

## Annual Performance Report Addendum 2024-25

### Accounting policy note for price control units

As a NAV operating in the UK water market, mua Water prepares its regulatory accounts in accordance with Ofwat's Regulatory Accounting Guidelines (RAGs). Each appointed price control (water and/or wastewater) is reported separately. Given that there were no connected customers during the 2024–25 reporting period, there was no revenue or cost attributable to operational activity. Allocation principles remain in place, and any future reporting will continue to follow RAG 2 and RAG 5 methodologies to ensure transparency and compliance.

### Capitalisation policy

mua Water capitalises costs in line with IAS 16, where expenditure is directly attributable to the construction or acquisition of infrastructure assets that are expected to provide future economic benefit. As a NAV, all design and construction activities are subcontracted to third parties, and only costs directly associated with asset installation or enhancement are capitalised. Internal costs are not capitalised, and no overheads are allocated to capital projects. The capitalisation threshold remains at £1,000.

### Ring-fencing certificate

In accordance with Condition P of the Instrument of Appointment, mua Water certifies that it has maintained adequate financial, managerial, and operational resources to carry out its regulated duties. All operational functions are subcontracted, and robust commercial arrangements are in place to ensure delivery. The company confirms that there are no circumstances to prevent it from complying with the ring-fencing requirements.

### Statement on differences between statutory and RAG definitions

The statutory accounts of mua Water are prepared under UK GAAP (FRS 102). Regulatory reporting, however, follows Ofwat's RAGs, which apply specific rules for the allocation and presentation of income and costs across price control units. As no operational revenue or expenditure was recorded in the reporting year, differences are minimal but primarily relate to format and segmental disclosure.

### Statement on out/underperformance of Return on Regulatory Equity (RORE)

Due to the absence of any served customers or operational revenue in the 2024–25 period, RORE is not applicable for mua Water. Accordingly, there is no out- or under-performance to report against the notional return on regulatory equity.

### Statement explaining variance on infrastructure network reinforcement charges

mua Water did not incur or recover any infrastructure network reinforcement charges during the 2024–25 period. There were no customer connections or requisitioned works during the year, and therefore no variance to report.

**Statement on innovation competition**

As a small NAV with no live connections during the reporting year, mua Water did not participate in Ofwat's Innovation Fund. The company remains committed to innovation through the use of modern contracting models and digital delivery partners, and may seek to participate in sector-wide initiatives once customer-facing operations commence.

**Signed on behalf of mua Water Limited by**

Gregory Addison-Smyth  
**Managing Director**