WATER SERVICES CORPORATION

Annual Report and Consolidated Financial Statements
31 December 2024

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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 2024.

Principal activities

The 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, 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 remains steadfast in its commitment to achieving sustainable financial growth through enhanced efficiency and improved service quality. The strategic initiatives pursued during the year translated into a standout performance, marked by consolidation and substantial growth, culminating in exceptional financial results for the reporting period.

For the financial year ending 31 December 2024, the Corporation reported a profit before tax of €20.9 million (2023: €17.89 million), representing a notable 17% increase over the previous year. This growth in profitability was largely driven by a surge in revenue. Continued progress in billing accuracy, driven by the smart meter replacement programme, coupled with rising consumption levels, contributed to a €10.2 million increase in revenue, from €91.4 million in FY2023 to €101.6 million in FY2024, equivalent to 11% growth year-on-year for the Group, and to a €10.1 million increase in revenue, from €90.2 million in FY2023 to €100.3 million in FY2024, equivalent to 11% growth year-on-year for the Corporation. Part of this growth was also attributed to a new revenue stream launched by the Corporation linked to the treatment of farm waste, which generated €3.6 million in billed revenue by year-end.

During the same financial year, recurrent expenditure rose by 9.6% on a year-on-year basis, with total operating and administrative expenses reaching €114.2 million, up from €104.17 million in 2023. This measured increase stemmed from several significant contributors.

Foremost among these was the Corporation's continued investment in its workforce through talent retention initiatives and human capital development. Salary and wage expenses also climbed, primarily due to cost-of-living adjustments layered on top of existing collective agreements. These elements together led to a 5% rise in employee benefits, bringing the annual total to €35.8 million (2023: €34.2 million).

Operational expenditures also increased, especially in relation to sewage treatment plant maintenance, where rising sludge disposal gate fees added to financial strain. Supply chain challenges triggered an increase in raw material prices, while higher waste disposal fees elevated waste management costs to €4.3 million—representing a 72% rise over the previous year (2023: €2.5 million). Additionally, increased water production to meet higher demand drove electricity costs up by 13% year-on-year, amounting to €19.5 million (2023: €17.4 million).

In summary, although 2024 saw a calculated rise in operating and administrative costs driven by salary revisions, contractual obligations, and greater operational demands, the Corporation's strategic cost-saving efforts and improvements in billing efficiency helped to mitigate the financial impact, underscoring sound fiscal management.

Directors' report - continued

Review of the business - continued

The Corporation successfully reduced its non-current borrowings from €31.3 million as at 31 December 2023 to €19.8 million as at 31 December 2024, reflecting a 37% decrease. This occurred despite ClearFlowPlus p.l.c., the subsidiary responsible for the €25 million Green Bond issuance, advancing an additional €5.8 million from the bond proceeds. This brought the total disbursement of bond proceeds to €7.5 million, or 30% of the bond funds. These disbursements are in line with the Prospectus dated 20 July 2023 and include refinancing of Hondoq reverse osmosis plant, the implementation of a new aeration system at the Ta' Barkat sewage treatment plant, the overhaul of the non-revenue water billing algorithm, and continued investment in the Corporation's water infrastructure. Moreover, in 2025, the Corporation made notable progress on its multi-site solar energy project, which is expected to be completed by the end of 2025.

Throughout the reporting year, the Corporation sustained its momentum in capital investment, particularly in its water and wastewater infrastructure. In 2024, €63.9 million (2023: €36.8 million) was allocated toward capital expenditure, representing a 74% increase from the prior year. These investments were aimed at replacing aging and degraded pipelines to enhance the quality and reliability of water supply and treatment, ensuring that all residents across Malta benefit from consistent access to clean, safe drinking water. As a result, the Corporation's non-current assets rose to €453 million, reflecting a 11% year-on-year increase from €407 million in 2023.

Future Developments

Looking ahead, the Corporation maintains a cautiously optimistic financial outlook. While prospects remain positive, challenges persist, particularly in light of fluctuating interest rates and external economic pressures. Ongoing increases in raw material and waste disposal costs are expected to strain the Corporation's cost structure and impact its liquidity. Nonetheless, the Corporation remains committed to investing in critical infrastructure to meet future demand, reaffirming its long-term strategic priorities.

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 during 2024, and they resolved that the result of the financial year shall be carried over in retained earnings.

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 - Resigned (15 October 2024)
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 ('IFRS') as adopted by the European Union ('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.

Financial risk management

The Group and Corporation are exposed to a variety of risks and hence operate a risk management strategy with the objective of controlling and minimising the impact on the financial performance and position. A detailed review of the risk management policies adopted by the Group and Corporation with the exposures to financial risk management including market risk, credit risk, and liquidity risk, capital risk management and fair value estimation, are included in Note 4 to the financial statements.

Auditors

Pursuant to the Corporation's statutory obligations in terms of the Water Services Corporation Act, (Cap. 355), the appointment of the auditors and the authorisation of the Directors to set their remuneration will be proposed and approved at the Company's AGM.

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.

25 April 2025

ASSURANCE MALTA LIMITED

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 Corporation's financial position as at 31 December 2024, and of the Corporation's financial performance in accordance with the IFRSs 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 60 comprise:

- the consolidated and standalone Corporation's statement of financial position as at 31 December 2024;
- 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.

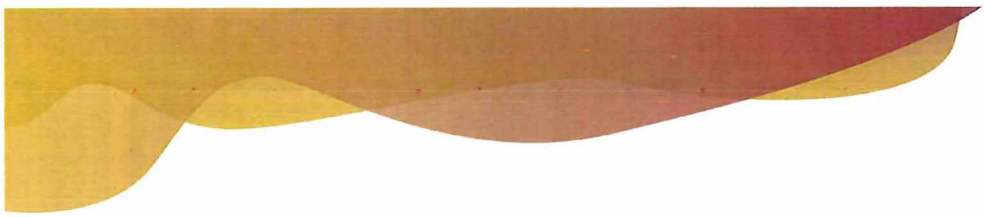
Basis for Opinion

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.

Independence

We are independent of the Group and the Corporation 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.



ASSURANCE MALTA LIMITED

Independent auditors' report

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

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report on pages 1 to 3 and the Detailed Statement of Profit or Loss and Other Comprehensive Income on pages 61 to 64 (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 IFRSs as adopted by the EU, 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 Corporation'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.

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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

- 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 Corporation'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 Corporation 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.

ASSURANCE MALTA LIMITED

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
For and on behalf of
GCS Assurance Malta Limited
Registered Auditor

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

25 April 2025

Statement of financial position

	Notes	Group As at 31 December		Corporation As at 31 December	
		2024	2023	**2024**	2023
		€'000	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**424,560**	381,715	**424,879**	382,025
Right of use asset	7	**8,907**	3,970	**8,907**	3,970
Finance lease receivables	8	**739**	794	**-**	-
Investments in subsidiaries	9	**1**	1	**25**	25
Investment in jointly-controlled entity	10	**1,008**	967	**125**	125
Loans receivable	11	**217**	327	**-**	-
Trade and other receivables	14	**18,661**	20,564	**18,661**	20,564
Total non-current assets		**454,093**	408,338	**452,597**	406,709
Current assets					
Inventories	12	**24,339**	23,514	**24,679**	23,846
Finance lease receivables	8	**58**	48	**-**	-
Loans receivable	11	**47**	42	**-**	-
Financial assets at fair value through profit or loss	13	**12,313**	-	**12,313**	-
Trade and other receivables	14	**68,827**	45,196	**67,859**	45,094
Current tax assets	15	**66**	-	**9**	9
Cash and cash equivalents	16	**54,420**	90,949	**35,832**	66,843
Total current assets		**160,070**	159,749	**140,692**	135,792
Total assets		**614,163**	568,087	**593,289**	542,501

Statement of financial position - continued

	Notes	Group As at 31 December		Corporation As at 31 December	
		2024	2023	**2024**	2023
		€'000	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Government contribution	17	**73,142**	73,142	**73,142**	73,142
Other reserve	17	**227**	227	**-**	-
Revenue reserve		**116,318**	94,553	**114,348**	93,491
Pension contribution reserve	17	**(6,127)**	(5,619)	**(6,127)**	(5,619)
Non-controlling interest		**9**	7	**-**	-
Total equity		**183,569**	162,310	**181,363**	161,014
Non-current liabilities					
Bond borrowings	18	**24,578**	24,529	**-**	-
Bank borrowings	20	**12,325**	29,613	**12,325**	29,613
Loan from subsidiary	21	**-**	-	**7,470**	1,681
Other borrowings	24	**2,601**	2,806	**2,601**	2,806
Deferred government grants	22	**253,738**	244,355	**253,738**	244,355
Lease liability	7	**5,618**	2,197	**5,618**	2,197
Provision for other liabilities and charges	23	**4,484**	6,449	**4,484**	6,449
Other payables	19	**209**	235	**-**	-
Total non-current liabilities		**303,553**	310,184	**286,236**	287,101
Current liabilities					
Current tax liabilities	15	**-**	93	**-**	-
Bank borrowings	20	**6,649**	6,255	**6,649**	6,255
Other borrowings	24	**205**	202	**205**	202
Deferred government grants	22	**14,747**	13,210	**14,747**	13,210
Lease liability	7	**3,409**	1,827	**3,409**	1,827
Trade and other payables	19	**102,031**	74,006	**100,680**	72,892
Total current liabilities		**127,041**	95,593	**125,690**	94,386
Total liabilities		**430,594**	405,777	**411,926**	381,487
Total equity and liabilities		**614,163**	568,087	**593,289**	542,501

The notes on pages 15 to 60 are an integral part of these financial statements.

The financial statements on pages 8 to 60 were authorised for issue by the Board of Directors on 25 April 2025 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

	Notes	Group Year ended 31 December		Corporation Year ended 31 December	
		2024 €'000	2023 €'000	**2024** €'000	2023 €'000
Revenue	25	**101,591**	91,460	**100,302**	90,241
Government subsidies	26	**35,449**	32,984	**35,449**	32,984
Operating costs	27	**(79,199)**	(74,225)	**(78,852)**	(73,066)
Administrative expenses	27	**(35,756)**	(31,711)	**(35,346)**	(31,102)
Provision for cost of service pensions payable to Government	23	**185**	49	**185**	49
Operating profit		**22,270**	18,557	**21,738**	19,106
Share of results of jointly-controlled entity	10	**41**	80	**-**	-
Finance income	28	**2,129**	1,532	**1,446**	1,189
Finance costs	29	**(2,223)**	(2,368)	**(2,326)**	(2,408)
Profit before taxation		**22,217**	17,801	**20,858**	17,887
Tax expense	30	**(450)**	(324)	**(1)**	-
Profit for the year		**21,767**	17,477	**20,857**	17,887
Attributable to:					
Government of Malta		**21,765**	17,475		
Non-controlling interest		**2**	2		
		21,767	17,477		
Other comprehensive loss					
Remeasurements of post-employment benefit obligations	23	**(508)**	(371)	**(508)**	(371)
Total comprehensive income for the year		**21,259**	17,106	**20,349**	17,516
Attributable to:					
Government of Malta		**21,257**	17,104		
Non-controlling interest		**2**	2		
		21,259	17,106		

The notes on pages 15 to 60 are an integral part of these financial statements.

Statement of changes in equity

Group	Notes	Government Contribution €'000	Other reserve €'000	Revenue reserve €'000	Pension contribution reserve €'000	Attributable to Government of Malta €'000	Attributable to non-controlling interest €'000	Total €'000
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		-	227	(227)	-	-	-	-
Other comprehensive income								
Remeasurement of post-employment benefit obligations	23	-	-	-	(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**
As at 1 January 2024		73,142	227	94,560	(5,619)	162,303	7	162,310
Profit for the year		-	-	21,767	-	21,765	2	21,767
Other comprehensive income								
Remeasurement of post-employment benefit obligations	23	-	-	-	(508)	(508)	-	(508)
Total comprehensive income/(loss)		-	-	21,767	(508)	21,257	2	21,259
As at 31 December 2024		**73,142**	**227**	**116,327**	**(6,127)**	**183,560**	**9**	**183,569**

Statement of changes in equity - continued

Corporation	Notes	Government contribution €'000	Revenue Reserve €'000	Pension contribution reserve €'000	Total €'000
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	23	-	-	(371)	(371)
Total comprehensive income / (loss)		-	17,887	(371)	17,516
As at 31 December 2023		**73,142**	**93,491**	**(5,619)**	**161,014**
As at 1 January 2024		73,142	93,491	(5,619)	161,014
Profit for the year		-	20,857	-	20,857
Other comprehensive loss					
Remeasurement of post-employment benefit obligations	23	-	-	(508)	(508)
Total comprehensive income / (loss)		-	20,857	(508)	20,349
As at 31 December 2024		**73,142**	**114,348**	**(6,127)**	**181,363**

The notes on pages 15 to 60 are an integral part of these financial statements.

Statement of cash flows

	Notes	Group Year ended 31 December 2024 €'000	Group Year ended 31 December 2023 €'000	Corporation Year ended 31 December 2024 €'000	Corporation Year ended 31 December 2023 €'000
Cash flows from operating activities					
Profit before taxation		**22,217**	17,801	**20,858**	17,887
Adjustments for:					
Movement in provision for expected-credit loss ('ECL')	14	**(617)**	(842)	**(664)**	(835)
Depreciation and amortisation	6, 7, 18	**22,672**	20,824	**22,613**	20,795
Movement in provision for other liabilities and charges	23	**(1,516)**	(1,247)	**(1,516)**	(1,247)
Movement in post-employment benefits obligations	23	**(508)**	(371)	**(508)**	(371)
Movement in lease obligations	7	**(1,706)**	(548)	**(1,706)**	(548)
Changes in working capital:					
Inventories	12	**(825)**	807	**(833)**	809
Trade and other receivables	14	**(21,111)**	(6,046)	**(20,198)**	(15,853)
Trade and other payables	19	**27,548**	28,387	**27,336**	37,653
Cash generated from operations		**46,154**	58,765	**45,382**	58,290
Interest paid		**271**	127	**271**	127
Tax paid		**(610)**	(433)	**-**	-
Net cash generated from operating activities		**45,815**	58,459	**45,653**	58,417
Cash flows used in investing activities					
Acquisition of property, plant and equipment	6	**(63,915)**	(36,553)	**(63,915)**	(36,778)
Write-off of property, plant and equipment	6	**-**	212	**-**	212
Acquisition of portfolio investments	13	**(12,313)**	-	**(12,313)**	-
Additions to finance lease receivables	8	**(4)**	(21)	**-**	-
Repayments from lessees	8	**49**	40	**-**	-
Investment in subsidiary	9	**-**	-	**-**	(19)
Share of results	10	**(41)**	(80)	**-**	-
Net cash used in investing activities		**(76,224)**	(36,402)	**(76,228)**	(36,585)

Statement of cash flows - continued

	Notes	Group Year ended 31 December 2024 €'000	Group Year ended 31 December 2023 €'000	Corporation Year ended 31 December 2024 €'000	Corporation Year ended 31 December 2023 €'000
Cash flows (used) / from financing activities					
Grants received	22	**10,920**	52,587	**10,920**	52,587
Proceeds from issuance of bond	18	**-**	25,000	**-**	-
Bond transaction costs	18	**-**	(488)	**-**	-
Repayment of bank borrowings	20	**(19,299)**	(4,585)	**(19,299)**	(4,585)
Repayment of government loan	24	**(250)**	(250)	**(250)**	(250)
Loans advanced from subsidiary	21	**-**	-	**5,789**	1,681
Loans advanced to related parties	11	**105**	117	**-**	-
Net cash (used in) / generated from financing activities		**(8,524)**	72,381	**(2,840)**	49,433
Net movement in cash and cash equivalents		**(38,933)**	94,438	**(33,415)**	71,265
Cash and cash equivalents as at 1 January	16	**89,317**	(5,121)	**65,211**	(6,054)
Cash and cash equivalents as at 31 December	16	**50,384**	89,317	**31,796**	65,211

The notes on pages 15 to 60 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 Water Services Corporation 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 the 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 IFRSs 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 IFRSs 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 Corporation'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.

2.1 Appropriateness of the going concern assumption

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. In fact, both the Group and the Corporation succeeded to generate yet another profit before taxation of €22.2 million (2023: €17.8 million) and €20.9 million (2023: €17.9 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 IFRSs that are effective for the current year

In 2024, 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 2024. 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 7 – Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023) (effective for financial years beginning on or after 01 January 2024)
- Amendments to IAS 1 – Presentation of Financial Statements:
  - Classification of Liabilities as Current or Noncurrent (issued on 23 January 2020) (effective for financial years beginning on or after 01 January 2024);
  - Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date (issued on 15 July 2020) (effective for financial years beginning on or after 01 January 2024); and
  - Non-current Liabilities with Covenants (issued on 31 October 2022) (effective for financial years beginning on or after 01 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 01 January 2024)

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 21 – The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023) (effective for financial years beginning on or after 01 January 2025)

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

- IFRS 18 – Presentation and Disclosure in Financial Statements (issued on 9 April 2024)
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)
- Amendments to IFRS 7 and IFRS 9 – Contracts Referencing Nature-dependent Electricity (issued on 18 December 2024)
- Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments (issued on 30 May 2024)
- Annual Improvements Volume 11 (issued on 18 July 2024)

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 3.28) 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.

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

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company classifies its financial assets are amortised cost.

- debt instruments held within a business model whose objective is to hold to collect contractual cashflows are measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

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. Subsequently, they are measured according to their classification as detailed in Note 3.12.1. 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. Summary of significant accounting policies - continued

3.12 Financial assets - continued

3.12.3 Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Group and the Corporation to account for ECLs and changes in those ECLs 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 ECL on:

- Debt investments measured subsequently at amortised cost or at fair value through other comprehensive income;
- Trade receivables; and
- Other financial assets that are exposed to credit risk, such as certain loan commitments or financial guarantee contracts, to which the impairment requirements of IFRS 9 apply.

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 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 ECL (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. **Summary of significant accounting policies** - continued

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.

3.17 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. Summary of significant accounting policies - continued

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.

3.22 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. **Summary of significant accounting policies** - continued

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 in 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.

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.

3.25 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.

3. Summary of significant accounting policies - continued

3.25 Revenue recognition - continued

(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.

(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.

3.26 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.

3. Summary of significant accounting policies - continued

3.26 Construction contracts - continued

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.

3.27 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'.

3.28 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 foreign exchange risk and 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.

The Group and Corporation are exposed to US Dollars (USD). The carrying amount of the financial assets through profit or loss, and cash and cash equivalents denominated in this foreign currency as at the end of the reporting periods were as follows:

	Group and Corporation	
	2024	2023
	€	€
Financial assets through profit or loss		
USD	**331,136**	-

	Group and Corporation	
	2024	2023
	€	€
Cash and cash equivalents		
USD	**42,717**	-

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

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) Interest rate risk

The interest rate profile of the Corporation's interest-bearing financial instruments at the end of the reporting periods consists of both fixed and floating interest rates.

4. Financial risk management - continued

4.1 Financial risk factors - continued

a. Market risk - continued

(ii) Interest rate risk - continued

	Group		Corporation	
	2024	**2023**	**2024**	2023
	€'000	**€'000**	**€'000**	€'000
Financial assets				
Subject to fixed rates:				
Term deposits (Note 16)	**27,000**	21,000	**15,000**	-
Finance lease receivables (Note 8)	**797**	842	**-**	-
Loans receivable (Note 11)	**264**	369	**-**	-
	28,061	22,211	**15,000**	-
Financial liabilities				
Subject to fixed rates:				
Bond borrowings (Note 18)	**24,578**	24,529	**-**	-
Loan from subsidiary (Note 21)	**-**	-	**7,470**	1,681
Other borrowings (Note 24)	**2,806**	3,008	**2,806**	3,008
Lease liability (Note 7)	**9,027**	4,024	**9,027**	4,024
	36,411	31,561	**19,303**	8,713
Financial liabilities				
Subject to floating rates:				
Bank borrowings (Note 20)	**18,974**	35,868	**18,974**	35,868

The Group and the Corporation's significant instruments that are subject to fixed interest rates, as disclosed in the table above, which expose the Group and the Corporation to interest rate risk, are however measured at amortised cost. Accordingly, a shift in interest rates would have no impact on the carrying amount of these borrowings.

Floating interest instruments comprise of bank borrowings which are held at floating rates tied to the respective banker's base rate. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on this analysis, management considers the potential impact on profit or loss of a floating interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

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

The Group and Corporation measure credit risk and ECL using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any ECL.

The Corporation's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	A low risk of default and no past due amounts.	12-month ECL
Doubtful	Amount is greater than 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is greater than 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Corporation has no realistic prospect of recovery.	Amount is written off

The Group and the Corporation's exposures to credit risk as at the end of the reporting years are analysed as follows:

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Loans receivable (Note 11)	**264**	369	**-**	-
Finance lease receivables (Note 8)	**797**	842	**-**	-
Trade and other receivables (Note 14)	**83,927**	62,623	**83,035**	62,544
Cash and cash equivalents (Note 16)	**54,420**	90,949	**35,832**	66,843
	139,408	154,783	**118,867**	129,387

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.

Cash and cash equivalents consist of cash at hand and cash held at reputable financial institutions. The credit risk for cash and cash equivalents is considered to be negligible, since the Group and the Corporation bank only with local financial institutions with high quality standing or rating.

4. Financial risk management - continued

4.1 Financial risk factors - continued

b. Credit risk - continued

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 has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Corporation determines the ECL on these terms by using an estimate based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. 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 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 2024, the total trade receivables which were impaired and against which an allowance for credit loss was taken amounts to €5 million (2023: €5.7 million) for the Group, and €4.9 million (2023: €5.6 million) for the Corporation. 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 27 to the financial statements.

As at 31 December 2024 and 2023, 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 18, 20 and 21), Government dues (Note 24) and trade and other payables (Note 19). 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.

4. Financial risk management - continued

4.1 Financial risk factors - continued

c. Liquidity risk - continued

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 18, 20, 21, 22 and 24. 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.

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 2023					
Bond	24,529	35,250	1,063	4,250	29,937
Bank borrowings	35,868	38,288	4,849	28,778	4,661
Government loan	3,008	3,368	250	1,250	1,868
Trade and other payables	74,006	74,006	74,006	-	-
31 December 2024					
Bond	24,578	34,187	1,063	4,250	28,874
Bank borrowings	18,974	20,750	7,189	10,936	2,625
Government loan	2,806	3,118	250	1,250	1,618
Trade and other payables	102,031	102,031	102,031	-	-

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 2023					
Bank borrowings	35,868	38,288	4,849	28,778	4,661
Loan from subsidiary	1,681	2,137	-	-	2,137
Government loan	3,008	3,368	250	1,250	1,868
Trade and other payables	72,892	72,892	72,892	-	-
31 December 2024					
Bank borrowings	18,974	20,750	7,189	10,936	2,625
Loan from subsidiary	7,470	9,090	-	-	9,090
Government loan	2,806	3,118	250	1,250	1,618
Trade and other payables	100,679	100,679	100,679	-	-

4. Financial risk management - continued

4.1 Financial risk factors - continued

c. Liquidity risk - continued

An amount of €14,938,285 (2023: €17,511,766) disclosed above within the bank borrowings is to be reimbursed by the Government.

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

The Group and Corporation classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments measured at fair value are made up of the Corporation's financial assets at fair value through profit or loss (Note 13) amounting to €12.3 million (2023: nil), which are entirely grouped in level 1.

At 31 December 2024 and 2023, the carrying amounts of other 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 estimates will by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing 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 14 and amounted to €20.6 million as at 31 December 2024 (2023: €14.3 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 2024 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 €4.5 million (2023: €4.2 million) in the Corporation's revenue from the sale of water.

5.2 ECL of trade receivables

The Group and the Corporation monitor 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 ECL 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 23.2.

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 and financial 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 and equipment.

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 requirements of 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 01.01.2023	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 01.01.2024	63,326	257,329	43,942	197,271	35,539	87,045	684,452
Additions	1,446	21,381	4,739	38,163	-	44,207	109,936
Write offs	-	(1,440)	(29)	(70)	-	-	(1,539)
Reclassification	-	-	-	-	-	(46,313)	(46,313)
At 31.12.2024	**64,772**	**277,270**	**48,652**	**235,364**	**35,539**	**84,939**	**746,536**
Depreciation							
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 01.01.2024	18,941	119,055	29,410	99,815	35,516	-	302,737
For the year	1,255	9,700	3,590	6,502	23	-	21,070
Realised on write offs	-	(1,440)	(321)	(70)	-	-	(1,831)
At 31.12.2024	**20,196**	**127,315**	**32,679**	**106,247**	**35,539**	**-**	**321,976**
Net book value							
At 31.12.2023	44,385	138,274	14,532	97,456	23	87,045	381,715
At 31.12.2024	**44,576**	**149,955**	**15,973**	**129,117**	**-**	**84,939**	**424,560**

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 01.01.2023	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 01.01.2024	63,326	257,329	43,912	197,271	35,539	87,370	684,747
Additions	1,446	21,381	5,372	38,163	-	44,216	110,578
Write offs	-	(1,440)	(667)	(70)	-	-	(2,177)
Reclassification	-	-	-	-	-	(46,313)	(46,313)
At 31.12.2024	**64,772**	**277,270**	**48,617**	**235,364**	**35,539**	**85,273**	**746,835**
Depreciation							
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 01.01.2024	18,941	119,055	29,395	99,815	35,516	-	302,722
For the year	1,255	9,700	3,585	6,502	23	-	21,065
Realised on write offs	-	(1,440)	(321)	(70)	-	-	(1,831)
At 31.12.2024	**20,196**	**127,315**	**32,659**	**106,247**	**35,539**	**-**	**321,956**
Net book value							
At 31.12.2023	44,385	138,274	14,517	97,456	23	87,370	382,025
At 31.12.2024	**44,576**	**149,955**	**15,958**	**129,117**	**-**	**85,273**	**424,879**

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

Group and corporation	Sewage treatment plant €'000	Motor Vehicles €'000	Total €'000
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 2023			
Cost	-	4,736	4,736
Accumulated depreciation	-	(766)	(766)
Net book value	**-**	**3,970**	**3,970**
At 1 January 2024	-	3,970	3,970
Additions	5,714	772	6,486
Depreciation charge	-	(1,549)	(1,549)
As at 31 December 2024	**5,714**	**3,193**	**8,907**
Year ended 31 December 2024			
Cost	5,714	5,508	11,222
Accumulated depreciation	-	(2,315)	(2,315)
Net book value	**5,714**	**3,193**	**8,907**

b. Lease Liability

Group and corporation	Sewage treatment plant €'000	Motor Vehicles €'000	Total €'000
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**
At 1 January 2024	-	4,024	4,024
Additions	5,714	772	6,486
Interest expense on lease liability	-	223	223
Repayment of lease liability	-	(1,706)	(1,706)
As at 31 December 2024	**5,714**	**3,313**	**9,027**

7. Right of use asset and lease liability - continued

b. Lease Liability - continued

	2024 €'000	2023 €'000
Group and corporation		
Non-current		
Lease liability	**5,618**	2,197
Current		
Lease liability	**3,409**	1,827

The statement of profit or loss and other comprehensive income reflects the following amounts with respect to leases:

	2024 €'000	2023 €'000
Group and corporation		
Depreciation charge of the right of use assets.	**1,549**	501
Interest expense on lease liability	**223**	76

8. Finance lease receivables

	Group 2024 €'000	2023 €'000
Non-current		
Lease receivable	**739**	794
Current		
Lease receivable	**58**	48
Amounts receivable under finance leases:		
Year 1	**258**	256
Year 2	**258**	256
Year 3	**258**	256
Year 4	**258**	256
Year 5	**258**	256
Onwards	**473**	729
Undiscounted lease payments	**1,763**	2,009
Less: unearned finance income	**(966)**	(1,167)
Net investment in the lease	**797**	842

8. Finance lease receivables - 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	
	2024	2023
	€'000	€'000
Finance income on the net investment in finance leases	**209**	215

The subsidiary's finance lease arrangements do not include variable payments. The effective interest rate contracted approximates 24.9% (2023: 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	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Cost				
At 1 January	**1**	1	**25**	6
Additions	**-**	-	**-**	19
At 31 December	**1**	1	**25**	25

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 2024 %	2023 %
ClearFlowPlus p.l.c.	Water Services Corporation, Qormi Road, Luqa LQA 9043, Malta.	Ordinary shares	100	100
MaltaEnergy Limited	43/45, Triq il-Kapuccini, Floriana, FRN 1052, Malta.	Ordinary shares	51	51
Malta Developers Green Energy Ltd	Malta Developers Association, Ursuline Street, Gwardamangia, Pieta' PTA 1227, Malta	Ordinary shares	51	51

In accordance with the requirements of Article 170(3) of the Companies Act (Cap. 386 of the Laws of Malta), a subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view.

As at 31 December 2024, the Group comprises a parent company and three (3) subsidiaries. While MaltaEnergy Limited and Malta Developers Green Energy Ltd are held as subsidiary undertakings by the Group, these entities have been excluded from consolidation on the basis that their financial positions and performance are not material to the Group as a whole.

The decision to exclude these subsidiaries was supported by a quantitative assessment comparing their combined total assets, revenue, net profit and equity to the consolidated figures of the Group. The results of this assessment demonstrated that the subsidiaries each represented less than 1% of the respective Group totals, as summarised below:

	MaltaEnergy Limited		Malta Developers Green Energy Ltd	
	2024 €'000	2023 €'000	**2024 €'000**	2023 €'000
Assets	**421**	400	**143**	123
Revenue	**415**	426	**191**	187
Net profit/(loss)	**58**	65	**44**	54
Equity	**27**	(31)	**63**	19

Accordingly, management has concluded that the exclusion of these subsidiaries does not impair the ability of the consolidated financial statements to present a true and fair view of the Group's financial position and performance for the year ended 31 December 2024.

10. Investment in jointly-controlled entity

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Cost				
At 1 January	**967**	887	**125**	125
Share of results	**41**	80	**-**	-
At 31 December	**1,008**	967	**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**	
			2024	2023
			%	%
Automated Revenue Management Services Ltd	Gattard House, National Road, Blata l-Bajda, Hamrun, HMR 9010 Malta	Ordinary shares	**50**	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:

	2024	2023
	€'000	€'000
Assets	**14,952**	15,011
Liabilities	**14,057**	14,276
Revenues	**12,786**	11,398
Results	**82**	146

The current and prior year figures are based on unaudited financial information, as the audited financial statements had not yet been issued at the signing date of these financial statements.

11. Loans receivable

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Non-current				
Loans to related entities	**217**	327	**-**	-
Current				
Loans to related entities	**47**	42	**-**	-

The loans receivable balance is partially represented by €263,710 (2023: €305,283) (exclusive of accrued interest receivable disclosed as part of Note 14) 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.

During the current period, a loan advanced to a related party in the prior period, amounting to €63,593 (exclusive of accrued interest receivable disclosed as part of Note 14), was fully repaid. The loan was unsecured, bore interest of 4.5% per annum and was scheduled for full repayment, including the agreed interest, by the year 2029.

12. Inventories

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Mains and pipes	**8,607**	9,202	**8,558**	9,154
Consumables stores and spare parts	**13,532**	11,930	**13,921**	12,310
Meters and other inventories	**2,200**	2,382	**2,200**	2,382
Total inventories	**24,339**	23,514	**24,679**	23,846
Aggregate inventories	**27,120**	26,266	**27,448**	26,585
Inventory provisions	**(2,781)**	(2,752)	**(2,769)**	(2,739)
Total inventories	**24,339**	23,514	**24,679**	23,846

The cost of inventories recognised as expense is appropriately disclosed in Note 27 to the financial statements. During the current financial year, inventory write-downs amounted to €2,781,429 (2023: €2,752,042) for the Group and €2,768,645 (2023: €2,739,258) 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. Financial assets at fair value through profit or loss

	Group and Corporation	
	Level 1	**Total**
	€'000	**€'000**
Fair value at 31 December 2024		
Equity instruments	1,858	1,858
Debt securities	10,455	10,455
Total financial assets at fair value through profit or loss	**12,313**	**12,313**

	Group and Corporation	
	2024	2023
	€'000	*€'000*
Year ended 31 December		
At beginning of the year	**-**	-
Additions	**12,254**	-
Disposals	**(375)**	-
Net gain/(loss) from changes in fair value during the year	**434**	-
At end of year	**12,313**	-

14. Trade and other receivables

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts due from Government - (Note d)	**18,695**	20,601	**18,695**	20,601
Allowance for expected-credit loss on amounts due from Government	**(34)**	(37)	**(34)**	(37)
Total non-current trade and other receivables	**18,661**	20,564	**18,661**	20,564
Current				
Trade receivables	**20,135**	21,099	**19,223**	20,593
Allowance for expected-credit loss on trade receivables	**(5,025)**	(5,705)	**(4,896)**	(5,623)
Accrued income - (Note c)	**20,547**	14,253	**20,435**	14,253
Allowance for expected-credit loss on accrued income	**(379)**	(313)	**(379)**	(313)
Amounts due from Government - (Note d)	**2,500**	2,500	**2,500**	2,500
Other receivables	**1**	96	**-**	-
Amounts due from subsidiary - (Note a)	**-**	-	**4**	440
Amounts due from jointly-controlled entity - (Note b)	**27,487**	10,129	**27,487**	10,130
Prepayments	**2,315**	898	**2,306**	893
Advanced payments to suppliers	**1,246**	2,239	**1,179**	2,221
Total current trade and other receivables	**68,827**	45,196	**67,859**	45,094
Total trade and other receivables	**87,488**	65,760	**86,520**	65,658

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

(b) Amounts due from jointly-controlled entity are unsecured, interest-free and are repayable on demand.

(c) Accrued income includes an amount of €20.4 million (2023: €14.2 million) in respect of water units and service charge supplied to customers not yet billed at the year end. This estimate represents 23% (2023: 17%) 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 0.01% to 0.68% and a loss given default of 100%.

(d) 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 2024 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%.

15. Current tax (liabilities)/assets

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
As at 1 January	**(93)**	(202)	**9**	9
Taxation for the year	**(449)**	(324)	**-**	-
Provisional tax paid	**476**	192	**-**	-
Settlement tax paid	**132**	241	**-**	-
Tax credit	**-**	-	**-**	-
	66	(93)	**9**	9

16. Cash and cash equivalents

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

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Cash at bank	**27,400**	70,096	**20,782**	66,952
3-month fixed term deposit	**27,000**	21,000	**15,000**	-
Cash in hand	**8**	7	**8**	7
Cash from investments	**99**	-	**99**	-
Allowance for ECL	**(87)**	(154)	**(57)**	(116)
Cash and cash equivalents (excluding bank overdrafts)	**54,420**	90,949	**35,832**	66,843
Bank overdrafts (Note 20)	**(4,036)**	(1,632)	**(4,036)**	(1,632)
Cash and cash equivalents	**50,384**	89,317	**31,796**	65,211

(a) The Group and the Corporation had restrictions amounting to €60,382 (2023: €46,790) on cash and cash equivalents.

(b) As at year end, the balances held in term deposits are as follows:

i. A fixed-term deposit of €12 million (2023: €21 million) held by the subsidiary, having an interest rate of 2.07% per annum and a maturity date of 6 February 2025. This was renewed up to 6 May 2025 with an interest rate at 1.77% per annum.

ii. A fixed-term deposit of €15 million (2023: Nil) held by the Corporation, having an interest rate of 2.35% per annum and a maturity date of 10 January 2025. This was renewed up to 14 April 2025 with an interest rate at 1.77% per annum.

17. 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 contribution reserve

Pension contribution reserve represents the movement in remeasurements of post-employment benefit obligations due to actuarial assumptions (refer to Note 23.2).

18. Bond borrowings

	Group	
	2024	2023
	€'000	€'000
Non-current		
250,000 4.25% Bonds 2033	**24,578**	24,529
Carrying amount at 1 January	**24,529**	-
Bond issuance	**-**	24,529
Amortisation of bond	**49**	-
Carrying amount at 31 December	**24,578**	24,529

By virtue of a Prospectus dated 20 July 2023, the subsidiary (the Issuer) issued 250,000 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 €99.50 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 Issuer to provide a loan facility to the Guarantor (as stated in Note 21) 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:

18. Bond borrowings - continued

	Group	
	2024	2023
	€'000	€'000
Original face value of bonds issued	**25,000**	25,000
Gross amount of bond issue costs	**(488)**	(488)
Accumulated amortisation	**66**	17
Unamortised bond issue costs	**(422)**	(471)
Amortised cost and closing carrying amount of the bonds	**24,578**	24,529

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

19. Trade and other payables

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Non-current				
Deferred income	**126**	142	**-**	-
Advance payments from customers	**83**	93	**-**	-
Total non-current other payables	**209**	235	**-**	-
Current				
Trade payables	**11,776**	7,795	**11,771**	7,659
Other payables	**19,315**	24,088	**22,532**	24,811
Movement in the pension provision contributions (Note 23)	**7,717**	7,266	**7,717**	7,266
Indirect taxation and social security	**1,332**	1,284	**317**	463
Accruals	**58,145**	32,302	**58,049**	32,237
Deferred income	**3,356**	841	**-**	-
Advance payments from customers	**14**	14	**-**	-
Bond accrued interest payable	**376**	416	**-**	-
Loan accrued interest payable	**-**	-	**294**	456
Total current trade and other payables	**102,031**	74,006	**100,680**	72,892
Total trade and other payables	**102,240**	74,241	**100,680**	72,892

Accruals include an amount of €36,865,186 (2023: €17,401,489), resulting from a change in the electricity billing methodology by the jointly controlled entity, which led to a delay in the issuance of actual invoices as at year-end.

20. Bank borrowings

	Group and Corporation	
	2024	2023
	€'000	€'000
Current		
Bank loans	**2,613**	4,623
Bank overdrafts	**4,036**	1,632
Total current borrowings	**6,649**	6,255
Non-current		
Bank loans		
Between 1 and 5 years	**9,823**	27,111
Over 5 years	**2,502**	2,502
Total non-current borrowings	**12,325**	29,613
Total borrowings	**18,974**	35,868
Interest rate exposure		
At floating rates	**18,974**	35,868
Total borrowings	**18,974**	35,868

At year end, the Group and the Corporation had aggregate bank facilities of €18,974,250 (2023: €35,868,445).

The total borrowings balance is made up of three principal bank loans.

i. The first bank loan of €14,938,285 (2023: €17,511,766) is 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 14 (d).

ii. During 2024, the second bank loan, which was advanced in 2018, and amounting to €13,725,000, was fully repaid. This bank loan bore interest at 1.6% per annum over the 3-month EURIBOR rate, and was scheduled for full repayment, including the agreed interest, by 30 July 2026.

iii. During 2024, the third bank loan, which was advanced in 2023, and amounting to €3,000,000 was fully repaid. The bank loan bore interest at 1.6% per annum over the 3-month EURIBOR rate, and was scheduled for full repayment, including the agreed interest, by 30 July 2026.

In addition, the Group and the Corporation's bank balance as at 31 December 2024 is overdrawn with a balance of €4,035,965 which is repayable on demand. The bank overdraft is charged interest at 1.6% per annum over the 3-month EURIBOR rate.

21. Loan from subsidiary

	Corporation	
	2024	2023
	€'000	€'000
Non-current		
Loan from subsidiary	**7,470**	1,681

In 2024, the subsidiary advanced a loan to the Corporation of €7,469,890 (2023: €1,680,559) (exclusive of accrued interest payable disclosed as part of Note 19). During the year ended 31 December 2024, loan tranches amounting to €5,789,331 were advanced from the subsidiary to the Corporation. 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.

22. Deferred Government grants

	Group and Corporation	
	2024	2023
	€'000	€'000
As at 1 January	**257,565**	204,978
Subsidies recognised during the year (Note 26)	**46,369**	85,571
Transfer to profit or loss (Note 26)	**(35,449)**	(32,984)
	268,485	257,565
Current	**14,747**	13,210
Non-current	**253,738**	244,355
At 31 December	**268,485**	257,565

23. Provisions for other liabilities and charges

23.1 Provisions for legal claims

	Group and Corporation	
	2024	2023
	€'000	€'000
Non-current		
As at 1 January	**2,646**	4,215
Reversals	**(1,838)**	(1,569)
As at 31 December	**808**	2,646

23. Provisions for other liabilities and charges - continued

23.1 Provisions for legal claims - continued

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.

23.2 Pensions and other post-employment benefit plans

	Group and Corporation	
	2024	2023
	€'000	€'000
Obligations for pension benefits		
As at 1 January	**11,070**	10,748
Credited to other comprehensive income		
Movement in remeasurements of post-employment benefits obligations due to actuarial assumptions	**508**	371
Charged to profit or loss		
Interest and current service costs	**(185)**	(49)
As at 31 December	**11,393**	11,070
Current (Note 19)	**7,717**	7,266
Non-current	**3,676**	3,803
As at 31 December	**11,393**	11,069

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.

23. Provisions for other liabilities and charges - continued

23.2 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 2024, the weighted average discount rate used was 2.81% (2023: 3.01%).

(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 (2023: 85 and 88 years) depending on the age and gender of the beneficiaries.

24. Other borrowings

	Group and Corporation	
	2024	2023
	€'000	€'000
Current		
Within 1 year	**205**	202
	205	202
Non-current		
Between 1 and 5 years	**1,076**	1,059
Over 5 years	**1,525**	1,747
	2,601	2,806
	2,806	3,008

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

25. 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	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Sale of water	**89,644**	83,213	**89,644**	83,213
Ancillary services, related and other income	**11,947**	8,247	**10,658**	7,028
	101,591	91,460	**100,302**	90,241

26. 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	
	2024	2023
	€'000	€'000
Subsidies recognised during the year attributable to:		
Recurrent expenditure	**20,756**	20,893
Capital expenditure (Note 22)	**25,613**	64,678
	46,369	85,571
Subsidies credited to profit or loss during the year:		
Recurrent expenditure	**20,755**	20,893
Deferred government grants (Note 22)	**14,694**	12,091
As at 31 December	**35,449**	32,984

27. Expenses by nature

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Employee benefit expense - (Note 27.1)	**35,810**	34,134	**35,810**	34,134
Directors' remuneration - (Note 27.1)	**168**	135	**123**	127
Depreciation and amortisation - (Notes 6, 7 and 18)	**22,672**	20,824	**22,613**	20,795
Movement in ECL allowance - (Notes 14 and 16)	**(604)**	(725)	**(643)**	(752)
Movement in legal provision - (Note 23)	**(1,839)**	(1,631)	**(1,839)**	(1,631)
Movement in inventory provisions – (Note 12)	**29**	(203)	**29**	(200)
Electricity	**19,473**	17,369	**19,473**	17,369
Repairs and maintenance	**15,285**	15,098	**15,277**	15,056
Material consumed	**6,022**	7,488	**5,683**	6,371
Waste disposal	**4,339**	2,503	**4,339**	2,503
Management fees	**5,502**	4,873	**5,502**	4,873
Transport costs	**1,329**	2,060	**1,329**	2,060
Professional fees	**304**	328	**304**	328
Annual statutory audit	**54**	54	**44**	44
Other expenses	**6,411**	3,629	**6,154**	3,091
	114,955	105,936	**114,198**	104,168

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2024 and 2023 relate to the following:

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**54**	54	**44**	44

27. Expenses by nature - continued

27.1 Employee benefit expense

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Wages and salaries (including Directors' remuneration)	**33,597**	32,050	**33,597**	32,050
Social security costs	**2,336**	2,211	**2,336**	2,211
Cost of service pensions payable to Government	**(185)**	(49)	**(185)**	(49)
	35,748	34,212	**35,748**	34,212

	Group		Corporation	
	2024	2023	**2024**	2023
Average number of employees	**1,039**	1,053	**1,039**	1,053

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Directors' remuneration				
Salaries and other emoluments	**168**	135	**123**	127

28. Finance income

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Imputed interest on amounts due from Government	**594**	670	**594**	670
Interest on outstanding trade receivables	**418**	519	**418**	519
Lease interest income	**683**	343	**-**	-
Foreign exchange gains	**434**	-	**434**	-
	2,129	1,532	**1,446**	1,189

29. Finance costs

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Bank interest	**722**	1,645	**1,887**	2,102
Lease interest	**223**	76	**223**	76
Other interest	**1,278**	647	**216**	230
As at 31 December	**2,223**	2,368	**2,326**	2,408

30. Tax expense

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Current taxation	**450**	324	1	-

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	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Profit before tax	**22,217**	17,801	**20,858**	17,887
Tax at 35%	**7,776**	6,231	**7,300**	6,260
Tax effect of:				
Movement in temporary differences arising on PPE	**(600)**	(997)	**(600)**	(997)
Movement arising on provisions	**(909)**	(911)	**(923)**	(921)
Expenses not deductible for tax purposes	**(5,521)**	(3,795)	**(5,573)**	(4,161)
Interest income not taxed at source	**(204)**	-	**(204)**	-
Interest income taxed at source	**(93)**	(204)	**-**	(182)
Current taxation	**450**	324	**-**	-

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 €115,815,102 (2023: €201,839,892).

31. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Profit before taxation	**22,217**	17,801	**20,857**	17,887
Adjustments for:				
Depreciation and amortisation - (Note 6, 7 and 18)	**22,668**	20,824	**22,614**	20,795
Movement in provision for other liabilities and charges - (Note 23)	**(1,516)**	(1,247)	**(1,516)**	(1,247)
Movement in provision for ECL - (Note 14)	**(617)**	(842)	**(664)**	(835)
Movement in post-employment benefits obligations - (Note 23)	**(508)**	(371)	**(508)**	(371)
Movement in lease obligations - (Note 7)	**(1,706)**	(548)	**(1,706)**	(548)
Changes in working capital:				
Inventories (Note 12)	**(825)**	807	**(833)**	809
Trade and other receivables (Note 14)	**(21,111)**	(6,046)	**(20,198)**	(15,853)
Trade and other payables (Note 19)	**27,548**	28,387	**27,336**	37,653
Cash generated from operations	**46,150**	58,765	**45,382**	58,290

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	
	2024	2023
	€'000	€'000
Authorised but not contracted for	**51,122**	28,696

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.

33. Contingencies - continued

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 23). 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. 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	**2024**	2023
	€'000	€'000
Statement of profit or loss and other comprehensive income		
Sales of goods held for resale and provision of services		
- Subsidiary	**526**	556
- Jointly-controlled entity	**187**	150
- Related entities	**5,001**	3,302
Interest expense on loan payable		
- Subsidiary	**1,165**	456
Management fees charged to		
- Subsidiary	**255**	255
Cost of goods sold		
- Subsidiary	**21**	13
- Jointly-controlled entity	**5,602**	6,534
- Related entities	**21,327**	16,281

34. Related party transactions - continued

Corporation	**2024**	2023
	€'000	€'000
Statement of financial position		
Amounts payable to		
- Related entities	**2,715**	5,432
Accrued interest income payable		
- Subsidiary	**293**	456
Loan payable to		
- Subsidiary	**7,470**	1,681
Amounts receivable from		
- Subsidiary	**4**	440
- Related entities	**1,110**	594
- Jointly-controlled entity	**27,486**	10,129

35. 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.

36. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with the IFRSs as adopted by the EU and the requirements of the Companies Act (Cap. 386).

Income statement

	Pages	Group 2024 €'000	Group 2023 €'000	Corporation 2024 €'000	Corporation 2023 €'000
Revenue		**101,591**	91,460	**100,302**	90,241
Government subsidies		**35,449**	32,984	**35,449**	32,984
Operating costs - water	62	**(48,217)**	(44,242)	**(47,870)**	(43,083)
Operating costs - waste water	63	**(30,982)**	(29,983)	**(30,982)**	(29,983)
Administrative expenses	64	**(35,756)**	(31,711)	**(35,346)**	(31,102)
Provision for cost of service pensions payable to Government		**185**	49	**185**	49
Operating profit		**22,270**	18,557	**21,738**	19,106
Share of results of jointly-controlled entity		**41**	80	**-**	-
Finance income		**2,129**	1,532	**1,446**	1,189
Finance costs		**(2,223)**	(2,368)	**(2,326)**	(2,408)
Profit before taxation		**22,217**	17,801	**20,858**	17,887

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

Operating costs - water

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Production costs				
Electricity charge	**14,551**	12,640	**14,551**	12,640
Wages and salaries	**3,312**	3,208	**3,312**	3,208
Repairs and maintenance	**863**	674	**884**	632
Materials consumed	**1,627**	2,326	**1,259**	1,209
Depreciation of property, plant and equipment	**3,433**	2,748	**3,433**	2,748
Telecommunication costs	**14**	11	**14**	11
Transport costs	**80**	99	**80**	99
Postage, printing and stationery	**6**	5	**6**	5
Professional fees	**2**	10	**2**	10
Travelling and entertainment	**(2)**	9	**(2)**	9
General expenses	**12**	23	**12**	23
Insurance	**3**	3	**3**	3
Licences and permits	**5**	2	**5**	2
Rent	**-**	-	**-**	-
Security charges	**-**	-	**-**	-
	23,906	21,758	**23,559**	20,599
Distribution costs				
Electricity charge	**217**	261	**217**	261
Wages and salaries	**9,789**	9,205	**9,789**	9,205
Repairs and maintenance	**4,498**	3,842	**4,498**	3,842
Materials consumed	**492**	426	**492**	426
Depreciation of property, plant and equipment	**8,517**	7,749	**8,517**	7,749
Telecommunication costs	**50**	33	**50**	33
Transport costs	**242**	585	**242**	585
Professional fees	**38**	11	**38**	11
Postage, printing and stationery	**29**	22	**29**	22
Travelling and entertainment	**26**	12	**26**	12
General expenses	**41**	51	**41**	51
Insurance	**5**	8	**5**	8
Licences and permits	**292**	341	**292**	341
Security charges	**59**	(76)	**59**	(76)
Rent	**16**	14	**16**	14
	24,311	22,484	**24,311**	22,484
Total operating costs - water Page 61	**48,217**	44,242	**47,870**	43,083

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

Operating costs - waste water

		Group and Corporation	
		2024	2023
		€'000	€'000
Electricity charge		**4,588**	4,337
Wages and salaries		**7,525**	6,869
Repairs and maintenance		**2,135**	3,411
Waste disposal and related costs		**4,179**	2,326
Materials consumed		**3,301**	4,129
Depreciation of property, plant and equipment		**8,403**	8,017
Telecommunication costs		**22**	18
Transport costs		**520**	641
Postage, printing and stationery		**16**	13
Professional fees		**29**	88
Security charges		**83**	12
Travelling and entertainment		**13**	6
General expenses		**46**	64
Insurance		**39**	35
Licences and permits		**32**	15
Rent		**51**	2
Total operating costs - waste water	Page 61	**30,982**	29,983

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

Administrative expenses

	Group		Corporation	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Wages and salaries	**15,184**	14,851	**15,184**	14,851
Directors' remuneration	**168**	135	**123**	127
Auditor's remuneration	**52**	54	**44**	44
Management fees	**5,502**	4,873	**5,502**	4,873
Depreciation of property, plant and equipment	**2,319**	2,311	**2,260**	2,283
Loss on disposal	**32**	2	**32**	2
Movement in ECL allowance	**(604)**	(725)	**(643)**	(752)
Movement in legal provision	**(1,839)**	(1,631)	**(1,839)**	(1,631)
Bad debts	**1,753**	764	**1,753**	764
Penalties	**-**	-	**-**	-
Movement in inventory provision	**29**	(203)	**29**	(200)
Postage, printing and stationery	**78**	115	**78**	115
Repairs and maintenance	**7,850**	7,290	**7,850**	7,290
Materials consumed	**630**	607	**630**	607
Rent	**126**	118	**126**	118
General expenses	**1,200**	1,280	**941**	741
Professional fees	**389**	275	**389**	275
Transport costs	**233**	561	**233**	561
Telecommunication costs	**151**	103	**151**	103
Insurance	**232**	176	**232**	176
Licences	**1,843**	276	**1,843**	276
Electricity charge	**117**	131	**117**	131
Waste water quality	**6**	70	**6**	70
Advertising and promotional costs	**49**	30	**49**	30
Staff costs	**44**	46	**44**	46
Travelling and entertainment	**205**	194	**205**	194
Realised exchange difference	**7**	8	**7**	8
Total administrative expenses Page 61	**35,756**	31,711	**35,346**	31,102

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