35 status following review</i>	-
Number of engagements where the status was disputed under provisions in the off-payroll legislation	-
<i>Of which: Number of engagements that saw a change to IR35 status following review</i>	-

Table 3 - Off-payroll engagements of board members (and/or senior officials with significant financial responsibility) between 1 April 2021 and 31 March 2022	Number
Number of off-payroll engagements of board members, (and/or senior officials with significant financial responsibility), during the financial year.	-
Total number of individuals on payroll and off-payroll that have been deemed "board members, (and/or senior officials with significant financial responsibility)", during the financial year. This figure should include both on payroll and off-payroll engagements.	<b>4</b>

## 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 2022 £000	Total year to 31 March 2021 £000
<b>Service cost</b>		
Current service costs (operating costs - staff costs)	<b>20,006</b>	14,333
Past service costs (operating costs - staff costs)	<b>615</b>	2,500
<b>Total service cost</b>	<b>20,621</b>	16,833
<b>Net interest cost:</b>		
Interest expense	<b>7,774</b>	6,312
Interest income	<b>(6,540)</b>	(5,664)
<b>Net interest cost</b>	<b>1,234</b>	648
<b>Administration expenses and taxes</b>	<b>1,100</b>	1,000
<b>Defined benefit cost included in profit</b>	<b>22,955</b>	18,481

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

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

	Total year to 31 March 2022 £000	Total year to 31 March 2021 £000
Opening defined benefit liability	<b>62,627</b>	42,514
Defined benefit cost included in profit	<b>22,955</b>	18,481
Total measurements included in Other Comprehensive Income	<b>(44,209)</b>	29,609
Cash flows - employer contributions	<b>(12,318)</b>	(27,977)
<b>Closing defined benefit liability</b>	<b>29,055</b>	62,627
<b>Actual return on plan assets</b>	<b>22,055</b>	35,009

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

	Total year to 31 March 2022 £000	Total year to 31 March 2021 £000
<b>Remeasurements (recognised in other comprehensive income)</b>		
Effect of changes in demographic assumptions	-	(11,986)
Effect of changes in financial assumptions	<b>(23,782)</b>	49,742
Effect of experience adjustments	<b>(4,912)</b>	21,198
Return on plan assets excluding interest income	<b>(15,515)</b>	(29,345)
<b>Total remeasurements included in Other Comprehensive Income</b>	<b>(44,209)</b>	29,609

## E2. Employee benefits continued

### Significant assumptions used in this disclosure

Weighted-average assumptions to determine benefit obligation

	Conditions at 31 March 2022	Conditions at 31 March 2021
Rate of increase in salaries	<b>3.00% until 2024, 4.00% thereafter</b>	2.60% for 2 yrs., 3.60% thereafter
Rate of increase in pensions in payment and deferred pensions	<b>3.40%</b>	3.10%
Discount rate	<b>2.80%</b>	2.20%
Inflation assumption - RPI	<b>3.30%</b>	3.00%
Inflation assumption - CPI	<b>3.00%</b>	2.60%

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

## F. Taxation

### F1. Taxation

#### Group Income tax expense

	Year to 31 March 2022 £000	Year to 31 March 2021 £000
<b>Tax recognised in profit or loss current tax expense</b>		
Current year	-	1,223
Adjustment for prior years	<b>112</b>	(358)
<b>Total</b>	<b>112</b>	865
<b>Deferred tax</b>		
Origination of temporary differences	<b>(10,764)</b>	(12,630)
Adjustment to prior years	<b>1,196</b>	238
Tax rate changes/differences	<b>(68,830)</b>	-
<b>Total</b>	<b>(78,398)</b>	(12,392)
<b>Total income tax (expense)/credit</b>	<b>(78,286)</b>	(11,527)

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

	Group					
	Year to 31 March 2022			Year to 31 March 2021		
	Before tax £000	Tax benefit/ (expense) £000	Net of tax £000	Before tax £000	Tax benefit/ (expense) £000	Net of tax £000
Defined benefit plan actuarial (losses)/gains	<b>44,209</b>	<b>(9,224)</b>	<b>34,985</b>	(29,609)	5,626	(23,983)
<b>Total</b>	<b>44,209</b>	<b>(9,224)</b>	<b>34,985</b>	(29,609)	5,626	(23,983)

## F1. Taxation continued

### Reconciliation of effective tax rate

	Group			
	%	Year to 31 March 2022 £000	%	Year to 31 March 2021 £000
(Loss)/Profit for the year	-	(31,850)	-	46,745
Total income tax expense/(credit)	-	78,286	-	11,527
<b>Profit before income tax</b>		<b>46,436</b>		<b>58,272</b>
Income tax using the Company's domestic tax rate	19.00	8,823	19.00	11,072
Non-deductible goodwill	-	-	-	-
Other Non-deductible expenses	0.66	308	0.57	332
Tax rate changes/differences	151.74	70,463	-	-
Other timing differences	-	-	-	-
Adjustment to prior years	(2.82)	(1,308)	0.21	123
<b>Total</b>	<b>168.58</b>	<b>78,286</b>	<b>19.78</b>	<b>11,527</b>

### Factors affecting Group future tax charge

In the 2021 Budget the government announced that the UK tax rate will increase to 25% from 1 April 2023. This new rate has been enacted at the balance sheet date and the deferred tax for 2021/22 has been calculated at the appropriate tax rate which is expected to apply when the assets are realised or liabilities settled. In preparing the calculation a prudent approach has been taken when considering the rate at which timing differences will reverse.

The increase in tax rate has had a consequential effect on the group's future tax charge, increasing the opening deferred tax liability by £68m. The total impact of the rate change in the year is an increased liability of £3m.

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

- A restriction on the use of brought forward losses (including capital losses) may affect Groups that were previously loss making that become profit making and have profits over £5m. This measure may result in cash tax being payable before all of the trading losses brought forward have been utilised.
- Structures and Buildings Allowances were introduced for eligible costs incurred where contracts were entered on or after 29 October 2018. Structures and Buildings allowances will be available when the asset is brought into use.
- New Super Deductions capital allowances were announced in the Chancellor's Spring 2021 Budget for eligible costs incurred between 1 April 2021 and 31 March 2023, where contracts were entered on or after 3 March 2021. The tax relief is available in the form of a 130% first year allowance in relation to qualifying plant and machinery assets and a 50% first year allowance for most qualifying special rate assets.

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.

## 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 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Property, plant and equipment	-	-	322,456	233,031	322,456	233,031
Transfers of assets from customers*	(133,874)	(94,865)	133,874	94,865	-	-
Intangible assets	(1,334)	(1,914)	-	-	(1,334)	(1,914)
Employee benefits	(9,160)	(14,085)	-	-	(9,160)	(14,085)
Provisions	(864)	(536)	-	-	(864)	(536)
Tax losses carried forward	(12,843)	(5,588)	-	-	(12,843)	(5,588)
Fair value adjustment to senior debt	(1,103)	(943)	-	-	(1,103)	(943)
Financial instruments	(1,129)	(1,563)	-	-	(1,129)	(1,563)
<b>Net tax (assets)/liabilities</b>	<b>(160,307)</b>	<b>(119,494)</b>	<b>456,330</b>	<b>327,896</b>	<b>296,023</b>	<b>208,402</b>

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

	Company					
	Assets		Liabilities		Net	
	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000	At 31 March 2022 £000	At 31 March 2021 £000
Property, plant and equipment	-	-	312,687	224,922	312,687	224,922
Transfers of assets from customers*	(133,874)	(94,865)	133,874	94,865	-	-
Intangible assets	(1,334)	(1,914)	-	-	(1,334)	(1,914)
Employee benefits	(9,156)	(14,082)	-	-	(9,156)	(14,082)
Provisions	(864)	(536)	-	-	(864)	(536)
Tax losses carried forward	(11,150)	(3,710)	-	-	(11,150)	(3,710)
<b>Net tax (assets)/liabilities</b>	<b>(156,378)</b>	<b>(115,107)</b>	<b>446,561</b>	<b>319,787</b>	<b>290,183</b>	<b>204,680</b>

\*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 2022 £000
	Balance at 31 March 2021 £000	Recognised in profit £000	Recognised in other comprehensive income £000	Consolidation adjustments - profit or loss £000	
Property, plant and equipment	233,031	89,425	-	-	<b>322,456</b>
Intangible assets	(1,914)	580	-	-	<b>(1,334)</b>
Employee benefits	(14,085)	(4,299)	9,224	-	<b>(9,160)</b>
Provisions	(536)	(328)	-	-	<b>(864)</b>
Tax losses carried forward	(5,588)	(7,255)	-	-	<b>(12,843)</b>
Fair value of adjustment to senior debt	(943)	(160)	-	-	<b>(1,103)</b>
Financial instruments	(1,269)	434	-	-	<b>(835)</b>
Re-categorisation	(294)	-	-	-	<b>(294)</b>
<b>Total</b>	<b>208,402</b>	<b>78,397</b>	<b>9,224</b>	<b>-</b>	<b>296,023</b>

	Company				Balance at 31 March 2022 £000
	Balance at 31 March 2021 £000	Recognised in profit £000	Recognised in other comprehensive income £000	Reclassification £000	
Property, plant and equipment	224,922	87,765	-	-	<b>312,687</b>
Intangible assets	(1,914)	580	-	-	<b>(1,334)</b>
Employee benefits	(14,082)	(4,298)	9,224	-	<b>(9,156)</b>
Provisions	(536)	(328)	-	-	<b>(864)</b>
Tax losses carried forward	(3,710)	(7,440)	-	-	<b>(11,150)</b>
<b>Total</b>	<b>204,680</b>	<b>76,279</b>	<b>9,224</b>	<b>-</b>	<b>290,183</b>

### Confirmation over income tax treatments

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

## 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 155 to 156), 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 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.

##### (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.

## G1. Significant accounting policies continued

### (b) Financial instruments continued

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

##### Financial assets continued

##### (a) Classification continued

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 investment-by-investment basis.

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

Investments in subsidiaries are carried at cost less impairment.

##### Cash and cash equivalents

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

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

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

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

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

##### 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 non-derivative 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.

## G1. Significant accounting policies continued

### (b) Financial instruments continued

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

##### 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 non-financial 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.

##### 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).

## G1. Significant accounting policies continued

### (b) Financial instruments continued

#### (iv) Impairment continued

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.

### (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.

## G1. Significant accounting policies continued

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

#### (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.

#### (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 on-going 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 on-going 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 price 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

### (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) 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.

#### (iv) 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.

#### (v) 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.

#### (vi) 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 infrastructure	10 years

### (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.

## G1. Significant accounting policies continued

### (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.

#### (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.

## G1. Significant accounting policies continued

### (k) Employee benefits continued

#### (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.

### (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 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 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 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 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.

## G1. Significant accounting policies continued

### (o) Leases continued

#### (i) As a lessee continued

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.

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

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

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

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

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

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

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

#### (ii) As a lessor

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

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

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

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

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

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

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

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

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

## G1. Significant accounting policies continued

### (o) Leases continued

#### (ii) As a lessor continued

conveys to the Company the right to control the use of 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.

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.

## G1. Significant accounting policies continued

### (q) Income tax continued

#### Deferred tax continued

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.

### (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:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The accounting policies set out above have, unless otherwise stated, been applied consistently in the consolidated and company financial statements to all periods presented.

## G1. Significant accounting policies continued

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2022 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
IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction Amendments to IAS 12 Income Taxes	1 January 2023
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% of the Group and Company's revenue is in the form of a customer subsidy provided by DfI. This primarily relates to the deferment of the introduction of domestic charges that were planned for 1 April 2007. Excluding the subsidy from DfI, there is no concentration of credit risk with respect to trade receivables.

The credit risk in relation to the remaining 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 DfI, and by 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 & Poors, Moody's or Fitch. The maximum exposure with any bank other than the

## G2. Financial risk management continued

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

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 & 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 DfI, working capital facility provided by 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 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 DfI available for the period to 31 March 2023. Borrowings on the facility are repayable on demand. This facility was not utilised at 31 March 2022.

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 DfI.

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

### 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 2021/22, global energy prices have risen 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). The Group and the Company were exposed to this risk during the period the metered electricity contract was being retendered and awarded which created pressure on operating costs and Resource DEL budget allocation from DfI.

Inflation - as measured by the Consumer Price Index (CPI) - rose by 7.0% in the 12 months to March 2022 which is the highest 12-month inflation rate in 30 years. The Bank of England forecasts inflation to keep rising in 2022 and slow down in 2023. High inflation risk impacts both operating costs and capital costs with implications for both our Resource DEL and Capital DEL budget allocation from 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 is 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.

## G2. Financial risk management continued

### 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 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 used London Interbank Offered Rate (LIBOR) as the reference interest rate swapped to a fixed rate through the use of three Interest Rate Swap Derivative Agreements. Recognising that LIBOR was being discontinued from the end of 2021, the Group worked with the counterparties to RBC Syndicated loan and Interest Rate Swap Agreements to transition to Sterling Overnight Interbank Average (SONIA) plus Credit Adjustment Spread.

NI Water also has access to a working capital facility provided by DfI, unused at the year-end, on which interest is charged at a floating rate of LIBOR + 0.35%. Recognising that LIBOR was being discontinued from the end of 2021, NI Water worked with DfI to transition interest rate to Bank of England Base rate + 0.35%.

#### 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 87 and 120 to 124.

## 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 2020) for IAS 19.

### Assumed life expectancies on retirement at age 60

	31 March 2022				31 March 2021			
	Non-industrial		Industrial		Non-industrial		Industrial	
	Male	Female	Male	Female	Male	Female	Male	Female
Retiring today (member aged 60)	26.8	28.7	25.1	27.1	26.7	28.6	25.0	27.0
Retiring in 20 years (member age 40)	28.7	30.6	27.1	29.0	28.6	30.5	26.9	28.9

## G3. Employee benefits continued

The weighted-average target asset allocations were as follows:

	Total scheme assets at 31 March 2022	Total scheme assets at 31 March 2021
<b>Asset category</b>		
a. Equity instruments	27.5%	27.5%
b. Debt instruments:		
(i) Corporate bonds	7.5%	7.5%
(ii) Gilts	7.5%	7.5%
c. Property	15.0%	15.0%
d. Other	42.5%	42.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

	Total scheme assets at 31 March 2022 £000	Total scheme assets at 31 March 2021 £000
<b>Fair value of plan assets</b>		
a. Cash	3,431	18,100
b. Equities	91,152	82,660
c. Debt instruments	67,630	71,856
d. Property	46,839	41,832
e. Other	113,985	79,127
<b>Total market value of assets</b>	<b>323,037</b>	<b>293,575</b>

The Scheme's overall allocation to equities is approximately 3.4% UK and 24.9% in overseas equities. Assets shown as 'Investment funds' includes allocation to the following funds: Diversified Growth, Secured Finance, Infrastructure and Sustainable Opportunities.

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 2022 £000	Total at 31 March 2021 £000
Actives	227,915	238,114
Vested deferreds	33,245	31,534
Retirees	90,932	86,554
<b>Total defined benefit obligation</b>	<b>352,092</b>	<b>356,202</b>

### Change in the fair value of plan assets

	Total year to 31 March 2022 £000	Total year to 31 March 2021 £000
Fair value of plan assets at end of prior year	293,575	233,988
Movement in year:		
Interest income	6,540	5,664
Contributions by plan participants	1,876	1,739
Contributions by employer	12,318	27,977
Actuarial gain/(loss)	15,515	29,345
Benefits paid	(5,687)	(4,138)
Administration expenses paid from plan assets	(1,100)	(1,000)
Insurance premiums for risk benefits	-	-
<b>Total</b>	<b>323,037</b>	<b>293,575</b>

## G3. Employee benefits continued

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

	Total year to 31 March 2022 £000	Total year to 31 March 2021 £000
At the beginning of the year	356,202	276,502
Movement in year:		
Current service cost	20,006	14,333
Interest expense	7,774	6,312
Past service costs	615	2,500
Remeasurements:		
a. Effect of changes in demographic assumptions	-	(11,986)
b. Effect of changes in financial assumptions	(23,782)	49,742
c. Effect of experience adjustments	(4,912)	21,198
Contributions by plan participants	1,876	1,739
Insurance premiums for risk benefits	-	-
Benefits paid	(5,687)	(4,138)
<b>Total</b>	<b>352,092</b>	<b>356,202</b>

### Amounts recognised in the statement of financial position

	Total year to 31 March 2022 £000	Total year to 31 March 2021 £000
Defined benefit obligation	(352,092)	(356,202)
Fair value of plan assets	323,037	293,575
<b>Deficit in the scheme – pension liability</b>	<b>(29,055)</b>	<b>(62,627)</b>
Related deferred tax asset	9,156	14,082
<b>Net pension liability</b>	<b>(19,899)</b>	<b>(48,545)</b>

The overall return on the Scheme's assets over the year was positive with a gain of around £22m (2021: gain of £35m), equivalent to an annual return of around 8% pa (2021: 15%) ignoring cashflows. The main reason for this was the higher than expected returns on property and equities.

The total benefits paid out of the Scheme during the year ending 31 March 2022 were £5,687k (2021: £4,138k), of which £213k (2021: -£56k), were in respect of individual transfer value activity. There was a number of transfers into the Scheme during the year ending 31 March 2022 which offset the transfers out of the Scheme to a certain extent. An increase in lump sums on retirement and the pensions in payment are the main reasons 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 2021/22 %	Change in liability 2021/22 £000	Change in liability 2020/21 %	Change in liability 2020/21 £000
+ or - 0.25% in discount rate	6.0%	21,000	6.2%	22,100
+ or - 0.25% in rate of inflation	0.6%	2,200	5.8%	20,500
+ or - 0.25% in salary inflation	5.6%	19,600	0.8%	2,700
Increase in life expectancy of 1 year	3.3%	11,600	3.4%	12,100
Reduce long term improvements to 1.25%	-1.4%	(4,800)	-1.4%	(5,000)

## G3. Employee benefits continued

### Expected cash flows for the following year

	£000
Expected employer contributions	13,965
Expected total benefit payments:	
Year 1	5,874
Year 2	6,067
Year 3	6,266
Year 4	6,472
Year 5	6,685
Then for next 5 years (Total)	36,863

## 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 DfI are as follows:

	At 31 March 2022 £000	At 31 March 2021 £000
<b>Subsidy</b>		
Revenue subsidy from DfI (credited to revenue)	318,675	314,217
Revenue relating to road drainage (credited to revenue)	23,251	22,807
Other receivables - subsidy (included in other receivables - Note C4)	1,857	1,705
Other sales to DfI (credited to revenue)	327	847
Trade receivables - other sales to DfI (included in trade receivables - Note C4)	341	304
<b>Purchases</b>		
Purchases from DfI (included in operating costs or capital expenditure)	656	595
Accruals - purchases from DfI (included in accruals - Note D2)	606	414
<b>Loans and borrowings</b>		
Loans from DfI during the year	170,000	83,000
Balance on loans from DfI at year end - Note B1	1,439,560	1,269,560
Loan interest to DfI - Note B2*	54,101	52,134
Loan interest owed to DfI at year end	4,344	3,201
<b>Dividends</b>		
Dividend to Shareholder - Note B3	31,169	29,885

\*Loan interest stated before capitalisation of £6,886k (2021: £6,503k) of interest.

No guarantees are given to or received from 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 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 136 to 139. 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 2022 set out on pages 144 to 217, 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 cashflows, company statement of cashflows and related notes, including the summary of significant accounting policies set out in Note G1. 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 2022 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.

### Opinion on regularity

In our opinion, in all material respects, the expenditure (disbursed) and income (received) have been applied to the purposes intended by the Department for Infrastructure as set out in their direction to the Company of 18 November 2010 and the financial transactions conform to the authorities which govern them.

### 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 Auditors' 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over 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").

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

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

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

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

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

## Conclusions relating to going concern **continued**

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

### Other information

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Strategic Report and the Directors' report, the Corporate governance report, the Directors' remuneration report and the Statement of Directors' responsibilities. The financial statements and our auditors' 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.

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

### Other information *continued*

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.

### 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 143, 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 and Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' 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 auditors' report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### 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 auditors' 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.



**John Poole - Senior Statutory Auditor  
for and on behalf of KPMG Statutory Auditor**

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30 June 2022

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