WATER SERVICES CORPORATION

Annual Report and Consolidated Financial Statements
31 December 2023

Directors' report

The Directors present their report and the audited financial statements of the consolidated entity, being Water Services Corporation (the "Corporation") and its controlled entity (the "Group") for the year ended 31 December 2023.

Principal activities

The Water Services Corporation is a body corporate established in Malta by Virtue of the WSC Act, (Cap 355) of the Laws of Malta, which same Act specifies the activities and responsibilities of the Corporation The Corporation's principal activities, which are unchanged since last reporting year end, are to act as the sole and exclusive entity to acquire, produce, distribute, and sell water for domestic, industrial, and commercial use. The Corporation is also responsible for the treatment and disposal or re-use of sewage and wastewater

Review of the business

The Corporation's focus remains that of creating sustainable financial growth based upon increased efficiencies and improved quality Efforts being undertaken in this regard, resulted into a remarkable year driven by growth and consolidation with outstanding financial results for the year under review

During the financial year ending 31 December 2023, the Corporation registered a profit before taxation of €17.9 million, implying a remarkable increase of 53% over 2022. This increase in profits was primarily attributed to growth in the Corporation's revenue stream A continued drive to improve billing efficiencies through the smart metering replacement programme together with increases in consumption, resulted in an overall increase in revenue of €9.5 million equivalent to 11.8% Apart from a year-on-year increase of 8.6% in the sale of water, felt across all consumer categories, the Corporation established a new revenue stream related to farm waste treatement. By year end, the WSC had billed an additional €6.6million as a result of this new business activity

During the financial year ending 31 December 2023, recurrent expenditure experienced a modest 1 5% year-on-year increase, resulting in total operating and administrative costs reaching €104.2 million, up €1.6 million from the preceding year's figure of €102.6 million. This controlled uptick can be attributed to several key factors

Firstly, the company maintained its strategic focus on investing in human resources and talent retention initiatives, reflecting a commitment to workforce development and employee satisfaction Moreover, incremental rises in salaries and wages were observed due to cost-of-living adjustments atop existing collective agreements, contributing to the overall expenditure increase In addition, the introduction of a new collective agreement, specifically the UWSCP agreement covering professional grades within the organization, further propelled expenditure growth

Operational costs associated with the maintenance and upkeep of sewage treatment plants saw an escalation, primarily driven by escalating sludge disposal gate fees, rendering the process more financially burdensome Heightened prices of raw materials, stemming from supply chain disruptions, and an increase in waste disposal gate fees resulted in a €2.5 million waste management expenditure, up by 68% (2022· €1.5 million) Furthermore, a surge in emergency interventions and sub-contracted jobs, essential to core activities, coupled with the implementation of a newly negotiated Integrated Utility Billing System (IUBS) contract, pushed the cost of the repairs and maintenance category to €15.1 million, up by 54% (2022 €9 8 million).

Despite these escalations, some relief was found in the form of negotiated savings, notably in electricity bills and billing operations, resulting from more favourable contract terms. In summary, while various factors contributed to the controlled rise in operating and administrative costs during 2023, including salary adjustments, contractual agreements, and increased operational demands, strategic savings initiatives mitigated some of the financial impacts, underscoring a balanced approach to fiscal management

Directors' report – continued

Review of the business – continued

During the fiscal year in review, finance costs surged by 51% year-on-year, primarily due to upward pressure on interest rates The interest rate on the Corporation's commercial loans rose from 3 2% to 5.6% following the rise in EURIBOR Additionally, interest payable on the green bond issued by ClearFlowPlus p.l.c, guaranteed by the WSC, further contributed to the increase in finance costs compared to the previous year That said, this issuance contributed to an additional injection of €25 million which will allow the Corporation to expand its investment plans and achieve its sustainable strategy as set out in the Prospectus issued by ClearFlowPlus p l c dated 20th July 2023.

During the year under review, the Corporation continued with its momentum to invest heavily in its property, plant and equipment, particularly in its water and wastewater network infrastructure so much so that during 2023, WSC disbursed 92% of its allocated capital budget, marking a 14% increase from the previous year. The objective behind these capital investments were mainly targeted to replace old and deteriorated main pipes in pursuit to prioritize the quality of water being distributed and treated, so that all customers around Malta can access a continuous supply of good quality and safe drinking water

The Corporation's financial outlook for the coming years remains positive yet cautionary particularly due to interest rates and economic uncertainties driven by externalities Increases in the price of raw materials and in the cost of waste disposal are expected to continue pushing up WSC's cost base whilst exerting pressure on the WSC's liquidity position Notwithstanding, in a continual effort to ensure that future demand is adequately, investment outlay to upgrade and expand critical infrastructure remains high on the Corporation's agenda.

Results and dividends

The statement of profit or loss and other comprehensive income is set out on page 10 The Directors do not recommend the payment of a dividend.

Directors

The Directors of the Corporation who held office during the year were

Mr Joseph Vella - Chairman
Mr Louis Gatt - Deputy Chairman
Dr Vincent Micallef - Member
Ing Raymond Azzopardi - Member
Mr Ethelbert Schembri - Member
Ms Sylvana Mifsud - Member
Ms Marion Parnis - Member
Ms Mirana Agius Silvio - Member
Dr Juanita Agius Galea – Member

In accordance with Article 7 of the Water Services Corporation Act, (Cap 355) of the Laws of Malta, the appointed Directors shall hold office for such period and on such terms and conditions as the Minister responsible for the Corporation may deem fit, and a member shall, on ceasing to be a member, be eligible for re-appointment

Directors' report - continued

Statement of Directors' responsibilities or the financial statements

The Directors are required by the Water Services Corporation Act, (Cap. 355) to prepare financial statements which give a true and fair view of the state of affairs of the Corporation as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Water Services Corporation Act, (Cap. 355). The Directors are also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern basis

At the time of approving the financial statements, the directors have a reasonable expectation that the Corporation has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

GCS Assurance Malta Limited have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Mr Joseph Vella
Chairman

Mr Louis Gatt
Deputy Chairman

Registered office:
Water Services Corporation,
Triq Ħal Qormi,
Luqa, LQA 9043,
Malta.

23 April 2024

GCS
MALTA

Independent auditors' report

In accordance with Article 29(2) of the Water Services Corporation Act
To the Stakeholders of Water Services Corporation

Report on the audit of the financial statements

Our Opinion

In our opinion:

- Water Services Corporation's consolidated and standalone Corporation's financial statements ("the financial statements") give a true and fair view of the Group and parent company's financial position as at 31 December 2023, and of the Corporation's financial performance in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Water Services Corporation Act, (Cap. 355).

What we have audited

Water Services Corporation's financial statements, set out on pages 8 to 63 comprise:

- the consolidated and standalone Corporation's statement of financial position as at 31 December 2023;
- the consolidated and standalone Corporation's statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and standalone Corporation's statements of changes in equity for the year then ended;
- the consolidated and standalone Corporation's statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

GCS
MALTA

Independent auditors' report

In accordance with Article 29(2) of the Water Services Corporation Act

To the Stakeholders of Water Services Corporation

Independence

We are independent of the Group and the parent company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report on pages 1 to 3 (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent 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 the Directors either intend to liquidate the Group or Corporation 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 or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud 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.

Independent auditors' report

In accordance with Article 29(2) of the Water Services Corporation Act
To the Stakeholders of Water Services Corporation

Auditors' responsibilities for the audit of the financial statements - continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MALTA

Independent auditors' report

In accordance with Article 29(2) of the Water Services Corporation Act
To the Stakeholders of Water Services Corporation

Report on any other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Water Services Corporation Act, (Cap. 355) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by ourselves.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of the Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Christian Gravina
Director
GCS Assurance Malta Limited
Certified Public Accountants

Agora Business Centre, Level 2
Valley Road,
Msida, MSD 9020,
Malta.

23 April 2024

Statement of financial position

		Group		Corporation	
		As at 31 December			
		2023	2022 (restated)	**2023**	2022 (restated)
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**381,715**	365,679	**382,025**	365,753
Right of use asset	7	**3,970**	2,011	**3,970**	2,011
Finance lease receivables	8	**794**	823	**-**	-
Investments in subsidiaries	9	**1**	1	**25**	6
Investment in jointly-controlled entity	10	**967**	887	**125**	125
Loan receivable	11	**327**	422	**-**	-
Trade and other receivables	13	**20,564**	21,887	**20,564**	21,887
Total non-current assets		**408,338**	391,710	**406,709**	389,782
Current assets					
Inventories	12	**23,514**	24,321	**23,846**	24,655
Finance lease receivables	8	**48**	39	**-**	-
Loan receivable	11	**42**	64	**-**	-
Trade and other receivables	13	**46,497**	38,286	**46,395**	38,513
Current tax assets	14	**-**	-	**9**	9
Cash and cash equivalents	15	**90,949**	1,550	**66,843**	617
Total current assets		**161,050**	64,260	**137,093**	63,794
Total assets		**569,388**	455,970	**543,802**	453,576

Statement of financial position - continued

		Group		Corporation	
		As at 31 December			
		2023	2022 (restated)	**2023**	2022 (restated)
	Notes	**€'000**	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Government contribution	16	**73,142**	73,142	**73,142**	73,142
Other reserve	16	**227**	-	**-**	-
Revenue reserve		**94,553**	77,305	**93,491**	75,604
Pension contributions reserve	16	**(5,619)**	(5,248)	**(5,619)**	(5,248)
Non-controlling interest		**7**	5	**-**	-
Total equity		**162,310**	145,204	**161,014**	143,498
Non-current liabilities					
Bond borrowings	17	**24,529**	-	**-**	-
Bank borrowings	19	**29,613**	34,237	**29,613**	34,237
Loan from subsidiary	20	**-**	-	**1,681**	-
Other borrowings	23	**2,806**	3,008	**2,806**	3,008
Deferred government grants	21	**244,355**	195,382	**244,355**	195,382
Lease liability	7	**2,197**	1,493	**2,197**	1,493
Provision for other liabilities and charges	22	**6,449**	8,102	**6,449**	8,102
Other payables	18	**235**	264	**-**	-
Total non-current liabilities		**310,184**	242,486	**287,101**	242,222
Current liabilities					
Current tax liabilities	14	**93**	202	**-**	-
Bank borrowings	19	**6,255**	11,256	**6,255**	11,256
Other borrowings	23	**202**	198	**202**	198
Deferred government grants	21	**13,210**	9,596	**13,210**	9,596
Lease liability	7	**1,827**	543	**1,827**	543
Trade and other payables	18	**75,307**	46,485	**74,193**	46,263
Total current liabilities		**96,894**	68,280	**95,687**	67,856
Total liabilities		**407,078**	310,766	**382,788**	310,078
Total equity and liabilities		**569,388**	455,970	**543,802**	453,576

The notes on pages 15 to 63 are an integral part of these financial statements.

The financial statements on pages 8 to 63 were authorised for issue by the Board on 23 April 2024 and were signed on its behalf by:

Mr Joseph Vella
Chairman

Mr Louis Gatt
Deputy Chairman

Statement of profit or loss and other comprehensive income

		Group		**Corporation**	
		Year ended 31 December			
		2023	2022 (restated)	**2023**	2022 (restated)
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	24	**91,460**	82,097	**90,241**	80,701
Government subsidies	25	**32,984**	32,530	**32,984**	32,530
Operating costs	26	**(74,225)**	(73,583)	**(73,066)**	(72,311)
Administrative expenses	26	**(31,711)**	(30,525)	**(31,102)**	(30,314)
Provision for cost of service pensions payable to Government	22	**49**	1,290	**49**	1,290
Operating profit		**18,557**	11,809	**19,106**	11,896
Share of results of jointly-controlled entity	10	**80**	64	**-**	-
Finance income	28	**1,532**	1,615	**1,189**	1,376
Finance costs	29	**(2,368)**	(1,590)	**(2,408)**	(1,590)
Profit before taxation		**17,801**	11,898	**17,887**	11,682
Tax expense	30	**(324)**	(404)	**-**	-
Profit for the year		**17,477**	11,494	**17,887**	11,682
Attributable to:					
Government of Malta		**17,475**	11,493		
Non-controlling interest		**2**	1		
		17,477	11,494		
Other comprehensive loss					
Remeasurements of post-employment benefit obligations	22	**(371)**	(429)	**(371)**	(429)
Total comprehensive income for the year		**17,106**	11,065	**17,516**	11,253
Attributable to:					
Government of Malta		**17,104**	11,064		
Non-controlling interest		**2**	1		
		17,106	11,065		

The notes on pages 15 to 63 are an integral part of these financial statements.

Statement of changes in equity

Group	Notes	Government Contribution €'000	Other reserve €'000	Revenue reserve (restated) €'000	Pension contribution reserves €'000	Attributable to Government of Malta (restated) €'000	Attributable to non-controlling interest €'000	Total (restated) €'000
As at 1 January 2022		73,142	-	65,816	(4,819)	134,135	4	134,139
Profit for the year (restated)		-	-	11,494	-	11,493	1	11,494
Other comprehensive loss								
Remeasurement of post-employment benefit obligations	22	-	-	-	(429)	(429)	-	(429)
Total comprehensive income/(loss)		-	-	11,494	(429)	11,064	1	11,065
As at 31 December 2022		**73,142**	**-**	**77,310**	**(5,248)**	**145,199**	**5**	**145,204**
As at 1 January 2023		73,142	-	77,310	(5,248)	145,199	5	145,204
Profit for the year		-	-	17,477	-	17,475	2	17,477
Capitalisation of profits	16	-	227	(227)	-	-	-	-
Other comprehensive loss								
Remeasurement of post-employment benefit obligations	22	-		-	(371)	(371)	-	(371)
Total comprehensive income/(loss)		-	227	17,250	(371)	17,104	2	17,106
As at 31 December 2023		**73,142**	**227**	**94,560**	**(5,619)**	**162,303**	**7**	**162,310**

Statement of changes in equity - continued

Corporation	Notes	Government contribution €'000	Revenue Reserve (restated) €'000	Pensions contribution reserve €'000	Total (restated) €'000
As at 1 January 2022		73,142	63,922	(4,819)	132,245
Profit for the year (restated)		-	11,682	-	11,682
Other comprehensive loss					
Remeasurement of post-employment benefit obligations	22	-	-	(429)	(429)
Total comprehensive income / (loss)		-	11,682	(429)	11,253
As at 31 December 2022		**73,142**	**75,604**	**(5,248)**	**143,498**
As at 1 January 2023		73,142	75,604	(5,248)	143,498
Profit for the year		-	17,887	-	17,887
Other comprehensive loss					
Remeasurement of post-employment benefit obligations	22	-	-	(371)	(371)
Total comprehensive income / (loss)		-	17,887	(371)	17,516
As at 31 December 2023		**73,142**	**93,491**	**(5,619)**	**161,014**

The notes on pages 15 to 63 are an integral part of these financial statements

Statement of cash flows

	Notes	Group		Corporation	
		Year ended 31 December			
		2023	2022 (restated)	**2023**	2022 (restated)
		€'000	€'000	**€'000**	€'000
Cash flows from operating activities					
Profit before taxation		**17,801**	11,898	**17,887**	11,682
Adjustments for.					
Movement in provision for ECL	13	**(842)**	117	**(835)**	99
Depreciation and amortisation	6, 7, 17	**20,824**	22,355	**20,795**	22,353
Movement in provision for other liabilities and charges	22	**(1,247)**	(1,177)	**(1,247)**	(1,177)
Movement in post-employment benefits obligations	22	**(371)**	(429)	**(371)**	(429)
Movement in lease obligations	7	**(548)**	(295)	**(548)**	(295)
Impairment of investment	9	**-**	6	**-**	6
Changes in working capital					
Inventories	12	**807**	(343)	**809**	(1,232)
Trade and other receivables	13	**(6,046)**	(1,863)	**(5,724)**	(1,012)
Trade and other payables	18	**28,387**	137	**27,524**	1,026
Cash generated from operations		**58,765**	30,406	**58,290**	31,021
Interest paid		**127**	110	**127**	110
Tax paid		**(433)**	(324)	**-**	219
Net cash generated from operating activities		**58,459**	30,192	**58,417**	31,350
Cash flows from investing activities					
Acquisition of property, plant and equipment	6	**(36,553)**	(36,774)	**(36,778)**	(36,861)
Write-off of property, plant and equipment	6	**212**	9	**212**	9
Acquisition of right of use assets	7	**(2,460)**	(2,276)	**(2,460)**	(2,276)
Additions to finance lease receivables	8	**(21)**	(181)	**-**	-
Repayments from lessees	8	**40**	32	**-**	-
Investment in subsidiary	9	**-**	-	**(19)**	-
Share of results	10	**(80)**	(64)	**-**	-
Loan advanced to related party	11	**-**	(150)	**-**	-
Net cash used in investing activities		**(38,862)**	(39,404)	**(39,045)**	(39,128)

Statement of cash flows - continued

	Notes	Group		Corporation	
		Year ended 31 December			
		2023	2022 (restated)	**2023**	2022 (restated)
		€'000	€'000	**€'000**	€'000
Cash flows from financing activities					
Grants received	21	**52,587**	3,380	**52,587**	3,380
Proceeds from issuance of bond	17	**25,000**	-	**-**	-
Bond transaction costs	17	**(488)**	-	**-**	-
Repayment of bank borrowings	19	**(4,585)**	(19,553)	**(4,585)**	(19,549)
Repayment of government loan	23	**(250)**	(250)	**(250)**	(250)
Proceeds from bank borrowings	19	**-**	3,000	**-**	3,000
Loans advanced from subsidiary	20	**-**	-	**1,681**	-
Proceeds from leases	8	**2,460**	2,276	**2,460**	2,276
Loans advanced to related parties	11	**117**	12	**-**	-
Net cash generated from / (used in) financing activities		**74,841**	(11,135)	**51,893**	(11,143)
Net movement in cash and cash equivalents		**94,438**	(20,347)	**71,265**	(18,921)
Cash and cash equivalents as at 1 January	15	**(5,121)**	15,226	**(6,054)**	12,867
Cash and cash equivalents as at 31 December	15	**89,317**	(5,121)	**65,211**	(6,054)

The notes on pages 15 to 63 are an integral part of these financial statements

Notes to the financial statements

1. Principal activities of the Corporation

The Water Services Corporation is a body corporate established in Malta by Virtue of the WSC Act, (Cap 355) of the Laws of Malta, which same Act specifies the activities and responsibilities of the Corporation

The Corporation's principal activities, which are unchanged since last reporting year end, are to act as the sole and exclusive entity to acquire, produce, distribute, and sell water for domestic, industrial, and commercial use The Corporation is also responsible for the treatment and disposal or re-use of sewage and wastewater

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and the requirements of the Water Services Corporation Act, (Cap 355) They have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates It also requires Directors to exercise their judgement in the process of applying the Corporation's accounting policies (see note 5 - Critical accounting estimates and judgements)

These financial statements are presented in Euro (€) which is the Company's functional currency. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

Appropriateness of the going concern assumption

As mentioned in the Directors' report on pages 1 to 3, both the Group and the Corporation succeeded to generate yet another profit before taxation of €17.8 million (2022 restated €11.9 million) and €17.9 million (2022 restated. €11.7 million), respectively, registering an increase when compared to the previous year

Accordingly, these financial statements have prepared under the going concern assumption

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

3.1 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date that control ceases

The Group applies the acquisition method of accounting to account for business combinations The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group, plus costs directly attributable to the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

In the Corporation's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, that is, at cost less impairment Cost includes directly attributable costs of the investments Provisions are recorded where, in the opinion of the Directors, there is an impairment in value Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified The results of subsidiaries are reflected in the Corporation's separate financial statements only to the extent of dividends receivable On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss

A listing of the subsidiaries is set out in note 9 to the consolidated financial statements.

3. Summary of significant accounting policies - continued

3.2 New and amended IFRS Standards that are effective for the current year

In the current year, the Group and the Corporation adopted new standards, amendments and interpretations to existing standards that are mandatory for the Corporation's accounting period beginning on 1 January 2023 The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group and the Corporation's accounting policies

- Amendments to IAS 12 Income taxes. International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023) (effective for financial years beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance contracts. Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for financial years beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors. Definition of Accounting Estimates (issued on 12 February 2021) (effective for financial years beginning on or after 1 January 2023)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial years beginning on or after 1 January 2023)

3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group and the Corporation

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Group and the Corporation.

- Amendments to IAS 1 Presentation of Financial Statements. Classification of Liabilities as Current or Non-current (issued on 23 January 2020), Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date (issued on 15 July 2020), and Non-current Liabilities with Covenants (issued on 31 October 2022) (effective for financial years beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases. Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for financial years beginning on or after 1 January 2024)

Management anticipates that all the relevant pronouncements will be adopted in the Group and the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement Certain new standards and interpretations have been issued but are not expected to have a material impact on the Group and the Corporation's financial statements.

3.4 Standards, amendments and interpretations to published standards that are not yet endorsed by the EU

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates. Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements (issued on 25 May 2023)

3. Summary of significant accounting policies - continued

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is both the Group and the Corporation's functional and presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss All foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

3.6 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost and subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items Borrowing costs (note 3 29) which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost Borrowing costs are capitalised while acquisition or construction is actively underway Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Corporation and the cost of the item can be measured reliably The carrying amount of the replaced part is derecognised All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it is deemed to have an indefinite life. Also, no depreciation is recorded on assets in the course of construction until the asset is finalised and re-classified to the respective asset class it relates to

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows·

Class	**Years**
Buildings	50
Water infrastructure and related assets	5 - 39
Plant, equipment, furniture and fittings	5 - 10
Waste water infrastructure and related assets	5 - 39
Integrated utilities business systems	2 - 12

Water infrastructure and related assets comprise the main distribution system including reservoirs, underground galleries, boreholes, and the reverse osmosis plants

3. Summary of significant accounting policies - continued

3.6 Property, plant and equipment - continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.11)

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings

3.7 Right of use asset and lease liability

The Corporation 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, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Corporation's accounting policies.

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 Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The application of IFRS 16 had not had a significant impact on the financial position and/or financial performance of the Corporation

3.8 Finance lease receivables

The Group and the Corporation lease out property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy note 3.6. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not

All leases are classified as finance leases from a lessor perspective

Where the lease payments have already been fully received prior to the commencement of the lease, the lease receivable is recognised at the original purchase price of the asset

Conversely, where the lease payments are expected to be received over the lifetime of the lease, the lease receivable is deemed to be the present value of the lease receipts expected during the lease term

The lease receivable will be derecognised over the lifetime of the lease

3. Summary of significant accounting policies - continued

3.9 Investment in jointly-controlled entity

Jointly-controlled entities are all entities over which the Group has joint control by virtue of a contractual agreement with one or more parties. The investment in jointly-controlled entity is accounted for by the equity method of accounting and is initially recognised at cost. The Group's investment in the jointly-controlled entity includes goodwill identified on acquisition net of any accumulated impairment loss

The Group's share of its jointly-controlled entity's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment When the Group's share of losses in a jointly-controlled entity equals or exceeds its interest in the jointly-controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly-controlled entity

Unrealised gains on transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entity Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the jointly-controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Corporation's separate financial statements, the investment in the jointly-controlled entity is accounted for by the cost method of accounting i e at cost less impairment Provisions are recorded where, in the opinion of the Directors, there is an impairment in value Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified The results of the jointly-controlled entity are reflected in the Corporation's separate financial statements only to the extent of dividends receivable On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss

3.10 Investment in subsidiaries

Investment in subsidiaries are accounted for by the cost method of accounting, i e at cost less impairment Provisions are recorded where, in the opinion of the Directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of subsidiaries are reflected in the Corporation's separate financial statements only to the extent of dividends receivable On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

3.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. Summary of significant accounting policies - continued

3.12 Financial assets

3.12.1 Classification

The Group and the Corporation classify financial assets, (other than investment in jointly-controlled entity and in subsidiaries) as loans and receivables The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group and the Corporation provide money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period These are classified as non-current assets The Group and the Corporation's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 3 14 and 3 15).

3.12.2 Recognition and measurement

The Group and the Corporation recognise a financial asset in the statement of financial position when they become a party to the contractual provisions of the instrument Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group and the Corporation Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Corporation have transferred substantially all risks and rewards of ownership or have not retained control of the asset

3.12.3 Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group and the Corporation to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised

Specifically, IFRS 9 requires the Group and the Corporation to recognise a loss allowance for expected credit losses on.

- Debt investments measured subsequently at amortised cost or at fair value through other comprehensive income,
- Trade receivables, and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply

3. Summary of significant accounting policies - continued

3.12 Financial assets - continued

3.12.3 Impairment - continued

In particular, IFRS 9 requires the Group and the Corporation to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group and the Corporation is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value Cost is determined using the weighted average cost method The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.14 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets If not, they are presented as non-current assets

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 3 12.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables Subsequent recoveries of amounts previously written off are credited against profit or loss.

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, term deposits, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3.16 Government Contribution

Investments made in the Corporation by the Government of Malta are treated as part of equity for accounting purposes. Government contribution includes converted permanent debenture stock. Such permanent debenture stock has effectively been converted to a Government contribution by virtue of amendments to the Water Services Corporation Act, passed through Act XXVII of 2007, whereby Article 35 of the Water Services Corporation Act, which addressed the creation of permanent debenture stock in favour of the Government, has been deleted

3. Summary of significant accounting policies - continued

3.17 Revenue Reserve

The Corporation's profit or loss for the financial year is credited or debited, as the case may be, to a revenue reserve included in equity In accordance with Article 25(2) of the Water Services Corporation Act, the application of the revenue reserve is subject to such direction as the Minister responsible for the Corporation, after consultation with the Minister of Finance, may from time to time give

3.18 Financial liabilities

The Group and the Corporation recognise a financial liability in the statement of financial position when either one becomes a party to the contractual provisions of the instrument The Group and the Corporation's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9 Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability These liabilities are subsequently measured at amortised cost using the effective interest method.

The Group and the Corporation derecognise a financial liability from the statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires

3.19 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

3.20 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group and the Corporation have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

3.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. Summary of significant accounting policies - continued

3.22 Current and deferred tax

The tax expense for the period comprises current and deferred tax Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.23 Provisions

Provisions are recognised when the Group and the Corporation have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, and the amount has been reliably estimated Costs related to the ongoing activities of the Group and the Corporation are not provided for in advance Provisions are not recognised for future operating losses

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to the passage of time is recognised as interest expense.

3.24 Pensions obligations

In terms of the Water Services Corporation Act, Cap 355 of the Laws of Malta, Article 40 (5), the Corporation is bound to pay the Government of Malta contributions, as may from time to time be determined by the Minister responsible for finance, in respect of the cost of pensions and gratuities earned by the employees, from the date of acceptance by an officer in the public service who has accepted permanent employment with the Corporation The Corporation has been in continuous discussion with Government in respect of the extent of the amount that may in fact be due in this regard as further discussed note 5 3

The Directors have determined that the Corporation should account for future pension obligations as a 'defined benefit plan' in the context of the Pensions Ordinance.

3. Summary of significant accounting policies - continued

3.25 Pensions obligations - continued

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement. In the Corporation's case, this amount is dependent upon an employee's final compensation upon retirement, as well as completed months of service Eligibility to the scheme is also dependent on a minimum of 10 years' service and employment having commenced prior to 1979. The benefit vests only if at retirement date the employee is still in the employment of the Corporation

The liability recognised in the statements of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period The defined benefit obligation is calculated annually using the projected unit credit method The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of Government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in statement of profit or loss and other comprehensive income.

3.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and the Corporation's activities. Sales are recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

The Group and the Corporation recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and the Corporation and when specific criteria have been met for each of the Group and the Corporation's activities as described below

(a) Sale of water

Sale of water is based on tariff structures established by the Corporation after obtaining approval from the Malta Resources Authority Revenue from sale of water represents the value of the sale of units of water and the related service charges Revenue includes the estimated value of water units supplied to customers not yet billed at the end of the reporting period.

(b) Sales of goods

Sales of goods are recognised when the Group and the Corporation have delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

(c) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

3. Summary of significant accounting policies - continued

3.26 Revenue recognition - continued

(d) Other operating income

Other operating income mainly consists of water-related services and new service installations provided by the Group and the Corporation. This income is recognised when the service or installation is supplied and title has passed along with the risks and rewards of ownership.

(e) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method.

(f) The Group is the lessor

Rental income from finance leases is recognized in profit or loss on a pattern reflecting a constant periodic rate of return on investment

3.27 Construction contracts

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised when incurred

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately

The Group and the Corporation use the 'percentage of completion method' to determine the appropriate amount of revenue and costs to recognise in a given period The stage of completion is measured by reference to the proportion of contract costs incurred for work performed up to the end of the reporting period in relation to the estimated total costs for the contract Costs incurred during the year that relate to future activity on a contract are excluded from contract costs in determining the stage of completion and are shown as contract work in progress within inventories The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end

The Group and the Corporation present as an asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, within trade and other receivables The Group and the Corporation present as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses), within trade and other payables

3. Summary of significant accounting policies - continued

3.28 Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and that the Group and the Corporation will comply with all attached conditions.

Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Such grants mainly represent EU Funds to which the Group and the Corporation are entitled, and subsidies receivable from Government, as approved under the capital and recurrent expenditure votes of the Ministry responsible for the Group and the Corporation, in relation to capital expenditure and operational expenses of water production and waste water system

Grants related to income are generally credited to profit or loss and presented under 'Government subsidies' However, when such grants are specifically related to a particular expense they are presented as a deduction in reporting that expense.

Government grants receivable in relation to the purchase of property, plant and equipment are included in liabilities as deferred Government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets Within profit or loss, such grants are presented under 'Government subsidies'.

3.29 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended All other borrowing costs are expensed Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings

4. Financial risk management

4.1 Financial risk factors

The Group and the Corporation's activities potentially expose them to a variety of financial risks. market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk The Group and the Corporation's overall risk management, covering risk exposures for the Corporation and its subsidiary, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Corporation's financial performance The Board of Directors governing the Group and the Corporation provides principles for overall risk management. The Group and the Corporation did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years

a. *Market risk*

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the Group and the Corporation's purchases are denominated in US Dollar and Great Britain Pound (GBP), and accordingly the Group and the Corporation are exposed to foreign exchange risk arises from such purchases The Group and the Corporation's risk exposures reflecting the carrying amount of payables denominated in these currencies at the end of the reporting periods were not significant

Balances denominated in foreign currencies are settled within relatively short periods in accordance with the negotiated credit terms Furthermore, foreign exchange risk attributable to future transactions is not deemed to be material

The Group and the Corporation's revenues, purchases and operating expenditure, financial assets and liabilities, including financing, are mainly denominated in Euro Accordingly, the Group and Corporation are not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary

(ii) Cash flow and fair value interest rate risk

The Group and the Corporation's significant instruments that are subject to fixed interest rates comprise bond and bank borrowings as disclosed in notes 17 and 19 to the financial statements In this respect, the Group and the Corporation are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost Accordingly, a shift in interest rates would have no impact on the carrying amount of these borrowings.

The Group and the Corporation's operating cash flows are substantially independent of changes in market interest rates Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be contained. Accordingly, a sensitivity analysis for interest rate risk is not deemed necessary

4. Financial risk management - continued

4.1 Financial risk factors - continued

b. Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Group and the Corporation's exposures to credit risk as at the end of the reporting years are analysed as follows·

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000 (restated)	**€'000**	€'000
Loans and receivables category:				
Loan receivable (Note 11)	**369**	486	**-**	-
Finance lease receivables (Note 8)	**842**	862	**-**	-
Trade and other receivables (Note 13)	**67,518**	60,017	**66,959**	60,400
Cash and cash equivalents (Note 15)	**90,949**	1,550	**66,843**	617
	159,678	62,915	**133,802**	61,017

The maximum exposure to credit risk at the end of the reporting year in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements The Group and the Corporation do not hold any collateral as security in this respect.

The Group and the Corporation bank only with local financial institutions with high quality standing or rating

The Group and the Corporation's trade and other receivables arise from the Group and the Corporation's core operations. The Group and the Corporation assess the credit quality of its customers taking into account financial position, past experience and other factors The Group and the Corporation consider that it is not exposed to major concentrations of credit risk in the event of non-performance of a single customer other than as disclosed below

The Group and the Corporation's trade and other receivables include significant amounts due from the Government of Malta and other related parties that are owned or controlled by the Government. The Group and the Corporation's credit control function monitors related party exposures at an individual Corporation level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management The Group and the Corporation take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2023, the Group and the Corporation had total trade receivables amounting to €5 7 million (2022· €6 5 million) which were impaired and the amount of the provisions in this respect are equivalent to these amounts The individually impaired receivables mainly relate to a number of independent customers who are not meeting repayment obligations Reversal of provisions for impairment arise in those situations where customers settle the balance due The Group and the Corporation do not hold any collateral as security in respect of the impaired assets.

The movements in the Group and the Corporation's provisions for impairment of trade receivables are disclosed in note 26 to the financial statements.

4. Financial risk management - continued

4.1 Financial risk factors - continued

b Credit risk - continued

As at 31 December 2023 and 2022, there were certain trade and other receivables which were past due but not impaired. These mainly relate to a number independent trade customers for whom there is no recent history of default Whilst a limited number of customers account for a certain percentage of the Group and the Corporation's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above Categorisation of trade receivables as past due is determined by the Group and the Corporation on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers

c. Liquidity risk

The Group and the Corporation are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (notes 17, 19 and 20), Government dues (note 23) and trade and other payables (note 18) Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group and the Corporation's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year The Group and the Corporation's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the Group and the Corporation's committed bank borrowing facilities and other financing that they can access to meet liquidity needs as further disclosed in notes 17, 19, 20, 21 and 23.

Notwithstanding the working capital deficiency as at the year end, management does not consider the Group's liquidity exposure to be significant after taking account of the financing options available to it

The following tables analyse the Group's and the Corporation's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting year to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and when applicable are inclusive of interest Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

4. Financial risk management - continued

4.1 Financial risk factors - continued

c Liquidity risk – continued

Group	Carrying amount €000	Contractual cash flows €000	Less than 1 year €000	Between 1 and 5 years €000	Over 5 years €000
31 December 2022					
Bond	-	-	-	-	-
Bank borrowings	45,493	53,692	12,478	36,317	4,897
Government loan	3,206	3,618	250	1,250	2,118
Trade and other payables (restated)	46,329	46,329	46,329	-	-
31 December 2023					
Bond	24,529	35,250	1,063	4,250	29,937
Bank borrowings	35,868	41,695	7,338	31,610	2,747
Government loan	3,008	3,368	250	1,250	1,868
Trade and other payables	75,764	75,764	75,764	-	-

Corporation	Carrying amount €000	Contractual cash flows €000	Less than 1 year €000	Between 1 and 5 years €000	Over 5 years €000
31 December 2022					
Bank borrowings	45,493	53,692	12,478	36,317	4,897
Loan from subsidiary	-	-	-	-	-
Government loan	3,206	3,618	250	1,250	2,118
Trade and other payables	46,263	46,263	46,263	-	-
31 December 2023					
Bank borrowings	35,868	41,695	7,338	31,610	2,747
Loan from subsidiary	1,681	2,552	-	-	2,552
Government loan	3,008	3,368	250	1,250	1,868
Trade and other payables	74,193	74,193	74,193	-	-

An amount of €17,511,766 (2022: €20,046,872) disclosed above within the bank borrowings is to be reimbursed by the Government

4. Financial risk management - continued

4.2 Capital risk management

The Group and the Corporation's objectives when managing capital are to safeguard the Group and the Corporation's ability to continue as a going concern and to maintain an optimal capital structure to support their operations and reduce the cost of capital In order to maintain or adjust the capital structure, the Group may seek funding from Government within the parameters of specific regulations.

The level of capital of the Group and the Corporation, which constitute equity as reflected in the consolidated statements of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. The Directors, together with the Government of Malta, are constantly reviewing the adequacy of the capital level in the context of the changing business and operational environment, both locally and internationally, and expected operating results of the Group and the Corporation on the basis of management's budgets and forecasts In view of the nature of the Group and the Corporation's activities and the extent of borrowings or debt, the capital level as at the end of the reporting year determined by reference to the consolidated financial statements is deemed to be adequate by the Directors

4.3 Fair values of financial instruments

At 31 December 2023 and 2022, the carrying amounts financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the respective current market interest rate that is available to the Group and the Corporation for similar financial instruments The fair value of the Group and the Corporation's non-current assets and liabilities as at the end of the reporting year are not significantly different from the carrying amounts in view of the interest rates to which they are exposed

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances

The Group and the Corporation make estimates and assumptions concerning the future. The resulting accounting estimateswill by definition, seldom equal the related actual results. These estimates and assumptions present a risk ofcausing a material adjustment to the carrying amounts of assets and liabilities within the next financial year The Group and the Corporation's Directors and management also make judgements, apart from those involving estimations,in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements

5.1 The Corporation's revenue from sale of water

Every water utility provider expects to suffer water losses These can be divided into two real losses and apparent losses The former are actual losses from the network, i e leakages from pipes, whilst the latter refers to a loss of revenue, in relation to units that have been actually consumed by customers, but for various reasons are not being billed In Malta, studies have demonstrated that the largest contributor to apparent losses is meter under-registration Persistent attempts to curb both types of losses have been made over the years and continue to be undertaken. To this effect, the Corporation has embarked on a nationwide project where it is changing older meters with more efficient meters in an attempt to mitigate as much as possible the under- registration of meters

The Corporation together with Enemalta Corporation, implemented a state-of-the-art Integrated Utilities Business System to support and improve each Corporation's management of revenue and receivables. In 2009, both Corporations set up a jointly-controlled entity (Automated Revenue Management Services Ltd – 'ARMS') specifically incorporated to act as a service organization with the objective of administering the revenue cycle within this newly implemented and integrated IT system This system was commissioned as from 1 January 2010. After this, the Corporation continued with its extensive program of introducing an Automated Metering Management System with the aim of further controlling apparent losses This implementation process is still not complete and the benefits of improved management of apparent losses are still to be witnessed

The Corporation estimates the unbilled element of water consumption for the year with reference to actual bills issued after the year end, and other assumptions made for bills that had not yet been issued at the year end in respect of units consumed during the year This process requires certain assumptions to be made for bills that have not yet been issued in relation to units consumed during the year. The estimated revenue portion included in accrued income is disclosed in note 13 and amounted to €14 3 million as at 31 December 2023 (2022· €14.8 million).

Notwithstanding the system and control limitations that were identified in the above-mentioned third party assurance report, the Directors have concluded that the estimate of accrued income included within these financial statements is a reasonable one This assertion considers a number of factors, including the assessment at the time, of the potential financial impact of certain reported control deficiencies which was not deemed to be significant, as well as the comparability of the volume of units billed with prior years' experience and units produced, the passage of time and bills issued subsequent to the year end

At the same time, the Directors draw attention to the sensitivity of this estimate and the inherent estimation uncertainty, which is influenced by the matters described above The estimate of accrued income is considered to be critical to the financial statements on the basis of there being significant risk of a material adjustment to the carrying amount within the next financial year.

5. Critical accounting estimates and judgements - continued

5.1 The Corporation's revenue from sale of water – continued

This estimation process requires certain assumptions to be made for bills that had not yet been issued in relation to units consumed during the year These assumptions include the proration of bills issued after the end of the reporting year by apportioning the element of consumption attributable to 2023 with reference to average consumption trends. In a similar manner, consumption for meters for which no actual reading was made after the end of the reporting year was estimated to be consistent with past consumption patterns by the same customers. Therefore, this estimate is inherently subject to the risk of fluctuations in actual consumption when compared to past consumption trends. These assumptions in the estimation process impact the degree of accuracy when comparing total units billed to those produced

As mentioned above, despite the system and control limitations, the Directors believe that the comparability of the volume of units billed with units produced, and with prior years' experience of unbilled units, is a key indicator that revenue from the sale of water, including accrued income, is reasonable. Management considers that a fluctuation of 5% in unbilled units is an appropriate benchmark for the purposes of applying sensitivity A fluctuation of 5% in the proportion of units billed to units produced, assuming that all other variables, including the average revenue per unit billed, are kept constant, would result in an increase or decrease of €4 2 million (2022 €3 8 million) in the Corporation's revenue from the sale of water.

5.2 Provision for impairment of trade receivables

The Group and the Corporation monitors the performance trade receivables on a regular basis to identify potential collection losses, which are inherent in the Group and the Corporation's debtors, taking into account historical experience in collection of accounts receivable On this basis, the Directors believe that the provision for impairment recognised in the financial statements is reasonable and reflects the possibility of default and potential recoveries from customers However, due to the inherent uncertainty in the evaluation process, actual defaulters may be different from those provided for

5.3 Provision for cost of service pensions payable to Government

The Corporation exercises judgement in measuring and recognising provisions for its pension obligations The present value of future pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including, inter alia, the discount rate, the appropriate vesting period and expected rates of mortality. In the Corporation's case, the specific judgements involved are even more subjective, taking cognisance of the Directors' interpretation of the nature of the Corporation's obligations and the ongoing developments in this respect as explained in note 3 24

Although the Corporation has provided for an initial estimate of potential future pension obligations, discussions are still under way with Government on the extent of the amounts that may in fact be finally due. Due to the inherent uncertainty in this evaluation process, actual costs may be different from the estimated provision for future pension obligations that are recognised in note 22 2

5.4 Estimation of useful life

The useful lives and residual values of the Group and the Corporation's property, plant and equipment are determined by the Directors at the time the asset is acquired and reviewed annually for appropriateness The lives are based on historical experience of similar assets as well as anticipation of future events that may impact their life such as changes in technology, innovation and related regulations

5. Critical accounting estimates and judgements - continued

5.5 Impairment assessment of property, plant and equipment

IFRSs require management to test the carrying value of property, plant and equipment (disclosed in note 6) for impairment if events or changes in circumstances indicate that the carrying amount of a non-financial asset having a finite useful life may not be recoverable The Group and the Corporation are continually assessing the operational andfinancial impact of compliance with laws and regulations Generally, environmental and regulatory compliance results in additional costs being incurred, but could also lead to the possible impairment of existing plant andequipment.

Assessment of matters referred to above

In the opinion of the Directors, except as disclosed in note 5.1 above, the accounting estimates and judgements made in the course of preparing these financial statements, which have been highlighted above, are not difficult, subjective or complex to a degree that would warrant their description as critical in terms of the requirementsof IAS 1

6. Property, plant and equipment

Group	Land and buildings	Water infrastructure and related assets	Plant, equipment, furniture and fittings	Waste water infrastructure and related assets	Integrated utilities business systems	Assets in the course of construction	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 01 01 2022	52,256	226,454	38,869	166,248	35,539	95,392	614,758
Additions	9,546	16,820	2,874	18,796	-	24,774	72,810
Write offs	-	(1,483)	(608)	-	-	-	(2,091)
Reclassification	-	-	-	-	-	(36,037)	(36,037)
At 01 01 2023	61,802	241,791	41,135	185,044	35,539	84,129	649,440
Additions	1,524	16,792	3,004	12,318	-	25,293	58,931
Write offs	-	(1,254)	(197)	(91)	-	-	(1,542)
Reclassification	-	-	-	-	-	(22,377)	(22,377)
At 31 12 2023	**63,326**	**257,329**	**43,942**	**197,271**	**35,539**	**87,045**	**684,452**
Depreciation							
At 01 01 2022	16,546	104,344	23,051	84,399	35,414	-	263,754
For the year	1,186	8,714	3,268	8,871	51	-	22,090
Realised on write offs	-	(1,484)	(599)	-	-	-	(2,083)
At 01 01 2023	17,732	111,574	25,720	93,270	35,465	-	283,761
For the year	1,209	8,637	3,840	6,569	51	-	20,306
Realised on write offs	-	(1,156)	(150)	(24)	-	-	(1,330)
At 31 12 2023	**18,941**	**119,055**	**29,410**	**99,815**	**35,516**	**-**	**302,737**
Net book value							
At 31 12 2022	44,070	130,217	15,415	91,774	74	84,129	365,679
At 31 12 2023	**44,385**	**138,274**	**14,532**	**97,456**	**23**	**87,045**	**381,715**

6. Property, plant and equipment - continued

Corporation	Land and buildings	Water infrastructure and related assets	Plant, equipment, furniture and fittings	Waste water infrastructure and related assets	Integrated utilities business systems	Assets in the course of construction	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 01 01 2022	52,256	226,454	38,853	166,248	35,539	95,392	614,742
Additions	9,546	16,820	2,863	18,796	-	24,872	72,897
Write offs	-	(1,483)	(608)	-	-	-	(2,091)
Reclassification	-	-	-	-	-	(36,037)	(36,037)
At 01 01 2023	61,802	241,791	41,108	185,044	35,539	84,227	649,511
Additions	1,524	16,792	3,001	12,318	-	25,520	59,155
Write offs	-	(1,254)	(197)	(91)	-	-	(1,542)
Reclassification	-	-	-	-	-	(22,377)	(22,377)
At 31 12 2023	**63,326**	**257,329**	**43,912**	**197,271**	**35,539**	**87,370**	**684,747**
Depreciation							
At 01 01 2022	16,546	104,344	23,050	84,399	35,414	-	263,753
For the year	1,186	8,714	3,266	8,871	51	-	22,088
Realised on write offs	-	(1,484)	(599)	-	-	-	(2,083)
At 01 01 2023	17,732	111,574	25,717	93,270	35,465	-	283,758
For the year	1,209	8,637	3,828	6,569	51	-	20,294
Realised on write offs	-	(1,156)	(150)	(24)	-	-	(1,330)
At 31 12 2023	**18,941**	**119,055**	**29,395**	**99,815**	**35,516**	**-**	**302,722**
Net book value							
At 31 12 2022	44,070	130,217	15,391	91,774	74	84,227	365,753
At 31 12 2023	**44,385**	**138,274**	**14,517**	**97,456**	**23**	**87,370**	**382,025**

Assets in the course of construction represent plant and equipment, which as at the end of the financial year, had not been commissioned for use within the Corporation and these relate to water and waste water infrastructure assets

7. Right of use asset and lease liability

a Right of use asset

	Motor Vehicles €'000 (restated)	Total €'000 (restated)
At 1 January 2022	-	-
Additions	2,276	2,276
Depreciation charge	(265)	(265)
As at 31 December 2022	**2,011**	**2,011**
Year ended 31 December 2022		
Cost	2,276	2,276
Accumulated depreciation	(265)	(265)
Net book value	**2,011**	**2,011**
At 1 January 2023	2,011	2,011
Additions	2,460	2,460
Depreciation charge	(501)	(501)
As at 31 December 2023	**3,970**	**3,970**
Year ended 31 December 2022		
Cost	4,736	4,736
Accumulated depreciation	(766)	(766)
Net book value	**3,970**	**3,970**

b Lease Liability

	Motor Vehicles €'000 (restated)	Total €'000 (restated)
At 1 January 2022	-	-
Additions	2,276	2,276
Interest expense on lease liability	55	55
Repayment of lease liability	(295)	(295)
As at 31 December 2022	**2,036**	**2,036**
At 1 January 2023	2,036	2,036
Additions	2,460	2,460
Interest expense on lease liability	76	76
Repayment of lease liability	(548)	(548)
As at 31 December 2023	**4,024**	**4,024**

7. Right of use asset and lease liability - continued

b Lease Liability - continued

	2023 €'000 (restated)	2022 €'000 (restated)
Non-current		
Lease liability	**2,197**	1,493
Current		
Lease liability	**1,827**	543

The Statement of Comprehensive income reflects the following amounts with respect to leases:

	2023 €'000 (restated)	2022 €'000 (restated)
Depreciation charge of the right of use assets.	**501**	265
Interest expense on lease liability	**76**	55

8. Finance lease receivable

	Group	
	2023 €'000	2022 €'000
Non-current		
Lease receivable	**794**	823
Current		
Lease receivable	**48**	39
Amounts receivable under finance leases:		
Year 1	**256**	251
Year 2	**256**	251
Year 3	**256**	251
Year 4	**256**	251
Year 5	**256**	251
Onwards	**729**	957
Undiscounted lease payments	**2,009**	2,212
Less unearned finance income	**(1,167)**	(1,350)
Impairment loss allowance	**-**	-
Net investment in the lease	**842**	862

8. Finance lease receivable – continued

In 2021, the Group, through the subsidiary, entered into finance leasing arrangements as lessors for certain water dispensers to customers The average term of finance leases entered into is of 10 years Generally, these lease contracts do not include extension or early termination options

The Group and the subsidiary are not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in 'Euro'. Residual value risk on the water dispensers under lease is not significant, because of the existence of a secondary market with respect to these dispensers

The following table presents the amounts included in profit or loss

	Group	
	2023	2022
	€'000	€'000
Finance income on the net investment in finance leases	**215**	228

The subsidiary's finance lease arrangements do not include variable payments The effective interest rate contracted approximates 24 9% (2022· 24 9%) per annum.

None of the finance lease receivables at the end of the reporting year are past due, and considering the historical default experience and the future prospects of the industries in which the lessees operate, the Directors of the subsidiary consider that no finance lease receivable is impaired

There has been no change in the estimation techniques or significant assumptions made during the current reporting year in assessing the loss allowance for finance lease receivables

9. Investments in subsidiaries

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cost				
At 1 January	**1**	7	**6**	12
Additions	**-**	-	**19**	-
Impairment	**-**	(6)	**-**	(6)
At 31 December	**1**	1	**25**	6

9. Investments in subsidiaries - continued

At year end, the Corporation's subsidiaries were the following:

	Registered office	Class of shares held	Percentage of shares held %
ClearFlowPlus p l c	Water Services Corporation, Qormi Road, Luqa LQA 9043, Malta	Ordinary shares	100
MaltaEnergy Limited	43/45, Triq il-Kapuccini, Floriana, FRN 1052, Malta.	Ordinary shares	51
Malta Developers Green Energy Ltd	Malta Developers Association, Ursuline Street, Gwardamangia, Pieta' PTA 1227, Malta	Ordinary shares	51

MaltaEnergy Limited and Malta Developers Green Energy Ltd are excluded from the Group's consolidated financial statements as they are not deemed significant components of the Group.

10. Investment in jointly-controlled entity

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cost				
At 1 January	**887**	823	**125**	125
Share of results	**80**	64	**-**	-
At 31 December	**967**	887	**125**	125

The Group's share of results of the jointly-controlled entity, disclosed above and in profit or loss, is reported after tax

The jointly-controlled entity whose results and financial position affected the figures of the Group, is shown below

	Registered office	Class of shares held	Percentage of shares held %
Automated Revenue Management Services Ltd	Gattard House, National Road, Blata Bajda, Hamrun, HMR 9010, Malta	Ordinary shares	50

In determining the impact of equity accounting for the investment in the jointly-controlled entity, reference was made to the latest financial information available to the Group as at the reporting date

	2023	2022
	€'000	€'000
Assets	**16,073**	12,913
Liabilities	**14,838**	11,900
Revenues	**11,490**	11,818
Results	**161**	112

The current and prior year figures have been based on unaudited financial information.

11. Loan receivable

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Non-current				
Loan to related entity	**327**	422	**-**	-
Current				
Loan to related entity	**42**	64	**-**	-

The loan receivable balance is partially represented by €305,283 (2022 €336,855) (exclusive of accrued interest receivable disclosed as part of note 13) which were advanced to a related entity by way of a loan during 2021. The loan is unsecured, bears interest of 4 5% per annum and is to be paid in full, including the agreed interest, by the year 2028

The remaining amount of the loan receivable balance is represented by €63,593 (2022· €150,000) (exclusive of accrued interest receivable disclosed as part of note 13) which were advanced to a related entity by way of a loan during 2022 The loan is unsecured, bears interest of 4.5% per annum and is to be paid in full, including the agreed interest, by the year 2029

12. Inventories

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Mains and pipes	**9,202**	11,508	**9,154**	11,461
Consumables stores and spare parts	**11,930**	10,540	**12,310**	10,921
Meters and other inventories	**2,382**	2,273	**2,382**	2,273
Total inventories	**23,514**	24,321	**23,846**	24,655
Aggregate inventories	**26,266**	27,276	**26,585**	27,594
Inventory provisions	**(2,752)**	(2,955)	**(2,739)**	(2,939)
Total inventories	**23,514**	24,321	**23,846**	24,655

The cost of inventories recognised as expense is appropriately disclosed in note 26 to the financial statements. During the current financial year, inventory write-downs amounted to €2,752,042 (2022 €2,954,693) for the Group and €2,739,258 (2022. €2,939,354) for the Corporation These amounts have been charged to profit or loss and are included within 'Administrative expenses in the statement of profit or loss and other comprehensive income.

13. Trade and other receivables

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000 (restated)	**€'000**	€'000 (restated)
Non-current				
Amounts due from Government - (c)	**20,601**	21,931	**20,601**	21,931
Allowance for expected-credit loss on amounts due from Government	**(37)**	(44)	**(37)**	(44)
Total non-current trade and other receivables	**20,564**	21,887	**20,564**	21,887
Current				
Trade receivables	**21,099**	22,468	**20,593**	21,720
Allowance for expected-credit loss on trade receivables	**(5,705)**	(6,501)	**(5,623)**	(6,412)
Accrued income - (b)	**14,253**	14,852	**14,253**	14,750
Allowance for expected-credit loss on accrued income	**(313)**	(352)	**(313)**	(352)
Amounts due from Government - (c)	**2,500**	3,000	**2,500**	3,000
Other receivables	**13,765**	4,713	**13,652**	4,703
Amounts due from/(to) subsidiary - (a)	**-**	-	**440**	998
Prepayments	**898**	106	**893**	106
Total current trade and other receivables	**46,497**	38,286	**46,395**	38,513
Total trade and other receivables	**67,061**	60,173	**66,959**	60,400

(a) Amounts due from the subsidiary are unsecured, interest free and repayable on demand

(b) Accrued income includes an amount of €14 2 million (2022. €14 8 million) in respect of water units and service charge supplied to customers not yet billed at the year end This estimate represents 17% (2022· 19%) of the sale of water for the year This estimation process, which involved reference to bills issued from the new revenue system described in note 5 1, requires due caution because of the system limitations and required certain assumptions to be made for bills that had not yet been issued at the year end in relation to units consumed during the year The Corporation determines the expected credit loss allowance on such receivable based on a probability of default ranging between 0 02% to 0 52% and a loss given default of 100%

(c) Amounts due from Government represent the Corporation's entitlement to the reimbursement of specific bank borrowings used by the Corporation for capital expenditure purposes. The amount is unsecured, interest-free and is repayable by annual allocations of €3 million as from the 2019 budgeted costs, and €2.5 million as from the 2023 budgeted costs issued by the Ministry for the Environment, Energy and Enterprise (MEEE) The Corporation determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%

14. Current tax (liabilities)/assets

	Group		Corporation	
	2023	2022 (restated)	**2023**	2022
	€'000	€'000	**€'000**	€'000
As at 1 January	**(202)**	(122)	**9**	228
Taxation for the year	**(324)**	(404)	**-**	-
Provisional tax paid	**192**	166	**-**	-
Settlement tax paid	**241**	377	**-**	-
Tax credit	**-**	(219)	-	(219)
	(93)	(202)	**9**	9

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following.

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Cash at bank	**91,096**	1,580	**66,952**	643
Cash in hand	**7**	7	**7**	7
Allowance for ECL	**(154)**	(37)	**(116)**	(33)
Cash and cash equivalents (excluding bank overdrafts)	**90,949**	1,550	**66,843**	617
Bank overdrafts (note 19)	**(1,632)**	(6,671)	**(1,632)**	(6,671)
Cash and cash equivalents	**89,317**	(5,121)	**65,211**	(6,054)

As at year ended, the subsidiary had a fixed-term deposit of €21 million (2022 €Nil), having an interest rate of 2 62% and a maturity date of 19 April 2024. The Group and the Corporation also had restrictions amounting to €46,790 (2022 €114,019) on cash and cash equivalents

16. Capital and reserves

Government contribution

Government contribution amounting to €73,142,325 represents converted permanent debenture stock by virtue of amendments to the Water Services Corporation Act, passed through Act XXVII of 2007, whereby Article 35 of the Water Services Corporation Act has been deleted

Other reserve

During 2023, the subsidiary has capitalised €226,709 of its profits from retained earnings to add its share capital

Pension contributions reserve

Pension contributions reserve represents the movement in remeasurements of post-employment benefit obligations due to actuarial assumptions (refer to note 22 2).

17. Bond borrowings

	Group 2023 €'000	2022 €'000
Non-current		
250,000 4.25% Bonds 2033	**24,529**	-
Carrying amount at 1 January	**-**	-
Bond issuance	**24,529**	-
Carrying amount at 31 December	**24,529**	-

By virtue of a Prospectus dated 20 July 2023, the subsidiary (the Issuer) issued 25,000,000 bonds with a face value of €100 each. The bonds have a coupon interest of 4.25% which is payable annually on 25 August The bonds are guaranteed through the joint and several guarantee of the Guarantor (being, the parent company, Water Services Corporation) in terms of the guarantee dated 20 July 2023 The bonds were admitted on the Official List of the Malta Stock Exchange on 21 August 2023. The quoted market price as at year end for the bonds was €101 which in the opinion of the Directors fairly represents the fair value of these financial liabilities

In accordance with the provisions of the Prospectus, the proceeds from the bond issue are to be used by the Company to provide a loan facility to the Guarantor (as stated in note 20) in order to carry out a number of Eligible Green Projects, as described in detail within the Prospectus

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	Group 2023 €'000	2022 €'000
Original face value of bonds issued	**25,000**	-
Gross amount of bond issue costs	**(488)**	-
Accumulated amortisation	**17**	-
Unamortised bond issue costs	**(471)**	-
Amortised cost and closing carrying amount of the bonds	**24,529**	-

This note provides information about the contractual terms of the Company's borrowings. For more information about the Company's exposure to liquidity and interest rate risk see note 4.

18. Trade and other payables

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000 (restated)	**€'000**	€'000
Non-current				
Deferred income	**142**	159	**-**	-
Advance payments from customers	**93**	105	**-**	-
Total non-current other payables	**235**	264	**-**	-
Current				
Trade payables	**19,225**	5,223	**19,089**	5,215
Other payables	**24,088**	20,401	**24,811**	20,539
Amounts due to jointly-controlled entity	**(10,129)**	3,275	**(10,129)**	3,275
Movement in the pension provision contributions (Note 22)	**7,266**	6,860	**7,266**	6,860
Indirect taxation and social security	**1,284**	404	**463**	388
Accruals	**32,302**	10,009	**32,237**	9,986
Deferred income	**841**	301	**-**	-
Advance payments from customers	**14**	12	**-**	-
Bond accrued interest payable	**416**	-	**-**	-
Loan accrued interest payable	**-**	-	**456**	-
Total current trade and other payables	**75,307**	46,485	**74,193**	46,263
Total trade and other payables	**75,542**	46,749	**74,193**	46,263

Amounts due to jointly-controlled entity are unsecured, interest-free and are repayable on demand

19. Bank borrowings

	Group and Corporation	
	2023	2022
	€'000	€'000
Current		
Bank loans	**4,623**	4,585
Bank overdrafts	**1,632**	6,671
Total current borrowings	**6,255**	11,256
Non-current		
Bank loans		
Between 1 and 5 years	**27,111**	29,824
Over 5 years	**2,502**	4,413
Total non-current borrowings	**29,613**	34,237
Total borrowings	**35,868**	45,493
Interest rate exposure		
At fixed rates	**17,512**	20,047
At floating rates	**18,356**	25,446
Total borrowings	**35,868**	45,493

At year end, the Group and the Corporation had aggregate bank facilities of €35,868,445 (2022· €45,492,353).

The total borrowings balance is made up of three principal bank loans. The first being a loan of €17,511,766 (2022 €20,046,872) which was split into four tranches with the initial tranche taken out in 2008 Repayments commenced on 15 December 2012 and will continue until 20 September 2032. The loan carries an interest rate between 3 08% and 4.72%. This facility is reimbursed by the Government as detailed in note 11 (c)

The second bank loan is of €13,725,000 (2022· €15,775,000). This loan was advanced in 2019 and is due for repayment in full by latest 30 July 2026 The bank loan carries an interest rate at 1.6% per annum over the 3-month EURIBOR rate

The third is a revolving bank loan with a balance of €3,000,000 (2022· €3,000,000) which was taken out during the prior year, having no fixed repayment terms The loan is due for repayment in full by latest 30 July 2026 Similarly, the bank loan carries an interest rate at 1 6% per annum over the 3-month EURIBOR rate

In addition, the Group and the Corporation's bank balance as at 31 December 2023 is overdrawn with a balance of €1,631,679 which is repayable on demand The overdraft is charged interest rate at 1 6% per annum over the 3-month EURIBOR rate

20. Loan from subsidiary

	Corporation	
	2023	2022
	€'000	€'000
Non-current		
Loan from subsidiary	**1,681**	-

In 2023, the subsidiary advanced a loan to the Corporation of €1,680,559 (2022 €Nil) (exclusive of accrued interest payable disclosed as part of note 18) This loan was financed from the proceeds of the bond issue which the subsidiary issued during 2023 The loan will be used by the Corporation, the 'Guarantor', in a number of Eligible Green Projects The loan is unsecured, bears interest at 4 75% per annum and is to be paid in full, including the agreed interest by the year 2033

21. Deferred Government grants

	Group and Corporation	
	2023	2022
	€'000	€'000
As at 1 January	**204,978**	201,598
Subsidies recognized during the year	**85,571**	35,910
Transfer to profit or loss	**(32,984)**	(32,530)
	257,565	204,978
Current	**13,210**	9,596
Non-current	**244,355**	195,382
At 31 December	**257,565**	204,978

22. Provisions for other liabilities and charges

22.1 Provisions for legal claims

	Group and Corporation	
	2023	2022
	€'000	€'000
Non-current		
As at 1 January	**4,215**	4,531
Increase in provision	**-**	-
Reversals	**(1,569)**	(316)
As at 31 December	**2,646**	4,215

The amounts shown comprise gross provisions in respect of legal claims brought against the Group and the Corporation In the opinion of the Directors, after taking appropriate legal advice, the outcome of the outstanding legal claims will not give rise to any significant loss beyond the amounts provided at the end of the reporting year end. Furthermore, it is unlikely that these claims will be settled within twelve months from the end of the reporting year end. Accordingly, they are being classified as non-current

22.2 Pensions and other post-employment benefit plans

	Group and Corporation	
	2023	2022
	€'000	€'000
Obligations for pension benefits		
As at 1 January	**10,747**	11,608
Credited to other comprehensive income		
Movement in remeasurements of post-employment benefits obligations due to actuarial assumptions	**371**	429
Charged to profit or loss		
Interest and current service costs	**(49)**	(1,290)
As at 31 December	**11,069**	10,747
Current (Note 18)	**7,266**	6,860
Non-current	**3,803**	3,887
As at 31 December	**11,069**	10,747

A pension scheme set up in accordance with the Pensions Ordinance, 1937 falls under the category of 'Defined Benefit Plan' within the scope of IAS 19, Employee Benefits. A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement As originally provided for in the Pensions Ordinance, 1937, this amount is dependent upon an employee's final compensation upon retirement, as well as completed months of service Furthermore, qualifying employees must have worked for Government for a minimum of 10 years, been employed by Government prior to 1979 and must have remained in service with Water Services Corporation until retirement (the vesting period), in order to be unconditionally eligible to receive a pension under the scheme

22. Provisions for other liabilities and charges - continued

22.2 Pensions and other post-employment benefit plans - continued

The principal actuarial assumptions used were as follows.

(a) Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating the terms of the related pension liability As at 31 December 2023, the weighted average discount rate used was 3 01% (2022: 3.50%)

(b) Future salary increases

Water Services Corporation employees are remunerated on the basis of salary scales in accordance with collective agreements Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in line with the Group's salary scales, past experience and market conditions

(c) Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 85 and 88 years (2022 85 and 88 years) depending on the age and gender of the beneficiaries

23. Other borrowings

	Group and Corporation	
	2023	2022
	€'000	€'000
Current		
Within 1 year	**202**	198
	202	198
Non-current		
Between 1 and 5 years	**1,059**	827
Over 5 years	**1,747**	2,181
	2,806	3,008
	3,008	3,206

Other borrowings relate to a government loan which is unsecured, interest-free and to be repaid at €250,000 per annum.

24. Revenue

The Group and the Corporation's main source of revenue is derived from the acquisition, production, distribution and sale of water for domestic, industrial and commercial use The Group and the Corporation's revenue is also derived from the treatment and disposal or re-use of sewage, waste water and storm water

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000 (restated)	**€'000**	€'000
Sale of water	**83,213**	76,624	**83,213**	76,624
Ancillary services, related and other income	**8,247**	5,473	**7,028**	4,077
	91,460	82,097	**90,241**	80,701

25. Government subsidies

Government subsidies represent contributions by Government towards subsidising the cost of providing water and a waste water system to the consumer Net movement for the year is as follows below

	Group and Corporation	
	2023	2022
	€'000	€'000
Subsidies recognized during the year attributable to		
Recurrent expenditure	**20,893**	20,978
Capital expenditure (Note 21)	**64,678**	14,932
	85,571	35,910
Subsidies credited to profit or loss during the year		
Recurrent expenditure	**20,893**	20,978
Deferred government grants (Note 21)	**12,091**	11,552
As at 31 December	**32,984**	32,530

26. Expenses by nature

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
		(restated)		(restated)
Employee benefit expense (Note 27)	**34,134**	32,046	**34,134**	32,046
Directors' remuneration (Note 27)	**135**	121	**127**	121
Depreciation and amortisation (Notes 6, 7 and 17)	**20,824**	22,355	**20,795**	22,353
Movement in ECL allowance (Notes 13 and 15)	**(725)**	117	**(752)**	99
Movement in legal provision (Note 22)	**(1,631)**	(316)	**(1,631)**	(316)
Movement in inventory provisions (Note 12)	**(203)**	(23)	**(200)**	(32)
Electricity	**17,369**	19,407	**17,369**	19,407
Repairs and maintenance	**15,098**	10,626	**15,056**	9,839
Material consumed	**7,488**	5,725	**6,371**	5,241
Waste disposal	**2,503**	1,492	**2,503**	1,492
Management fees	**4,873**	6,395	**4,873**	6,395
Transport costs	**2,060**	1,848	**2,060**	1,848
Professional fees	**328**	500	**328**	500
Annual statutory audit	**54**	46	**44**	44
Other expenses	**3,629**	3,769	**3,091**	3,588
	105,936	104,108	**104,168**	102,625

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2023 and 2022 relate to the following:

	Group		Corporation	
	2023	**2022**	**2023**	2022
	€'000	**€'000**	**€'000**	€'000
Annual statutory audit	**54**	46	**44**	44

27. Employee benefit expense

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Wages and Salaries (including Directors' remuneration)	**32,058**	30,011	**32,050**	30,011
Social security costs	**2,211**	2,156	**2,211**	2,156
Cost of service pensions payable to Government	**(49)**	(1,290)	**(49)**	(1,290)
	34,220	30,877	**34,212**	30,877

	Group		Corporation	
	2023	2022	**2023**	2022
Average number of employees	**1,053**	1,065	**1,053**	1,065

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Directors' remuneration				
Salaries and other emoluments	135	**121**	**127**	121

28. Finance income

	Group		Corporation	
	2023	2022	**2023**	2022
	€'000	€'000	**€'000**	€'000
Imputed interest on amounts due from Government	**670**	742	**670**	742
Interest on outstanding trade receivables	**519**	634	**519**	634
Lease interest income	**343**	239	**-**	-
	1,532	1,615	**1,189**	1,376

29. Finance costs

	Group		Corporation	
	2023	2022 (restated)	**2023**	2022 (restated)
	€'000	€'000	**€'000**	€'000
Bank interest	**1,645**	1,247	**2,102**	1,247
Lease interest	**76**	55	**76**	55
Other interest	**647**	288	**230**	288
As at 31 December	**2,368**	1,590	**2,408**	1,590

30. Tax expense

	Group		Corporation	
	2023	2022 (restated)	**2023**	2022
	€'000	€'000	**€'000**	€'000
Current taxation	**324**	404	**-**	-

The tax on the Group and the Corporation's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows

	Group		Corporation	
	2023	2022 (restated)	**2023**	2022 (restated)
	€'000	€'000	**€'000**	€'000
Profit before tax	**17,801**	11,898	**17,887**	11,682
Tax at 35%	**6,231**	4,164	**6,260**	4,089
Tax effect of				
Non-temporary differences	**(6,876)**	(4,277)	**(7,250)**	(4,605)
Temporary differences	**1,173**	739	**1,172**	738
Interest income taxed at source	**(204)**	(222)	**(182)**	(222)
Current taxation	**324**	404	**-**	-

No income taxation has been provided in the Corporation's financial statements in view of the Corporation's unabsorbed losses and capital allowances As at year end, unabsorbed trading losses and capital allowances for which no deferred tax asset is recognised amounted to €201,839,892 (2022· €196,338,073).

31. Cash generated from operations

Reconciliation of operating profit to cash generated from/(used in) operations

	Group		Corporation	
	2023	2022 (restated)	**2023**	2022 (restated)
	€'000	€'000	**€'000**	€'000
Profit before taxation	**17,801**	11,898	**17,887**	11,682
Adjustments for:				
Depreciation of property, plant and equipment (Note 6)	**20,306**	22,090	**20,294**	22,088
Depreciation of right of use assets (Note 7)	**501**	265	**501**	265
Amortisation of bond (Note 17)	**17**	-	**-**	-
Movement in provision for other liabilities and charges (Note 22)	**(1,247)**	(1,177)	**(1,247)**	(1,177)
Movement in provision for ECL (Note 13)	**(842)**	117	**(835)**	99
Movement in post-employment benefits obligations (Note 22)	**(371)**	(429)	**(371)**	(429)
Movement in lease obligations (Note 7)	**(548)**	(295)	**(548)**	(295)
Impairment of investment (Note 9)	**-**	6	**-**	6
Changes in working capital				
Inventories (Note 12)	**807**	(343)	**809**	(1,232)
Trade and other receivables (Note 13)	**(6,046)**	(1,863)	**(5,724)**	(1,012)
Trade and other payables (Note 18)	**28,387**	137	**27,524**	1,026
Cash generated from operations	**58,765**	30,406	**58,290**	31,021

32. Capital commitments

The Group and Corporation have commitments for capital expenditure, not provided for in these financial statements, in relation to long-term investment plans that include the improvement of the performance and condition of their assets up to statutory standards

	Group and Corporation	
	2023	2022
	€'000	€'000
Authorised but not contracted for	**28,696**	10,694

33. Contingencies

As at the end of the reporting year, the Group and the Corporation were exposed to a number of claims by third parties, including legal proceedings, arising in the ordinary course of its activities. These contingencies may include claims from third parties for compensation due to damages and claims made by the Group and the Corporation's employees for compensation due to injuries incurred during the discharge of their duties, the value of which should be recoverable from insurers

As described in note 5.3, although the Group and the Corporation have provided for on critical estimate of potential future provision obligations, discussions are still underway with Government on the extent of the amounts that may in fact be finally due Accordingly, due to the inherent uncertainty in this evaluation process, actual costs may be different from the estimated provision for future pension obligations that is recognised in these financial statements. It is not anticipated that any material liabilities will arise from the Group and the Corporation's exposure to these contingencies other than those that have been provided for in these financial statements (note 22) The Directors' assessment was based on the information that was available to them at the time of reporting, including consideration of legal advice as may be appropriate No disclosure is made for contingent liabilities where the likelihood of payment is not probable

34. Correction of prior year period errors

34.1 Group figures' restatement

During 2023, the management noted that the right of use asset, trade and other receivables, revenue reserve, lease liability, current tax liability and trade and other payables in the Group's Statement of financial position; and turnover, operating and administrative expenses, finance costs and tax expense in the Group's Statement of comprehensive income for the year ended 31 December 2022 were not being measured and classified in accordance with the relevant accounting standards This had resulted from the incorrect use of IFRS 16 Leases on the hire of motor vehicles by the Corporation, and cut-off issues identified in the subsidiary's accounts. These only impacted 2022 and earlier years have not been affected.

Hence, these should be recognised as prior period adjustments and be remeasured and/or reclassified according to the relevant standards These adjustments have been implemented by restating each of the affected Statement of financial position and Statement of comprehensive income line item for the prior period The following tables summarise the impacts on the Group's financial statements·

34. Correction of prior year period errors – continued

34.1 Group figures' restatement - continued

Statement of financial position

	Impact of correction of error		
As at 31 December 2022	As previously reported €'000	Adjustments €'000	As restated €'000
Non-current assets			
Right of use asset	-	2,011	2,011
Total non-current assets	-	2,011	2,011
Current assets			
Trade and other receivables	38,233	(103)	38,130
Total current assets	38,233	(103)	38,130
Total assets	**38,233**	**1,908**	**40,141**
Capital and reserves			
Revenue reserve	77,333	(28)	77,305
Total equity	77,333	(28)	77,305
Non-current liabilities			
Lease liability	-	1,493	1,493
Total non-current liabilities	-	1,493	1,493
Current liabilities			
Current tax liabilities	205	(3)	202
Lease liability	-	543	543
Trade and other payables	46,426	(97)	46,329
Total current liabilities	46,631	443	47,074
Total equity and liabilities	**46,631**	**1,936**	**48,567**

34. Correction of prior year period errors - continued

34.1 Group figures' restatement - continued

Statement of comprehensive income

	Impact of correction of error		
Year ended 31 December 2022	As previously reported €'000	Adjustments €'000	As restated €'000
Revenue	82,300	(203)	82,097
Government subsidies	32,530	-	32,530
Operating costs	(73,981)	205	(73,776)
Administrative expenses	(30,354)	22	(30,332)
Provision for cost of service pensions payable to Government	1,290	-	1,290
Operating profit	**11,785**	**24**	**11,809**
Share of results of jointly controlled entity	64	-	64
Finance income	1,615	-	1,615
Finance costs	(1,535)	(55)	(1,590)
Profit before taxation	**11,929**	**(31)**	**11,898**
Taxation	(407)	3	(404)
Profit for the year	**11,522**	**(28)**	**11,494**

34.2 Corporation figures' restatement

During 2023, the management noted that right of use asset, revenue reserve, and lease liability in the Corporation's Statement of financial position; and the operating and administrative costs, and finance costs in the Corporation's Statement of comprehensive income for the year ended 31 December 2022 were not being measured and classified in accordance with the relevant accounting standards. This had resulted from the incorrect use of IFRS 16 Leases on the hire of motor vehicles by the Corporation. These only impacted 2022 and earlier years have not been affected.

Hence, these should be recognised as prior period adjustments and be remeasured and/or reclassified according to the relevant standards These adjustments have been implemented by restating each of the affected Statement of financial position and Statement of comprehensive income line item for prior period. The following tables summarise the impacts on the Corporation's financial statements.

34. Correction of prior year period errors - continued

34.2 Corporation figures' restatement - continued

Statement of financial position

	Impact of correction of error		
As at 31 December 2022	As previously reported €'000	Adjustments €'000	As restated €'000
Non-current assets			
Right of use asset	-	2,011	2,011
Total non-current assets	-	2,011	2,011
Total assets	**-**	**2,011**	**2,011**
Capital and reserves			
Revenue reserve	75,629	(25)	75,604
Total equity	75,629	(25)	75,604
Non-current liabilities			
Lease liability	-	1,493	1,493
Total non-current liabilities	-	1,493	1,493
Current liabilities			
Lease liability	-	543	543
Total current liabilities	-	543	543
Total equity and liabilities	**75,629**	**2,011**	**77,640**

34. Correction of prior year period errors - continued

34.2 Corporation figures' restatement - continued

Statement of comprehensive income

	Impact of correction of error		
Year ended 31 December 2022	As previously reported €'000	Adjustments €'000	As restated €'000
Revenue	80,701	-	80,701
Government subsidies	32,530	-	32,530
Operating costs	(72,515)	206	(72,309)
Administrative expenses	(30,140)	(176)	(30,316)
Provision for cost of service pensions payable to Government	1,290	-	1,290
Operating profit	**11,866**	**30**	11,896
Finance income	1,376	-	1,376
Finance costs	(1,535)	(55)	(1,590)
Profit before taxation	**11,707**	**(25)**	11,682
Taxation	-	-	-
Profit for the year	**11,707**	**(25)**	**11,682**

35. Related party transactions

The Group and the Corporation are owned and controlled by the Government of Malta. The Corporation makes supplies in the ordinary course of business to the Government of Malta, its departments and agencies, public sector corporations, local councils and other entities owned and/or controlled by Government

The Directors consider that the following significant transactions with Government and Government related entities should be disclosed

Corporation	**2023**	2022 (restated)
	€'000	€'000
Statement of profit or loss and other comprehensive income		
Sales of goods held for resale and provision of services		
- Subsidiary	**556**	1,439
- Jointly-controlled entity	**150**	154
- Related entities	**3,302**	3,200
Interest expense on loan payable		
- Subsidiary	**456**	-
Management fees charged to		
- Subsidiary	**255**	63
Cost of goods sold		
- Subsidiary	**13**	115
- Jointly-controlled entity	**16,281**	12,173
- Related entities	**6,534**	25,703
Statement of financial position		
Amounts payable to		
- Jointly-controlled entity	**10,129**	3,275
- Related entities	**5,432**	6,555
Accrued interest income payable		
- Subsidiary	**456**	-
Loan payable to		
- Subsidiary	**1,681**	-
Amounts receivable from		
- Subsidiary	**440**	998
- Related entities	**594**	499

36. Statutory information

Water Services Corporation is a body corporate established in Malta by virtue of the Water Services Corporation Act, (Cap. 355) of the Laws of Malta

37. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation

Income statement

		Group		Corporation	
		2023	2022	**2023**	2022
	Pages	**€'000**	€'000	**€'000**	€'000
Revenue		**91,460**	82,097	**90,241**	80,701
Government subsidies		**32,984**	32,530	**32,984**	32,530
Operating costs - water	65	**(44,242)**	(43,874)	**(43,083)**	(42,602)
Operating costs - waste water	66	**(29,983)**	(29,709)	**(29,983)**	(29,709)
Administrative expenses	67	**(31,711)**	(30,525)	**(31,102)**	(30,314)
Provision for cost of service pensions payable to Government		**49**	1,290	**49**	1,290
Operating profit		**18,557**	11,809	**19,106**	11,896
Share of results of jointly-controlled entity		**80**	64	**-**	-
Finance income		**1,532**	1,615	**1,189**	1,376
Finance costs		**(2,368)**	(1,590)	**(2,408)**	(1,590)
Profit before taxation		**17,801**	11,898	**17,887**	11,682

This page does not form part of the statutory financial statements

Operating costs – water

		Group		Corporation	
		2023	2022 (restated)	**2023**	2022 (restated)
		€'000	€'000	**€'000**	€'000
Production costs					
Electricity charge		**12,640**	14,144	**12,640**	14,144
Wages and salaries		**3,208**	3,143	**3,208**	3,143
Repairs and maintenance		**674**	1,262	**632**	484
Materials consumed		**2,326**	1,441	**1,209**	947
Depreciation of property, plant and equipment		**2,748**	2,455	**2,748**	2,455
Telecommunication costs		**11**	11	**11**	11
Transport costs		**99**	130	**99**	130
Postage, printing and stationery		**5**	3	**5**	3
Professional fees		**10**	20	**10**	20
Travelling and entertainment		**9**	2	**9**	2
General expenses		**23**	24	**23**	24
Insurance		**3**	37	**3**	37
Licences and permits		**2**	3	**2**	3
Rent		**-**	-	**-**	-
Security charges		**-**	1	**-**	1
		21,758	22,676	**20,599**	21,404
Distribution costs					
Electricity charge		**261**	305	**261**	305
Wages and salaries		**9,205**	8,563	**9,205**	8,563
Repairs and maintenance		**3,842**	3,089	**3,842**	3,089
Materials consumed		**426**	483	**426**	483
Depreciation of property, plant and equipment		**7,749**	7,527	**7,749**	7,527
Telecommunication costs		**33**	30	**33**	30
Transport costs		**585**	619	**585**	619
Professional fees		**11**	99	**11**	99
Postage, printing and stationery		**22**	31	**22**	31
Travelling and entertainment		**12**	2	**12**	2
General expenses		**51**	49	**51**	49
Insurance		**8**	10	**8**	10
Licences and permits		**341**	272	**341**	272
Security charges		**(76)**	105	**(76)**	105
Rent		**14**	14	**14**	14
		22,484	21,198	**22,484**	21,198
Total operating costs - water	Page 64	**44,242**	43,874	**43,083**	42,602

This page does not form part of the statutory financial statements.

Operating costs – waste water

		Group and Corporation	
		2023	2022
		€'000	€'000
Electricity charge		**4,337**	4,807
Wages and salaries		**6,869**	6,531
Repairs and maintenance		**3,411**	2,259
Waste disposal and related costs		**2,326**	1,402
Materials consumed		**4,129**	3,291
Depreciation of property, plant and equipment		**8,017**	10,230
Telecommunication costs		**18**	16
Transport costs		**641**	889
Postage, printing and stationery		**13**	15
Professional fees		**88**	23
Security charges		**12**	57
Travelling and entertainment		**6**	1
General expenses		**64**	59
Insurance		**35**	81
Licences and permits		**15**	46
Rent		**2**	2
Total operating costs - waste water	Page 64	**29,983**	29,709

This page does not form part of the statutory financial statements

Administrative expenses

		Group		Corporation	
		2023	2022 (restated)	**2023**	2022 (restated)
		€'000	€'000	**€'000**	€'000
Wages and salaries		**14,851**	13,808	**14,851**	13,808
Directors' remuneration		**135**	121	**127**	121
Auditor's remuneration		**54**	46	**44**	44
Management fees		**4,873**	6,395	**4,873**	6,395
Depreciation of property, plant and equipment		**2,311**	2,143	**2,283**	2,141
Loss on disposal		**2**	9	**2**	9
Impairment loss on investment		**-**	6	**-**	6
Movement in ECL allowance		**(725)**	117	**(752)**	99
Movement in legal provision		**(1,631)**	(316)	**(1,631)**	(316)
Overstated receivables in prior years		**-**	613	**-**	613
Penalties		**-**	235	**-**	235
Bad debts		**-**	401	**-**	383
Movement in inventory provision		**(203)**	(23)	**(200)**	(32)
Postage, printing and stationery		**115**	156	**115**	156
Repairs and maintenance		**7,290**	3,719	**7,290**	3,719
Materials consumed		**607**	519	**607**	519
Rent		**118**	115	**118**	115
General expenses		**2,044**	635	**1,505**	473
Professional fees		**275**	392	**275**	392
Transport costs		**561**	527	**561**	527
Telecommunication costs		**103**	102	**103**	102
Insurance		**176**	271	**176**	271
Licences		**276**	250	**276**	250
Electricity charge		**131**	150	**131**	150
Waste water quality		**70**	54	**70**	54
Advertising and promotional costs		**30**	10	**30**	10
Staff costs		**46**	45	**46**	45
Travelling and entertainment		**194**	22	**194**	22
Realised exchange difference		**8**	3	**8**	3
Total administrative expenses	Page 64	**31,711**	30,525	**31,102**	30,314

This page does not form part of the statutory financial statements