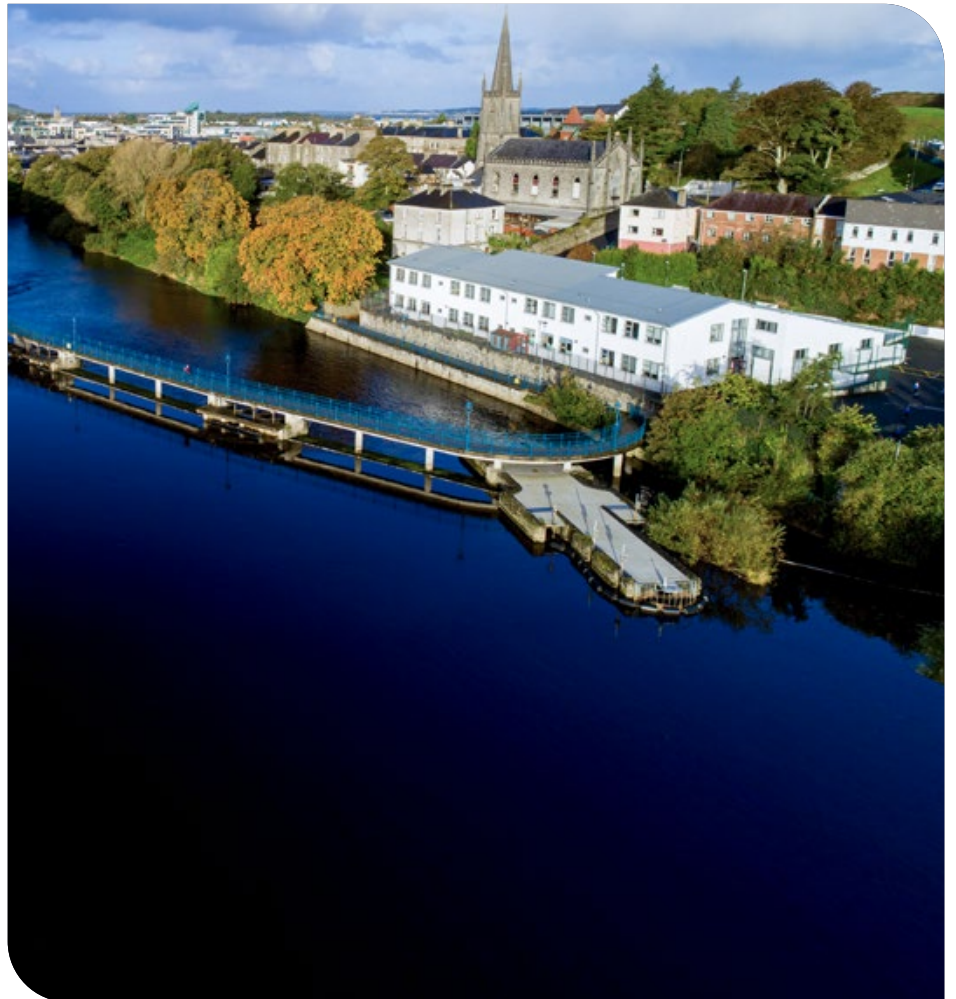


# Annual Report and Financial Statements

2021



**Address:**

Colvill House, 24-26 Talbot Street,  
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## Introduction

Irish Water is part of the Ervia group. We are safeguarding Ireland's national water and wastewater assets.

We are responsible for providing clean and safe water for millions of people across Ireland. We operate and maintain water and wastewater infrastructure including thousands of treatment plants and assets, as well as tens of thousands of kilometres of pipe network.

We provide our customers with a safe and reliable supply of drinking water and collect their wastewater safely, returning it to the environment. In delivering these vital services, which underpin social and economic growth for present and future generations, we are leveraging capabilities across Ervia and our Local Authority partners to transform Ireland's ageing and broken water and wastewater networks, under a single modern and efficient national utility.

## Highlights

Revenue

**€1,191m**

Surplus/profit before  
income tax\*

**€227m**

Capital expenditure

**€851m**

Average employee  
numbers

**823**

\* Any surplus is re-invested to fund critical infrastructure projects.

# Strategic Report



# The Chairman's report



**Tony Keohane**  
*Ervia Group Chairman*

The transformation to a modern public water utility continues to be a critical task for Irish Water over the period ahead. We remain fully committed to working with the Department of Housing, Local Government and Heritage, the Commission for Regulation of Utilities, the Environmental Protection Agency and our Local Authority partners to improve public water and wastewater services.

The grave crisis arising from the conflict between Russia and Ukraine is a geo-politically destabilising event that requires a robust and proportionate humanitarian response. We are closely monitoring the potential impacts for our operations as the situation continues to evolve.

Pandemic restrictions remained in place throughout the year, and Irish Water adhered to all public health advice. Despite the challenges presented by COVID-19 frontline staff within Irish Water and the Local Authorities maintained services without any supply interruptions. Irish Water's Business Continuity Plan was invoked in March 2020 and remained in place throughout 2021.

Capital expenditure for the year amounted to €851m for the full year. The investment was made in each of the policy themes of Quality (47%), Conservation (17%) and Future Proofing (36%). Again this was a remarkable performance given the challenges faced and has resulted in positive outcomes for customers and communities, improving water quality, protecting the environment, enhancing resilience and increasing capacity.

## Housing for All

This year we witnessed a 20% increase in demand for new connection enquiries and application services, we made 4,515 connection offers for 32,404 housing units and connected 18,417 housing units to the network. The Government published a new housing policy for Ireland "Housing for All" in September 2021. There are specific actions assigned to Irish Water, which we are fully committed to delivering on. These include the provision of self-lay to support developers and the publication of capacity registers.

## Sustainability

I welcome the publication of the Climate Action Plan 2021. It provides a detailed plan for taking decisive action to achieve a 51% reduction in overall greenhouse gas emissions by 2030 and setting Ireland on a path to reach net-zero emissions by no later than 2050. This year we adopted an ambitious 2040 Net Zero Carbon target for Irish Water. We continued to develop and implement strategies in 2021 aimed at introducing adaptive measures to build resilience in responding to climate change and weather-related events, and other socio-economic impacts. These include Sustainability and Energy Efficiency Strategies, Biodiversity Strategy, National Water Resources Plan Framework and operational measures around environment and catchment protection.

## Diversity and Inclusion

The year also saw increased external awareness of our commitment to, and investment in, Diversity and Inclusion. Irish Water signed the Business in the Community Pledge and members of the ibelong Ethnicity and Cultural Network represented the organisation and presented on the creation of an Inclusive Workplace at the annual conference of the Irish Human Rights and Equality Commission.

## Governance

The Ervia Board is a unitary board structure, which means that it has ultimate responsibility for the governance of Ervia and its subsidiaries. Appropriate committees are in place at the Ervia level which act in respect of the entire Group. These arrangements will remain in place until Irish Water, in line with the Government's decision, is established as a stand-alone, publicly owned, regulated utility in 2023.

The Ervia Remuneration Committee is responsible for setting and reviewing performance targets. Irish Water performed well in 2021, in particular there was a strong performance on taking corrective action at water and wastewater schemes that the Environmental Protection Agency had listed for improvement. Further progress was made this year against all five of the strategic objectives which are detailed on page 8.

In 2018 the Government announced that Irish Water would become a standalone, publicly owned, regulated utility. In June of 2020 a work programme commenced to establish two standalone independent utilities. A huge body of work was carried out during 2021 to achieve operational separation as of January 2022. Legislation is required to facilitate the separation of Irish Water from the Ervia Group, however this separation has already effectively been put in place on a non-statutory basis following the recent appointment of a CEO for Irish Water, Niall Gleeson and an Irish Water Executive team.

During 2021 the Ervia Board continued to prioritise corporate governance in line with best practice, transparency, emerging regulation and trends. We comply with the applicable provisions of the Code of Practice for the Governance of State Bodies. Risks are formally reviewed and monitored on an ongoing basis to ensure appropriate mitigations and controls exist.

This year we witnessed a 20% increase in demand for new connection enquiries and application services, we made 4,515 connection offers for 32,404 housing units and connected 18,417 housing units to the network.



As Chairman, I am satisfied that the appropriate internal controls exist and are managed effectively to meet our governance requirements. For more details please see the Report of the Board on pages 58-71.

Irish Water will continue to engage collaboratively with all stakeholders including the Group of Unions and Local Authorities, under the auspices of the Workplace Relations Commission, to reach agreement on how the water sector transformation can best be achieved, with the target of concluding negotiations in 2022.

## Conclusion

I would like to thank the Minister and officials in the Department of Housing, Local Government and Heritage for their support throughout the year. I would also like to express my gratitude to the officials at NewERA whom we deal with on governance matters on a regular basis. I also want to acknowledge all of my colleagues on the Ervia Board and the Irish Water Board for their ongoing commitment, passion and effective governance of the business in 2021.

I want to express my enormous gratitude to all our staff and partners for their ongoing support and dedication to the provision of water and wastewater services, in what was once again a very challenging year.

**Tony Keohane**  
Chairman

## The Chief Executive Officer's review



**Niall Gleeson**  
Irish Water Chief Executive Officer

As Chief Executive Officer of Irish Water I am very pleased to present the 2021 Annual Report and Financial Statements. Given the additional challenges that COVID-19 presented with remote working for most of the year we made good progress in 2021 and we delivered strong operational and financial performances.

How we create value over the longer term is impacted by macro trends and developments in the wider economy, some of which are outlined on pages 12-15. Sometimes these trends create uncertainty for us, our customers and wider stakeholders. Details on our key risks and the mitigating actions we are taking can be found on pages 24-29.

Irish Water remains committed to ensuring that all our customers have safe, clean drinking water. This is a significant challenge due to decades of under-investment in our water infrastructure, but we are making steady progress, with 790,000 people in 16 water supplies removed from the Remedial Action List in the past year. The number of customers nationwide on the Remedial Action List is now at its lowest ever level. We are working in partnership with Local Authorities to address issues with the supplies which remain on the list to bring them to a standard where the EPA determines that they can be removed.

Irish Water is a major employer and provider of essential services and the safety of our staff, partners and communities is paramount. In September 2021, two high profile incidents occurred at drinking water treatment plants at Ballymore Eustace and Gorey. The water treatment process was compromised or not operating correctly at these plants for a period of time and as a result customers became ill. The incidents at Gorey and Ballymore identified gaps in our process and plans which are not acceptable. Accordingly we immediately established a major initiative to get a single view of drinking water quality in real time through the use of a new telemetry system and a new 24/7 National Operations Management Centre which went live in January 2022. This control centre is a key initiative and it is exciting to see it up and running with a new team. We will now progress other additional initiatives to ensure public health is protected.

The conflict in Ukraine is causing tragic loss of life and human suffering, huge refugee flows and mass destruction. Sanctions on Russia will likely have a significant effect on the global economy, cost of energy and add further inflationary pressures to the economy. There are very real and significant challenges which the water sector and the wider construction industry are encountering with regards to the cost and availability of both materials and resources.



Once again I am proud to say we had an excellent safety record. For the third consecutive year we had no employee lost time incidents during 2021, which is a major achievement. In addition, by working closely with our asset delivery contractors and partners, we reduced the accident frequency rates in 2021. A four-year programme of works to address 3,068 HSQE items and upgrade 621 sites was completed. The programme addressed risks associated with access to heights and inadequate edge protection aiming to achieve a safer working environment for our colleagues and contractors and ensure that the infrastructure complied with all relevant standards, legislation and regulations.

I'd like to highlight the following achievements in 2021:

- National Water Resources Plan - Publication of the first phase of two Regional Water Resources Plan (Eastern & Midlands Region) for consultation.
- % of water lost through leakage reduced from 40% (as of Q3 2020) to 38% (as of Q3 2021)
- Awarded 'Best Energy Achievement in Utilities and Public Sector' at the Business Energy Achievement Awards.
- Published our first Biodiversity Action Plan – which puts Irish Water in a leading position amongst public bodies.
- Transitioned seamlessly to a new customer contact centre
- Introduced new standardised and streamlined tariffs for business customers

The Cork Lower Harbour Main Drainage Project, a key story of progress in Irish Water's elimination of raw sewage discharge in Ireland, has been named Engineering Endeavour of the Year 2021 by public vote at Engineers Ireland's Engineering Excellence Awards. Irish Water has eliminated 60% of raw sewage discharges across Ireland, and we are on track to remove 95% by 2025.

An extensive upgrade to the Lough Talt Regional Water Supply Scheme in Co. Sligo was completed in 2020. The scheme was awarded the ACEI Engineering

We are fully committed to ensuring that Irish Water continues to maintain a strong customer focus. We will continue to work to ensure that Irish Water remains accountable and transparent, while providing value for money for taxpayers.



Excellence Award for 2021 as an outstanding example of civil engineering excellence.

We are fully committed to ensuring that Irish Water continues to maintain a strong customer focus. We will continue to work to ensure that Irish Water remains accountable and transparent, while providing value for money for taxpayers. We have undertaken significant work to support compliance, as appropriate, with the relevant principles, requirements and guidelines of the updated Public Spending Code.

I want to acknowledge the services of the members of the Board, the Irish Water Directorate and our colleagues in Ervia. 2021 was another difficult year and working remotely and separate from each other can be challenging but I am very proud of the way in which we responded and of what we delivered. I want to take this opportunity to thank all our staff and delivery partners for their hard work and commitment.

**Niall Gleeson**  
Irish Water Chief Executive Officer

# Strategic framework

## Purpose

To support Ireland’s social and economic growth, through appropriate investment in water services and to protect the environment in all our activities.

## Vision

To provide all of our customers with a safe and reliable supply of drinking water, to collect and treat their wastewater and to return it safely to the environment.

## Strategic objectives

-  **Water**  
Sustainably abstract and safely deliver clean and wholesome drinking water to meet Ireland’s socio-economic needs to 2030.
-  **Wastewater**  
Establish and safely operate climate resilient wastewater treatment and infrastructure to meet Ireland’s socio-economic needs to 2030.
-  **Customer**  
Deliver customer value propositions to position the business among Ireland’s most trusted and valued utilities by 2030.
-  **Sustainability**  
Operate a sustainable efficient business delivering water services to the community in a manner that supports national policy and contributes to the protection of the environment.
-  **People and culture**  
Support a culture that engages, excites and empowers our people and business partners through a collaborative team environment we are proud of and delivers safely to the citizens of Ireland.



## Values

Our five shared values define the character of our organisation, they guide our actions and decisions, and provide a framework for how we communicate with each other, our customers and our stakeholders.



### Performance

We strive to be a high performing utility, continuously delivering quality services and infrastructure.



### Integrity

We are open and honest in everything we do. We treat each other, our customers, our assets and the natural resources we rely on with respect.



### Safety

We put safety at the heart of what we do.



### Collaboration

We work together to get results, sharing and learning from each other.



### Customer service

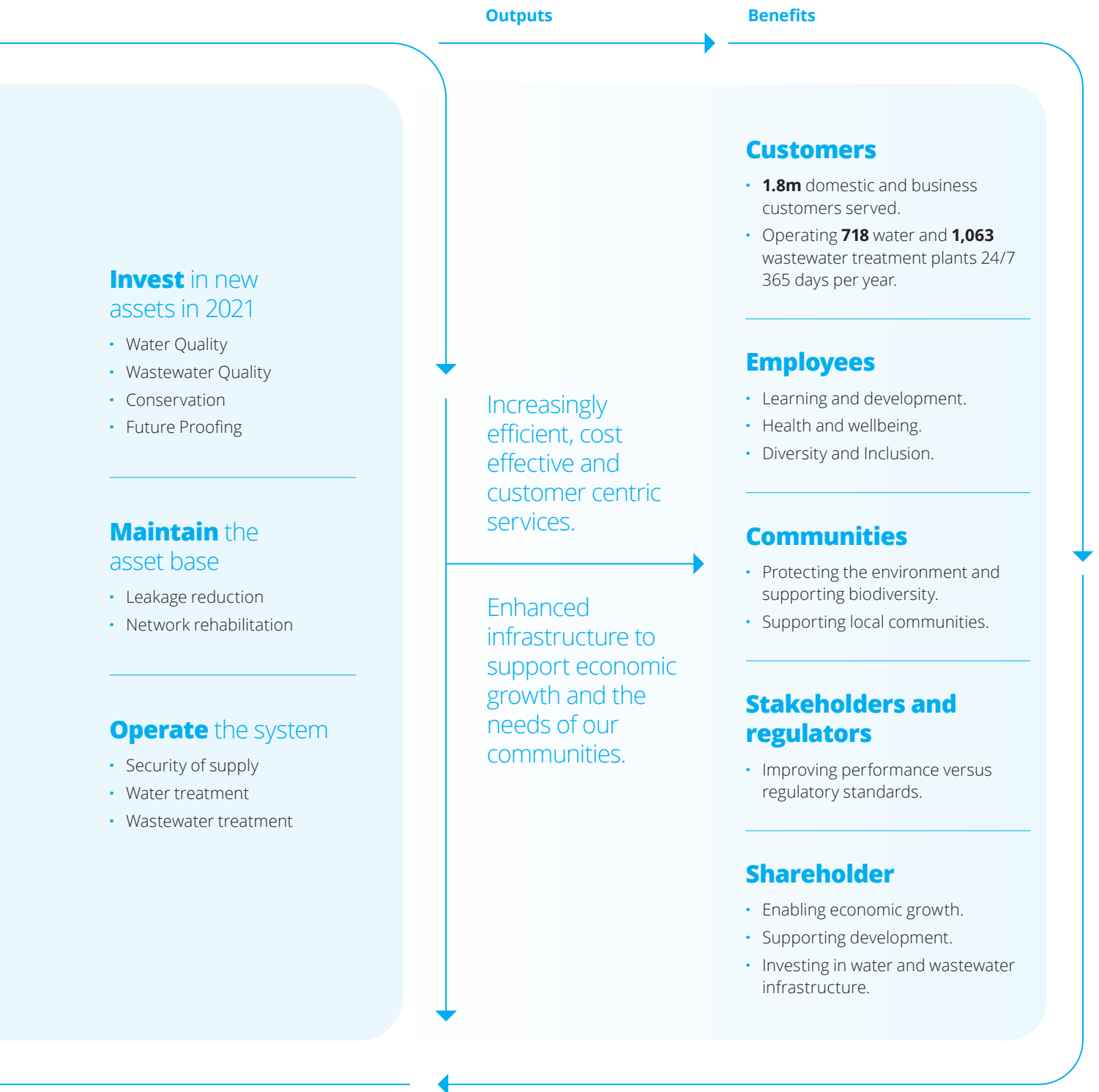
Our goal is to provide quality services for our customers. We listen to their needs and strive to exceed their expectations.



# Irish Water business model



Working together our people and partners build, maintain and operate our water and wastewater networks to provide essential services to our customers, communities and the economy.



**Invest** in new assets in 2021

- Water Quality
- Wastewater Quality
- Conservation
- Future Proofing

**Maintain** the asset base

- Leakage reduction
- Network rehabilitation

**Operate** the system

- Security of supply
- Water treatment
- Wastewater treatment

**Outputs**

Increasingly efficient, cost effective and customer centric services.

Enhanced infrastructure to support economic growth and the needs of our communities.

**Benefits**

**Customers**

- **1.8m** domestic and business customers served.
- Operating **718** water and **1,063** wastewater treatment plants 24/7 365 days per year.

**Employees**

- Learning and development.
- Health and wellbeing.
- Diversity and Inclusion.

**Communities**

- Protecting the environment and supporting biodiversity.
- Supporting local communities.

**Stakeholders and regulators**

- Improving performance versus regulatory standards.

**Shareholder**

- Enabling economic growth.
- Supporting development.
- Investing in water and wastewater infrastructure.

# Factors influencing value creation

## Supporting and Facilitating Government Policy

### The trend

Project Ireland 2040 is the Government's overarching policy initiative that is made up of the National Planning Framework to 2040 and the National Development Plan 2021-2030. It aims to meet the future demands of a growing population through prioritising investment in infrastructure of almost €200 billion by 2030. This investment covers broadband, transport, health and education, as well as water and wastewater.



The Government published Water Services Policy Statement 2018-2025 clarifies the Government's expectations for the delivery and development of water and wastewater services in the years ahead. In 2021 the Government also published its housing policy "Housing for All" and its Climate Action Plan 2021, which also have dependencies on water and wastewater infrastructure.

### The impact

These policies and plans will require significant investment in public water and wastewater infrastructure over many investment cycles. Water and wastewater services will need to be upgraded to serve the growing population and economy and to meet current and future environmental standards.

### Our response

We have identified our priorities for capital investment in line with the Government's Water Services Policy Statement and in line with funding proposals outlined in Project Ireland 2040. We made an updated submission for the recast National Development Plan 2021-2030 which includes nearly €6bn commitment to public water services to 2025. We have convened cross-functional groups to plan and manage our response to other key government policies around climate, sustainability and housing, for example. We will continue to develop our expert, agile and dedicated workforce to implement these plans. We will also continue to engage with the public and our customers and stakeholders to understand their needs as our country develops.

## Building a sustainable future

### The trend

Businesses, both public and private, are increasingly expected to operate in a way that shows care for the environment, respect for their resources and employees, and commitment to meet increasing customer expectations. Today's sustainability initiatives and approaches are likely to evolve into tomorrow's national and sectoral regulations and legal obligations.

### The impact

Ireland's economic and population growth is increasing demand for public water services resulting in extensive pressure on our infrastructure. Greater energy and resource inputs are required, generating more waste and other by-products. Simultaneously, customer and societal expectation is for more frugal use of valuable resources, a decreasing carbon footprint, and the elimination or recycling of wastes.

### Our response

As a publicly owned organisation, Irish Water has a responsibility to operate and deliver services in a sustainable way. The principle of sustainability is embedded in our 25 year Water Services Strategic Plan and associated strategies, plans and programmes and we have developed long term positions through our Sustainability, Energy Efficiency and Biodiversity strategies. We are trialling new and innovative technologies and processes including Nature Based Solutions. We will continue to evolve our environmental, economic and social strategies and policies aligning these with the UN Sustainable Development Goals to deliver a reliable and sustainable public water supply.



## Factors influencing value creation (continued)

### Compliance and supply resilience

#### The trend

Irish Water develops and operates public water infrastructure and delivers national services at significant scale in an Irish context. Any serious disruption to the operation of these services could have a significant impact on our customers, on business or on the environment. Continued investment in water and wastewater assets is essential to meet quality and compliance standards.

#### The impact

Achieving compliance with required standards for operation of water services involves significant cost and ongoing operational challenges which we must meet while balancing growth and efficiency demands. We must address evolving compliance challenges resulting from changing national and EU policies and regulation; changing weather patterns; and increased growth and demand for public water services, while also prioritising how we use available investment in a balanced way.

#### Our response

Irish Water will work to meet national and international regulations through our programmes to reduce water leakage, improve water quality and upgrade wastewater treatment facilities and services that meet national and EU requirements. We are preparing for the new standards being introduced under the recast EU Drinking Water Directive and we continue to plan for contingencies on the network. We have produced a National Water Resources Plan Framework which looks at water resilience over the next 25 years and we are progressing regional water resources plans. We will continue to engage and co-operate with all relevant stakeholders and regulators to ensure we operate, develop and maintain public water services both in terms of efficiencies and quality and reliability of supply for all.

### Decarbonisation

#### The trend

Ireland is committed to reducing its carbon emissions by 30% by 2030 (compared to 2005 levels) and by 80-95% by 2050 the Government's Energy and Climate Plans set out an ambitious range of decarbonisation and sustainability commitments to be implemented over the coming years to realise Ireland's targets. This is a major challenge for Ireland, especially in the context of a growing economy and population.

#### The impact

Being a major energy consumer presents a challenge for Irish Water. In line with Government policy for state bodies, we have successfully implemented a range of energy saving initiatives in recent years but Irish Water will need to further reduce energy consumption and become even more energy efficient to fully decarbonise our operations by 2030.

#### Our response

Irish Water is committed to reducing energy consumption through a range of energy initiatives, including asset replacement and the commencement of sustainable energy pilots at two wastewater treatment plants to install solar panels to generate renewable energy. We are also reviewing the potential to produce more renewable energy from on-site wind turbines.



## Customer expectations in a digital age

### The trend

Digitalisation has become a key part of all our lives. Use of remote channels for work, education and social interactions have become the norm for the entire population as a result of Covid19. Online service channels and new technologies have been adopted at unprecedented rates, including remote meeting platforms and online webinar and conference facilities. Our customers are increasingly engaged online and they expect us to facilitate this in how they interact with us. They expect to be able to switch seamlessly between channels with no impact on their experience. The General Data Protection Regulation (GDPR) enacted in 2018 has also fundamentally reshaped the way in which data is handled and customers rightly expect their data to be protected and that robust consent management processes are in place.

### The impact

As with all businesses providing a service, Irish Water customers are demanding more from the services received in the form of easy to use digital channels, timely and accurate information, proactive alerts, fast responses and effective actions. They also expect that the privacy of their personal information will be protected and comply with national and European standards for data protection.

### Our response

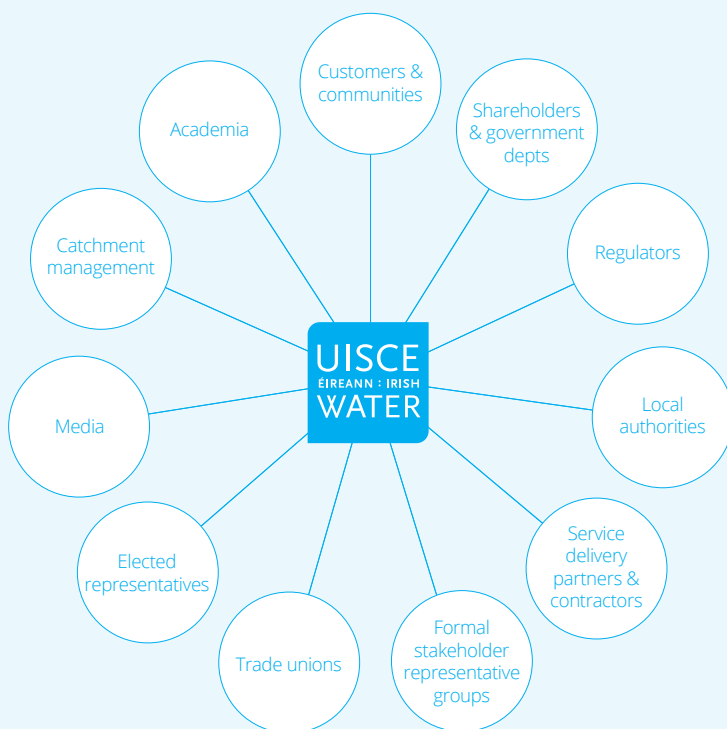
Irish Water is committed to delivering excellent customer experience that exceeds both regulatory standards and customer expectations. We will continue to invest in IT platforms and digital channels to ensure we are meeting our customer's expectations. Cybersecurity is always an area of concern and we have developed robust systems and processes and undertake constant training to protect data and defend our systems against cyber-attack. We will deliver IT solutions to enhance productivity across our operations. It is our ambition to be a trusted brand as we meet our commitments to the citizens of Ireland.



# Strategic stakeholder engagement

Successfully delivering on our mission to provide public water and wastewater services to the highest standards requires meaningful engagement by Irish Water with a wide range of stakeholders. We prioritise the critical role of our stakeholders and work closely with them to address their needs and expectations.

Stakeholder engagement is the process whereby we actively engage with our customer and stakeholders in an open, transparent and meaningful way. We prioritise the critical role of our stakeholders and work closely with them to address their needs and expectations. We also actively seek feedback from our stakeholders to understand how well we are meeting these expectations.



Irish Water engages with stakeholders through public consultation on our infrastructure projects and plans. We commit to continuous and responsive two-way communication, at every stage of the consultation process to ensure that information is accessible, meaningful, transparent and accountable for all stakeholders.

Stakeholder engagement is not confined to statutory consultation and can be broadly categorised across a range of categories.

As a result of the measures imposed to tackle the spread of COVID-19, the use of remote and online channels for engagement became more important in recent years. Our contact centre remained fully operational throughout the pandemic our staff continued to work remotely. Our website and online channels remained important sources of information and were expanded to include information and support to our customers and stakeholders. Remote channels such as online platforms for meetings and webinars were integrated into our stakeholder engagement and consultations, and events and activities continued using the appropriate channels in adherence to the health guidelines. Given the many benefits we have seen from online engagement it will continue to have a role in helping us to reach and listen to our stakeholders when we return to face to face and in-person events and activities.

## Customers and communities

Our customers and communities are our most important stakeholders. Engagement takes place daily through our customer channels and we deliver public consultation, public information campaigns and manage incidents and disruptions through media engagement, digital and social media, open events, advertising, and face to face or virtual meetings.

## Shareholder & regulators

Irish Water has ongoing engagement with the Minister for Housing, Local Government and Heritage and his Department as Irish Water's principal shareholder responsible for ensuring implementation of Government public water services policy.

Irish Water has two regulators. The Commission for the Regulation of Utilities (CRU), is our economic regulator and the Environmental Protection Agency (EPA) is our Environmental Regulator. We engage directly and report to both regulators on our performance and compliance with price control and environmental legislation. Irish Water also engages with the HSE on an ongoing basis to ensure our drinking water and wastewater treatment processes do not impact on public health.

Other bodies including An Bord Pleanála, the Health and Safety Authority and Inland Fisheries Ireland have responsibility for ensuring compliance with relevant legislation and we engage with these bodies through meetings, in writing and through formal statutory processes.

## Service delivery partners

Irish Water is in daily contact with 31 local authorities who operate our assets under a Service Level Agreement (SLA). We also have ongoing engagement with the Local Government Management Agency and its committees and steering groups to ensure effective implementation of the SLA and effective delivery of water services nationally. We also engage closely with contractors and third parties who deliver support services including the operation of our contact centre.

## Formal stakeholder representative groups

### An Fóram Uisce (An Fóram)

An Fóram Uisce is the national water forum and facilitates public engagement on issues relating to water as an environmental, social and economic resource and the implementation of the Water Framework Directive and the River Basin Management Plan for Ireland 2018-2021. Irish Water continued to develop its relationship with An Fóram through the Irish Water Liaison Group in 2021 and regular meetings were held throughout the year.

### The Water Advisory Body (WAB)

The Water Advisory Body has five members representing the EPA, CRU, An Fóram Uisce, and two additional professional members. Irish Water appears before the WAB and provides written reports to the Body as requested. The WAB reports to the Joint Oireachtas Committee on Housing, Local Government and Heritage and publishes its reports every three months.

### Irish Water National Stakeholder Forum

The Irish Water National Stakeholder Forum meets up to four times annually to update key national stakeholders on our plans, to inform two-way decision making develop a culture of transparency and dialogue on specific themes, and to provide relevant expert briefings.

## Strategic stakeholder engagement (continued)

### Trade unions

Irish Water engages fully with trade unions who represent our directly employed staff and those working in Local Authorities and we participate as required in formal industrial relations processes through the Workplace Relations Commission (WRC).

### Elected representatives

Irish Water operates a dedicated Local Representative Support Desk (LRSD) for all Councillors and the Elected Representative Support Desk (ERSD) for all Oireachtas Members and MEPs. The service is operated through our contact centre and is available to all elected representatives to respond to their queries by phone or email and to communicate proactively on service disruptions, customer and project updates, press releases and all forms of public consultation.

### Media

Media is an important channel of communication with Irish Water customers and stakeholders, particularly when there is disruption to service, issues with water quality or when infrastructure projects or upgrades impact a community. We work proactively to maintain strong and open relationships with local and national media.

### Business representative groups and supply chain

Irish Water engages regularly with business representative groups such as IBEC, Chambers Ireland, ISME and SFA, and industry groups including IDA and Enterprise Ireland to discuss issues relevant to their members. With a multi-billion euro capital investment in public water and wastewater infrastructure, Irish Water also has a critical dependence on the construction industry and our supply chain. We actively engage with these stakeholders.

Irish Water continues to facilitate the development of new housing, supporting employment and economic development, by working with developers to establish new connections to the water and wastewater networks. We recognise the importance of supporting Government Policy to deliver housing nationally and commit to being as responsive and flexible as possible to support delivery across the country.

### Catchment management

Irish Water is one of many stakeholders with responsibility for maintaining the health of our water bodies. We regularly engage with the farming community at a local level and through their national representative bodies on initiatives like water conservation and reduction of pesticide and wastewater effluent in drinking water. We also engage regularly with other bodies including the National Federation of Group Water Schemes, the Local Authority Waters Programme (LAWPRO), the National Pesticides Action Group, Waterways Ireland, the Office of Public Works and the ESB.

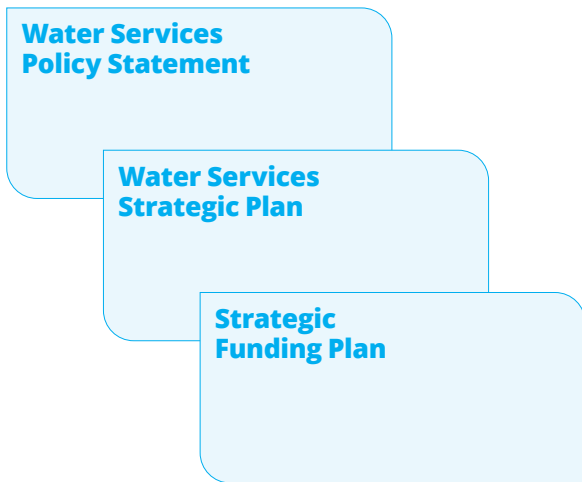
### Continuously improving our stakeholder engagement

Effective stakeholder engagement is a priority for Irish Water. As an organisation we are always seeking to identify ways to improve and build on the effectiveness of this engagement so that we can better understand stakeholder needs and expectations and build this into our evolving plans. We continue to seek feedback from our stakeholders on our performance and to identify areas for improvement. Irish Water uses this feedback to develop a strategic approach to guide our future stakeholder engagement.



# Delivering on our strategy




## Water framework directive



Irish Water is a publicly owned, regulated, commercial State body with responsibility for the operation and maintenance of water and wastewater assets.

The operating model for Irish Water is set in the context of the EU Water Framework Directive (WFD). The WFD is the overarching Directive in relation to water policy in the EU.

Over the year an average of 823 professional, technical and support staff, together with 3,166 local authority staff and our customer contact centre and service delivery partners serve our 1.8 million customers. In 2021 we operated 1,781 water and wastewater plants to supply 1.7 billion litres of drinking water each day and treating the wastewater produced.

Focussing on	In 2021 we
 <p><b>Quality</b></p>	<ul style="list-style-type: none"> <li>Removed 37,940 customers from boil water notices that were in place for more than thirty days.</li> <li>Removed and replaced circa 5,876 lead services connections.</li> <li>Performed over 185,971 individual tests on public drinking water supplies.</li> </ul>
 <p><b>Conservation</b></p>	<ul style="list-style-type: none"> <li>Fixed leaks to make net savings of 35 megalitres of water per day (to the end of Q3 2021).</li> <li>Repaired over 2,339 customer leaks under the first fix free scheme.</li> </ul>
 <p><b>Future proofing</b></p>	<ul style="list-style-type: none"> <li>Upgraded or built 12 water treatment plants.</li> <li>Upgraded or built 8 wastewater treatment plants.</li> <li>Laid or rehabilitated 241km of watermain network.</li> <li>Laid or rehabilitated 26km of sewer network.</li> </ul>

## Key performance indicators

		Measure	Definition	Unit	2019	2020	2021
<b>Quality</b>							
Water	Drinking water	Boil Water Notice (> 30 days)	Population remaining at year end on BWN that has been in place for > 30 days	No. remaining	14,117	1,042	908
		Schemes on EPA Remedial Action List (RAL)	No. Of schemes on live RAL	No. remaining	52	46	52
	Lead	Lead	Total lead services replaced	No.	15,774	3,025	5,876
Wastewater	UWWTD	Priority areas for wastewater improvement	No. Of priority areas for wastewater improvement (starting point q1 2015)	No. remaining	120	113	97
		Untreated agglomerations	No. Of agglomerations with no treatment or preliminary treatment only	No. remaining	35	34	33
<b>Conservation</b>							
Savings		Leakage	Net unaccounted for water (average of period) is the national figure expressed in megalitres per day	ML/day	66	51	35
<b>Future Proofing</b>							
Capacity & resilience		Wastewater treatment plants	New and upgraded total (quantity)	No.	10	7	8
		Water treatment plants	New and upgraded total (quantity)	No.	4	5	12
		Wastewater network	Length of sewer laid (total)	km	69	42	26
		Water network	Length of watermain laid (total)	km	393	178	241

## Key performance indicators (continued)

Safety	What we measure	Why we measure it												
<p>Total LTIFR – employees (&gt;1 day) #/100k hours</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total LTIFR – employees (&gt;1 day) #/100k hours</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>0.2</td> </tr> <tr> <td>2018</td> <td>0.09</td> </tr> <tr> <td>2019</td> <td>0.0</td> </tr> <tr> <td>2020</td> <td>0.0</td> </tr> <tr> <td>2021</td> <td>0.0</td> </tr> </tbody> </table>	Year	Total LTIFR – employees (>1 day) #/100k hours	2017	0.2	2018	0.09	2019	0.0	2020	0.0	2021	0.0	<p>We use Lost Time Injury Frequency Rates (LTIFR) to track the number of employee accidents per 100,000 hours worked, that result in a staff member needing to take &gt;1 day off work.</p>	<p>Safety is a core value at Irish Water. The Work Safe Home Safe, safety culture programme has been in place since 2015 and we continue to work to improve our safety performance.</p>
Year	Total LTIFR – employees (>1 day) #/100k hours													
2017	0.2													
2018	0.09													
2019	0.0													
2020	0.0													
2021	0.0													
Water saved	What we measure	Why we measure it												
<p>Water saved by fixing leaks cumulative (megalitres per day)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water saved by fixing leaks cumulative (megalitres per day)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>118</td> </tr> <tr> <td>2018</td> <td>198</td> </tr> <tr> <td>2019</td> <td>356</td> </tr> <tr> <td>2020</td> <td>584</td> </tr> <tr> <td>2021</td> <td>806</td> </tr> </tbody> </table>	Year	Water saved by fixing leaks cumulative (megalitres per day)	2017	118	2018	198	2019	356	2020	584	2021	806	<p>This is a measure of the water saved as a result of our efforts in rehabilitating mains and pro-actively finding and fixing leaks.</p>	<p>We aim to increase the effectiveness and resilience of our network by reducing the quantity of water lost in the system.</p>
Year	Water saved by fixing leaks cumulative (megalitres per day)													
2017	118													
2018	198													
2019	356													
2020	584													
2021	806													
Boil water notices (>30 days)	What we measure	Why we measure it												
<p># of customers remaining</p> <table border="1"> <thead> <tr> <th>Year</th> <th># of customers remaining</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>19</td> </tr> <tr> <td>2018</td> <td>423</td> </tr> <tr> <td>2019</td> <td>14,117</td> </tr> <tr> <td>2020</td> <td>1,042</td> </tr> <tr> <td>2021</td> <td>908</td> </tr> </tbody> </table>	Year	# of customers remaining	2017	19	2018	423	2019	14,117	2020	1,042	2021	908	<p>The number Boil Water Notices that have been in place for more than thirty days.</p>	<p>A Boil Water Notice is imposed after consultation with HSE where contamination of the drinking water supply has occurred.</p>
Year	# of customers remaining													
2017	19													
2018	423													
2019	14,117													
2020	1,042													
2021	908													



Customer service	What we measure	Why we measure it												
<p>First contact resolution – metering and operations %</p> <table border="1"> <caption>First contact resolution – metering and operations %</caption> <thead> <tr> <th>Year</th> <th>FCR %</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>76%</td> </tr> <tr> <td>2018</td> <td>78%</td> </tr> <tr> <td>2019</td> <td>67%</td> </tr> <tr> <td>2020</td> <td>79%</td> </tr> <tr> <td>2021</td> <td>83%</td> </tr> </tbody> </table>	Year	FCR %	2017	76%	2018	78%	2019	67%	2020	79%	2021	83%	<p>We review a sample of our customer contacts each month across a range of different call types. A selection of calls are surveyed independently to validate the scores.</p>	<p>This measure tells us how often we are able to resolve a customer’s request on their first contact, without the need to get further information, escalate to the back office, create a complaint or follow up.</p>
Year	FCR %													
2017	76%													
2018	78%													
2019	67%													
2020	79%													
2021	83%													
Sustainability	What we measure	Why we measure it												
<p># sites with biodiversity measures implemented</p> <table border="1"> <caption># sites with biodiversity measures implemented</caption> <thead> <tr> <th>Year</th> <th>Number of sites</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>35</td> </tr> <tr> <td>2018</td> <td>34</td> </tr> <tr> <td>2019</td> <td>31</td> </tr> <tr> <td>2020</td> <td>40</td> </tr> <tr> <td>2021</td> <td>53</td> </tr> </tbody> </table>	Year	Number of sites	2017	35	2018	34	2019	31	2020	40	2021	53	<p>This measures site performance in supporting biodiversity both on site and in the surrounding landscape.</p>	<p>This measure is used to advise on actions to be taken to enhance the site from a biodiversity perspective.</p>
Year	Number of sites													
2017	35													
2018	34													
2019	31													
2020	40													
2021	53													
Operating efficiencies	What we measure	Why we measure it												
<p>Cumulative OPEX efficiencies €m</p> <table border="1"> <caption>Cumulative OPEX efficiencies €m</caption> <thead> <tr> <th>Year</th> <th>Efficiencies (€m)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>103.4</td> </tr> <tr> <td>2018</td> <td>129.1</td> </tr> <tr> <td>2019</td> <td>157.0</td> </tr> <tr> <td>2020</td> <td>182.3</td> </tr> <tr> <td>2021</td> <td>200.1</td> </tr> </tbody> </table>	Year	Efficiencies (€m)	2017	103.4	2018	129.1	2019	157.0	2020	182.3	2021	200.1	<p>We measure operational efficiencies secured via the delivery of lean initiatives and continuous improvement.</p>	<p>We drive efficiencies in how we deliver our services on an ongoing basis. A further €17.8 million of operational efficiencies were secured in 2021.</p>
Year	Efficiencies (€m)													
2017	103.4													
2018	129.1													
2019	157.0													
2020	182.3													
2021	200.1													



## Risk Management Framework

Irish Water has well established governance structures which include comprehensive risk management processes to manage, monitor and report on the principal risks and uncertainties that could impact our ability to deliver our strategic objectives. Irish Water's risk management processes and Enterprise Risk Management Policy is well established and are consistently applied across the organisation.

The Board has ultimate responsibility for risk management, with risk management activities also taking place at all levels across the organisation to ensure the effective day-to-day management of risk and the proactive management of emerging risks. The organisation's risk appetite is set annually by the Board by determining the nature and extent of the risks we are willing to accept in pursuit of our strategic objectives.

The Audit and Risk Committee has the delegated authority to support the Board with these obligations. They are supported in maintaining an effective risk management environment by a dedicated risk team through a top-down, bottom-up governance committee model. This model has been further developed and integrated in 2021 to ensure that there is clarity of ownership and responsibility for risk management.

Irish Water successfully delivered a risk awareness training campaign to all staff during 2021, to further promote a proactive risk management culture.

Irish Water follows leading example and uses a four step process to ensure the consistent identification, assessment, response and monitoring of risk across the organisation. (see figure 1.1.)

### ERM 4 step process

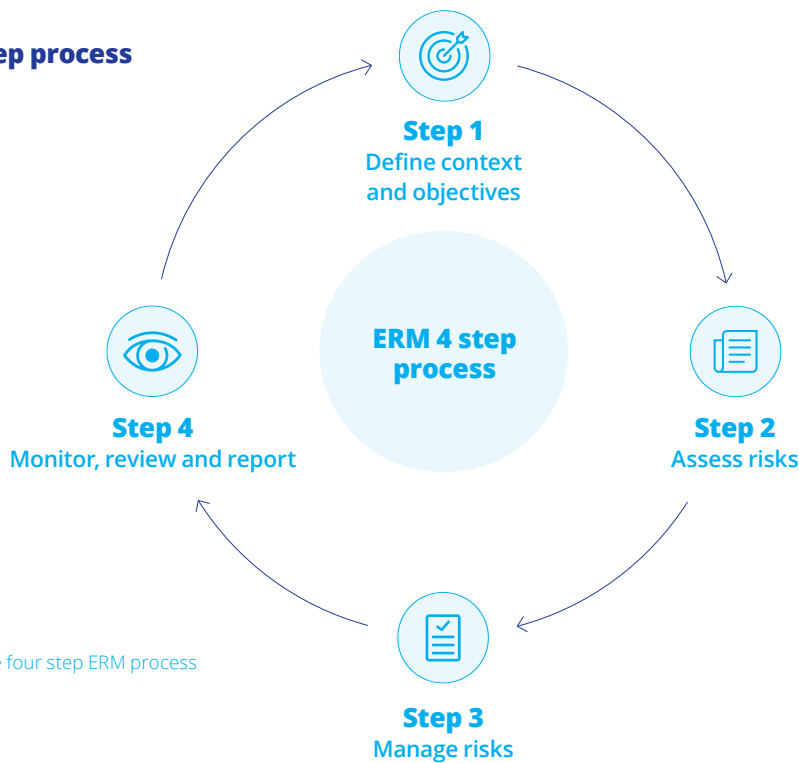


Figure 1.1. The four step ERM process

## Risk Management (continued)

### Principal risks and uncertainties

Risk	Context	Mitigation
<b>Health, safety and environment</b>		
1	<p>A significant safety incident resulting in a risk of serious injury/ fatality to staff, delivery partner or the public.</p> <p>Key considerations: Varying safety practices and safety culture maturity across Local Authorities, an aged asset base requiring significant investment over the medium/ long-term.</p> <p>All health and safety legislation and arrangements must be adhered to in order to protect staff, delivery partners, and the public from injury or fatality and avoid potential prosecutions, financial loss and reputational damage.</p>	<p>Monitoring processes and taking risk based asset-specific interventions.</p> <p>Implementation, promotion and certification of the Safety Management System to ISO 45001.</p> <p>Use of Corrective Action /Preventative Action (CAPA) system to track and address systemic safety issues.</p> <p>Health &amp; Safety KPI monitoring and WorkSafe HomeSafe Programme (No Lost Time Incidents (LTIs) in 2021).</p>
2	<p>A significant employee health risk or business disruption due to impact of COVID-19 pandemic.</p> <p>Large scale employee illness due to an epidemic or pandemic (COVID-19) that affects Ireland's population, potentially impacting employee health and well-being, operations service delivery and supply chain.</p>	<p>Irish Water's Business Continuity Plan was invoked in March 2020 and remained in place throughout 2021.</p> <p>Engagement with key stakeholders (HSE, EPA, CRU, Government Departments etc.).</p> <p>Irish Water 'Living with COVID' plan aligned to government guidance and work safely protocols.</p> <p>Coordinated employee messaging through enterprise-wide Work Safe Home Safe programme.</p> <p>Detailed planning undertaken for a return to office roadmap and the trial of a future hybrid working model.</p>
<b>Security of supply &amp; service delivery</b>		
3	<p>Failure to meet present and future water demand in the Greater Dublin Area because of a lack of available headroom, reliance on a primary water source and critical single points of failure across an aged water infrastructure.</p> <p>Without additional capacity, this could result in potential water supply issues, social and economic impacts and a failure to support future growth demands.</p>	<p>The National Water Resources Plan has assessed national water capacity and quality, focuses on sustainable supply and demand balance in the short, medium and long term and is currently subject to regional consultation during 2022.</p> <p>The Water Supply Project has been identified as the preferred project for the long-term strategic solution to meet the future demands of the eastern and midlands region.</p> <p>Key upgrade measures and investment at critical Drinking Water assets are reflected in the Capital Investment Plan to increase resilience, reduce leakage and operationally manage the risk.</p> <p>Engagement with the key stakeholders to effectively manage current abstractions and plan for abstraction legislation changes.</p> <p>Ongoing monitoring of all resource levels (rivers, lakes boreholes, impounding reservoirs) with short term measures available to boost water available for use.</p>

Risk	Context	Mitigation
<b>Security of supply &amp; service delivery (continued)</b>		
<p><b>4</b> A significant failure to deliver safe, clean drinking water could lead to public health, reputation, compliance, and prosecution risks.</p>	<p>While work continues across the ageing asset base to improve resilience and quality of drinking water supply, there is a risk of quality issues materialising or delays to critical improvement works due to operational challenges and external factors such as legal challenges and judicial reviews, statutory or planning issues.</p> <p>Operational challenges during 2021 led to significant impacts where the water treatment process was compromised or not operating correctly at a small number of plants including Gorey WTP and BME WTP. Substantial steps taken to ensure reduced risks in the future.</p>	<p>Our National Operations Management Centre is now operating 24/7, monitoring alarm and water treatment performance at the critical water treatment plants.</p> <p>Extensive audits of plants and increased staff training continues to be a key focus into 2022.</p> <p>SPU transformation supports delivery of business plan commitments and required customer service levels.</p> <p>Managing risk at Water Supply Zone level through Drinking Water Safety plans.</p> <p>Delivery of the Capital Investment Plan to upgrade assets and improve resilience standards and compliance.</p> <p>Drinking Water Directive – Internal Steering / Working Groups in place and IW are participating in a DHPLG led expert group reviewing the directive transposition.</p>
<p><b>5</b> Not delivering the projected water leakage savings targets committed to in our strategy.</p>	<p>Not achieving leakage savings targets could impact Irish Water's reputation and credibility, generate customer and service impacts, increase operating costs and reduce efficiencies.</p>	<p>Utilised funding effectively to progress 2021 leakage management priorities.</p> <p>Key programmes in place including - Find &amp; Fix programme, First Fix Programme, Targeted investment, Metering, Pressure / network management.</p> <p>Leakage Management System, Response Plan and Annual Leakage Management plan in place.</p> <p>Leakage rates improved from 40% to 38% during the period from Q3 2020 to Q3 2021.</p>
<p><b>6</b> There are short term and long-term impacts to the delivery of water services due to the increased frequency and intensity of extreme weather events.</p>	<p>Irish Water's operations and assets withstood the severe weather experienced in recent years. An increased frequency and intensity of severe weather events is likely to continue.</p>	<p>Comprehensive resilience plans and processes in place (e.g. Severe Weather programme, Water Scarcity tracker, Standard Operating Procedures).</p> <p>Assets are being designed for climate resilience (flooding, storm water, climate vulnerability and management standard).</p>
<p><b>7</b> Wastewater discharges and/ or non-compliance incidents resulting in environmental damage, prosecution, EU infringement and reputational damage.</p>	<p>Poor asset condition can lead to environmental damage and prosecution. This together with limited public understanding of treatment and overflow processes can drive significant reputational damage to Irish water.</p>	<p>Asset upgrades as part of Capital Investment Plan (e.g. Ringsend and the successful delivery of the Cork Lower Harbour Project in 2021).</p> <p>Multi-agency plan in operation during bathing season to reduce prohibition periods, improve testing turnaround times and improve public beach signage.</p> <p>Cross-functional Environmental Management Group ensures consistent wastewater reporting / messaging on priority plants to EPA and other stakeholders.</p> <p>Sampling and analysis as per legislative requirements.</p> <p>Drainage Area Plans under development in key agglomerations.</p>

## Risk Management (continued)

Risk	Context	Mitigation
<b>Transformation of water services</b>		
<b>8</b>	<p>Failure to deliver the Transformation Programme due to a potential lack of the necessary support and agreement from key stakeholders.</p>	<p>The Water Sector Transformation Policy Paper provides for a national, publicly owned, regulated water services utility - failure to deliver this would result in significant impacts to the delivery of business plan commitments, Strategic Funding Plan (SFP) efficiencies and required customer service levels.</p>
		<p>The Government Water Sector Transformation Policy Paper which was approved and published in February 2021. This paper provides the policy background and momentum needed to help start the move to full integration of all Local Authority water services activities and staff into the Irish Water organisation structures.</p> <p>The Single Public Utility Programme and Irish Water liaise regularly with the DHLGH and local authority representatives on transformation policy implementation.</p> <p>Bi-lateral Workplace Relations Commission discussions are underway between the Unions and joint management side, including Irish Water on the transformation.</p>
<b>Climate change, biodiversity</b>		
<b>9</b>	<p>The potential for Irish Water's activities to have an impact on biodiversity or the environment.</p>	<p>There are significant opportunities for Irish Water to respond to the climate and biodiversity emergency, generating environmental, reputational and financial benefits.</p>
		<p>Climate Change Adaptation and Mitigation strategy in place.</p> <p>Biodiversity Action Plan in place to help conserve, enhance and work with the natural environment.</p> <p>Irish Water won the ' Best Energy Achievement in Public Sector 2021 ' award at the Irish Business Energy Awards.</p>
<b>Delivering growth &amp; infrastructural investment</b>		
<b>10</b>	<p>Failure to fully deliver the Irish Water Capital Investment Plan (CIP) due to both internal and external factors resulting in the unavailability of water services and limiting the Company's response to public health, safety, economic development and environmental risks.</p>	<p>Availability of long-term multi-cycle funding is a key dependency. Across the Irish semi-state and private sector, significant multi-year capital projects are planned or underway.</p> <p>Key external exposures to CIP delivery which Irish Water are focused on managing include, supply chain impacts, rising inflation and timely planning and statutory approvals.</p>
		<p>Strategic Funding Plan 2020-2024 in place and RC3 allowance approved controls in place to monitor our Capital Investment Plan spend against budget.</p> <p>Internal process review initiative linking all investments to outcomes.</p> <p>Ongoing review of our contracting strategy and active engagement with Supply Chain to mitigate key exposures.</p>
<b>11</b>	<p>Growing demands for water connections and limited asset capacity will impact the company's ability to keep pace with development and growth demands across Ireland.</p>	<p>Irish Water has a significant role to play in supporting Ireland's economic growth, compliance and development goals.</p>
		<p>Planned delivery of prioritised investment in drinking water and waste water assets to improve resilience and delivery capacity for growth (Water Services Strategic Plan &amp; National Water Resources Plan).</p> <p>Cross functional working group in place to manage the outcomes from the Government's Housing For All Strategy.</p> <p>Continued programme of proactive communications, training and early engagement with industry in respect of their requirements ( e.g. Construction Industry Federation, Irish Home Builders Association and Housing Representative Bodies).</p>

Risk	Context	Mitigation
<b>Supply chain</b>		
<p><b>12</b> Supply Chain challenges or failure of a key supplier to support delivery of change programmes and services to public water customers.</p>	<p>Macroeconomic and geopolitical environment resulting in rising inflation and potential supply chain challenges.</p>	<p>Contractor management strategy and engagement to advance programmes and encourage tender response.</p> <p>Office of Government Procurement (OGP) guidance in managing tenders in light of significant price increases since tenders submitted.</p> <p>Early Contractor Engagement Programme.</p> <p>Financial Health Ratings for all strategic suppliers.</p>
<b>Customer, reputation &amp; stakeholder</b>		
<p><b>13</b> Failure to create knowledge and understanding of the strategic role and responsibilities of Irish Water for water and wastewater services.</p>	<p>Trust, confidence and support of our service role must be gained from our customers and stakeholders to ensure delivery of organisational objectives.</p> <p>A Framework of tariff arrangements for non domestic customers, the Non-Domestic Tariff Framework (NDTFR) supports clarity and understanding.</p>	<p>Keeping the public fully informed, in a timely manner, on all matters relating to our number one priority; the protection of public health.</p> <p>Communication plans and public consultations that aim to keep customers informed on our projects and programmes.</p> <p>Local Community and Schools programmes to engage on water conservation and wider sustainability initiatives; Green Schools, Think before Flush and Clean Coasts programmes.</p> <p>NDTFR charges for business customers rolled out in October 2021.</p>
<b>Our people</b>		
<p><b>14</b> Not having the right people, structures and culture in place would undermine the ability to deliver our business objectives.</p>	<p>Significant organisational transformation must be managed appropriately to ensure retention and attraction of people to reduce the risk of organisational instability.</p>	<p>Organisation Design Steering Group in place and Work Force Planning process established.</p> <p>Engagement survey takes place, with ongoing continuous improvement processes.</p> <p>HR strategy being implemented which includes key initiatives such as an ibelong Diversity and Inclusion programme, future hybrid working arrangements and people development programmes.</p>
<b>Technology, financial and economic</b>		
<p><b>15</b> A cyber-attack targeting systems impacting our infrastructure and the delivery of services.</p>	<p>An incident could result in potential business delivery disruption, public health or safety issues, reputational damage or potential regulatory fines. The likelihood potentially increases in a remote working environment.</p>	<p>Comprehensive prevention, pro-active controls and contingency plans across all systems.</p> <p>Security Operations Centre operating 24/7 monitoring IT and OT assets.</p> <p>Ongoing engagement with the National Cyber Security Centre (NCSC) to proactively manage any threats.</p> <p>Company wide cybersecurity awareness training.</p> <p>Cyber Response Plan and Runbook under ongoing review and simulation exercises undertaken.</p> <p>Ongoing risk assessments, IT expertise procured for external independent assurance reviews.</p>

## Financial review

Irish Water delivered a satisfactory financial performance during 2021, particularly in the context of the challenges associated with COVID-19 and increasing energy costs.

The Government continued to provide necessary capital contributions of €383m, which together with the surplus/profit generated by Irish Water, was invested to fund critical water and wastewater infrastructure projects enabling the delivery of a capital investment programme of €851m in 2021.

Irish Water's capital investment activities continued to be a significant source of economic stimulus during 2021. In addition, its operating and maintenance programmes provided both direct and indirect employment and other economic benefits across the Irish economy.

### Key highlights 2021

Revenue	EBITDA	Surplus/profit before income tax
<b>€1,191m</b>	<b>€382m</b>	<b>€227m</b>
Capex	Total assets	Net debt
<b>€851m</b>	<b>€5,418m</b>	<b>€226m</b>

Irish Water surplus/profit reinvested to fund critical infrastructure projects

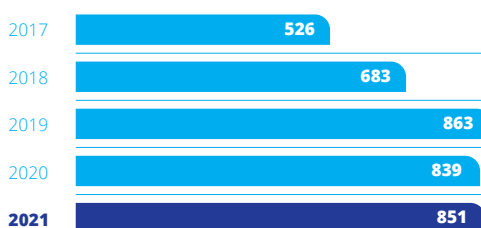


## Key financial trends

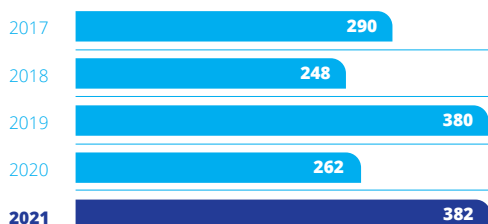
### Revenue €m



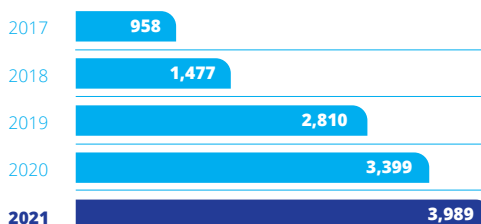
### Capex\* €m



### EBITDA €m



### Net assets €m



\*2020 capital expenditure has been adjusted to exclude 2020 cloud computing spend (see note 1 of the Financial Statements)

## Summary income statement

	2021 €m	2020 €m
Revenue	1,191	1,061
Commercial revenue	298	246
Government subvention	893	815
Operating costs	(809)	(799)
<b>EBITDA</b>	<b>382</b>	262
Depreciation and amortisation	(152)	(138)
Finance costs	(3)	(4)
<b>Surplus/profit before income tax</b>	<b>227</b>	121

## Revenue

Revenue of €1,191m for the year to December 31st 2021, was €130m higher compared to 2020. Government subvention income of €893m in respect of domestic water billing was €78m higher than prior year due to an increase in allowed revenues. Commercial revenues of €298m were €52m higher than 2020, due to higher non-domestic revenue of €25m and higher customer connection revenues of €26m.

## Depreciation

Depreciation and amortisation of €152m has increased compared to prior year due to the levels of capital investment.

## Surplus/profit before tax

Surplus/profit before tax increased by €106m to €227m for 2021 due to:

- higher EBITDA of €121m,
- partially offset by higher depreciation charges of €15m,
- while finance costs remained consistent year on year.

## Financial review (continued)

### Operating costs summary

	<b>2021</b> <b>€m</b>
Employee benefit expense	(61)
Local Authority SLA payroll and functional support overheads	(220)
Hired and contracted services	(203)
Materials, maintenance and plant hire	(114)
Rent, rates, utilities and insurance	(121)
Central transactional and support service costs	(49)
Impairment losses on financial assets	(9)
Cloud computing transition adjustment	(7)
Other operating costs	(25)
<b>Total</b>	<b>(809)</b>

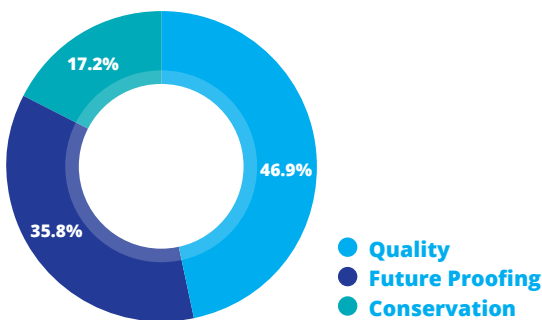
### Operating costs

Operating costs of €809m increased by €9m when compared to 2020. This increase is primarily due to unprecedented increases in global energy prices in late 2021, which resulted in higher contracted service costs for the operation of treatment plants. This was partly offset by a lower bad debt charge, due to stronger credit collections in 2021, and the delivery of a further €18m in operating cost efficiencies.

### Summary balance sheet

	<b>2021</b> <b>€m</b>	<b>2020</b> <b>€m</b>
Infrastructure assets	4,953	4,260
Other assets	465	322
<b>Total assets</b>	<b>5,418</b>	4,582
Borrowings and other debt	(514)	(385)
Pension liability (IAS 19)	(37)	(43)
Other liabilities	(879)	(755)
<b>Total liabilities</b>	<b>(1,430)</b>	(1,183)
<b>Net assets</b>	<b>3,989</b>	3,399
<b>Net debt</b>	<b>(226)</b>	(191)

### CAPEX (%)



### Infrastructure assets and capital expenditure

Irish Water continued the delivery of scheduled capital investments in 2021, with total investments of €851m (€846m in 2020) in water and wastewater infrastructure. Some key strategic infrastructure projects were commissioned during 2021, including the new Vartry Water Treatment Plant, the Cork Lower Harbour Main Drainage Project and the Ringsend Waste Water Treatment Plant Capacity Upgrade, while ongoing programmes also continued to be delivered, such as, the Leakage Management Programme, where Find and Fix continues to be prioritised.

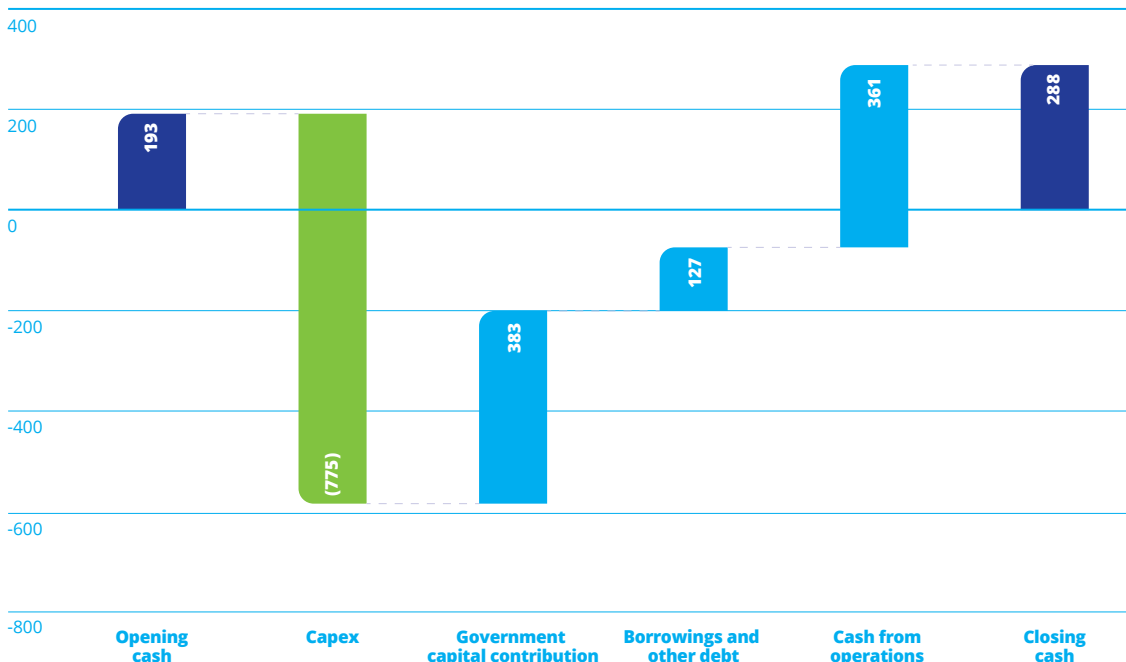
### Net debt and cash flows

The net debt position at December 31st 2021 was €226m (total borrowings and other debt of €514m, less cash and cash equivalents of €288m), as compared to €191m in the prior year.

In 2021 water and wastewater capital investment funding requirements (€775m in cash outlay terms)

was partially met by the capital contribution funding received from Government of €383m, resulting in a residual funding requirement of €392m. The net increase in borrowings and other debt of €127m, along with positive operating cash flows of €361m, was utilised to meet this residual capital funding requirement and increase cash to €288m at year end.

### How cash was used in 2021 (€m)



## Financial review (continued)

### Capital resources and treasury governance

#### Capital resources

As at December 31st 2021 Irish Water held;

- total drawn borrowings of €502m (excludes lease liabilities of €12m),
- undrawn Minister for Finance facilities of €520m, which are to be made available over the period 2022 to 2024, subject to the approval of the Minister for Finance, to finance non-domestic capital expenditure over that period,
- undrawn working capital facility of €350m, and
- €288m of cash and cash equivalents.

The implementation of the recommendations of the Inter Departmental Working Group on the Replacement of Irish Water's Commercial Borrowings with State funding are now complete. In June 2020, the Company entered into new €1,022m State loan facilities, provided by the Minister for Finance for capital expenditure attributed to the non-domestic sector, €502m of which has now been drawn. The remaining facilities of €520m, are to be made available over the period 2022 to 2024, subject to the approval of the Minister for Finance, to cover non-domestic capital expenditure over that period.

On completion of the recommendations of the Inter Departmental Working Group, Irish Water's remaining undrawn €350m committed commercial debt facilities were cancelled, with Irish Water retaining a €10m uncommitted overdraft facility to help manage its daily banking requirements.

In October 2021, the Company entered into a new €350m working capital facility with the NTMA, which was the final phase of the replacement of Irish Water's commercial borrowings with state funding. Irish Water has committed to ensuring that the NTMA working capital facility remains undrawn on December 31st each calendar year, unless Irish Water has obtained prior Ministerial agreement to utilise the facility.

At December 31st 2021, the weighted average interest rate on the Company's portfolio of outstanding borrowings was 0.54% (2020: 0.53%) and the average maturity of its debt was 9.17 years (2020: 9.91 years).

#### Treasury governance

In 2021 Ervia operated a centralised treasury function. The responsibility for treasury activity and its performance rested with the Board, which exercised its responsibility through regular review. The Ervia Audit and Risk Committee provided oversight of the risk and control environment on behalf of the Ervia Board. Ervia complied with the requirements and conditions of the Minister for Finance under the Financial Transactions of Certain Companies and Other Bodies Act, 1992. Ervia's treasury function is not operated as a profit centre and treasury positions are managed in a risk averse manner. All treasury transactions have a valid underlying business reason and speculative positions are strictly prohibited. Further details of our treasury governance financial risk management policies are set out in the Financial Statements note 21.





# Operating review

## Major challenges and achievements in 2021

### Maintaining services and standards throughout the COVID-19 pandemic

The world, and Ireland, remained in pandemic response mode throughout 2021. Pandemic restrictions remained in place throughout the year, and Irish Water adhered to all public health advice.

Public water and wastewater services were delivered in collaboration with our Local Authority partners under the existing Service Level Agreements. Frontline staff within Irish Water and the Local Authorities maintained services without any supply interruptions. Irish Water's Business Continuity Plan was invoked in March 2020 and remained in place throughout 2021.

### Improving drinking water quality for over 790,000 people

Due to the ongoing progress we're making in improving water quality and addressing long-standing issues with Ireland's water supplies, over 790,000 people in 16 water supplies were removed from the EPA's Remedial Action List (RAL) in 2021. The number of customers served by vulnerable water supplies has now reached its lowest ever level. Among these schemes was the removal of seven supplies served by the new Vartry Water Supply Scheme from the RAL. These supplies serve a combined population of 127,000 people in Wicklow and South Dublin who are now benefiting from a safer more secure water supply following completion in 2021 of a €150m upgrade of the scheme.

### Transforming Irish Water to a single public utility

In February, Minister O'Brien published the policy paper "Irish Water – Towards a national, publicly-owned, regulated, water services utility" following its approval at Cabinet. The Policy Paper sets out the Government's views and expectations on the next steps in the transformation of the water sector that will lead to the retention of Irish Water as a national, publicly-owned, regulated, water services utility. In 2021 Irish Water made progress on certain issues included in the Paper, including the operational separation from the Ervia Group with a new CEO and Executive team in place; and with the engagement process that took place under the auspices of the Workplace Relations Commission (WRC) on the integration of the day to day operation and delivery of water services into Irish Water.

### Introduction of a new tariff regime for business customers

From 1st October 2021 new business tariffs were introduced for business customers. There had been extensive engagement with customers in advance and extra support functions were put in place for the initial changeover period which all contributed to a smooth transition for our customers.

### Improving customer service

There was a continued focus on improving engagement and a commitment to a best-practice approach to customer service and operations. All available channels were used to provide services and information to our customers and in particular to support vulnerable and isolating customers. The call centre was successfully migrated to a new service provider in April and remote customer channels, including web, digital and phone, were maintained or enhanced. Extra supports were provided to non-domestic customers for the introduction of the new business tariffs in October.

## Operating Review (continued)

### Progress against strategic objectives

Irish Water operates within a framework of national policies. The Water Services Policy Statement 2018 – 2025 sets out the priorities of Government regarding the provision of public water services under the three themes of Quality, Conservation and Future Proofing. We have used this framework as the basis for this operational review.

#### QUALITY

##### Water quality

In September 2021, two high profile incidents occurred at drinking water treatment plants at Ballymore Eustace and Gorey. The water treatment process was either compromised or not operating correctly at these plants for a period of time. In the case of the Gorey incident untreated water entered supply for a number of days and Irish Water customers became ill as a result of consuming the water and some were hospitalised. Since these incidents and in consultation with our regulators, and other key stakeholders, Irish Water has taken significant steps to reduce the risks of these events happening in future. We have carried out extensive audits of our plants, significantly increased staff training and fast-tracked key initiatives to provide better real time oversight of the operation of our largest plants covering the majority of our customers through the National Operations Management Centre based in Dublin. This will continue to be a key focus for Irish Water in 2022.

Irish Water is committed to ensuring that all our customers have safe, clean drinking water. This is a significant challenge but we are making steady progress, with 790,000 people in 16 water supplies removed from the Remedial Action List in 2021. Seven supplies were served by the new Vartry Water Supply Scheme, supplying a combined population of 127,000 people in Wicklow and South Dublin who are now benefiting from a safer more secure water supply following completion of a €150m upgrade in 2021. The EPA also confirmed the removal from the RAL of the Abbeyleix supply in Co. Laois following works to address Cryptosporidium risk, and the Leap and Schull supplies in Co. Cork following works to address THM (trihalomethane) risk. The number of customers nationwide on the Remedial Action List is now at its lowest ever level. We are working in partnership with Local Authorities to address issues with the supplies which remain on the list to bring them to a standard where the EPA determines that they can be removed.

Another priority is the removal of people on Boil Water Notices, and in 2021 37,940 people were removed from a Boil Water Notice that had been in place for more than 30 days. At the end of 2021 there was a total population of 908 impacted by boil water notices that had been in place for more than 30 days. The projected date for the removal of the boil water notices is subject to consultation and agreement with the HSE.

In collaboration with our Local Authority partners and commercial laboratories, we maintained the regulatory monitoring programme during 2021 and the results of this monitoring is published on the Irish Water website for individual water supplies. Overall drinking water standards remain high with overall compliance with drinking water standards at 99.33%.

We continued to roll out national work programmes, including:

- The delivery of reservoir cleaning and refurbishment, telemetry monitoring of critical operating parameters, safety programmes and water quality programmes. Under the National Disinfection Programme 40 sites were upgraded.
- The upgrade of 15 sites was completed via the Coagulation, Filtration and Clarification (CFC), Filtration and Sludge Programme. This involves the installation of new or upgraded CFC, filtration or sludge treatment facilities in water treatment plants to minimise the risk of non-compliance.
- The treating of lead in drinking water via orthophosphate commenced at a small number of water treatment plants that meet the requirements of both health and environment assessments, as detailed in Irish Water's Lead in Drinking Water Mitigation Plan.

Rationalisation is achieved by decommissioning a plant and laying a water main connection to a neighbouring treatment plant producing drinking water more efficiently and/or to a higher quality. During 2021, 22 water treatment plants were rationalised.

Work continued in 2021 on the construction of a strategic link between Srowland and Ballymore Eustace water treatment plants which will help to build resilience in the water distribution network. This project will allow the production of up to an additional 18 million litres of drinking water per day for communities in Kildare and the Greater Dublin Area.





Irish Water is developing the first National Water Resources Plan (NWRP) for Ireland. The NWRP will set out how we will balance the supply and demand for drinking water over the short, medium and long term. It is a 25-year strategy to ensure we have a safe, sustainable, secure and reliable drinking water supply for everyone. As this is the first NWRP, the preparation of the plan has been divided into two distinct phases, the combination of which will become the final NWRP. Phase 1 completed in 2021 with the publication and adoption of the NWRP Framework accompanied by a Strategic Environmental Assessment Statement and an Appropriate Assessment Determination.

We are now in Phase 2 of the NWRP. In this phase we summarise the needs across the 535 individual water zones and identify the solutions to address these needs. Due to the large number of supplies in Ireland, we will deliver Phase 2 as four Regional Water Resources Plans covering the North West (RWRP NW), South West (RWRP SW), South East (RWRP SE) and Eastern and Midlands (RWRP EM). Each of the four draft RWRPs and associated environmental reports will have their own public consultation phases. A consultation on the Strategic Environmental Assessment (SEA) Scoping Report for the first Regional Water Resources Plan: Eastern and Midlands has taken place. A statutory public consultation on the Regional Water Resources Plan: Eastern and Midlands commenced in December 2021 and has a closing date of 14 March 2022. The consultations for the remaining regional plans will be carried out over the course of 2022.

### Vartry Water Supply Scheme

The Vartry Water Supply Scheme, developed by Dublin Corporation in the 1860s, provides drinking water for a supply area stretching from Roundwood, through north Wicklow up to south Dublin and serves over 200,000 people.

The project includes the construction of a new Water Treatment Plant (WTP) at Vartry, the Vartry to Callowhill link to replace the 150 year old Vartry tunnel and the construction of a new covered storage reservoir at Stillorgan. The Vartry to Callowhill link pipeline was commissioned in December 2018.

The new Vartry water treatment plant is operational since 1st November 2021 and the official opening of the new WTP by Minister O'Brien was held on 5th November 2021. The completion of the new water treatment plant marked the culmination of a total investment of €150 million in the upgrade of the Vartry Water Supply Scheme. This has not only ensured the removal of Vartry and associated supplies from the EPA's RAL, it has also ensured a safe and sustainable water supply for more than 200,000 people overall across Bray, Wicklow Town, Enniskerry, Greystones and South Dublin now and into the future. Landscaping works at Vartry WTP will continue until late 2022.

The new Stillorgan covered reservoir became operational in early September 2021. Works on site for the de-commissioning of the uncovered reservoirs and related landscaping work will continue into late 2022.

## Operating Review (continued)



### Wastewater quality

Irish Water is responsible for the provision and development of public wastewater services which includes the collection, treatment and discharge of wastewater. We operate 1,063 wastewater treatment plants, 2,209 wastewater pumping stations and 26,000km of foul/combined sewer network.

The investment in wastewater treatment and networks is aligned with commitments made in the River Basin Management Plan (RBMP) 2018–2021 to improve water quality. The River Basin Management Plan lists 255 agglomerations requiring attention. By the end of 2021, this number has been reduced to 118.

Ireland is currently in the latter stages of preparing the next River Basin Management Plan (RBMP) for Ireland. The Plan is required under the Water Framework Directive for the period 2022–2027. The draft Plan was published by the Minister in September and is subject to a public consultation until March 2022. Irish Water is working with the Department of Housing, Local Government and Heritage and other stakeholders on the Plan.

There were 19 agglomerations removed from the EPA's Priority Areas for Wastewater Improvement List in 2021. At the end of the year there were 97 agglomerations remaining on the list and there are plans in place or under development for the majority of these remaining sites.

Since 2014 the EPA has identified 50 towns and villages where raw sewage was collected and released untreated into the aquatic environment. Through the building of new wastewater infrastructure in 17 locations, Irish Water had reduced the number of untreated agglomerations to 33 by the end of 2021. In addition during 2021 Irish Water commenced construction on 13 new locations, with a further 8 due to commence in 2022. This means that the majority of raw sewage discharges are on track to be removed by the end of 2025.

In a judgment of 28 March 2019, the Court of Justice of the European Union found that Ireland was not in compliance with Articles 3, 4, 5 and 12 of Directive 91/271 in relation to the treatment of urban wastewater at 28 named agglomerations across Ireland. In response Ireland agreed to deliver a detailed programme of works and other measures to ensure full compliance with the judgment. The programme primarily consists of capital works projects to bring the named agglomerations into compliance with the Directive. Work was completed in 2021 at one additional agglomeration. There are substantial works planned or ongoing at the 10 remaining non-compliant agglomerations.

We are addressing challenges in our wastewater networks through our Drainage Area Plans with a focus on environmental compliance, customer service and growth. We are also progressing the Critical Sewer Surveys to assess the Sewer Rehabilitation Prioritisation Programme.

In 2021, we also worked with the other stakeholders on the progression of the Shared Waters Enhancement & Loughs Legacy (SWELL) project. This major cross-border project was awarded €35m under the EU's INTERREG VA Programme in 2019 for the construction of new wastewater treatment works as well as upgrades to sewerage networks on both sides of the border to address wastewater pollution in Carlingford Lough and Lough Foyle.

#### **Cork Lower Harbour Main Drainage Project**

The Cork Lower Harbour Main Drainage Project has been successfully completed in 2021, and now collects and treats the wastewater from the agglomerations of Ringaskiddy-Crosshaven-Carrigaline, Ringaskiddy village, Passage-Monkstown and Cobh town so that it no longer discharges untreated to Cork harbour.

The project, which received the prestigious title of Engineers Ireland's Engineering Endeavour of 2021, included the construction of a new wastewater treatment plant in Shanbally, the repair and extension of the sewer network to connect more harbour areas to the plant, and the landmark engineering feat of drilling two of the longest horizontal directional drills ever carried out in Ireland. These drilled bores allowed the installation of sewer pipelines under the Lee Estuary – creating a vital connection between Cobh and Monkstown to allow wastewater from Cobh to be transferred for treatment via this crossing before its safe discharge to sea.

On September 6 2021, Taoiseach Micheál Martin officially opened the Cork Dockyard Pumping Station, which transfers raw sewage from Cobh for treatment, marking the completion of the final element of the Cork Lower Harbour Main Drainage Project works.

More than 20,000 homes and businesses are now connected to the overall scheme and the equivalent of 40,000 wheelie bins of raw sewage no longer discharges daily to the waters of the harbour but is treated in compliance with the Urban Wastewater Treatment Directive, supporting economic growth and development in the area, increasing the potential for tourism and recreational activities and enhancing the fantastic amenity that is Cork Harbour.

#### **Ringsend Wastewater Treatment Plant upgrade**

The major upgrade to the Ringsend Wastewater Treatment plant will enable it to treat the increasing volumes of wastewater arriving at the plant to the required standard, enabling future housing and commercial development. The project will deliver, on a phased basis, the capacity to treat the wastewater for a population equivalent of 2.4 million while achieving the standards of the Urban Wastewater Treatment Directive.

There are four key elements to the upgrade project:

1. Provision of a capacity upgrade facility with nutrient reduction (400,000 population equivalent);
2. Upgrade of the 24 existing secondary treatment tanks to provide additional capacity;
3. Provision of a new phosphorous recovery facility; and
4. Expansion of the plant's sludge treatment facilities.

The Capacity Upgrade facility began accepting flows for treatment in late 2021. This facility will enable current treatment levels to be maintained works proceed on the upgrade of the 24 existing secondary treatment tanks to provide additional capacity and nutrient reduction. Irish Water also continued to make good progress on the delivery of the new phosphorous recovery facility and on the expansion of the plant's sludge treatment facilities. These works will continue throughout 2022 into 2023.

#### **CONSERVATION**

Works to reduce leakage across Ireland include leakage detection and repair, mains rehabilitation, lead connection replacement, pressure management and district meter replacement. These works are being delivered with our Local Authority partners and contractors. In 2021 the Leakage Reduction Programme continued to operate under increased COVID-related health and safety guidelines for workers and customers. Awareness of the works was augmented by branded site works and signage for essential works. Under the programme, 2,339 First Fix repairs were completed, 5,876 lead connections were replaced, and 241km of new and rehabilitated water mains were laid in 2021. This resulted in an overall net reduction in leakage of 35ML/d (by Quarter 3 2021). The national leakage rate has dropped from 46% in September 2018 to 38% in September 2021.

## Operating Review (continued)

The CRU published its Decision Paper on Irish Water's Household Water Conservation Charge in 2019 but the introduction of the charge was delayed as a result of the Coronavirus pandemic. We will continue to work with the CRU and the Government on preparations for the introduction of the charge at a later date.

Irish Water continues to closely monitor all water supply zones and water demand, especially during periods of extreme weather. Due to this close monitoring of those public water supplies and actions taken in previous years, there were no additional measures required in 2021 and no return of drought measures.

### FUTURE PROOFING

Since the start of 2014, 116 wastewater treatment plants have been constructed or upgraded, including 8 in 2021. A total of 288 km of new or rehabilitated sewer network was laid since 2014, with 26km laid during 2021.

Water capacity and resilience has been improved by constructing or upgrading a total of 64 water treatment plants since 2014, with 12 of these completed in 2021. In total 2,325 km of new or rehabilitated watermain has been laid since 2014, 241km of which was laid in 2021.

In October 2021 the Government published the National Development Plan 2021-2030. The Plan contains an allocation of nearly €6bn to public water services to 2025. This acknowledges the importance of continued investment in water and wastewater infrastructure for economic growth, housing and job creation and understands Irish Water's expertise and capabilities in delivering investment at this scale.

The Minister also published the Government's new housing policy for Ireland "Housing for All" in September 2021 and its accompanying Action Plan. There are specific actions assigned to Irish Water and there are other dependencies on water and wastewater infrastructure. Irish Water is working closely with the Department of Housing, Local Government and Heritage and other stakeholders and supporting the development of housing through:

Our Connections and Developer Services who in 2021 processed over 35,000 new connections for housing, and had less than 250 refusals. They developed a dedicated service for developers and they progressed "self-lay" options with the regulators and the construction industry.

Investment in infrastructure – Irish Water has developed and published capacity registers for water and wastewater allowing developers and planners to assess capacity at locations before progressing with any development plans. They also announced additional works on small water and wastewater treatment plants under the Small Towns and Villages Growth Programme which further assists development.

The Climate Action Plan 2021 was published for Ireland in November. It provides a detailed plan for taking decisive action to achieve a 51% reduction in overall greenhouse gas emissions by 2030 and setting Ireland on a path to reach net-zero emissions by no later than 2050. Irish Water continued to develop and implement related strategies in 2021 aimed at introducing adaptive measures to build resilience in responding to climate change and weather-related events, and other socio-economic impacts. These include Irish Water's Sustainability and Energy Efficiency Strategies, Biodiversity Strategy, National Water Resources Plan Framework and operational measures around environment and catchment protection.





### Water Supply Project, Eastern and Midlands Region

Further to the national water supply strategy as outlined in the National and Regional Water Resources Plan, the Water Supply Project, Eastern and Midlands Region will provide a major new source of water to meet the supply requirements of the Eastern and Midlands Region in a sustainable manner to 2050 and beyond. Irish Water is progressing a SID planning application to An Bord Pleanála for the project, including an Environmental Impact Assessment Report and Natura Impact Statement, following the enactment of abstraction legislation. We are engaging with the CRU to facilitate the conclusion of their independent review of the project.

### Greater Dublin Drainage Project

The Greater Dublin Drainage (GDD) project involves the development of a new regional wastewater treatment facility and associated infrastructure to serve the Greater Dublin Area, in particular, the population of north Dublin along with small parts of the surrounding counties of Kildare and Meath. A new regional plant is required to provide the additional treatment capacity needed once the country's largest wastewater treatment facility at Ringsend reaches its maximum upgraded capacity by the mid-2020s.

In addition, having adequate wastewater treatment capacity is vital to protect public health, safeguard the environment and facilitate sustainable social and economic growth.

Following detailed site investigations, extensive environmental assessments and wide-ranging public consultations over a seven-year period, on 20th June 2018, Irish Water submitted an application for strategic infrastructure development to An Bord Pleanála for the GDD project. An Bord Pleanála granted planning permission for the project in November 2019. Judicial Review ("JR") proceedings were taken against the An Bord Pleanála planning permission with the High Court determining in November 2020 that the planning permission for the GDD project should be quashed. The application was remitted back to An Bord Pleanála in April 2021.

The statutory notice of confirmation of the compulsory purchase order ("CPO") in respect of the project was published on 16th January 2020 and the period for application for JR of the CPO process closed on 12th March 2020. Following receipt of Board and Ministerial approval in 2021, Notices to Treat were delivered to all affected parties in advance of the statutory deadline of 30th September 2021.

## Sustainability

At Irish Water, we are passionate about improving the sustainability of water services and playing our part in building a more sustainable future. We are implementing policies and strategies through our strategic business plan to support sustainability aligned with the UN sustainable development goals, taking a proactive approach to sustainability across our water and wastewater assets. The UN Sustainable Development Goals (SDG's) have set an ambitious framework, with water having an individual goal within the SDG's, SDG 6: "ensure availability and sustainable management of water and sanitation for all".



**Irish Water's sustainability objective:**

"Our key strategic Sustainability objective is to operate a sustainable efficient business delivering water services to the community in a manner that supports national policy and contributes to the protection of the environment. To stay ahead of challenges, we will continue to drive change within as we build a sustainable business fit for the future."

Our mission is to ensure that all our customers receive a safe, reliable and sustainable supply of drinking water and have their wastewater collected and safely returned to the environment. Our ability to take drinking water from the environment, and return treated wastewater requires a healthy and sustainable functioning ecosystem, fundamentally supported by a diversity of plant and animal life. Irish Water, as guardians of Ireland's water and wastewater assets, with a dedicated sustainability team, are integrating and embedding sustainability and sustainable development into everything we do.

Together with our stakeholders, the SDGs will continue to serve as a blueprint for how we behave as a responsible water utility and to focus resources for delivering the most significant and positive impacts across our three strategic pillars of sustainability: Environment, Society and Economic.

**Environment**

As guardians of Ireland's public water and wastewater assets we have a responsibility to protect the environment in which we operate and to act responsibly through our activities. As outlined in our Water Services Strategic Plan, we are committed to protecting the environment in all our activities and support Ireland's social and economic growth through appropriate investment in Water Services.

**Climate action**

Irish Water, as one of Ireland's largest public sector energy consumers, is improving the energy efficiency of water services. Our sustainable energy strategy takes a proactive approach, building on the work of Local Authorities. It takes a business wide approach including concept design, new projects, retrofits and our people. We are implementing Energy Efficient Design (EED) for all our new and existing assets in collaboration with SEAI. Our strategic agreement with SEAI helps to design for energy efficiency from concept, avoiding locking in inefficiencies whilst also helping to transform the industry at a national level. Our approach helps embed energy efficiency, facilitating us to develop, maintain and sustain a culture of energy efficiency.

Energy efficiency improvement is a key mitigation measure of our climate change policy to help ensure water and wastewater services are resilient to climate change and developing a low greenhouse gas emitting water and wastewater service. We are implementing a business wide climate mitigation and adaptation strategy, aligned with the Water Sector Adaptation Plan under the National Adaptation Framework.

Irish Water has made significant progress on the journey to become a low carbon, energy efficient, sustainable water utility. Our strategy and energy management programme take a business wide approach, including energy efficient design, innovation, energy retrofits, renewable energy, lighting and heating, energy audits and planning, process optimisation, staff awareness and training.

## Sustainability (continued)



Our energy retrofits programme prioritises a project pipeline for energy efficiency projects. The programme has achieved over 20 GWh in energy efficiency improvements to date.

Irish Water has been recognised for its commitment to energy efficiency, climate action and sustainability with two awards at the inaugural Business Energy Achievement Awards: Best Energy Achievement in Utilities and Best Energy Achievement in the Public Sector. The awards recognise Irish Water's commitment to becoming more energy efficient and embedding sustainability .

In 2021, we achieved over 33% improvement in our energy efficiency performance, saving an equivalent of 120,000 tonnes of carbon. We are on track to meet our new target of 50% energy efficiency improvement.

### Circular economy

We are progressing a number of initiatives through the water treatment plant residual strategy taking a circular economy model for the management of our sludges, as they provide a sustainable source of precious finite materials.

The sludge provides an alternative/complement to current raw materials being used. We view water sludge as a valuable resource particularly in the context of the circular economy model. This model is in direct contrast to the current linear model of 'take, make, consume, dispose', with landfill being the primary end point. We are progressing a number of potential sustainable options. Recovery/reuse of the sludge is the preferred long term sustainable option for Irish Water. We have reached a key milestone with over 80% of our water sludge going to circular economy outlets.

### Biodiversity

We are implementing low carbon, nature-based solutions, such as installing innovative sustainable, low-carbon, sludge reed beds giving biodiversity and habitat benefits. Our low carbon approach through ICW 's and Our Biodiversity Action Plan helps us to conserve, enhance and work with the natural environment. We are working with, Woodlands for Water, enhancing native biodiversity, carbon sequestration, source protection, contributing towards achieving the River Basin Management Plan and Water Framework Directive.



To celebrate World Environment Day on Saturday, June 5, 2021, we launched our Biodiversity Action Plan which sets out a national programme of measures to protect and enhance Ireland's biodiversity.

The Biodiversity Action Plan sets our plans to help conserve, enhance and work with the natural environment as well as the strategic aims and the actions which will be undertaken to achieve them. The seven key objectives of the Biodiversity Action Plan which can be implemented immediately include:

- Measures at all Irish Water sites that will enhance and protect biodiversity
- Raising awareness and provide educational supports in relation to biodiversity
- Ensure "no net loss" of biodiversity when carrying out activities or delivering plans across its sites
- Implementing actions from the All Ireland Pollinator Plan across all Irish Water sites to support and increase our pollinator population
- Promoting the use of nature-based solutions for water protection and wastewater treatment
- Managing invasive alien species on Irish Water sites
- Collaborating with key internal and external stakeholders and the wider community, in protecting and enhancing biodiversity

We're committed to protecting Ireland's terrestrial and aquatic species in all our activities. By working responsibly, we can play our part to halt the decline of Ireland's rich biodiversity.

## Society

An employer of over 820 people, together with over 3,000 staff in Local Authorities, Irish Water recognises the importance of equality, diversity and inclusivity among our workforce. We are committed to ensure our business makes a positive impact in the communities in which we operate.

Irish Water continued to support its strong partnerships and community programmes in 2021. These programmes promote positive behaviours in water and wastewater related activities in homes and businesses and increase awareness of water related issues and the benefits of making simple positive changes.

An employer of nearly 800 people, together with over 3,000 staff in Local Authorities, Irish Water recognises the importance of equality, diversity and inclusivity among our workforce.



### An Taisce Clean Coasts

In Ireland thousands of wet wipes, cotton wool, cotton buds, sanitary products and other unsuitable items are flushed down toilets every day. This causes costly blockages in our homes, businesses and wastewater systems, leading to sewer overflows in our communities and plastic pollution in rivers, on beaches and in the ocean. Think Before You Flush is a public awareness campaign about problems these items cause in our marine environment and wastewater systems. This campaign is operated by An Taisce's Clean Coasts programme in partnership with Irish Water. As part of this national campaign we work closely with businesses, schools and the community to deliver educational workshops and engage the local residents in the campaign.

As part of the 2021 campaign five national events and 30 regional activities were run throughout the year. Many events were modified as a result of the ongoing global health pandemic with the majority being delivered online and through social media.

Throughout 2021 a number of novel and bespoke campaigns with strong social media presence were undertaken to increase positive media sentiment and raise awareness of this issue. Such campaigns included the 'Break Up With Plastic' initiative which coincided with Valentine's Day; working with a number of well-known Make Up Artists regarding the disposal of wipes/cotton pads; profiling of staff that work in the wastewater industry on International Women's Day; Plastic Free July; a Halloween promotion reminding the public of frightening fatbergs and to never to flush wet wipes down the toilet as they might come back to haunt you as well as! Other initiatives included a focus on Reuse October, as well as a campaign in November to mark World Toilet Day.

## Sustainability (continued)

In addition, a number of videos were developed and shared on social media channels to deliver the core messages of the campaign including the production of Think Before You Flush videos for Sligo, Bray and Dublin with well know faces supporting the messaging.

A video was also produced at the Wastewater Treatment Plant in Ballina, Co Mayo which supported the launch of the Behaviour & Attitudes survey findings which found that almost one million adults living in Ireland admit to regularly flushing wet wipes and other sanitary items down the toilet. Although this is a stark statistic, it does demonstrate improvement in the area, as well as recognising that further education and awareness is needed. In summary the findings of the survey found that:

- A positive 33% improvement in the Nations' flushing behaviour compared to 2018.
- Over the last 3-year period we have seen a positive 38% reduction in people flushing wipes down the toilet. This was 18% in 2018, now 11% in 2021.
- The frequency of sewage related littering in younger age profiles was 52% in 2018, now 32% in 2021. Representing an improvement of 39%
- A positive 24% improvement in the Nations' pouring behaviour. This was 50% in 2018, now 38% in 2021. Representing an improvement of 24%.

The success of the Think Before You Flush campaign was recognised in Ireland's National Environmental Awards, The Pakman Awards in October 2021. The Pakman Awards selected the Think Before You Flush (TBYF) campaign as a finalist in this year's Environmental Education and Awareness Initiative category.

Think Before You Pour is another element of the campaign which focuses on our kitchen behaviour where we ask the public not to use their kitchen sink as a bin. Our market research showed that close to 40% of the public pour FOGs (fats, oils and greases) down the kitchen sink. Every month Irish Water clears approximately 2,000 blockages from the wastewater network. Irish Water launched a public information campaign for Easter 2021 fronted by celebrity chef Donal Skehan and for Christmas fronted by Kevin Dundon and supported by a number of well-known chefs on social media including Lilly Higgins, JP McMahon, Guy Sinnott, Mark Murphy and Edward Hayden.

### Green-Schools sponsorship

The Green-Schools programme is an important sponsorship for Irish Water. The programme allows us to invest in tomorrow's water advocates today. The 2020-2021 academic year represented Irish Water's eighth year sponsoring the Water Theme of the programme.

In total, 269,802 students, 29,185 staff, and 752 schools participated in the Water theme this year.

Across Irish Water staff from many functions continue to contribute to the Green-Schools programme which gives us a direct route to children, teachers, parents, future engineers, scientists and communicators. We are getting the opportunity to teach them about water – our most precious resource – and one which needs to be conserved, valued, treated and protected. We have an opportunity through this programme to instil a sense of protectiveness towards water.

This year the Green Schools programme continued to innovate and develop to work through the challenges presented by the pandemic. With school visits and in-person meetings largely curtailed, there was a continued focus on online and virtual engagement.



Green Schools continued to develop its 'Stay Home' programme, offering students and parents a range of new and exciting activities that could be carried out at home. Activities were themed around important topics such as conservation and valuing water. Irish Water played a key role by amplifying Green-Schools' online activities through our social media platforms. There were 13 weeks of online water activities alone with 53 water activity resources created by Green-Schools, many of which were translated into Irish.

Green-Schools' staff delivered 18 teacher training seminars on the Water theme nationwide in October and November 2020, at which 123 teachers were present. Additionally, this year a national clinic-style seminar was given to teachers from water schools, which involved providing important water theme information, a run through of the application process and a chance to ask questions from the water team.

This year, due to COVID 19 Green-Schools continued to deliver water workshops virtually and created comprehensive water workshop packs, in Irish and English, for both primary and

Green Schools continued to develop its 'Stay Home' programme, offering students and parents a range of new and exciting activities that could be carried out at home.



secondary schools on the water theme. Over 1,400 students from 52 schools attended these virtual workshops, many of which were supported by Irish Water staff. In total, Irish Water staff signed up to give 24 online school talks in their local areas throughout the year.

Feedback from the workshops was extremely positive, with schools praising the relevant and useful resource packs and the commitment and support provided by the Green-Schools water team in running these virtual water workshops. This year the water workshop reach has extended greatly into the whole school community, with a large increase in student participation over the previous year, of over 47% in primary schools and 76% in secondary schools.

The Water Poster competition was a great success again this year with over 1,400 poster entries and many wonderfully creative entries on the theme of 'Valuing Water'. This year also saw the continued development of a video competition with many great entries.

Social media is an important medium for the Green-Schools programme. Schools, classrooms, teachers and older students are becoming more vocal and engaged through social media channels. The various Water Theme initiatives are heavily promoted on a regular basis through Green-Schools' various social media accounts, including Twitter, Facebook, Instagram and YouTube, and shared by the Irish Water social media team. The wide range of social media platforms used ensures that the Water Theme resources and information are available and accessible to a wide and growing audience. In addition, initiatives such as the #Water2Me campaign and mini Walk-for-Water events helped promote the value of water and continued to engage students and their wider communities.



## Sustainability (continued)



This year's Green Schools programme also included a number of Irish Water resources in the packs sent to schools, teachers and students working on water. Green-Schools were sent boxes of Irish Water gunk pots, shower timers and the Story of Water booklets, in Irish and English. The newly developed Irish Water educational resources and activities were also promoted on social media and shared across the campaign.

The programme continues to deliver strong results for Irish Water. During the academic year 2020 - 2021, a total of 69 schools were awarded their Green Flag for Water. The experience and innovation of the Green Schools and Irish Water teams, along with the willingness and enthusiasm of the participating schools, has helped to drive the continued success of the partnership.

### Water stewardship

Effective governance and management of freshwater supplies is one of the most fundamental public goods challenges of our time according to the World Economic Forum. This against a backdrop where less than 1% of the world's freshwater is readily available for human consumption and an expected increase in demand of 40% by 2030. Over 1.7 billion people are currently living in river basins where water use exceeds recharge. Ensuring access to water and sanitation for all is one of the UN Sustainable Development Goals and with the challenge of climate change, there is a greater onus of responsibility in how we conserve and manage our precious water resources here in Ireland to protect the wider environment.

Irish Water is taking proactive steps to ensure we have sufficient water for future generations and that our supplies are safe, secure, reliable and sustainable by supporting the business community through our award-winning Water Stewardship Programme.

We provide world class support to customers seeking to reduce their water use and strengthen their environmental credentials through verifiable action. This online training allows businesses to participate at a time that suits their busy schedules and will help their employees and customers make conscious decisions about water consumption that will benefit people and nature.

The innovative programme is the first of its kind globally. It is an international best practice certification accredited by the European Water Stewardship Standard (EWS). The initiative is being implemented with the endorsement of key business stakeholder groups such as Ibec, Enterprise Ireland, Chambers Ireland, Origin Green and SEAI. It has been made possible thanks to the funding from Irish Water and the Lean & Green Skillnet with support from the Department of Further and Higher Education, Research, Innovation and Science and is a clear demonstration of Ireland's growing reputation and leadership actions on water stewardship and climate action.

The specialised training provides business owners with the knowledge and expertise to lower water consumption and reduce operating costs while protecting the environment. Small changes such as identifying water waste on site, setting a baseline for water use, raising awareness amongst staff and customers or upgrading to water efficient devices can help to save water and money.

Over 450 water stewards have been trained to date and over 1000 new water conservation projects have been put in place by our business customers as a result of being on the programme - with 100% positive feedback from graduates.

### Safety

Occupational Health and Safety remains a key priority in our ever-evolving business. This year we expanded our existing mental health programme across Ervia through the very successful launch of our Mental Health Strategy – Time to Talk. Over 1,200 employees attended the launch webinar with a key focus on Mental Health awareness for line managers and employees. Our launch was followed by the training and subsequent appointment (with support structures) of 109 Mental Health First Aiders.

We are now also considered recognised leaders in this space and are actively sharing our experience.

Irish Water received its first certified ISO standard achieving ISO 45001 for its safety management system. Irish Water also launched the Safety Hub, providing instant access to Irish Water's latest health and safety information which is crucial in realising Irish Water's Work Safe Home Safe vision.

Significant work continues with our partners in the Local Authorities and supply chain throughout the public health emergency. In preparation for the country's post pandemic response. Irish Water have embraced government recommendations to consider future ways of working which incorporate learnings from our pandemic response and created a hybrid working model for implementation following a return to office.

In 2021, we saw further improvements in our proactive safety indicators including hazard reports and safety leadership conversations with 233 hazcons submitted by IW Employees and 1,258 safety conversations held across our industry in 2021. We continue to work with our partners to further embed a process around high potential incidents. These are incidents or events that under different circumstances might easily have resulted in more serious outcomes. preventative measures in place. We identified 25 high potential incidents in 2021, resulting in a focus on improving safety across the water industry.

We also reached 3,869,970 million hours since the last IW Employee lost time injury, heading towards 4 million hours in January 2022. This highlights Irish Water's commitment to delivering on our Work Safe Home Safe vision and the efforts made to ensure we put safety first. The commitment to the health and safety of our own personnel is extended to our Asset Delivery Contractors and our local authority service partners who we continue to work with resulting in a lost item injury frequency rate of 0.33 for our Asset Delivery partners, and a reportable lost time injury frequency rate of 0.76 for our local authority service partners. Over 1.9m hours accident free for Staff with Major Projects resulting in a total lost time incident frequency rate of 0.21 which is a significant improvement on previous years.

## Sustainability (continued)

The Industry Safety Action Plan 2021 was rolled out across all our contractors and work sites and we had over 600 attendees at the industry virtual safety days, sharing expertise with representative bodies including Construction Industry Federation.

Highlights include the completion of the Cork Lower Harbour Project by Major Projects with 770,000 hours worked and a Total Lost Time Frequency Rate of 0.52, 3no. Major Projects Contractor Safety Awards – Ward and Burke, O'Connor Utilities & Farrans/Sorensen, 1132 Observations and 938 HSQE Inspections.

Irish Water believe in partnership and collaboration on safety and we are proud to be the Chair of Water UK Occupational Health and Safety Group which is made up of all the water utilities across the UK and Ireland. This forum collectively focuses on key industry safety challenges and lessons learnt from key events such as the Avonmouth disaster. Irish Water will continue to deliver on our Work Safe Home Safe Vision and framework for the new operating model during 2022 and beyond.

Irish Water believe in partnership and collaboration on safety and we are proud to be the Chair of Water UK Occupational Health and Safety Group which is made up of all the water utilities across the UK and Ireland.



## Economic

We are committed to protecting the environment in all our activities and supporting Ireland's social and economic growth through appropriate investment in water services.

Our sustained capital investments in our infrastructure aims to improve drinking water supplies, protect our waterways and support the economy. Committed to create shared value for the people of Ireland; we will continue to support economic growth and spatial development, future proof the water and wastewater networks as we enhance the quality of supplies, conserve water resources and increase our resilience.

Irish Water is working hard on a number of efficiency and effectiveness programmes to deliver best-in class services for our customers. We are focused on improving the quality of supply, our responsiveness to our customers, and improving the experience customers have when they engage with us.

We are committed to increasing transparency in the provision of public water services. We will continue to operate in accordance with our statutory requirements including planning and public consultations, regulated price controls, funding requirements and business plans and strategies. Beyond this, we regularly proactively communicate and consult with a wide range of community, environmental, business and interest groups and their elected representatives. We will continue to engage in proactive two-way communications with all relevant stakeholders on our journey to become Ireland's leader in infrastructure and service delivery.







# Governance Report

## The Ervia Board



**Tony Keohane (Chairman)**

**Appointed:** June 22<sup>nd</sup> 2022 (having previously been appointed July 5<sup>th</sup> 2016)  
**Term:** 5 years



**Chris Banks**

**Appointed:** June 22<sup>nd</sup> 2022 (having previously been appointed July 5<sup>th</sup> 2016)  
**Term:** 5 years



**Fred Barry**

**Appointed:** January 10<sup>th</sup> 2020 (having previously been appointed July 5<sup>th</sup> 2016).  
**Term:** 4 years



**Liz Joyce**

**Appointed:** October 12<sup>th</sup> 2021  
**Term:** 3 years



**Keith Harris**

**Appointed:** July 5<sup>th</sup> 2019 (having previously been appointed on July 5<sup>th</sup> 2016). **Term:** 4 years



**Sean Hogan**

**Appointed:** January 10<sup>th</sup> 2020 (having previously been appointed on January 20<sup>th</sup> 2015). **Term:** 4 years



**Geraldine Kelly**

**Appointed:** October 12<sup>th</sup> 2021  
**Term:** 3 years



**Finbarr Kennelly**

**Appointed:** December 12<sup>th</sup> 2017 (having previously been appointed on December 11<sup>th</sup> 2012). **Term:** 5 years



**Joe O'Flynn**

**Appointed:** June 22<sup>nd</sup> 2021 (having previously been appointed in July 2018, January 2015, November 2013 and November 2008). **Term:** 3 years



**Cathal Marley**

**Appointed:** August 10<sup>th</sup> 2020  
**Term:** 5 years

## The Irish Water Board



### Cathal Marley (Chairman)

**Appointed:** December 1<sup>st</sup> 2016

**Term:** 5 years

**Career:** Group CEO of Ervia having previously held the role of Group CFO of Ervia. He joined Ervia in 2016 and has worked for over 20 years in the energy and infrastructure sectors, including electricity, gas and water. Having operated in a number of senior roles within large organisations both in Ireland and in Eastern Europe, he brings extensive utility, commercial and fund raising experience to Ervia. He is a Fellow of the Institute of Chartered Accountants in Ireland and holds an MBA from the UCD Michael Smurfit Business School. Cathal also serves on the Audit Committee of Dublin City University and is a member of the IMI Council.



### Niall Gleeson

**Appointed:** August 6<sup>th</sup> 2019

**Term:** 5 years

**Career:** Irish Water Chief Executive Officer Niall Gleeson joined the organisation in August 2019 from Shanahan Engineering where he held the role of Senior Director, based in Hong Kong. Prior to this, Niall was Managing Director of Veolia Ireland, which built and currently operates 30 water and wastewater treatment plants on behalf of Irish Water and other clients, and Managing Director of Alstom Ltd where he was responsible for the maintenance of the Dublin Luas light rail system. Niall brings to Irish Water a wealth of engineering experience, business expertise, and leadership and engagement of teams. He holds a degree in engineering from DIT Bolton St, Dublin.



### Eamon Gallen

**Re-appointed:** August 6<sup>th</sup> 2019 (having previously been appointed October 1<sup>st</sup> 2018)

**Term:** 5 years

**Career:** Chief Operating Officer of Irish Water, having previously served as Acting Managing Director of Irish Water from October 2018 to August 2019 and Head of Customer Operations in Irish Water. Eamon joined Ervia in 2004 and prior to taking on roles in Irish Water, he held the role of Ervia Chief Information Officer (CIO) and he has held a number of senior programme management roles including the programme to establish Irish Water. Eamon has a CIMA honours degree, an MBA from University College Cork and is a qualified Chartered Director.



### Brendan Murphy

**Re-appointed:** November 24<sup>th</sup> 2021 (having previously been appointed in November 2018, November 2017 and December 2014)

**Term:** 2 years

**Career:** Strategy and Regulation Director Irish Water, previously Commercial and Regulatory Director of Ervia. He previously served as Director of Finance Technology and Risk with the NTMA and prior to that as Group Treasurer of ESB. Brendan is a Chartered Accountant and a Fellow of the Association of Corporate Treasurers U.K.



### Yvonne Harris

**Appointed:** September 26<sup>th</sup> 2019

**Term:** 3 years

**Career:** Head of Customer Operations in Irish Water since March 2018. Yvonne previously held senior management positions in Irish Water and, prior to that, in Ervia. She has over 30 years experience in the utilities sector and was responsible for delivering numerous large scale transformation programmes both in the IT and business sectors, including the establishment of Irish Water. She holds a Bachelor of Business Studies and a Masters in Business Practice.



### Maria O'Dwyer

**Appointed:** September 26<sup>th</sup> 2019

**Term:** 3 years

**Career:** Maria has held a number of senior management roles in asset management in both Gas Networks Ireland and Irish Water. Maria is a Chartered Engineer with Engineers Ireland and has over 20 years' experience in the engineering and utility sector. She has a Bachelors Degree in Electronic Engineering and a Masters in Engineering Science from University College Dublin.



### Dawn O'Driscoll

**Appointed:** November 24<sup>th</sup> 2021

**Term:** 2 years

**Career:** People and Safety Director Irish Water since January 2022. Prior to taking up this position Dawn joined Ervia in 2017 as Group HR Director from AIB. Dawn has over 20 years' experience supporting organisations through significant transformation. Dawn holds a BComm Degree and a Masters in HR from UCD. Dawn also completed the London Business School Programme on HR Strategy in Transforming Organisations. She is a member of the Institute of Directors Ireland and completed the Diploma in Corporate Governance.

# Report of the Board

## The Governance Statement

The Board of Directors of Irish Water (“the Board”) present the Report of the Board for the financial year ended 31 December 2021. Irish Water (“the Company”) was incorporated in July 2013 as a private company pursuant to the Water Services Act 2013 (and the Companies Act 2014). Irish Water brings the water and wastewater services of the 31 Local Authorities together under one national service provider.

Irish Water is a subsidiary of Ervia (‘the Group’). However, due to its share ownership structure, Irish Water does not meet the definition of a subsidiary for accounting purposes and therefore it is not consolidated into Ervia’s financial statements. A unitary Board structure has been adopted by Ervia, which takes ultimate responsibility for the governance of Ervia and its subsidiaries. Appropriate committees are in place at the Group level which act in respect of the entire Group. From a governance perspective, Irish Water matters are overseen by both the Irish Water Board and the Ervia Board.

Irish Water, as a subsidiary of Ervia, is obliged to comply with the Code of Practice for the Governance of State Bodies (“the Code”). The Board is responsible for ensuring compliance with the Code and that the Company has complied with the applicable provisions of the Code throughout the year under review. In accordance with provision 1.9 of the Business and Financial Reporting Requirements outlined in the Code, Irish Water reports to Ervia and to the Minister for Housing, Local Government and Heritage (“the Minister”) on its compliance with the Code.

Irish Water is subject to the provisions of the Companies Act 2014. For details of the principal legislation under which Irish Water operates and to access the key documentation which underpins the corporate structure, refer to our website [www.water.ie](http://www.water.ie).

## Directors’ Compliance Statement

The Board acknowledges that it is responsible for securing the Company’s compliance with its relevant obligations in accordance with Section 225 of the Companies Act 2014.

The Board is of the opinion that the policies and the structures and arrangements which the Company has in place are appropriate to secure material compliance by the Company with its relevant obligations. The Company’s “relevant obligations” are identified in the Compliance Policy Statement and the associated Compliance Matrix which identifies the key actions and checks that must be in place. This Compliance Policy Statement has been communicated to all senior management of the Company to ensure consistent and robust adherence. The Board carried out a mid-financial year and year-end review of the arrangements and structures in place for 2021 to secure the Company’s material compliance with its relevant obligations.

Compliance is a dynamic process, involving multiple policies and procedures, the commitment of the Board and senior management and the support of all employees, contractors and agents is essential to make the policy effective. The Board is committed to fostering an environment at Board level and throughout the Company which raises awareness and respects and promotes the aims of the Compliance Policy Statement.

## Role and responsibilities of the Board

The Board's role is to provide leadership and direction to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed, and satisfies itself, with reasonable assurance, that such controls are adequate to secure compliance with statutory and governance obligations.

The Ervia Governance Framework outlines the formal schedule of matters reserved for the Irish Water Board.

### Schedule of matters reserved for Irish Water Board

- Approval of Annual Report and Financial Statements.
- Annual Business Plan.
- Annual Budget.
- Review and adoption of Ervia's Risk Management Policy, as it relates to Irish Water.
- Affixing the company seal to documents.
- Review and approval of Safety Policy and Procedures.
- The release for consultation of key policy documents of strategic importance.
- Formal submissions to the Regulatory authorities in relation to price controls.

### Matters considered by the Irish Water Board during 2021

- COVID-19 contracts/ claims strategy.
- Monthly updates on the COVID-19 pandemic.
- Delivery of critical projects safely throughout the COVID-19 pandemic.
- Approval of revolving credit facilities with credit institutions.
- Approval of 2020 Annual Report and Financial Statements and the unaudited interim financial statements.
- Irish Water Business and Financial Plan 2021-2025.
- Approval of 2022 Annual Budget.
- 2021 Balanced Scorecard.
- Approval of budgets for capital programmes and expenditure.
- Approval of Post Project Review reports.
- Early contractor involvement programme.
- Portfolio planning and investment prioritisation.
- Quarterly updates on critical assets.
- Updates on Water Supply Project and Abstraction legislation.
- Strategies including waste management, climate change and CO<sub>2</sub> footprint.
- Approval of Enterprise Risk Management Policy as it relates to Irish Water.
- Consideration of Director's Compliance Policy Statement.
- Update on Directors duties.
- Approval of revised constitution.
- Updates on Project 23.
- Project 23 pension separation options and property separation strategy
- Updates on the Single Public Utility.
- Updates on RC3 controllable Opex.
- Adoption and publication of National Water Resources Plan Final Framework Plan, Strategic Environmental Assessment Statement and Appropriate Assessment Determination.
- Approval of the release for public consultation of the Regional Water Resources Plan Eastern and Midlands region.
- Quarterly water leakage performance reduction updates.
- Updates on issues at water treatment plants.

## Report of the board (continued)

### Directors' Responsibilities Statement for the Annual Report and Financial Statements

The Board is responsible for preparing the Director's Report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations. The Directors are responsible for the maintenance and integrity of certain corporate and financial information included on the Company's website [www.water.ie](http://www.water.ie). Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies for the Company financial statements and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### The Board in 2021

The Directors of the Company are Cathal Marley, Niall Gleeson, Eamon Gallen, Yvonne Harris, Brendan Murphy, Dawn O'Driscoll and Maria O'Dwyer.

The Secretary of the Company is Liam O'Riordan.

#### Board composition, appointment and re-election

In accordance with the Memorandum and Articles of Association of Irish Water, the Board's composition is a matter for Ervia subject to the approval of the Minister for Housing, Local Government and Heritage.

In accordance with the Memorandum and Articles of Association of Irish Water, Ervia has the power

to appoint and remove Directors of the Company, subject to Ministerial consent. The Directors are appointed for a term that shall not exceed five years. Re-election of Directors is reserved for Ervia and is subject to the consent of the Minister.

The Board has a blend of skills and experience and the necessary competence to address the major challenges of the Company. The Board is led by the Chairman, Cathal Marley, who is responsible for ensuring its effectiveness in all aspects of its role. The Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board, through the Chairman, on governance matters generally.

## Induction and development of new Directors

On appointment, Directors are provided with detailed briefing documents, governance, financial and operational information. Directors have access to training programmes and the ongoing development needs of Board members are kept under review.

## Directors' remuneration, expenses and attendance

The Directors are not entitled to receive fees. The remuneration of the CEO of Irish Water is outlined in note 3 of the financial statements. A schedule of the attendance at the Board meetings for 2021 is outlined below.

Director	Meeting attendance (attended/eligible)	Fees as Irish Water Director for 2021	Expenses as Irish Water Director 2021
Cathal Marley (Chairman)	14/14	Nil	Nil
Eamon Gallen	13/14	Nil	Nil
Niall Gleeson	14/14	Nil	Nil
Yvonne Harris	14/14	Nil	Nil
Brendan Murphy	13/13	Nil	Nil
Dawn O'Driscoll (appointed 24 November 2021)	2/2	Nil	Nil
Maria O'Dwyer	14/14	Nil	Nil

## Board committees

From a governance perspective, Irish Water matters are overseen by both the Irish Water Board and the Ervia Board and by the committees established at Group level. Irish Water meets the definition of a relevant company under Section 167 of the Companies Act 2014. The Ervia Audit and Risk Committee is established at the Group level due to the unitary Board structure adopted by Ervia which takes ultimate responsibility for the governance of Ervia and all of its subsidiaries.

Ervia has appropriate committees in place which act in respect of the entire Group and therefore no such committees have been established at the Company level. For the financial year ending December 31st 2021, the Board of Ervia was assisted in discharging its obligations through the delegation of certain roles and responsibilities to the Audit and Risk Committee, the Investment/ Infrastructure Committee, the Remuneration Committee and the Project 23 Committee (this committee is charged with overseeing the separation and establishment of Irish Water and Gas Networks Ireland as two standalone entities).

The Committees assist the Ervia Board by giving detailed consideration to business, operational and financial issues across the Ervia Group and they report to the Ervia Board with any necessary recommendations.

The report of the Ervia Audit and Risk Committee can be found on page 72. The Ervia Audit and Risk Committee met 5 times during the year. The Ervia Remuneration Committee met 11 times during the year. The Ervia Investment/Infrastructure Committee met 11 times during the year. The Ervia Project 23 Committee met 8 times during the year.

## Board effectiveness

The Board has an appropriate balance of skills, experience and knowledge of the Company to allow it to discharge its duties and responsibilities effectively. The Board is of sufficient size to ensure that this balance of skills and experience can be utilised appropriately and changes to the Board's composition can be managed without undue disruption.

## Relations with shareholders

Ervia holds one 'A' share in the Company. The Minister for Housing, Local Government and Heritage and the Minister for Finance hold 325 'B' shares each.

The nature of the unitary Board structure in operation in the Ervia Group facilitates active and ongoing consultation between Irish Water and Ervia. The Company also actively engages with its parent department, the Department of Housing, Local Government and Heritage and with the Department of Finance.

## Report of the board (continued)

### Disclosures required by the Code of Practice for the Governance of State Bodies

The Board is responsible for ensuring that Irish Water has complied with the requirements of the Code. The following disclosures are required by the Code:

#### Analysis of employee benefits

Details of the number of employees whose total employee benefits (excluding employer pension costs and termination benefits) for the financial year for each band of €25,000 from €50,000 upwards are set out below.

	2021	2020
€50,000-€75,000	316	336
€75,001-€100,000	185	190
€100,001-€125,000	124	82
€125,001-€150,000	28	33
€150,001-€175,000	13	8
€175,001 and above	11	10

Note: All short-term employee benefits in relation to services rendered during the reporting period are included in the disclosure above. Refer to note 4 of the Financial Statements for further analysis of the various benefits included.

#### Consultancy costs

Consultancy costs include the directly incurred cost of external advice. They are defined as engagements to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision or policy-making in a contracting authority for a limited time period to carry out a specific finite task. They exclude outsourced 'business-as-usual' functions. Where consultancy work is contracted by Ervia on behalf of Irish Water, its related cost is included in Irish Water's disclosure only.

	2021 €'000	2020 €'000
Legal advice	165	256
Financial advice	170	276
Human Resources	88	-
Business improvement	195	29
Engineering	156	220
Other	182	175
<b>Total consultancy costs</b>	<b>957</b>	956
Capitalised	96	79
Income statement	861	877
<b>Total consultancy costs</b>	<b>957</b>	956



## Legal costs and settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements, conciliation and arbitration proceedings. This does not include expenditure incurred in relation to general legal advice as this is included in consultancy costs above.

	2021 €'000	2020 €'000
Legal fees & costs	1,758	1,083
Settlements	1,962	2,770
<b>Total</b>	<b>3,720</b>	<b>3,853</b>
Number of legal cases	46	34

Note 1: This disclosure note excludes payments made following claims under policies of insurance taken out by Irish Water.

Note 2: The number of cases relate to cases initiated by Irish Water itself or legal proceedings taken against it and excludes insurance proceedings.

Note 3: The 2020 settlements included an amount of €519,998 in relation to a legal matter. It involved the compulsory purchase order of lands from Failte Ireland. The settlement amount paid for the lands was determined by arbitration.

## Travel and subsistence expenditure

Travel and subsistence expenditure is categorised as follows:

	2021 €'000	2020 €'000
<i>Domestic</i>		
Board	-	-
Employee	478	1,908
<i>International</i>		
Board	-	-
Employee	1	12
<b>Total</b>	<b>479</b>	<b>1,920</b>

Travel and subsistence expenditure by Irish Water Directors in 2021 was €nil (2020: €nil). Travel and subsistence expenditure incurred by Irish Water Directors is deemed to be incurred in their capacity as employees.

## Hospitality

The income statement includes the following hospitality expenditure:

	2021 €'000	2020 €'000
Staff hospitality	2	3
Client hospitality	-	-
<b>Total</b>	<b>2</b>	<b>3</b>

## Transparency

Irish Water is an open organisation which strives to be accountable and transparent to the public. Irish Water is committed to improving the understanding of how the organisation operates and our role in delivering important national infrastructure and services to support the social and economic development of Ireland.

## Protected disclosures and raising concerns

The mechanism whereby Irish Water's employees and management may raise concerns, or make disclosures in the public interest, in accordance with the Protected Disclosures Act 2014, is outlined in the Ervia Group Protected Disclosures Policy. Further guidance on raising concerns for management and employees is outlined in the Ervia Group Code of Business Conduct, the Ervia Group Anti-Fraud Policy and the Ervia Group Anti-Bribery and Anti-Corruption policy. Section 22 of the Protected Disclosures Act 2014 requires Irish Water to publish an Annual Report relating to protected disclosures made under the Act. In accordance with this requirement, Irish Water confirms that in the year ended 31 December 2021, there were no protected disclosures reported.

Irish Water was informed by a Local Authority of an alleged fraud by a former Local Authority employee relating to payments for the provision of water services. Irish Water remains vigilant in respect of water services payments and will continue to work with the Garda National Economic Crime Bureau in relation to this matter. Both the Ervia and Irish Water Boards, its Audit and Risk Committee, senior management as well as Irish Water's auditors have been briefed on this matter and the steps being taken by Irish Water in accordance with its anti-fraud policy and procedures.

## Report of the board (continued)

### Regulation of lobbying

Irish Water is registered on the lobbying register maintained by the Standards in Public Office Commission. In accordance with the requirements of the Regulation of Lobbying Act 2015 the required returns have been made for the return periods in 2021.

### Prompt payments

Appropriate internal financial controls are in place within the Company to ensure compliance with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2012-2016. Ervia including its subsidiaries is a signatory to the Prompt Payment Code as launched by the Government in 2015 and pursuant to its provisions, undertakes to pay suppliers on time, to give clear guidance to suppliers on payment procedures and to encourage the adoption of the code by suppliers within their own supply chains.

### Freedom of information

The Company is subject to the provisions of the Freedom of Information Act 2014 ('FOI Act'). A Model Publication Scheme has been prepared and published in accordance with the requirements of Section 8 of the FOI Act. The scheme is accessible through the Company's website [www.water.ie](http://www.water.ie).

Under the scheme, the Company publishes as much information as possible in an open and accessible manner on a routine basis outside FOI, having regard to the principles of openness, transparency and accountability.

### Data protection

In order for Irish Water to provide the customer with water services, and to enable Irish Water to establish and manage the relationship with that customer, Irish Water needs to collect and use data relating to the customer. Irish Water is committed to protecting the rights and privacy of its customers in accordance with Data Protection Law.

### Gender balance, diversity and inclusion

Throughout 2021, Ervia's iBelong Diversity and Inclusion Programme continued to focus on creating a dynamic, diverse and inclusive working community where employees feel a sense of belonging, and embedding a diversity and inclusion strategy within the organisation. Working to achieve the goals outlined in the iBelong Strategic Plan 2019 to 2023, the year saw another number of important milestones reached, including; the first company-wide acknowledgement and celebration of Pride Month, the launch of the iBelong Ethnicity and Cultural Network, the commencement of support of neurodiversity in the workplace and the homes of employees, and the addition of diversity-related demographic questions to the annual employee engagement survey, to help further inform the work in supporting Diversity and Inclusion in the company in 2022 and beyond. Progress was also made in identifying and making improvements in recruitment and selection as a review of gender coding in job descriptions was completed, adding an inclusion statement to job advertisement templates, and also made process changes to avoid single sex candidate shortlists wherever possible.

The company's iBelong Women's, Rainbow, Family and Ethnicity and Cultural Networks continued to grow and develop in 2021. A key resource and a forum of positive support for their members, the networks held numerous membership events, created connections between employees and engaged in discussions with leadership to help shape the organisations in the future.

2021 also saw increased external awareness of the company's commitment to and investment in Diversity and Inclusion. Ervia became a signatory to the Diversity Charter of Ireland; Irish Water signed the Business in the Community Pledge; and members of the iBelong Ethnicity and Cultural Network represented the organisation and presented on the creation of an Inclusive Workplace at the annual conference of the Irish Human Rights and Equality Commission. Ervia and iBelong was part of a programme of work awarded the Most Effective Employee Engagement Strategy at the HR Leadership and Management Awards.

## Statement on the System of Internal Controls

### Scope of Responsibility

The Board acknowledges its responsibility for ensuring that an effective system of internal control is maintained and operated.

### Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it and can only therefore provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in Irish Water for the year ended 31 December 2021 and up to the date of approval of the financial statements.

### Management of risk

All employees of Irish Water have a responsibility for the effective management of risk which includes designing, operating and monitoring the systems of internal control for Irish Water. The Group CEO is the accountable executive with ultimate responsibility. The Group CEO delegates clear roles and responsibilities for effective risk management and for ensuring the systems of internal control are operating effectively to his Executive Team and their reports.

### Risk and control environment

The Board ensures that the Company has appropriate systems of internal control and risk management in place through use of the following structures and systems:

### Audit and Risk Committee

A unitary Board structure has been adopted by Ervia which takes ultimate responsibility for the governance of Ervia and its subsidiaries, including Irish Water. Appropriate Committees are in place at the Ervia Group level that act in respect of the entire group.

Ervia has an Audit and Risk Committee (the "ARC") comprising 4 non-executive Ervia Board members who have the necessary expertise for the role. The ARC informs the Irish Water Board on an exceptions

only basis of matters which arise during its review of the financial statements of Irish Water which are material to the approval of the Irish Water Financial Statements. From a governance perspective, Irish Water matters are overseen by both the Irish Water Board and the Ervia Board.

The ARC provides oversight of the risk and control environment on behalf of the Ervia Board and is responsible for assisting the Ervia Board in discharging its responsibilities as they relate to this area. On a quarterly basis the ARC performs, on behalf of the Ervia Board, a substantive review of the Ervia Risk profile prepared by management, which includes risks relating to Irish Water, ensuring oversight of the key risks and reviewing the effectiveness of management's responses to key risk exposures facing the Ervia Group. The ARC also reviews the overall integrity of the risk management system including the effectiveness of the risk and internal audit functions.

### Integrated Assurance Forum

Irish Water has a responsibility under the Code to ensure effective systems of internal control are maintained and operated. An assessment of the effectiveness of these controls is required annually. In order to address this requirement the Ervia Group developed the Integrated Assurance Forum (IAF) which reports to the Group Chief Financial Officer.

The IAF meets quarterly to confirm all assurance activities and required sign-offs are co-ordinated and evidenced in a structured manner. This culminates with the IAF, at year-end, providing assurance to the Ervia Board on the effectiveness of the controls. The IAF process, along with numerous other governance, risk and control activities across the Ervia Group, supports the Board in signing-off on the Statement on the System of Internal Controls.

The IAF framework, further consolidates and co-ordinates, in a structured manner, all assurance activities in the organisation across the "Three Lines" risk management model. This ensures that Irish Water maximises risk and governance oversight and control to build organisational resilience and follows leading practice to support compliance obligations and governance requirements. The ARC is appraised of the results of the IAF on a quarterly basis.

## Report of the board (continued)

### Internal audit

Ervia has an established Internal Audit function which is adequately resourced and conducts a programme of work agreed with the ARC for the entire Group, including Irish Water. The Group Head of Internal Audit reports directly to the ARC and to the Group Chief Financial Officer.

The Internal Audit function provides a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's, including Irish Water's, governance, risk management and internal control.

In particular the Internal Audit function:

- Evaluates risk exposure relating to achievement of the Group's, including Irish Water's, strategic objectives.
- Evaluate the systems established to ensure compliance with policies, plans, procedures, laws and regulations.
- Evaluate the means of safeguarding assets.
- Monitors and evaluates the effectiveness of the risk management processes.
- Performs advisory services related to governance, risk management and control as appropriate.

### Risk Management function

Ervia also has an established Risk Management function which is adequately resourced and responsible for the design and implementation of an Enterprise Risk Framework and for ensuring that sufficient risk management experience and skills are available throughout the Group, including Irish Water. The Group Head of Risk Management reports to the Group Chief Financial Officer and attends all ARC meetings. In addition, the Group Risk Management Committee, chaired by the Group Chief Executive Officer, meets quarterly.

In particular, the Risk Management function:

- Ensures that adequate and consistent processes and oversight are in place for identifying, measuring, managing, monitoring and reporting of risks to which Irish Water is exposed.
- Ensures that oversight is maintained and an assessment is undertaken of the Irish Water risk profile including principal risks, emerging and trending risks and high impact low probability risks, including a description of these risks and associated mitigation measures or strategies and their effectiveness.
- Embeds an appropriate risk management culture.

### Elements of control environment

In addition to the key structures referred to above, a control environment, containing the following elements, is in place in Irish Water:

- Responsibility by management at all levels within Irish Water and Ervia for internal control and risk management over respective business functions.
- The Ervia Corporate Governance Framework, including financial control and risk assessment. This is monitored by Ervia and Irish Water management and by the Ervia Internal Audit and Risk Management functions.
- Clearly defined organisational structure, with defined authorisation limits and reporting mechanisms to higher levels of management and to the Irish Water Board as well as Ervia management and the Ervia Board.
- A comprehensive set of policies and procedures relating to operational and financial controls, including capital expenditure. Large capital projects require Ervia Board approval, and are closely monitored on an ongoing basis by the Ervia Investment/Infrastructure Committee.
- Established processes to identify and evaluate business risks by identifying the nature, extent and financial implication of risks facing Irish Water including the extent and categories which it regards as acceptable. Other processes to identify and evaluate business risks include assessing the likelihood of identified risks occurring and assessing Irish Water's ability to manage and mitigate the risks that do occur through associated mitigation plans and strategies.
- Appropriate segregation of duties and documentation of processes and controls that are focused on preventing and detecting fraud.
- A comprehensive budgeting system with an annual budget subject to Board approval.
- A comprehensive system of financial reporting.
- A comprehensive set of management information and performance indicators is produced quarterly, enabling progress against longer-term objectives and annual budgets to be monitored, trends evaluated and variances acted upon.

- Internal policies requiring all employees to act with integrity and maintain the highest ethical standards. These policies include the Code of Conduct, Anti-Fraud Policy, Anti-Bribery and Anti-Corruption Policy, Regulation of Lobbying Policy and Protected Disclosures Policy.
- A comprehensive anti-fraud programme including anti-fraud policy, training and communication and a fraud response plan.
- Systematic reviews of internal financial and operational controls by Internal Audit and Risk Management. In these reviews, emphasis is focused on areas of greater risk as identified by risk assessment.
- An Internal control framework assessment that involves undertaking an extensive risk assessment, reviewing the operation and effectiveness of key control policies and processes, internal control self-assessment reporting, monthly performance reporting, supported by assurance activities of Risk, Internal and External Audit.

There were no material issues highlighted in our internal control environment through 2021.

### Ongoing monitoring and review

Irish Water has a robust framework to review the adequacy and monitor the effectiveness of internal controls covering financial, operational and compliance as well as risk management processes. The Directors are satisfied that the system of internal control in place is appropriate for the business.

Formal procedures have been established for monitoring control processes. The monitoring and review of the effectiveness of the system of internal control in respect of Irish Water is informed by the work of executive managers within Irish Water and Ervia who have responsibility for the development and maintenance of the internal control framework. This is supplemented by the ARC who oversee the work of the Ervia Risk Management function, the work of Ervia Internal Audit and comments made by the External Auditors in their management letter and/or other reports. Control deficiencies are communicated to those responsible for taking corrective action and to management and the Board of Irish Water, where relevant, in a timely way.

Ongoing monitoring by Ervia and Irish Water management includes:

- Review and consideration of the programme of Internal Audit and consideration of its reports and findings in respect of Irish Water. The programme of internal audit for Irish Water is also reviewed by the ARC.
- Review of regular reporting from Internal Audit on the status of the internal control environment in Irish Water and the status of issues raised previously from their own reports. These reports are also reviewed by the ARC.
- Participation in the Integrated Assurance Forum.
- Preparation of a report by the CEO of Irish Water on the effectiveness of the operation of the system of internal control, both financial and operational.
- Monthly meetings with the Ervia Executive to discuss financial, risk, internal audit and operational matters pertaining to Irish Water.

Ongoing monitoring by the ARC includes:

- Review of the Integrated Assurance Forum reports over the system of internal control in Irish Water. This is performed on a quarterly basis as part of the review of the Group results of the Integrated Assurance Forum.
- Review of reports from the external auditors, which contain details of any material internal financial control issues.
- Review and consideration of the report from the Chief Executive Officer of Irish Water on the effectiveness of the operation of the systems of internal control, both financial and operational.

Ongoing monitoring by the Irish Water Board includes:

- Review and consideration of the report from the CEO of Irish Water on the effectiveness of the operation of the systems of internal control, both financial and operational.
- Review of report from the external auditors, which contain details of any material financial control issues.
- Irish Water has a robust framework to review the adequacy and monitor the effectiveness of internal controls covering financial, operational and compliance as well as risk management processes.

The Board is satisfied that the system of internal controls in place is appropriate for the business.

## Report of the board (continued)

### Capital and operational expenditure

Robust and effective systems are in place to support compliance, as appropriate, with the relevant principles, requirements and guidelines of the Public Spending Code (PSC). Transitioning activity related to the updated PSC (2019) continued during 2021 to ensure compliance with the additional requirements of the updated PSC (2019) is achieved. The finalisation of Sector Specific Guidelines by the DHLGH with support from Irish Water is in progress and these guidelines will further clarify how certain requirements of the Public Spending Code apply to Irish Water.

The Ervia Procurement Policy (PD02) details the procedures to be followed by the Group to support procurement requirements in the organisation. Application of PD02 ensures that value for money is obtained in procurement practices, EU and Irish laws relating to public procurement are adhered to, tender processes are appropriately managed and governance and management oversight of the procurement process is maintained across the Group.

The Ervia Expenditure and Contract Approval Policy (PD03) sets out the financial expenditure and contract governance framework including the authorisation process and authority levels for capital and operational expenditure in each of Ervia and its subsidiaries. All expenditure and contract approvals must comply with the requirements of the Ervia Governance Framework and PD03.

The financial expenditure and contract governance framework is aligned with the principles, including value for money criteria, in the updated PSC, as published by the Department of Public Expenditure and Reform in December 2019.

All capital expenditure must have regard to national and EU procurement requirements, in addition to compliance with any requirements that may be set by the Commission for Regulation of Utilities, environmental and planning related requirements and national, regional and local infrastructural priorities.

Appropriate investment appraisal methods are used in respect of capital projects and programmes in order to facilitate effective decision making. Capital projects and programmes are assessed and delivered using a 5 stage approval process.

The capital commitments process for Irish Water operates on the basis that the company requests the relevant Ministerial consents in advance for an overall envelope of capital commitments to be entered into during the following financial year. Ministerial consents are requested by Irish Water in advance of committing to any individual capital project costing €20m or greater. Ministerial consents are submitted to the parent Department and other relevant government departments involved in the consenting process for the specific application. In addition, requests for Ministerial approval are submitted to NewERA who provide project specific financial and commercial advice to the parent Department, prior to the granting of Ministerial consent.

Capital investments including contracts with a value in excess of €3.5m are presented to the (executive) Expenditure Approval Committee (EAC) for detailed review and approval. All capital expenditure greater than €10m requires the approval of the Ervia Board and the Irish Water Board.

The Board is kept apprised of the status of capital projects and programmes as they progress including updates on implementation against plan, timescales and quality. Budget and variance reporting is also presented to the Board. All projects have specific objectives against which they are measured. Tenders and subsequent contracts include strict delivery requirements as well as KPIs which are used to measure performance throughout the course of the contract. Post project reviews and financial close reports are presented to the EAC, the Irish Water Board, the Ervia Investment/ Infrastructure Committee and the Ervia Board for evaluation depending on the value of the project or programme. Project close out meetings facilitate a 'key lessons learned' approach which are then applied to existing and future projects across the organisation as appropriate.

## General Data Protection Regulation (GDPR)

The Ervia Group Data Protection Officer has not raised any significant areas of concern regarding non-compliance with legislative requirements under GDPR.

## Review of effectiveness

The Board has reviewed the effectiveness of the system of internal controls up to the date of approval of the Financial Statements, covering financial, operational and compliance controls and risk management systems for 2021 and will ensure a similar review is performed for 2022. A detailed review was performed by the ARC, which reported on its findings to the Ervia Board.

## Internal control reporting

Irish Water continues to manage an ageing infrastructure which includes a large number of assets that require significant investment. During 2021, Irish Water continued to implement the required systems, processes and procedures necessary to ensure robust internal controls through applying Ervia's policies and internal control framework.

Irish Water works with its Local Authority partners under Service Level Agreements to deliver water services. Therefore, as part of its control framework in 2021, it should be noted that Irish Water continued to rely on a range of controls operated by Local Authorities on its behalf. These controls and associated processes and procedures continue to evolve and develop. In September 2021, two high profile incidents occurred at drinking water treatment plants at Ballymore Eustace and Gorey. Since these incidents and in consultation with our regulators, and other key stakeholders, Irish Water has taken significant steps to reduce the risks of these events happening in future. We have carried out extensive audits of our plants, significantly increased staff training and fast-tracked key initiatives to provide better real time oversight of the operation of our largest plants covering the majority of our customers through the National Operations Management Centre based in Dublin. This will continue to be a key focus for Irish Water in 2022.

Plans to transform public water services to a modern single public utility continued to progress throughout 2021. Engagement under the auspices of the Workplace Relations Commission ('WRC') with a number of parties including Irish Water, Local Authority management, the Department of Housing, Local Government and Heritage ('DHLGH') and various trade unions who represent Local Authority Water Services staff, took place throughout the year. In 2022 the focus will be on negotiating a transformation agreement which will facilitate the longer term objectives of Irish Water to fully manage and control all public water services from 2023 onwards, and the subsequent transformation activities required.

## Conclusion

### Principal activities and Company overview

The principal activities and an overview of the Company are provided in the Chief Executive Officer's review on pages 6-7.

### Results for the year

The results for the year are outlined in the Financial Review on pages 30-34. The policy direction from the shareholder is that Irish Water should not pay a dividend, rather any surplus generated from its operations should be reinvested in fixing water infrastructure.

### Business review and future developments

Commentaries on performance in the year ended December 31st 2021, including information on future developments are contained in the Operating Review

## Report of the board (continued)

### Accounting records

The Directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at Colwill House, 24/26 Talbot Street, Dublin 1.

### Political donations

There were no political donations made during the financial year by the Company (2020: Nil).

### Principal risks and uncertainties

The regulated and operational complexity of our business exposes the Company to a number of risks. Understanding the risks and potential opportunities will enable the Company to make informed decisions and ultimately create value for our stakeholders. An outline of the principal risks faced by the Company is discussed in the Report on Risk Management at page 24. Refer to note 21 for full analysis of the Company's financial risk management objectives, policies and exposures.

### Research and development

Irish Water is currently involved in a number of innovative projects developing assessment methodology for climate change adaptation and novel sensing techniques for monitoring trade effluent. These projects are funded by the Water Services Innovation Fund administered by the Commission for Regulation of Utilities and will deliver benefits for our customers, the environment and the economy.

### Key performance indicators

The Directors monitor performance using a suite of key performance indicators. These are considered in detail on pages 21-23.

### Directors and Secretary and their Interests

The Directors had no beneficial interests in the Company at any time during the financial year or at 31 December 2021. Directors are free from any business or other relationships that could materially affect, or could appear to affect, the exercise of their independent judgement.

Directors disclose any interest and recuse themselves from Board discussions and decisions where they are conflicted or have a direct or indirect interest as required by the Code. In compliance with "Guidelines on Contracts, Remuneration and Other Conditions of Chief Executives and Senior Management of Commercial State Bodies" issued in March 2006, no remuneration was provided to the Directors or Secretary in their capacity as such. In accordance with Section 1.4 of the Business and Financial Reporting Requirements annexed to the Code the remuneration of the Managing Director for the period is outlined in note 4 of the financial statements.

### Companies Act 2014

Irish Water is exempt from the obligation to use the words 'Designated Activity Company' describing the company type in its name pursuant to section 151 of the Companies Act 2014.



### Statement on relevant audit information

In accordance with Section 330 of the Companies Act 2014, the Directors confirm that, in so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

### Going concern

The Directors have a reasonable expectation that the Company will continue to meet its liabilities as and when they fall due and continue in operational existence for the foreseeable future. The Company's forecasts and projections show that Irish Water is expected to meet its liabilities as and when they fall due through a combination of State funding/support and/or tariffs charged by Irish Water. Accordingly the Directors continue to adopt the going concern basis in preparing the Company's financial statements. Refer to note 1 of the Financial Statements for the Company's detailed going concern disclosure.

### Subsequent events

There are no significant events affecting the Company which have taken place since the end of the financial year, other than as described in note 26 of the financial statements.

### Independent auditor

In accordance with Section 17(3) of the Water Services Act 2013, fees payable to Deloitte Ireland LLP to audit the financial statements of Irish Water for the year 2021 have been approved by the Minister for Housing, Local Government and Heritage with the consent of the Minister for Environment, Climate and Communications and the Minister for Public Expenditure and Reform. Following receipt of ministerial consent, Deloitte Ireland LLP was originally appointed as auditors to the Ervia Group, including Irish Water, in August 2014. Ministerial consent was received on 25 March 2019 to appoint Deloitte Ireland LLP as external auditors to the Ervia Group, including Irish Water, for the years 2019, 2020 and 2021, following completion of a tender process. Ministerial consent was received on 24 November 2021 on the audit fees payable to Deloitte Ireland LLP for the financial years 2022 and 2023.

For and on behalf of Irish Water:



**Cathal Marley**  
Chairman

**Niall Gleeson**  
Director

# Audit and Risk Committee Report

In accordance with the unitary board structure in place in Ervia, the Audit and Risk Committee ('the Committee') is established at the Ervia Group level and acts in respect of Ervia and its subsidiaries ('the Group'). This report provides an insight into the workings of the Committee over the last 12 months and details how the Committee has met its responsibilities under its Terms of Reference and under the Code of Practice for the Governance of State Bodies.

During the year the Committee dedicated significant time to fulfilling its key oversight responsibilities and continued to meet remotely throughout the COVID-19 pandemic. It has engaged regularly with senior management, internal audit, risk management and the Group's statutory auditor. In addition, in order to discharge its duties effectively, it has pursued a full agenda of reviews in its meetings throughout the year. In fulfilling his key oversight responsibilities the Chairman of the Committee meets separately with senior management, internal audit, risk management and the Group's statutory auditor on a regular basis.

## Role and responsibilities of the Audit and Risk Committee

The role of the Committee is to support the Ervia Board in relation to its responsibilities for the following matters:

- Financial reporting
- Risk management
- Internal Controls
- Internal audit
- External audit

Other related activities, including policies and procedures on protected disclosures, anti-fraud and anti-bribery and anti-corruption. The Chairman of the Committee reports to the Ervia Board on the matters addressed at each Committee meeting, and the Board receives all of the Committee's minutes.

The Committee's Terms of Reference set out the Committee's roles and responsibilities in detail and are available on Ervia's website ([www.ervia.ie](http://www.ervia.ie)). These are reviewed annually.

## Membership

The Committee comprises four independent Non-Executive Ervia Board Members. Members of the Committee are appointed by the Ervia Board in consultation with the Chairman of the Committee. For details of membership and attendance at meetings see the Ervia Annual Report available at [www.ervia.ie](http://www.ervia.ie). The Committee is independent from the management of the Group.

## Financial reporting

The Committee is responsible, on behalf of the Ervia Board, for monitoring the integrity of the Group's Financial Statements preparation and for reviewing the financial reporting judgements contained therein. The Financial Statements are prepared on behalf of the Board by a finance team with the appropriate qualifications and expertise.

During the year the Committee reviewed the Group's draft financial statements before recommending their approval by the Ervia Board. The Committee also reviewed the financial statements of Irish Water prior to their approval by the Irish Water Board. The Committee considered, and discussed with the Group CEO, Group Chief Financial Officer and external auditor, the appropriateness of the significant accounting standards and policies, estimates and judgements applied in preparing these financial statements, together with presentational and disclosure matters.

## Risk management

The Committee is responsible, on behalf of the Ervia Board, for monitoring the Group's risk management activities, developments in key risks and progress in delivery of the target risk profile, enabling the Ervia Board to confirm annually that it has carried out an assessment of the Group's principal risks.

During the year the Committee reviewed, in conjunction with senior management, the Group's risk profile, its risk management policies, its high impact/ low probability exposures and its risk appetite and target profile for approval by the Ervia Board. The Committee reviewed presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these risks.

## Internal controls

The Committee is responsible, on behalf of the Ervia Board, for reviewing the appropriateness and completeness of the Group's system of internal control and reviewing whether the system of internal control operated effectively during the reporting period and gives appropriate early warning of any failures and emerging risks.

Irish Water has a responsibility under the Code for ensuring that an effective system of internal control is maintained and operated. Irish Water pursues this responsibility across its business units through senior management and through the Ervia wide "Integrated Assurance Forum", a management body which collates evidence from the various control activities performed across the Group, including Irish Water, to build a comprehensive picture of internal control and risk.

Reporting to the Group Chief Financial Officer, the Integrated Assurance Forum provides a greater understanding of the assurance activities in place and makes recommendations for their enhancement, in order to mitigate risk and maximise governance oversight, helping also to identify and remediate any assurance gaps.

The Committee continued to monitor the potential changes in the control environment as the organisation continued to work remotely as a response to the COVID-19 pandemic.

## Internal audit

The Committee is responsible, on behalf of the Ervia Board, for monitoring and reviewing the effectiveness and scope of the internal audit function including its plans, activities and resources so as to ensure it can effectively review the operation of the Group's controls over significant risks within the Group.

During 2021 the Committee reviewed the plans and work undertaken throughout the year by Internal Audit and the consequential actions to be taken by management. The Committee was informed regularly by the Group Head of Internal Audit of the findings of internal audit reviews. The Committee also considered management's progress in addressing relevant issues, including the nature, extent and timeliness of its responses.

The Committee reviewed and agreed a risk-based internal audit annual plan for 2022 including the resources required, and considered the alignment of internal audit focus and key risk areas for the Group.

During 2021 the Ervia Group continued to promote the integrity value and to emphasise the importance of ethical behaviour across the organisation through the rollout of the 'Doing the Right Thing' campaign. The campaign involves a number of initiatives including updates to the suite of ethics related corporate policies, distribution of guidance booklets to employees and quarterly integrity conversations focusing on topical integrity topics.

## Audit and Risk Committee report (continued)

### External audit

The Committee is responsible, on behalf of the Ervia Board, for monitoring the external audit process. The Committee monitored the integrity of the Group's financial statements and reviewed the appropriateness of the accounting policies and financial reporting issues contained therein having regard to matters communicated to it by the external auditor. The Committee also reviewed the external auditor's audit plans, reports and findings in relation to the audit, and discussed them with the auditor. The Committee reviewed the external auditor's post-audit management letter and management's responses. The Committee is also responsible, on behalf of the Ervia Board, for the initiation of audit tenders and the selection process for the external auditor, reviewing and monitoring the independence and remuneration of the external auditor.

The Committee take appropriate steps to ensure that an objective and professional relationship is maintained with the external auditor. During the year, the Committee carried out an assessment of auditor independence and objectivity which included reviewing:

- The nature and extent of the services provided, and fees earned, for external audit and non-audit work carried out by the external auditor.
- Compliance with the Group's policy governing the provision of non-audit services to the Group whereby clear rules and limits are in place, permitting non-audit services which do not present a conflict of interest.
- Assurances provided by the external auditor in this regard.

Audit and non-audit service fees are set out in Note 3 of the Financial Statements. There were no instances during the year where the external auditor was engaged to provide services which were deemed to give rise to a conflict of interest. The Committee also monitored the external auditor's compliance with relevant regulatory, ethical and professional guidance. The Committee is satisfied that Deloitte Ireland LLP is both independent and objective.

The effectiveness of the external auditor is reviewed annually. The evaluation focuses on such areas as the robustness of the audit process, audit team, communications and governance. Overall the review was satisfactory. During the year the external auditors met privately with the Committee with no members of management present.

### Audit and Risk Committee effectiveness

The Committee completes an annual review of its own effectiveness. For 2021, the review was conducted internally through the completion of self-evaluation questionnaires and the overall review was satisfactory.

I would like to acknowledge the contribution of Mari Hurley, former Committee member who resigned from the Board and the Audit and Risk Committee in 2021.

On behalf of the Audit and Risk Committee:



**Keith Harris**

Chairman, Audit and Risk Committee  
28th March 2022

# Financial Statements



# Independent auditor's report to the members of Irish Water

## Report on the audit of the financial statements

### Opinion on the financial statements of Irish Water ("the company")

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2021 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 27, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards as adopted by the European Union ("IFRS") ("the relevant financial reporting framework").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information 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. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement for the Annual Report and Financial Statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's 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 auditor's 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 (Ireland) 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 (Ireland), 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

## Independent auditor's report to the members of Irish Water (continued)

### Report on other legal and regulatory requirements

#### Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

#### Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal control required under the Code of Practice as included in the Corporate Governance Statement in the Report of the Board does not reflect the Group's compliance with paragraph 1.9(iv) of the Code of Practice or if it's not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Sheehan

For and on behalf of Deloitte Ireland LLP  
Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

Date: 30 March 2022

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.



# Income statement

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
<b>Continuing operations</b>			
Revenue	2	1,191,081	1,061,199
Operating costs	3	(799,258)	(758,497)
Impairment losses on financial assets	3	(9,479)	(40,869)
<b>Operating profit before depreciation and amortisation (EBITDA)</b>		<b>382,344</b>	261,833
Depreciation and amortisation	5	(152,278)	(137,632)
<b>Operating profit</b>		<b>230,066</b>	124,201
Finance costs	6	(3,427)	(3,518)
Profit before income tax		226,639	120,683
Income tax	7	(27,148)	(13,418)
<b>Profit for the year</b>		<b>199,491</b>	107,265

## Statement of other comprehensive income

for the year ended 31 December 2021

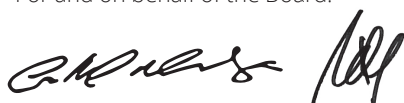
	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
<b>Profit for the year</b>	<b>199,491</b>	107,265
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to the income statement:</b>		
Defined benefit actuarial gains/(losses)	16	<b>8,115</b>
Deferred tax relating to defined benefit obligations	7	(7,610)
<b>Total other comprehensive income for the year</b>	<b>7,101</b>	951
<b>Total comprehensive income for the year</b>	<b>206,592</b>	<b>(6,659)</b>
	<b>100,606</b>	

# Balance sheet

as at 31 December 2021

	Notes	31-Dec-21 €'000	31-Dec-20 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	4,884,842	4,159,995
Intangible assets	10	68,050	99,988
Trade and other receivables	11	4,252	8,609
<b>Total non-current assets</b>		<b>4,957,144</b>	<b>4,268,592</b>
<b>Current assets</b>			
Trade and other receivables	11	135,159	101,808
Cash and cash equivalents	12	288,039	193,374
Restricted deposits	13	37,784	17,925
Current tax assets	7	151	-
<b>Total current assets</b>		<b>461,133</b>	<b>313,107</b>
<b>Total assets</b>		<b>5,418,277</b>	<b>4,581,699</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital and share premium	23	(324,000)	(324,000)
Capital contribution	23	(2,938,466)	(2,555,466)
Retained earnings		(726,220)	(519,628)
<b>Total equity</b>		<b>(3,988,686)</b>	<b>(3,399,094)</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings and other debt	15	(510,820)	(382,495)
Retirement benefit obligations	16	(36,650)	(43,313)
Deferred revenue	17	(136,114)	(95,547)
Grants	18	(2,572)	(2,397)
Provisions	19	(47,915)	(64,159)
Trade and other payables	20	(13,614)	(21,413)
Deferred tax liabilities	7	(108,270)	(79,957)
<b>Total non-current liabilities</b>		<b>(855,955)</b>	<b>(689,281)</b>
<b>Current liabilities</b>			
Borrowings and other debt	15	(2,811)	(2,286)
Deferred revenue	17	(113,685)	(95,810)
Grants	18	(70)	(34)
Provisions	19	(35,839)	(33,386)
Trade and other payables	20	(421,231)	(361,808)
<b>Total current liabilities</b>		<b>(573,636)</b>	<b>(493,324)</b>
<b>Total liabilities</b>		<b>(1,429,591)</b>	<b>(1,182,605)</b>
<b>Total equity and liabilities</b>		<b>(5,418,277)</b>	<b>(4,581,699)</b>

For and on behalf of the Board:



**Cathal Marley**

Chairman

**Niall Gleeson**

Director

28th March 2022

Date of approval

## Statement of changes in equity

for the year ended 31 December 2021

		Share capital and share premium €'000	Capital contribution €'000	Retained earnings €'000	Total €'000
<b>At 1 January 2020</b>		(324,000)	(2,067,466)	(419,022)	(2,810,488)
Profit for the year		-	-	(107,265)	(107,265)
Other comprehensive income for the year		-	-	6,659	6,659
<b>Total comprehensive income for the year</b>		-	-	(100,606)	(100,606)
Capital contribution	23	-	(488,000)	-	(488,000)
<b>At 31 December 2020</b>		(324,000)	(2,555,466)	(519,628)	(3,399,094)
Profit for the year		-	-	(199,491)	(199,491)
Other comprehensive income for the year		-	-	(7,101)	(7,101)
<b>Total comprehensive income for the year</b>		-	-	(206,592)	(206,592)
Capital contribution	23	-	(383,000)	-	(383,000)
<b>At 31 December 2021</b>		(324,000)	(2,938,466)	(726,220)	(3,988,686)

# Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 €'000	2020 €'000
<b>Net cash from operating activities</b>	14	<b>360,555</b>	317,398
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<b>(767,723)</b>	(824,111)
Payments for intangible assets		<b>(9,045)</b>	(26,239)
Receipts for net assets acquired from Local Authorities		<b>1,000</b>	1,000
Grants received	18	<b>281</b>	1,328
<b>Net cash used in investing activities</b>		<b>(775,487)</b>	(848,022)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>205,060</b>	860,559
Repayments of borrowings		<b>(75,000)</b>	(727,000)
Repayment of lease liabilities	9	<b>(3,463)</b>	(3,932)
Capital contributions received	23	<b>383,000</b>	488,000
<b>Net cash from financing activities</b>		<b>509,597</b>	617,627
<b>Net increase in cash and cash equivalents</b>	12	<b>94,665</b>	87,003
Cash and cash equivalents at 1 January	12	<b>193,374</b>	106,371
<b>Cash and cash equivalents at 31 December</b>	12	<b>288,039</b>	193,374

## Notes to the financial statements

1	Statement of accounting policies
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## 1. Statement of accounting policies

### Basis of preparation

Irish Water ('the Company') is a designated activity company, limited by shares, registered and incorporated in Ireland on 17 July 2013. The Company registration number is 530363. Ervia holds 100% of the voting shares of the Company, however these shares carry no economic rights to obtain benefit from the activities of the Company ('A' shares). The Minister for Finance and the Minister for Housing, Local Government and Heritage hold 100% of the economic rights to obtain benefit from the activities of the Company ('B' shares). Accordingly, the financial statements of Irish Water are not consolidated with the results of the Ervia Group.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) agenda decisions, as endorsed by the EU, and effective for accounting periods beginning on or after 1 January 2021, and the Companies Acts 2014. The financial statements are presented in euro, rounded to the nearest thousand and are prepared on a historical cost basis.

These policies have been consistently applied to all years presented in these financial statements with the exception of adoption of new standards (as set out below). In the process of applying these accounting policies, judgements and estimates are necessarily used which affect the amounts recognised in the financial statements. Details of the most significant accounting judgements and estimates applied are set out below.

### Going concern

The Directors believe that the Company is well placed to manage its risks successfully. The Company's objectives, policies and process for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk are set out in note 21 to the financial statements.

The Company's forecasts and projections show that Irish Water is expected to meet its liabilities as they fall due through a combination of State funding and support and tariffs charged by Irish Water. The revised framework for the Company's long term funding model is outlined in the Water Services Act 2017, following the discontinuance of domestic water charges. Irish Water's state funding for 2022 was agreed and approved in Q4 2021 as part of the government budgetary process. The Directors believe that the Government has demonstrated its commitment to the continued funding of Irish Water, including beyond 2022, through its inclusion of the Company's capital investment programme in the National Development Plan 2040 and approval of the Irish Water Strategic Funding Plan.

The implementation of the recommendations of the Inter Departmental Working Group on the Replacement of Irish Water's Commercial Borrowings with State funding are now complete. In June 2020, the Company entered into new €1,022m State loan facilities, provided by the Minister for Finance for capital expenditure attributed to the non-domestic sector, €502m of which has now been drawn. The remaining facilities of €520m, are to be made available over the period 2022 to 2024, subject to the approval of the Minister for Finance, to cover non-domestic capital expenditure over that period. On completion of the recommendations of the Inter Departmental Working Group, Irish Water's remaining undrawn €350m committed commercial debt facilities were cancelled, with Irish Water retaining a €10m uncommitted overdraft facility to help manage its daily banking requirements. In October 2021, the Company entered into a new €350m working capital facility with the NTMA, which was the final phase of the replacement of Irish Water's commercial borrowings with state funding. Irish Water has committed to ensuring that the NTMA working capital facility remains undrawn on December 31st each calendar year, unless Irish Water has obtained prior Ministerial agreement to utilise the facility.

## Notes to the financial statements (continued)

### 1. Statement of accounting policies

(continued)

Following consideration of the facts set out above, and while noting the Company's net current liability position which is €113 million at 31 December 2021 (2020: €180 million), the Directors have concluded that they have a reasonable expectation that the Company will continue to meet its liabilities as they fall due for the foreseeable future and consequently the financial statements are prepared on a going concern basis. The Directors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment. When completing the going concern assessment, the Directors have considered the conflict between Russia and Ukraine, as detailed in note 26. The period of assessment used by the Directors is twelve months from the date of approval of these annual financial statements.

#### **New IFRS accounting standards effective for the year ended 31 December 2021**

The Company has adopted the following amendments to standards, which have had no material impact on the Company's results or financial statement disclosures:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2
- Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9
- Amendment to IFRS 16 Leases Covid 19 - Related Rent Concessions

#### **IFRS Interpretations Committee final agenda decisions published**

In April 2021, the IFRS Interpretations Committee published a final agenda decision clarifying how to recognise certain configuration and customisation expenditures related to cloud computing arrangements, in particular Software as a Service (SaaS) arrangements. The Company has amended its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the amendments as a result of changing this policy are described below.

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates. Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Company with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

As a result, the Company has amended its accounting policy in relation to capitalisation of cloud computing software. The change in policy has been applied in the current period as the impact of retrospective application was not material. The impact of the adoption of the agenda decision on the Company's financial statements is set out in notes 3, 5, 10 and 14.

#### **New IFRS accounting standards and interpretations not yet adopted**

The following new accounting standards and amendments to existing standards have been issued but are not yet effective for this accounting period or have not yet been endorsed by the EU:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date



## 1. Statement of accounting policies

(continued)

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IFRS 17 Insurance Contracts

It is anticipated that application of the remaining IFRS amendments and annual improvements, in issue at 31 December 2021, but not yet effective, will not have a significant impact on the Company's financial statements.

### Significant accounting policies

#### a) Property, plant and equipment

##### Recognition

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses thereon. Cost includes direct costs (including directly attributable labour and overhead costs), decommissioning or restoration costs and interest incurred in financing the construction of the asset when construction takes a substantial period of time to complete. Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use.

##### Subsequent expenditure

Subsequent expenditure, for example, the cost of replacing a component of an item of property, plant and equipment, is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

##### Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use.

The charge for depreciation is primarily calculated to write down the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their expected useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Major asset classifications and their estimated useful lives are:

Infrastructure assets (including boundary boxes, reservoirs, water & waste pipelines and service connections)	40-100 years
Operational assets (including meters, pumps, and electrical & mechanical systems)	12-70 years
Non-network assets (including fixtures & fittings, vehicles and computer equipment)	3-15 years

Depreciation is not charged on land or assets under construction. Depreciation method, useful lives (including production hours) and residual values are reviewed at each reporting date and adjusted if appropriate.

##### Borrowing costs

Borrowing costs are capitalised as a cost of an asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of interest ceases when the asset is commissioned or where active development has been interrupted for an extended period.

#### b) Intangible assets

##### Software, software under development and other intangible assets

Software costs include both internally developed and externally purchased assets.

## Notes to the financial statements (continued)

### 1. Statement of accounting policies

(continued)

Internally developed software refers to costs directly associated with the production of identifiable and unique software products which are controlled by the Company. These costs are recognised as intangible assets as it is considered probable that these products will generate economic benefits exceeding the recognised costs. These costs are capitalised only if the criteria set out in IAS 38 are met. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific assets, provided the costs meet the criteria in IAS 38 for capitalising.

Other intangible assets include the Single Public Utility Operating framework, a complex transformation project to provide an effective and efficient Single Public Utility model.

#### Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis in the income statement over their estimated useful lives, from the date that they are available for use. Amortisation is not charged on development assets that are not yet available for use. Software and other intangible assets are amortised, on a straight-line basis, over their estimated useful lives of up to seven years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### Borrowing costs

Refer to accounting policy a) above

#### c) Impairment of assets

##### Assets that are not subject to amortisation

Intangible assets, with an indefinite useful life or which are not yet ready for use, and goodwill are tested annually for impairment.

##### Assets that are subject to depreciation/amortisation

The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, then the asset's recoverable amount is estimated.

##### Recognition of an impairment loss

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

##### Reversal of an impairment loss

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a CGU shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. The reversal is recognised immediately in the income statement. Using the asset's revised carrying amount, depreciation/amortisation is provided on a straight-line basis over the estimated remaining useful life.

## 1. Statement of accounting policies

(continued)

### d) Revenue

Revenue is measured based on the consideration which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when or as the performance obligations, as set out in the contract, are satisfied. If it is considered that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as collectability is considered probable.

A number of the Company's sources of revenue are dependent on being approved by the industry regulator, the Commission for Regulation of Utilities (CRU). Certain circumstances may result in the regulatory "allowed" revenue being over or under recovered in the year. Any over or under recovery may be included, within certain parameters, in the calculation of the following years' regulatory revenue. No adjustment is made for over or under recoveries in the year that they arise.

Revenue principally comprises the sales values derived from the following:

#### Supply of water and waste water services to non-domestic customers

Revenue billed is dependent on the volume supplied. Where services have been provided, but for which no invoice has been raised at the reporting date, an estimate of value of water and waste water services supplied to customers between the date of the last meter reading and the reporting date is recognised in revenue.

#### Supply of water and waste water services to domestic customers - Government subvention revenue

The Government, acting in its capacity as Government, purchases from the Company a certain volume of water at the market price on behalf of customers and in line with the allowed revenue set by the Regulator. This revenue is recognised by the Company on a systematic basis to reflect the timing of the sale of goods to the Government. All subvention revenue is billed and collected within the reporting period.

#### New connections revenue

The Company receives contributions from customers in respect of the cost of connecting them to the water network. Where such contributions are billed in advance, they are recognised in deferred revenue and are released to revenue as the performance obligation is satisfied.

### e) Leases

#### The Company as lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. At the inception of a lease contract the Company assess whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an asset for a period of time in exchange for consideration, it is recognised as a lease.

To assess the right to control an asset, the Company considers the following:

- does the contract contain an identifiable asset
- does the Company have the right to obtain substantially all of the economic benefits of the asset
- does the Company have the right to operate the asset throughout the period of the contract.

The lease liability (presented within 'Borrowings and other debt') is initially measured at the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## Notes to the financial statements (continued)

### 1. Statement of accounting policies

(continued)

Right-of-use assets (presented within 'Property, plant and equipment') are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

For short-term (lease term less than 12 months) and low value leases (value of the asset when new is less than \$5,000), the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed. The Company had no such leases during the reporting and comparative periods.

#### f) Retirement benefit obligations

##### Defined benefit pension scheme

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme, which is detailed below.

Post-employment benefit plans include not only formal arrangements but also informal practices that give rise to constructive obligations and therefore the accounting treatment is the same regardless of whether an obligation is legal or constructive.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial reviews being carried out at each reporting date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in other comprehensive income.

Past service cost is recognised immediately. The current service cost and gains and losses on settlements and curtailments are charged to operating costs, or to provisions in the instances where the associated costs were provided for initially as part of the recognition of a restructuring provision. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation of the scheme net of the fair value of the scheme's assets.

##### Defined benefit pension scheme accounted for as a Group Plan

The Ervia Group operates a defined benefit pension scheme. A number of the Company's employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19 (Revised 2011) Employee Benefits and therefore the total net pension liability (or asset) associated with the scheme is recognised in the financial statements of Ervia Group and not in the financial statements of the Company – refer to the Ervia Group Annual Report for full disclosure in respect of the scheme.

##### Defined contribution pension schemes

A defined contribution scheme is a post-employment scheme under which an entity pays fixed contributions into a separate entity from which no legal or constructive obligation to pay further amounts arises. The contributions payable under the defined contribution schemes are charged to the income statement in the periods during which services are rendered by employees.

#### g) Grants

A grant is recognised as a liability initially on the balance sheet when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the

## 1. Statement of accounting policies

(continued)

Company for expenses incurred are recognised in the income statement on a systematic basis in the same years in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are amortised to the income statement on a systematic basis over the useful life of the asset to match the depreciation charge.

### h) Provisions and contingent liabilities

The Company evaluates its exposures to contingent liabilities relating to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or Government regulation. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis of the individual matter. Analysis includes assessing the likelihood that a pending claim will succeed, or a liability will arise, and the point of recognition for the associated liability.

Matters that either are possible obligations or do not meet the recognition criteria for a provision are recognised as contingent liabilities, unless the possibility of transferring economic benefits is remote.

Provisions determined may change in the future due to new developments and as additional information becomes available. Reflecting the inherent uncertainty in this evaluation process actual costs may be different from the estimated provision. Details of provisions are disclosed in note 19.

### i) Financial assets and liabilities

#### Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest rate method.

#### Trade and other receivables

Trade and other receivables are initially recognised at the transaction price receivable and are subsequently carried at this value, as there is no significant financing component, less an appropriate allowance for expected credit losses. Impairment losses are provided for using a lifetime expected credit loss model, with the expected impairment being recognised as an expense in operating costs. The expected credit loss amount is calculated by applying expected loss rates, based on actual historical cash collection performance, to the aged debt profile with future macro-economic factors and factors specific to the debtors taken into consideration.

#### Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Where the conditions and intention for offset exists, cash balances are combined with overdraft balances and this combined balance is presented on the balance sheet.

#### Restricted deposits

Restricted deposits are third party monies, held under financial security arrangements, that are legally not available for operational purposes nor are they held for the purpose of meeting short-term cash commitments.

#### Trade and other payables

Trade and other payables are initially recorded at fair value, which is usually the original invoiced amount plus any directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

#### j) Net finance costs

Finance costs comprise interest payable on borrowings, financing charge on provisions (recognised following assessment if material), impairment losses recognised on financial assets (other than trade receivables) and net pension interest costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest rate method. The pension net interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

## Notes to the financial statements (continued)

### 1. Statement of accounting policies

(continued)

#### k) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

#### l) Foreign Currency

These financial statements are presented in euro, which is the functional and presentation currency of the Company.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at rates ruling at the reporting date. The resulting foreign currency gain or loss arising on translation is recognised in the income statement. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction, and are not subsequently retranslated.

#### m) Operating Profit

Operating profit is stated before net finance costs and taxation.

#### n) Non-GAAP Measures

EBITDA is defined as earnings before interest, tax, depreciation and amortisation. Net debt is defined as total borrowings and other debt less cash and cash equivalents. The Company uses these non-GAAP measures to provide useful performance and financing information to management, stockholders and external stakeholders.

### Critical accounting judgements and estimates

In the process of applying these accounting policies, the Company is required to make certain estimates, assumptions and judgements that it believes are reasonable based on the information available. These are assessed in the preparation of these financial statements. The Company has also considered the implications of climate change on its operations and activities. Due consideration has also been given to relevant macro-

## 1. Statement of accounting policies

(continued)

economic factors, including the Covid-19 pandemic. The Company has provided additional information in respect of each of the impacted judgements and estimates as set out below.

These estimates, assumptions and judgements affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these estimates could have a material effect on the financial statements.

On an ongoing basis, the Company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ from these estimates, the effect of which, is recognised in the period in which the facts that give rise to the revision become known.

### (i) Significant judgements in applying the Company's accounting policies

The following are the significant judgements apart from those involving estimates (which are dealt with separately below) that the Company has made in the process of applying these accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### a) Classification of costs between operating expenditure and capital expenditure

The classification of expenditure as capital or operating expenditure can require significant judgements, particularly in instances where projects include elements of both enhancement (capital) and maintenance (operating) activities. The Company has appropriate policies, controls and procedures in place to mitigate against the risks of ineligible expenditure being capitalised.

Costs associated with projects that are in the early stages of planning are capitalised where the Company is satisfied that it is probable the necessary consents will be received and the projects will be developed to achieve a successful delivery of an asset such that future returns will flow to the Company. At 31 December 2021, €94.9 million is recognised in respect of such projects in assets under construction (2020: €57.7 million). The Company reviews these projects on a regular basis to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for derecognition.

#### b) Revenue recognition - portfolio approach and probability assessment

The Company has applied the practical expedient offered by IFRS 15, the 'portfolio approach', whereby the Company applies IFRS 15 to a portfolio of contracts with similar characteristics. The Company has applied its judgement in identifying appropriate portfolios of customers such that it reasonably expects that the effects on the financial statements of applying IFRS 15 to the portfolio would not differ materially from applying IFRS 15 to the individual contracts within that portfolio.

IFRS 15 specifies that revenue should only be recognised if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. Following detailed assessment, the Company has determined that there is no readily identifiable group of customers where, at the point of billing, collection of revenue is assessed as 'not probable'.

### (ii) Estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

#### a) Infrastructure assets and the assets we use in our business

As of 31 December 2021, the aggregate of the Company's property, plant and equipment (PP&E) and intangible assets was €4,952.9 million (2020: €4,260.0 million), which accounted for the majority of the Company's assets. Therefore the estimates and assumptions made in determining the carrying value are critical to the financial statements because the recoverability of the amounts, or lack thereof, could significantly affect the Company's future financial results and position.

## Notes to the financial statements (continued)

### 1. Statement of accounting policies

(continued)

#### *Impairment*

The Company operates under a regulated framework, administered by the Commission for Regulation of Utilities (CRU). The Company therefore recovers the costs of efficient capital spend on PP&E and intangible assets through regulated revenues based on its approved Regulatory Asset Base (RAB). In compliance with, and supplemental to, the requirements of IAS 36 Impairment of Assets, the Company carried out the following reviews during the year:

1. Reviewed the carrying amounts of PP&E and intangible assets at the reporting date to determine whether there is any indicator of impairment;
2. Tested for impairment intangible assets under development of €8.8 million as at 31 December 2021 (2020: €7.8 million); and
3. Compared the RAB value with the aggregate of the carrying amounts of PP&E and intangible assets.

Based on the foregoing, the Company has concluded that an impairment charge is not required. The key assumption concerning the future used by the Company in reaching this conclusion is that the Company will continue to generate regulated revenues based on its existing RAB.

The Company, having considered the relevant requirements of IAS 1 Presentation of Financial Statements, has concluded that it is impractical to disclose the impact of variation in this assumption as it is not possible to evaluate the impact of unknown potential revenue generation restrictions that could arise in the future relating to its existing RAB.

#### *Depreciation and useful lives*

The Company recognises depreciation and amortisation charges annually (2021: €152.3 million and 2020: €137.6 million) which are primarily calculated to write down the cost of PP&E and intangible assets over their expected useful economic lives (UELS).

In the case of property, plant and equipment in particular, the determination of estimated UELs of assets requires significant judgements, that are based on experience, expectations about the future and other factors. The estimated UELs for major asset classifications are set out in these accounting policies. The Company reviews assets' UELs annually and any required changes are adjusted prospectively. This review includes consideration of Government policies and plans in the area of climate action and greenhouse gas emissions targets. The Group has concluded that the existing asset lives continue to be the best estimate of the assets UELs. Due to the significance of asset investment by the Company, variations between actual and estimated UELs could have a material impact on future results, either positively or negatively. Historically, no changes in UELs have been identified by the Company that have had a material impact on operating results.

#### **b) Unbilled revenue**

The Company raises bills and recognises revenue in accordance with its right to receive revenue in line with the Company's accounting policy. For water and wastewater customers, the revenue recognised depends on the amount due for the services provided between the date of the last meter read and year end. Meters are read on a cyclical basis and the Company recognises revenue for unbilled values based on estimated amounts from the last billing date to the end of the year. The estimated value since the last bill, takes into account the average daily rate or similar information for comparable customers by the number of days between last billing date and the reporting period end.

Covid-19 restrictions impacted on non-domestic customer consumption patterns and also impacted on the frequency of meter reads carried out by the Company. Therefore, this resulted in additional estimation uncertainty, with regard to unbilled revenue calculations at the end of the reporting period, due to the lower availability of customer actual consumption data. The Company is satisfied that the unbilled revenue estimates are reasonable and prudent.



## 1. Statement of accounting policies

(continued)

### c) Allowance for expected credit losses

An allowance for expected credit losses in respect of trade and other receivables is recognised in accordance with the Company's accounting policy i.e. estimated using an aged debt matrix based on the number of days the debt is past due and applying the Company's historical credit loss experience, adjusted for current and forecasted economic conditions at the balance sheet date.

The full extent of the financial impact on trade and other receivables as a result of Covid-19 remains unknown. This necessarily increases the level of estimation uncertainty on the measurement of expected credit losses at the balance sheet date, particularly with regard to estimating the impacts of the forward looking economic outlook on the collection of the Company's trade and other receivables at the balance sheet date.

The Company has considered a broad range of factors in assessing the requirement to increase historic credit loss rates to incorporate the impact of the forward looking economic outlook. The factors considered included macro-economic forecasts, Covid-19 scenario analysis, impact assessment on customer industry segments, and historic and forward looking customer cash collection analysis.

Based on a review of the above factors, the Company has assessed that a reasonable range for additional expected credit losses due to the future economic outlook would be in the range of between €4.8 million and €17.5 million. Following due consideration, the Company has concluded that €11.1 million continues to represent the best estimate based on the information available. Nonetheless, procedures and controls in respect of debt collection remain focused on full recovery of amount invoiced.

### d) Retirement benefit obligations

The Company's projected pension benefit cash outflows underpinning its defined benefit obligation are discounted at a rate set by reference to market yields at the end of the reporting period, on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Significant judgement is also required when deriving the yield curve at longer terms as the number of long dated high quality corporate bonds is sparse for longer durations. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are detailed in note 16.

### e) Provisions and other liabilities

The assessments of the financial outcome of uncertain commercial and legal positions involves estimation uncertainty and requires the use of judgement, estimation and assumptions. The amounts recognised as a provision are the Company's best estimate of the expenditure required to settle present obligations at the reporting date. In assessing the likely outcome, the Company bases its assessment on available facts, historical experience, advice from legal advisors and other experts and additional relevant factors that are believed to be reasonable in the circumstances. A revised estimate is established at each reporting date to ensure that the amounts accrued correspond to the best estimate of the costs eventually to be borne by the Company.

The majority of the Company's provisions are associated with the water and wastewater infrastructure assets which were transferred to the Company from the Local Authorities on 1 January 2014. Refer to note 19 for further detail on the 2021 reassessment process.

The 2021 reassessment process has also included due consideration of the impacts of Covid-19. In particular, the estimation of the portion of incremental Covid-19 related costs borne by the contractor base, that is expected to be settled by the Company in 2022. Based on a review of all relevant factors, including claims received, Office of Government Procurement Guidance and previous claims experience (including Covid-19 claims experience), the Company has made its best estimate based on the information available. The required provision may change in the future due to new developments and as additional information becomes available.

Given the nature of these provisions and the estimation uncertainty involved, further sensitivity analysis on these amounts is not deemed practicable.

## Notes to the financial statements (continued)

### 2. Revenue

	2021 €'000	2020 €'000
Government subvention revenue	893,000	815,000
Non-domestic revenue	198,480	173,006
New connections	99,601	73,193
<b>Total</b>	<b>1,191,081</b>	<b>1,061,199</b>

Refer to note 1 for details of the Company's revenue accounting policy and detailed analysis of each revenue stream. The critical accounting judgements and estimates in respect of revenue recognition are also set out in the relevant section of note 1.

### 3. Operating costs

		2021 €'000	2020 €'000
Employee benefit expense	4	(60,622)	(58,123)
Local Authority Service Level Agreement payroll and functional support overheads	24	(219,854)	(220,511)
Hired and contracted services		(202,631)	(171,205)
Materials, maintenance and plant hire		(113,723)	(110,441)
Rent, rates, utilities and insurance		(121,039)	(122,644)
Central transactional and support service costs	24	(49,320)	(52,403)
Other operating costs		(36,608)	(36,790)
Release in respect of liabilities reassessment	19	11,899	13,620
Cloud computing transition adjustment	10	(7,360)	-
<b>Operating costs (before impairment losses on financial assets)</b>		<b>(799,258)</b>	<b>(758,497)</b>
Impairment losses on financial assets	11	(9,479)	(40,869)
<b>Total</b>		<b>(808,737)</b>	<b>(799,366)</b>

#### Operating costs are stated after charging:

##### (a) Auditor's remuneration<sup>1</sup>

	2021 €'000	2020 €'000
Audit of entity financial statements	(202)	(202)
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-
<b>Total</b>	<b>(202)</b>	<b>(202)</b>

<sup>1</sup> amounts exclude irrecoverable VAT

### 3. Operating costs

(continued)

#### (b) Directors' remuneration

	2021 €'000	2020 €'000
Directors - fees	-	-
Directors - emoluments	(998)	(976)
Directors - defined benefit pension contributions	(118)	(111)
Directors - defined contribution pension contributions	(19)	(19)
<b>Total</b>	<b>(1,135)</b>	<b>(1,106)</b>

In accordance with the Articles of Association of the Company, the Directors are not entitled to receive fees. Remuneration of the directors as disclosed above represents an apportionment of total remuneration earned in their capacity as salaried employees of Ervia and Irish Water, based on services provided to the Company. The number of directors to whom defined benefit pension contributions accrued was 5 (2020: 5) and the number of directors to whom defined contribution pension contributions accrued was 2 (2020: 1).

#### (c) Irish Water Managing Director salary and benefits

	2021 €'000	2020 €'000
Basic salary	(200)	(200)
Other short-term employee benefits	(15)	(15)
Post-employment benefits - pension contributions	(24)	(24)
<b>Total</b>	<b>(239)</b>	<b>(239)</b>

### 4. Employee benefits

#### (a) Aggregate employee benefits

	2021 €'000	2020 €'000
Staff short-term benefits	(64,617)	(62,144)
Post-employment benefits - defined benefit scheme	(6,271)	(5,480)
Post-employment benefits - defined contribution scheme	(4,060)	(3,615)
Social insurance costs	(6,890)	(6,618)
	<b>(81,838)</b>	<b>(77,857)</b>
Capitalised payroll	21,216	19,734
<b>Employee benefit expense charged to the income statement</b>	<b>(60,622)</b>	<b>(58,123)</b>

## Notes to the financial statements (continued)

### 4. Employee benefits

(continued)

#### (b) Staff short-term benefits

	2021 €'000	2020 €'000
Wages and salaries	(61,787)	(59,667)
Overtime	(59)	(63)
Allowances	(1,347)	(1,104)
Other <sup>1</sup>	(1,424)	(1,310)
<b>Total</b>	<b>(64,617)</b>	<b>(62,144)</b>

<sup>1</sup> Other short-term employee benefits primarily include permanent life insurance benefits and taxable travel allowances.

Refer to note 25 for the Company's payroll disclosures as required by Companies Act 2014.

The average monthly number of employees providing services to the Company for the year was 823 (2020: 791).

### 5. Depreciation and amortisation

		2021 €'000	2020 €'000
Depreciation of property, plant and equipment	8	(103,230)	(86,284)
Depreciation of right-of-use assets	9	(3,593)	(3,056)
Amortisation of intangible assets	10	(41,757)	(48,326)
Impairment charge	8	(4,030)	-
Cloud computing transition adjustment	10	262	-
Grant amortisation	18	70	34
<b>Total</b>		<b>(152,278)</b>	<b>(137,632)</b>

### 6. Finance costs

		2021 €'000	2020 €'000
Interest and finance costs		(4,458)	(4,601)
Interest capitalised		1,636	1,807
Lease liability finance charge	9	(277)	(277)
Net interest on the net defined benefit liability	16	(328)	(447)
<b>Total</b>		<b>(3,427)</b>	<b>(3,518)</b>

## 7. Tax

### Income tax

	2021 €'000	2020 €'000
Current tax credit	151	-
Deferred tax expense	(27,299)	(13,418)
<b>Total income tax</b>	<b>(27,148)</b>	<b>(13,418)</b>

### Reconciliation of effective tax rate

	2021 €'000	2020 €'000
Profit before tax	226,639	120,683
Taxed at 12.5% (2020: 12.5%)	(28,330)	(15,086)
Depreciation on capital expenditure that is not deductible for tax purposes	(594)	(574)
Other expenses not deductible for tax purposes	(224)	(188)
Income not taxable - release of provisions	893	1,702
Income taxable at higher rates	(61)	(85)
Adjustments in respect of previous financial years	1,168	813
<b>Total income tax expense</b>	<b>(27,148)</b>	<b>(13,418)</b>

Refer to the statement of other comprehensive income for details of the tax impacts therein.

### Current tax assets and liabilities

	2021 €'000	2020 €'000
<b>Current tax asset</b>	<b>151</b>	<b>-</b>

### Deferred tax assets and liabilities

	Pension obligations €'000	Tax losses forward €'000	Accelerated tax depreciation €'000	Other €'000	Total €'000
<b>At 1 January 2020</b>	1,713	30,789	(100,077)	85	(67,490)
Recognised in income statement	229	23,279	(36,979)	53	(13,418)
Recognised in equity	951	-	-	-	951
<b>At 31 December 2020</b>	<b>2,893</b>	<b>54,068</b>	<b>(137,056)</b>	<b>138</b>	<b>(79,957)</b>
Recognised in income statement	148	24,648	(52,000)	(95)	(27,299)
Recognised in equity	(1,014)	-	-	-	(1,014)
<b>At 31 December 2021</b>	<b>2,027</b>	<b>78,716</b>	<b>(189,056)</b>	<b>43</b>	<b>(108,270)</b>

## Notes to the financial statements (continued)

### 8. Property, plant and equipment

	31-Dec-21 €'000	31-Dec-20 €'000
Property, plant and equipment - owned assets	4,873,978	4,147,375
Property, plant and equipment - right-of-use assets	9	10,864
<b>Property, plant and equipment - as presented on the balance sheet</b>	<b>4,884,842</b>	<b>4,159,995</b>

#### Property, plant and equipment - owned assets

	Infrastructure assets €'000	Operational assets €'000	Non-network assets €'000	Assets under construction €'000	Total €'000
<b>Cost</b>					
<b>At 1 January 2020</b>	1,574,014	1,067,948	118,068	907,069	3,667,099
Additions	-	-	-	820,859	820,859
Disposals	-	-	(64)	-	(64)
Transfers	274,561	222,866	22,551	(519,978)	-
<b>At 31 December 2020</b>	<b>1,848,575</b>	<b>1,290,814</b>	<b>140,555</b>	<b>1,207,950</b>	<b>4,487,894</b>
Additions	-	-	216	833,730	833,946
Disposals	-	-	(152)	-	(152)
Transfers	520,939	514,210	61,420	(1,096,569)	-
<b>At 31 December 2021</b>	<b>2,369,514</b>	<b>1,805,024</b>	<b>202,039</b>	<b>945,111</b>	<b>5,321,688</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>At 1 January 2020</b>	(84,948)	(126,284)	(43,016)	-	(254,248)
Depreciation charge	(24,374)	(46,690)	(15,220)	-	(86,284)
Disposals	-	-	13	-	13
<b>At 31 December 2020</b>	<b>(109,322)</b>	<b>(172,974)</b>	<b>(58,223)</b>	<b>-</b>	<b>(340,519)</b>
Depreciation charge	(25,832)	(58,514)	(18,884)	-	(103,230)
Impairment charge	-	-	-	(4,030)	(4,030)
Disposals	-	-	69	-	69
<b>At 31 December 2021</b>	<b>(135,154)</b>	<b>(231,488)</b>	<b>(77,038)</b>	<b>(4,030)</b>	<b>(447,710)</b>
<b>Carrying amounts</b>					
At 31 December 2020	1,739,253	1,117,840	82,332	1,207,950	4,147,375
<b>At 31 December 2021</b>	<b>2,234,360</b>	<b>1,573,536</b>	<b>125,001</b>	<b>941,081</b>	<b>4,873,978</b>

The impairment charge of €4.0 million in 2021 relates to infrastructure development projects which it has been determined will no longer proceed due to alternative solutions having been identified.

## 9. Lease assets and liabilities

### The Company as Lessee

The Company has entered into various leasing arrangements which generally relate to the rental of land and buildings. There are no significant or unusual restrictions imposed by the terms of these leases. All lease arrangements are at an arm's length basis.

#### (a) Amounts recognised on the balance sheet

##### Right-of-use assets

	Land and buildings €'000	Total €'000
<b>Cost</b>		
<b>At 1 January 2020</b>	19,194	19,194
Additions	325	325
Disposals	(210)	(210)
<b>At 31 December 2020</b>	19,309	19,309
Additions	<b>2,252</b>	<b>2,252</b>
<b>At 31 December 2021</b>	<b>21,561</b>	<b>21,561</b>
<b>Accumulated depreciation and impairment losses</b>		
<b>At 1 January 2020</b>	(3,426)	(3,426)
Depreciation charge	(3,473)	(3,473)
Disposals	210	210
<b>At 31 December 2020</b>	(6,689)	(6,689)
Depreciation charge	<b>(4,008)</b>	<b>(4,008)</b>
<b>At 31 December 2021</b>	<b>(10,697)</b>	<b>(10,697)</b>
<b>Carrying amounts</b>		
At 31 December 2020	12,620	12,620
<b>At 31 December 2021</b>	<b>10,864</b>	<b>10,864</b>
<b>Lease liabilities</b>		
<b>At 1 January 2020</b>		(16,830)
Additions		(324)
Interest expense		(277)
Lease payments <sup>1</sup>		4,209
<b>At 31 December 2020</b>		(13,222)
Additions		<b>(2,253)</b>
Interest expense		<b>(277)</b>
Lease payments <sup>1</sup>		<b>3,740</b>
<b>At 31 December 2021</b>		<b>(12,012)</b>

<sup>1</sup> Lease payments includes payments for the principal portion of the lease liability, presented as financing activities of €3.5 million (2020: €3.9 million) in the statement of cash flows.

## Notes to the financial statements (continued)

### 9. Lease assets and liabilities

(continued)

Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	(9,201)	(10,936)
Current	(2,811)	(2,286)
<b>Total</b>	<b>(12,012)</b>	<b>(13,222)</b>

Lease liabilities are monitored within the relevant business functions. The Group does not face significant liquidity risk with regard to its lease liabilities. Refer to note 15 for a maturity analysis of lease liabilities. During the year, the Company capitalised €0.415 million in depreciation of right-of-use assets (2020: €0.417 million).

(b) Other amounts recognised in the income statement

	2021 €'000	2020 €'000
Expenses relating to short-term leases	6,732	5,822
<b>Total</b>	<b>6,732</b>	<b>5,822</b>

### 10. Intangible assets

	Software and other €'000	Software and other under development €'000	Total €'000
<b>Cost</b>			
<b>At 1 January 2020</b>	240,104	16,705	256,809
Additions (incl internally developed)	-	25,107	25,107
Transfers	33,963	(33,963)	-
<b>At 31 December 2020</b>	<b>274,067</b>	<b>7,849</b>	<b>281,916</b>
Additions (incl internally developed)	-	16,917	16,917
Transfers	15,972	(15,972)	-
Cloud computing transition adjustment	(7,360)	-	(7,360)
<b>At 31 December 2021</b>	<b>282,679</b>	<b>8,794</b>	<b>291,473</b>
<b>Accumulated amortisation and impairment losses</b>			
<b>At 1 January 2020</b>	(133,602)	-	(133,602)
Amortisation charge	(48,326)	-	(48,326)
<b>At 31 December 2020</b>	<b>(181,928)</b>	<b>-</b>	<b>(181,928)</b>
Amortisation charge	(41,757)	-	(41,757)
Cloud computing transition adjustment	262	-	262
<b>At 31 December 2021</b>	<b>(223,423)</b>	<b>-</b>	<b>(223,423)</b>
<b>Carrying amounts</b>			
At 31 December 2020	92,139	7,849	99,988
<b>At 31 December 2021</b>	<b>59,256</b>	<b>8,794</b>	<b>68,050</b>



## 10. Intangible assets

(continued)

As described in further detail in note 1, in April 2021 the IFRS Interpretations Committee published a final agenda decision clarifying how to recognise certain configuration and customisation expenditures related to cloud computing arrangements. Costs that do not meet the capitalisation criteria should be expensed as incurred. The Company changed its accounting policy to align with the agenda decision and previously capitalised costs that no longer qualify for capitalisation were expensed in the current period (retrospective application not applied as the amount is not material). A net cloud computing transition adjustment of €7.1 million is presented above, with corresponding income statement impacts presented in notes 3 and 5 and a cashflow statement (non-cash) adjustment presented in note 14.

## 11. Trade and other receivables

		31-Dec-21 €'000	31-Dec-20 €'000
Trade receivables		31,620	24,998
Unbilled consumption		46,659	33,065
Restricted cash balances held by Local Authorities	24	2,193	2,193
Amounts due from related parties	24	30,535	31,535
Customer refund programme receivable from Government	19	13,013	13,072
Other receivables		3,106	2,218
<b>Sub-total</b>		<b>127,126</b>	107,081
Prepayments		12,285	3,336
<b>Total</b>		<b>139,411</b>	110,417
Non-current		4,252	8,609
Current		135,159	101,808
<b>Total</b>		<b>139,411</b>	110,417

Trade and other receivables are stated net of expected credit losses and are classified in the financial statements as current or non-current in accordance with their expected realisation. Refer to note 1 for an assessment of the critical judgements and estimates applied. Refer to note 24 for further detail in respect of balances with related parties and restricted cash balances held by Local Authorities.

### Allowance for expected credit losses

There is no material concentration of credit risk as the Company's trade receivables consist of amounts due from a large number of non-domestic customers, spread across diverse industries.

The credit terms for non-domestic customers varies by Local Authority region, ranging up to 45 days. The Company has been restricted from changing these credit terms, but will work to align these as part of the overall process to harmonise non-domestic tariffs. The credit risk on trade receivables is managed through the proactive monitoring and management of trade receivable balances. Following the migration of the non-domestic debtors from 31 Local Authorities in 2017, the Company now has full visibility and control on all aspects of the credit and collection activity. The Company's credit collection team, actively manages accounts in arrears through customer follow up. The Company is continuing to develop and enhance its credit risk management practices.

## Notes to the financial statements (continued)

### 11. Trade and other receivables

(continued)

The Company has a number of other receivable balances due from Local Authorities and other related parties. The Company actively engages with the Local Authorities on a regular basis and the Company believes it has minimal credit risk arising from its transactions with Local Authorities.

The Company writes off a trade receivable where there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the debtor has been placed into liquidation or has entered into bankruptcy proceedings. This process is subject to robust internal governance as noted below. None of the trade receivables that have been written off are subject to enforcement activities.

The maximum exposure of trade and other receivables to credit risk at the reporting date is as set out below. Prepayments are excluded as no credit risk arises.

	31-Dec-21 €'000	31-Dec-20 €'000
Trade receivables	31,620	24,998
Unbilled consumption	46,659	33,065
Restricted cash balances held by Local Authorities	2,193	2,193
Amounts due from related parties	30,535	31,535
Customer refund programme receivable from Government	13,013	13,072
Other receivables	3,106	2,218
<b>Total</b>	<b>127,126</b>	<b>107,081</b>

The ageing of trade receivables is set out below. The Company had no receivables that were past due and not impaired.

	Gross carrying amount 31-Dec-21 €'000	Allowance for expected credit losses 31-Dec-21 €'000	Net receivable 31-Dec-21 €'000	Gross carrying amount 31-Dec-20 €'000	Allowance for expected credit losses 31-Dec-20 €'000	Net receivable 31-Dec-20 €'000
Not past due	115,182	(16,735)	98,447	93,632	(13,641)	79,991
1 - 365 days overdue	59,586	(34,027)	25,559	63,146	(37,554)	25,592
>1 year	83,496	(80,376)	3,120	80,303	(78,805)	1,498
<b>Total</b>	<b>258,264</b>	<b>(131,138)</b>	<b>127,126</b>	<b>237,081</b>	<b>(130,000)</b>	<b>107,081</b>

The following table shows the movement in the allowance for expected credit losses for trade receivables:

	2021 €'000	2020 €'000
<b>At 1 January</b>	<b>(130,000)</b>	(98,162)
Impairment losses on financial assets	(9,479)	(40,869)
Allowance utilised	8,341	9,031
<b>At 31 December</b>	<b>(131,138)</b>	(130,000)

## 11. Trade and other receivables

(continued)

Prior to 2017, and in line with the agreed Service Level Agreements, the Local Authorities, acting as agents for the Company, billed and collected non-domestic trade receivables on the Company's behalf. In 2017, the Company completed the migration of non-domestic billing processes of the 31 Local Authorities, thus bringing all aspects of water services management for billing and revenues under the Company. The period since the migration of non-domestic billing processes is relatively short, thus and as noted previously, the Company is continuing to develop and enhance its credit risk management practices. The Company's policy is to write off debt only when the customer is no longer using our service and the Company has fully exhausted all enforcement activities. This process is subject to review and approval by the Company's Credit Committee and adherence to internal governance procedures. There has been limited quantum of non-domestic debtor write offs to date. Owing to these factors, application of the Company's accounting policy for recognising expected credit losses on trade receivables has resulted in an allowance for expected credit losses of 63% of its gross non-domestic trade receivables being provided for at 31 December 2021 (2020: 69%). The charge for expected credit losses in respect of non-domestic receivables, recognised by the Company in 2021, represents 5% of non-domestic revenue recognised in 2021 (2020: 24%). Refer to note 1 for an assessment of the critical judgements and estimates applied.

## 12. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting liquidity requirements.

	<b>31-Dec-21</b>	<b>31-Dec-20</b>
	<b>€'000</b>	<b>€'000</b>
Short-term deposits	<b>280,711</b>	189,696
Cash on hand	<b>7,328</b>	3,678
<b>Total</b>	<b>288,039</b>	193,374
	<b>2021</b>	<b>2020</b>
	<b>€'000</b>	<b>€'000</b>
<b>At 1 January</b>	<b>193,374</b>	106,371
Increase in cash and cash equivalents in the statement of cash flows	<b>94,665</b>	87,003
<b>At 31 December</b>	<b>288,039</b>	193,374

Cash and cash equivalents primarily comprise cash balances and short-term bank deposits with an original maturity of less than three months. The carrying amount of these assets approximates their fair value.

Cash and cash equivalents includes contributions received in advance from customers for new connections (see note 17). These contributions are retained in cash and cash equivalents to fund the associated new connection activities.

Refer to note 21 for treasury credit risk disclosures.

## Notes to the financial statements (continued)

### 13. Restricted deposits

	31-Dec-21 €'000	31-Dec-20 €'000
Collateral held	37,784	17,925
<b>Total</b>	<b>37,784</b>	<b>17,925</b>

These are amounts held as collateral by the Company in respect of third party construction contracts for the duration of the construction project and are released following completion of the project and a 12 month defects liability period.

Refer to note 21 for treasury credit risk disclosures.

### 14. Cash generated from operations

	2021 €'000	2020 €'000
<b>Cash flows from operating activities</b>		
Profit for the year	199,491	107,265
Adjustments for:		
Depreciation and amortisation	5 152,278	137,632
Cloud computing transition adjustment	10 7,360	-
Finance costs	6 3,427	3,518
Retirement benefit cost	1,056	816
Income tax expense	7 27,148	13,418
	<b>390,760</b>	<b>262,649</b>
Working capital changes:		
Change in trade and other receivables	(29,410)	30,610
Change in trade and other payables	(41,204)	(24,966)
Change in deferred revenue	58,442	63,929
Change in provisions	(13,780)	(10,751)
<b>Cash from operating activities before exceptional items</b>	<b>364,808</b>	<b>321,471</b>
Exceptional items - customer refunds and associated processing costs	19 (11)	(28)
Exceptional items - grant income received	19 59	189
<b>Cash from operating activities</b>	<b>364,856</b>	<b>321,632</b>
Interest paid	(4,301)	(4,098)
Income tax paid	-	(136)
<b>Net cash from operating activities</b>	<b>360,555</b>	<b>317,398</b>

## 15. Borrowings and other debt

This note provides information about the contractual terms of the Company's interest-bearing borrowings and other debt. For more information about the Company's exposure to interest rate risk and liquidity risk, see note 21.

	31-Dec-21 €'000	31-Dec-20 €'000
Facilities from Government	(501,619)	(371,559)
Lease liabilities	(12,012)	(13,222)
<b>Total</b>	<b>(513,631)</b>	<b>(384,781)</b>

### Analysed as follows:

Non-current	(510,820)	(382,495)
Current	(2,811)	(2,286)
<b>Total</b>	<b>(513,631)</b>	<b>(384,781)</b>

Less than one year	(2,811)	(2,286)
Between one and five years	(9,131)	(10,743)
More than five years	(501,689)	(371,752)
<b>Total</b>	<b>(513,631)</b>	<b>(384,781)</b>

All borrowings are repayable other than by instalment.

### Net debt

		31-Dec-21 €'000	31-Dec-20 €'000
Total borrowings and other debt		(513,631)	(384,781)
Less cash and cash equivalents	12	288,039	193,374
<b>Net debt</b>		<b>(225,592)</b>	<b>(191,407)</b>

### Changes in liabilities arising from financing activities

	Loans from financial institutions €'000	Facilities from Government €'000	Lease liabilities €'000	Total €'000
<b>At 1 January 2020</b>	(237,981)	-	(16,830)	(254,811)
Proceeds	(489,000)	(371,559)	-	(860,559)
Repayment	727,000	-	-	727,000
Repayment of lease liabilities	9	-	3,932	3,932
Non-cash	(19)	-	(324)	(343)
<b>At 31 December 2020</b>	-	(371,559)	(13,222)	(384,781)
Proceeds	(75,000)	(130,060)	-	(205,060)
Repayment	75,000	-	-	75,000
Repayment of lease liabilities	9	-	3,463	3,463
Non-cash	-	-	(2,253)	(2,253)
<b>At 31 December 2021</b>	-	(501,619)	(12,012)	(513,631)

## Notes to the financial statements (continued)

### 16. Retirement benefit obligations

The Company operates a defined benefit scheme and a defined contribution scheme. In addition certain employees of the Company, who were previously employees of Ervia, participate in the Ervia defined benefit pension scheme.

#### (a) Irish Water defined benefit pension scheme

The Company operates a contributory defined benefit scheme as required under sections 19 and 27 of the Water Services (No. 2) Act 2013 in relation to employees of the Company, who were previously employed by either the Local Authorities or by the Department of Housing, Local Government and Heritage. The Irish Water defined benefit scheme was established on 27 January 2017. The scheme provides retirement benefits based on final pensionable salary and net pensionable salary in respect of pensionable service, together with a “wrap around element” which broadly maintains the final salary linkage in respect of pensionable service completed in either the Local Government Superannuation Scheme or any Superannuation Scheme applicable to Civil Servants.

The defined benefit scheme is administered by a Board of Trustees which comprises member and employer representatives. The Board of Trustees is responsible for the management and governance of the scheme including compliance with all relevant laws and regulations. The assets of the scheme are held separately from those of the Company in trustee administered funds. The latest valuation of the defined benefit scheme was carried out as at 1 April 2019 by a qualified actuary. The next actuarial valuation is due with an effective date of 1 April 2022.

The scheme exposes the Company to a number of risks, the most significant of which are as follows:

#### Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this could create a larger deficit. The scheme holds a significant proportion of growth assets (equities) which, though expected to outperform corporate bonds in the long-term, create additional volatility and risk in the short-term.

#### Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be partially offset by an increase in the value of any bond holdings.

#### Salary inflation

As a final salary scheme there is an exposure to higher benefits arising as a result of higher salary increases than allowed for in the assumptions. The assumptions used to project final salary incorporate an age-related component in addition to a flat basic rate as an allowance for the effect of increments and promotions.

#### Inflation

The scheme's defined benefit obligations are linked to inflation (for active members, benefits are linked to salary increases while for deferred members, preserved benefits are linked on a discretionary basis to post retirement pension increases awarded). Higher than assumed inflation will lead to higher liabilities. About a quarter of the fund is invested in inflation linked bonds as a match to such real liabilities.

#### Life expectancy risk

The majority of the scheme's obligations are to provide benefits for the life of the member (and their dependants), so increases in life expectancy will result in an increase in the liabilities.

## 16. Retirement benefit obligations

(continued)

	31-Dec-21 €'000	31-Dec-20 €'000
<b>Investments quoted in active markets:</b>		
Equities	19,567	12,058
- developed markets	19,567	12,058
Bonds	6,583	3,997
- inflation linked	6,583	3,997
Cash	-	1,375
<b>Unquoted investments:</b>		
Property/forestry	698	693
<b>Fair value of plan assets</b>	<b>26,848</b>	18,123
Defined benefit obligation	<b>(63,498)</b>	(61,436)
<b>Net defined benefit obligation</b>	<b>(36,650)</b>	(43,313)

**Investment strategy**

The Company and Trustees have agreed an initial investment strategy that is growth orientated (75% growth / 25% liability matching).

**Movement in net defined benefit liability**

	Defined benefit liability		Fair value of plan assets		Net defined benefit obligation	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000	2021 €'000	2020 €'000
<b>At 1 January</b>	<b>(61,436)</b>	(47,035)	<b>18,123</b>	12,961	<b>(43,313)</b>	(34,074)
<b>Income Statement:</b>						
Current service cost	<b>(5,118)</b>	(4,461)	-	-	<b>(5,118)</b>	(4,461)
Interest on liabilities and assets	<b>(491)</b>	(656)	<b>163</b>	209	<b>(328)</b>	(447)
	<b>(5,609)</b>	(5,117)	<b>163</b>	209	<b>(5,446)</b>	(4,908)
<b>Other Comprehensive Income:</b>						
Return on plan assets excl. interest income	-	-	<b>4,085</b>	1,305	<b>4,085</b>	1,305
Experience gains/(losses) on liabilities	<b>1,679</b>	(172)	-	-	<b>1,679</b>	(172)
Changes in financial assumptions	<b>2,351</b>	(9,504)	-	-	<b>2,351</b>	(9,504)
Changes in demographic assumptions	-	761	-	-	-	761
	<b>4,030</b>	(8,915)	<b>4,085</b>	1,305	<b>8,115</b>	(7,610)
Contributions by employers	-	-	<b>3,994</b>	3,279	<b>3,994</b>	3,279
Contributions by members	<b>(675)</b>	(668)	<b>675</b>	668	-	-
Benefits paid	<b>192</b>	299	<b>(192)</b>	(299)	-	-
	<b>(483)</b>	(369)	<b>4,477</b>	3,648	<b>3,994</b>	3,279
<b>At 31 December</b>	<b>(63,498)</b>	(61,436)	<b>26,848</b>	18,123	<b>(36,650)</b>	(43,313)

## Notes to the financial statements (continued)

### 16. Retirement benefit obligations

(continued)

The weighted average duration of the defined benefit obligation at 31 December 2021 was approximately 29 years (2020: 30 years). The Company expects to contribute €3.8 million to its pension plan in 2022.

The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	1.35%	0.80%
Inflation assumption	1.90%	1.35%
Rate of increase in salaries*	2.40%	1.85%
Rate of increase in pensions payment	1.90%	1.35%

\*Plus salary scale to allow for promotional increases

The average future life expectancy factored into the valuation, based on retirement at 65 years of age, for current and future retirees is as follows:

	2021	2020
<b>Retiring today</b>		
Females	24.6	24.6
Males	22.9	22.8
<b>Retiring in 25 years</b>		
Females	26.9	26.8
Males	25.1	25.0

#### Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial and demographic assumptions adopted in calculating the actuarial value of the Company's defined benefit obligation. The following table analyses the estimated impact on scheme liabilities resulting from changes to key actuarial assumptions.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.25%	Decrease by 6.9%/increase by 7.6%
Price inflation	Increase/decrease by 0.25%	Increase by 7.5%/decrease by 6.9%
Salary	Increase/decrease by 0.25%	Increase by 7.3%/decrease by 7.0%
Mortality	Increase/decrease by one year	Increase by 3.1%/decrease by 3.0%

#### (b) Defined benefit pension scheme accounted for as a Group Plan

The Ervia Group operates a defined benefit pension scheme. A number of the Company's employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. Ervia, as the sponsoring employer for the scheme, recognises the net defined benefit cost, while the Company recognises only the cost of contributions payable for the year in respect of the Company's employees.

There is no contractual agreement or stated policy in place for charging the Company's net defined benefit cost. The funding contribution rate is calculated every 3 years, by the pension scheme's actuary, for the Ervia Group as a whole. The Company's contribution amount is determined by applying the Ervia Group contribution rate to the salaries of the participating Irish Water employees. Refer to the Ervia Group Annual Report for full disclosure in respect of the scheme.



## 16. Retirement benefit obligations

(continued)

The cost of these contributions is set out below and is included in the Company's employee benefit expense (note 4) and are identified as a related party transaction in note 24.

	2021 €'000	2020 €'000
<b>Pension costs</b>	<b>(1,153)</b>	(1,019)

### (c) Defined contribution pension scheme

The Company makes contributions to the Irish Water Defined Contribution Scheme on behalf of its employees. These costs are charged to the income statement and are disclosed in note 4.

## 17. Deferred revenue

	2021 €'000	2020 €'000
<b>At 1 January</b>	<b>(191,357)</b>	(127,428)
Received	(158,043)	(137,122)
Credited to the income statement	99,601	73,193
<b>At 31 December</b>	<b>(249,799)</b>	(191,357)

### Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	(136,114)	(95,547)
Current	(113,685)	(95,810)
<b>Total</b>	<b>(249,799)</b>	(191,357)

Customer new connection contributions, which are received in advance, are recorded initially as deferred revenue. These contributions are then released to the income statement as revenue as the connection works (performance obligation) are completed.

## Notes to the financial statements (continued)

### 18. Grants

	2021 €'000	2020 €'000
<b>At 1 January</b>	<b>(2,431)</b>	(1,137)
Received	(281)	(1,328)
Amortised	70	34
<b>At 31 December</b>	<b>(2,642)</b>	(2,431)

#### Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	(2,572)	(2,397)
Current	(70)	(34)
<b>Total</b>	<b>(2,642)</b>	(2,431)

These amounts relate to grant funding from the European Investment Bank for an energy efficiency programme and from the EU for procuring and implementing a cyber security threat detection system and the Interreg Source-to-Tap and Swell projects for cross border projects. A number of conditions relating to these grant funding remain in progress at year end.

There are no unfulfilled conditions attached to grants recognised in the income statement. In certain circumstances grants may become repayable if the conditions laid down in the grant agreements are not adhered to. The Company does not expect such circumstances to arise and there were no repayments of grants in the current or prior year.

### 19. Provisions, contingencies and capital commitments

#### Provisions

	Customer refund provision €'000	Self-insured claims €'000	Other provisions €'000	Total €'000
<b>At 1 January 2021</b>	(13,457)	(26,945)	(57,143)	(97,545)
Provisions made	-	(9,729)	(1,364)	(11,093)
Provisions released	-	3,796	12,979	16,775
Provisions utilised	11	2,949	5,149	8,109
<b>At 31 December 2021</b>	<b>(13,446)</b>	<b>(29,929)</b>	<b>(40,379)</b>	<b>(83,754)</b>

#### Analysed as follows:

	31-Dec-21 €'000	31-Dec-20 €'000
Non-current	(47,915)	(64,159)
Current	(35,839)	(33,386)
<b>Total</b>	<b>(83,754)</b>	(97,545)

## 19. Provisions, contingencies and capital commitments

(continued)

### Customer refund provision

Pursuant to section 22 of the Water Services Act 2017, Irish Water was required to refund to customers €171.7 million in cash which had been previously collected from domestic customers. This customer refund programme was funded by the Government, through a government grant with the sole condition that the funding be used to refund domestic customers and to discharge the associated administration. At 31 December 2021, the Company continues to recognise a liability of €13.4 million, primarily relating to refunds due to domestic customers, where either refund cheques issued have not been presented for encashment, or where the customers have not notified the Company of their updated contact details. A corresponding asset of €13.0 million (note 11) is also recognised, which represents the amounts receivable from the Government to meet the Company's unfunded liabilities under the customer refund programme. Cash in hand of €0.4 million is held by the Company in respect of the customer refund programme. Cashflows in respect of the programme are presented in note 14 as "exceptional items" consistent with previous years.

### Self-insured claims

The Company is self-insured in respect of certain injury and damage claims. The year-end provision is for the estimated costs of incidents that have occurred up to 31 December 2021. Payments are made as the cases are settled. The charge is included in the income statement under operating costs. The nature of these claims is such that a settlement date is uncertain but the Company expects the claims to be substantially settled by 2023.

### Other provisions

Other provisions are primarily made up of legal claims, wayleaves provisions and contractor claims. The majority of these provisions are associated with the water and wastewater infrastructure assets which were transferred to the Company from the Local Authorities on 1 January 2014. As part of the due diligence process to agree the assets and liabilities to be transferred from each Local Authority to Irish Water, an exercise was conducted to identify all potential liabilities and capture them as a provision, if they met the recognition criteria of IAS 37. During the year, a detailed assessment was conducted to bring up to date the Company's best estimate of the expenditure required to settle these obligations. In assessing the likely outcome, the Company based its assessment on experience since transfer from the Local Authorities and other factors that are believed to be reasonable in the circumstances (including legal advice). Following this assessment, the Company released €11.9 million (2020: €13.6 million) in respect of these liabilities.

### Contingencies

There are no material contingent liabilities that the Company is aware of that require disclosure. As part of the due diligence process to agree the assets and liabilities to be transferred from each Local Authority to the Company, an exercise was conducted to identify all contingent liabilities and disclose them in the financial statements, if they met the disclosure criteria of IAS 37. The Company is subject to various litigation, claims and contract disputes in the ordinary course of operations. While any such proceedings has an element of uncertainty, we do not expect the ultimate resolution of these proceedings to have a material adverse effect on our results from operations, operating cash flows or net asset financial position.

Contingent liabilities with respect to grants are disclosed in note 18.

### Capital commitments

	2021 €'000	2020 €'000
Capital expenditure that has been contracted for but has not been provided for	559,081	382,114

## Notes to the financial statements (continued)

### 20. Trade and other payables

		<b>31-Dec-21</b>	<b>31-Dec-20</b>
		<b>€'000</b>	<b>€'000</b>
Trade payables		<b>(22,913)</b>	(19,608)
Accrued expenses		<b>(307,490)</b>	(234,737)
Amounts due to related parties	24	<b>(37,863)</b>	(82,149)
Other payables		<b>(37,477)</b>	(25,438)
Taxation and social insurance creditors		<b>(29,102)</b>	(21,289)
<b>Total</b>		<b>(434,845)</b>	(383,221)
<b>Analysed as follows:</b>			
Non-current		<b>(13,614)</b>	(21,413)
Current		<b>(421,231)</b>	(361,808)
<b>Total</b>		<b>(434,845)</b>	(383,221)
<b>Taxation and social insurance creditors</b>			
PAYE/social insurance		<b>(3,572)</b>	(2,425)
VAT		<b>(25,530)</b>	(18,864)
<b>Total</b>		<b>(29,102)</b>	(21,289)

## 21. Financial risk management and financial assets/liabilities

The carrying values of the financial assets and liabilities of the Company can be analysed as set out below. The Company has not disclosed the fair values for financial instruments such as trade receivables and payables because their carrying amounts are a reasonable approximation of fair value.

### At amortised cost

	31-Dec-21 €'000	31-Dec-20 €'000
<b>Financial assets</b>		
Trade and other receivables <sup>2</sup>	127,126	107,081
Cash and cash equivalents <sup>3</sup>	288,039	193,374
Restricted deposits	37,784	17,925
	<b>452,949</b>	<b>318,380</b>
<b>Financial liabilities</b>		
Borrowings and other debt <sup>4</sup>	(513,631)	(384,781)
Trade and other payables <sup>1</sup>	(98,253)	(127,195)
	<b>(611,884)</b>	<b>(511,976)</b>
<b>Net financial liabilities</b>	<b>(158,935)</b>	<b>(193,596)</b>

<sup>1</sup> Accrued expenses and taxation liabilities have been excluded as these are not classified as financial liabilities.

<sup>2</sup> Prepayments have been excluded as these are not classified as a financial asset.

<sup>3</sup> Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. As at 31 December 2021, €7.8 million of cash (2020: €3.8 million) is offset against €0.5 million of bank overdrafts (2020: €0.1 million), and a net position of €7.3 million is presented in 'cash in hand' in note 12 (2020: €3.7 million).

<sup>4</sup> The fair value of borrowings and other debt as at 31 December 2021 was €511.5 million (2020: €381.5 million).

### Financial Risk Management

Financial risk management policies have been established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks. These financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, develops a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (i) Credit risk

Credit risk is defined as the total loss that the Company would sustain on its business and market transactions if a counterparty defaulted and failed to perform its contractual obligations. It includes credit exposures arising from trading relationships with customers. The objective of credit risk management is to manage and control credit risk exposures within acceptable parameters, while optimising the return.

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

	31-Dec-21 €'000	31-Dec-20 €'000
Trade and other receivables (excluding prepayments)	127,126	107,081
Cash and cash equivalents	288,039	193,374
Restricted deposits	37,784	17,925
<b>Total</b>	<b>452,949</b>	<b>318,380</b>

## Notes to the financial statements (continued)

### 21. Financial risk management and financial assets/liabilities

(continued)

#### *(i) (a) Treasury related credit risk*

Treasury undertakes all treasury activities for Irish Water.

Treasury manages treasury related credit risk through the use of counterparty credit limits which take account of, among other relevant factors, published credit ratings. It is the Company's policy that cash is mainly placed on deposit with institutions who maintain an investment grade credit rating. Treasury regularly evaluates and measures its treasury counterparty exposures.

#### *(i) (b) Trade related credit risk*

Refer to note 11 for an analysis of the Company's exposure to trade related credit risk.

#### **(ii) Funding and liquidity risk**

The Company's approach to managing funding and liquidity risk is to ensure, as far as possible, that it has adequate resources to meet its liabilities when due, under both normal and stressed conditions.

Treasury develops and maintains relationships with financial institutions in order to develop their understanding of the business and to build their long-term commitment to the Company. All banking and treasury services are sourced at competitive prices.

Treasury is responsible for ensuring the Company has access to sufficient liquidity to ensure that the Company is able to settle obligations arising through its day-to-day operations, maturing debt obligations and capital investment outlays. Cash pooling is carried out and account balances netted where possible to minimise idle cash and interest expense.

#### *(ii) (a) Cash surpluses*

Cash surpluses are used primarily to reduce the level of debt. Cash surpluses are held in euro and largely invested in deposit accounts.

#### *(ii) (b) Funding*

The implementation of the recommendations of the Inter Departmental Working Group on the Replacement of Irish Water's Commercial Borrowings with State funding is now complete. In 2020, the Company entered into new €1,021.6 million State loan facilities, provided by the Minister for Finance for capital expenditure attributed to the non-domestic sector, €501.6 million of which has now been drawn. The remaining facilities of €520.0 million, are to be made available over the period 2022 to 2024, subject to the approval of the Minister for Finance, to cover non-domestic capital expenditure over that period. On completion of the recommendations of the Inter Departmental Working Group, Irish Water's remaining undrawn €350.0 million committed commercial debt facilities were cancelled, with Irish Water retaining only a €10.0 million banking overdraft facility for its daily banking requirements.

In October 2021, the Company entered into a new 5 year €350.0 million working capital facility with the NTMA, which was the final phase of the replacement of commercial debt facilities with State funding. Irish Water has committed to ensuring that the NTMA working capital facility remains undrawn at 31 December each calendar year, unless prior Ministerial agreement to utilise the facility is obtained.

The Company's borrowings comprise solely of facilities drawn from Government, at fixed interest rates.

	<b>31-Dec-21</b>	<b>31-Dec-20</b>
Weighted average interest rate on the Company's portfolio of outstanding borrowings	<b>0.54%</b>	0.53%
Average maturity of debt	<b>9.17 years</b>	9.91 years

## 21. Financial risk management and financial assets/liabilities (continued)

	31-Dec-21 €'000	31-Dec-20 €'000
Total borrowings (excluding lease liabilities)	(501,619)	(371,559)
Undrawn committed Government facilities	(350,000)	-
Undrawn committed bank facilities (excluding overdraft facility)	-	(350,000)
Statutory borrowing limit	(2,000,000)	(2,000,000)

### (ii) (c) Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including the undiscounted interest payment associated with borrowings and other debt.

	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1-2 years €'000	2-5 years €'000	> 5 years €'000
<b>At 31 December 2021</b>						
Borrowings and other debt	(513,631)	(539,063)	(5,551)	(6,116)	(13,995)	(513,401)
Trade and other payables	(98,253)	(98,253)	(84,639)	(13,614)	-	-
<b>Total</b>	<b>(611,884)</b>	<b>(637,316)</b>	<b>(90,190)</b>	<b>(19,730)</b>	<b>(13,995)</b>	<b>(513,401)</b>
<b>At 31 December 2020</b>						
Borrowings and other debt	(384,781)	(404,767)	(4,282)	(4,707)	(14,023)	(381,755)
Trade and other payables	(127,195)	(127,195)	(105,782)	(21,413)	-	-
<b>Total</b>	<b>(511,976)</b>	<b>(531,962)</b>	<b>(110,064)</b>	<b>(26,120)</b>	<b>(14,023)</b>	<b>(381,755)</b>

### (iii) Market risk

Market risk is the possibility that changes in market factors will adversely affect the value of the Company's financial assets, liabilities or expected future cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Treasury is responsible for managing market risk with respect to currency exchange rates and interest rates for the Company.

#### (iii) (a) Exchange rate risk

The Company is exposed to certain trade-related foreign currency risk which is not significant and therefore the impact on the Company's results is minimal.

#### (iii) (b) Interest rate risk

Interest rate risk derives from changes in interest rates which affect the market value of financial assets and liabilities of the Company and the level of finance charges. As described in the liquidity risk section of this note, as at 31 December 2021 all of the Company's borrowings are long-term and at fixed interest rates, thus the Company is no longer exposed to cash flow interest rate risk on its borrowings.

## Notes to the financial statements (continued)

### 22. Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent that it is available.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers in 2021.

The fair value of borrowings, measured at amortised cost is estimated by discounting the future cash flows to net present values using market rates prevailing at the reporting date - Fair value hierarchy: level 2. There were no financial instruments that are measured at amortised cost but for which fair value disclosures are required, classified as Level 3 either in current year or in prior year.

### 23. Equity

#### (a) Share capital

	31-Dec-21 €'000	31-Dec-20 €'000
Authorised:		
50,000,000 "A" shares at €0.01 each	500	500
50,000,000 "B" shares at €0.01 each	500	500
<b>Total</b>	<b>1,000</b>	<b>1,000</b>
	31-Dec-21 €	31-Dec-20 €
Issued, called up and fully paid:		
1 "A" share at €0.01 each	0.01	0.01
650 "B" shares at €0.01 each	6.50	6.50
<b>Total</b>	<b>6.51</b>	<b>6.51</b>
<b>Share premium</b>	<b>2021 €'000</b>	<b>2020 €'000</b>
At 1 January	(324,000)	(324,000)
At 31 December	(324,000)	(324,000)



## 23. Equity

(continued)

At 31 December 2021, Ervia held the one "A" share, the Minister for Housing, Local Government and Heritage held 325 "B" shares and the Minister for Finance held 325 "B" shares.

An "A" share gives the holder the right to exercise a vote at any general meeting of the Company. By being the sole holder of the 1 issued "A" share Ervia has full voting control. The "A" share does not confer on the holders thereof any entitlement to any participation in the profits or assets of the Company save for the return of the subscription value in the case of liquidation.

"B" shares give the holder no power of control or direction over the Company. These shares give the holder the right to be notified and attend but not vote at any general meeting of the Company. These shares do carry the right to receive whatever dividends or distributions (if any) may be determined by the Board and do convey 'Ministerial Consents' and have protective rights. In the case of liquidation after the subscription value is repaid to the A shareholder(s) the balance of the net proceeds are distributable to the holders of the "B" shares pro rata to the number of "B" shares held by each.

### (b) Capital contribution

	2021 €'000	2020 €'000
At 1 January	(2,555,466)	(2,067,466)
Cash capital contribution	(383,000)	(488,000)
<b>At 31 December</b>	<b>(2,938,466)</b>	<b>(2,555,466)</b>

During the year, the Company received a non-refundable cash capital contribution from the Government as set out above.

## 24. Related parties

Irish Water (the Company) is a designated activity company. At 31 December 2021, Ervia held 100% of the voting shares ("A" shares) in the Company, but with no economic rights attributable to that interest. The Minister for Finance and the Minister for Housing, Local Government and Heritage each held 325 Water Economic Rights ("B" shares) shares which carried no voting rights but carried all the economic rights to obtain benefit from the activities of the Company.

IFRS 10 states "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". Ervia's share ownership in the Company does not satisfy the conditions of control as required by IFRS 10, and therefore in order to comply with the requirements of IFRS, the financial statements of Irish Water are not consolidated with the results of the Ervia Group. The Company is deemed to be a related party of the Ervia Group.

## Notes to the financial statements (continued)

### 24. Related parties

(continued)

The related party balances, in respect of the transactions detailed in the relevant sections below, are as follows:

	<b>31-Dec-21</b> <b>€'000</b>	<b>31-Dec-20</b> <b>€'000</b>
Payable to Ervia Group entities	<b>(4,849)</b>	(24,444)
Payable to Local Authorities	<b>(33,014)</b>	(57,705)
Amounts due to related parties	<b>(37,863)</b>	(82,149)
Receivable from Local Authorities	<b>30,535</b>	31,535
Restricted cash balances held by Local Authorities	<b>2,193</b>	2,193
Amounts receivable from related parties	<b>32,728</b>	33,728

#### Transactions with Ervia Group

##### (a) Central transactional and support services

During 2021, Ervia provided strategic, governance, risk management, capital delivery management and transactional and support services to Irish Water and Gas Networks Ireland, through the Group Centre, Major Projects area and Business Services. The Business Services organisation is designed to provide transactional and support services in the areas of Finance, Procurement, Facilities, Insurance, Project Support, HR and IT.

#### Transactional and support services provided by Ervia Parent

<b>Business Services</b>	<b>Group</b>	<b>Other</b>
Finance services	Governance and control	Major projects
Procurement services	Financial planning	Supply chain
HR services	Risk management	
IT services	Group services	
Insurance services	Stakeholder relationships	
Project support services		
Facilities services		
Management and administration		

## 24. Related parties

(continued)

*Operating costs incurred by Ervia Parent and recharged to Irish Water and Gas Networks Ireland*

	2021 €'000	2020 €'000
Employee benefit expense	(54,042)	(56,311)
Hired and contracted services	(4,404)	(3,366)
Materials, maintenance and sub-contractor costs	(10,640)	(11,738)
Rent, rates and facilities	(622)	(695)
Other operating expenses	(11,603)	(13,686)
<b>Sub-total before recharges</b>	<b>(81,311)</b>	<b>(85,796)</b>
Recharges to non-controlled undertakings - Irish Water	49,320	52,403
Recharges to subsidiary undertakings - Gas Networks Ireland	24,796	25,993
<b>Total after recharges<sup>1</sup></b>	<b>(7,195)</b>	<b>(7,400)</b>

<sup>1</sup> Total operating costs after recharges primarily represent non-cash pension costs, which are not recharged to Ervia Group companies.

**Basis for the apportionment of Ervia Parent operating costs**

- Operating costs incurred by the Ervia Parent in the provision of services to Irish Water and Gas Networks Ireland (and its subsidiaries) are recovered on a costs recoupment basis.
- Operating costs incurred in the provision of such services are recharged to Irish Water and Gas Networks Ireland based on a cost causation basis, reflective of the underlying cost driver associated with each of the cost centres within Ervia Parent. For example, the relevant cost driver for the Finance Services - Accounts Payable cost centre has been identified as the "number of invoices processed". Therefore the costs of the Accounts Payable cost centre are recharged to Irish Water and Gas Networks Ireland based on the relative proportion of number of invoices processed.
- The identified cost drivers for each individual cost centre are reviewed annually to ensure that operating costs are recharged in line with the underlying levels of activity.
- Operating costs directly attributable to Irish Water are either charged directly to Irish Water, or are recharged in full to Irish Water.
- The overarching objective of the apportionment of operating costs is to ensure operating costs are recharged to Irish Water and Gas Networks Ireland based on a fair and transparent methodology, reflective of the underlying cost drivers.

*(b) Capital expenditure costs incurred by Ervia Group and recharged to Irish Water*

	2021 €'000	2020 €'000
Capital expenditure costs recharged by Ervia Group	(11,764)	(21,706)

The Company transacts with the Ervia Group in respect of joint utility, centrally delivered and business delivered projects including the payroll costs incurred by the Major Projects area. The directly attributable Irish Water costs are recharged on a monthly basis with no overhead or margin applied by the Ervia Group.

## Notes to the financial statements (continued)

### 24. Related parties

(continued)

#### (c) Pension costs

	2021 €'000	2020 €'000
Pension costs	(1,153)	(1,019)

As detailed in note 16, the Ervia Group operates a defined benefit pension scheme. A number of the Company's employees participate in that scheme. The scheme is accounted for as a Group Plan in accordance with IAS 19. Ervia, as the sponsoring employer for the plan, recognises the net defined benefit cost, while the Company recognises only the cost of contributions payable for the year in respect of the Company's employees. The cost of these contributions in respect of the Company's employees are included in the Company's employee benefit expense (note 4).

#### Transactions with Local Authorities

In common with many other entities, the Company deals in the normal course of business with Local Authorities. In accordance with IFRS, details of such transactions are not included here. However, the Company has disclosed detail in respect of the following significant transactions with Local Authorities.

#### (a) Service level agreement

	2021 €'000	2020 €'000
Operating expenditure (payroll, functional support overheads)	(219,854)	(220,511)
Operating expenditure (general overheads)	(3,103)	(2,870)
Capital expenditure	(53,824)	(48,230)
Procurement recharges	(27,742)	(27,523)
	(304,523)	(299,134)

A service level agreement between the Company and each Local Authority was signed on the basis that the Company would own the water assets from 1 January 2014. The service level agreement between the Company and each individual Local Authority is an outsourcing agreement for up to a 12 year period.

Each Local Authority continues to operate and maintain the water assets on behalf of the Company in return for the agreed fees set out in the service level agreement. Performance targets and service levels are agreed in an Annual Service Plan between each Local Authority and the Company in accordance with the service level agreement.

A Licence to use the water assets was granted by each Local Authority to the Company as part of the service level agreement in place between the Company and each Local Authority. The Licence is a 12 month mutual licence enabling both the Company and the Local Authorities to carry out their contractual and statutory functions as if a statutory transfer of the water assets had taken place as anticipated (the "Licence"). In return for the Licence, the Company gave the Local Authorities an indemnity for any loss suffered by the Local Authorities as a result of their continuing to legally own the assets. The Licence relates to physical assets (e.g. pipelines, plant and equipment) and does not relate to contracts or entitlements (irrespective of whether they are attaching to such assets). The Licence has been extended by the agreement of both parties until 31 December 2022.

## 24. Related Parties

(continued)

### (b) Working capital arrangements

The Company has provided the Local Authorities with working capital advances to cover payments which are made by the Local Authorities each month and subsequently recharged to the Company under the service level agreement at (a) above. Such payments are in respect of salaries, central management charges and a limited amount of goods and services.

### (c) Asset acquisition

The water and wastewater infrastructure assets transferred from the Local Authorities to the Company on 1 January 2014. No consideration was paid by the Company for the assets acquired. The Local Authorities were compensated for certain financial assets (including receivables) or charged for certain financial liabilities transferred. Balances outstanding in respect of this transaction are included in the table above.

### Transactions with Government

In common with many other entities, the Company deals in the normal course of business with the Government. In accordance with IFRS, details of such transactions are not included here. However, the Company has disclosed detail in respect of the following significant transactions with the Government.

		2021 €'000	2020 €'000
Government subvention income	2	893,000	815,000
Capital contribution	23	383,000	488,000
Grant income received - domestic water customer refund programme	14	59	189

As described in the Finance Review and note 21, all of the Company's borrowings as at 31 December 2021 are drawn from State loan facilities, provided by the Minister for Finance. The Company also has a working capital facility with the NTMA, which was undrawn at year end.

### Government bodies

In common with many other entities, the Company deals in the normal course of business with other Government sponsored bodies, such as, the Electricity Supply Board, the Health Service Executive and with certain Irish banks which are partially owned by the Irish Government. All transactions are on normal commercial terms. The Company had no material concentration of borrowings or deposits with any such banks during the year, at the reporting date, or for the comparative period end.

### Key management compensation

Key management consists of the Ervia Board, the Ervia CEO and his direct reports. Key management compensation costs are apportioned to the Company and other entities within the Ervia Group based on services provided.

	2021 €'000	2020 €'000
Short-term employee benefits	(1,115)	(1,116)
Post-employment benefits	(107)	(103)
Total	(1,222)	(1,219)

### Directors

The directors had no beneficial interests in the Company at any time during the year or at the reporting date.

## Notes to the financial statements (continued)

### 25. Companies Act payroll disclosures

Employees of Ervia, Gas Networks Ireland and Irish Water are redeployed within the organisation. In accordance with IAS 19, the related payroll and other employee benefit costs of these individuals are reported and disclosed by the entity where the employees services are rendered (note 4).

However Section 317 of the Companies Act 2014, requires disclosure in the entity's financial statements of employee numbers and payroll costs in respect of where the contract of employment exists rather than where services are rendered (being the IAS 19 requirement). The employee benefit disclosures for Irish Water, as required by the Companies Act, are set out below.

#### (i) Aggregate employee benefits

	2021 €'000	2020 €'000
Staff short-term benefits	(65,959)	(65,861)
Retirement benefit costs	(10,428)	(9,481)
Social insurance costs	(7,027)	(7,012)
	<b>(83,414)</b>	(82,354)
Capitalised payroll	21,265	20,324
<b>Employee benefit expense charged to the income statement</b>	<b>(62,148)</b>	<b>(62,030)</b>

#### (ii) Staff short-term benefits

	2021 €'000	2020 €'000
Wages and salaries	(63,111)	(63,322)
Overtime	(59)	(62)
Allowances	(1,357)	(1,104)
Other <sup>1</sup>	(1,431)	(1,373)
<b>Total</b>	<b>(65,958)</b>	<b>(65,861)</b>

<sup>1</sup> Other short-term employee benefits primarily include permanent life insurance benefits and taxable travel allowances.

## 26. Subsequent events

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There have been no events between the reporting date and the date on which the financial statements were approved by the Directors, which would require adjustment to these financial statements or any additional disclosures.

As described in the Chairman's Statement and the Chief Executive Officer Review, we are closely monitoring the developing situation arising from the conflict between Russia and Ukraine and are assessing the potential impacts for our operations as the situation continues to evolve. This is a non-adjusting event for these financial statements.

## 27. Approval of financial statements

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The Directors approved the financial statements on 28th March 2022.

## Directors and other information

<b>Directors</b>	Cathal Marley ( <i>Chairman</i> )	
	Eamon Gallen	
	Niall Gleeson	
	Yvonne Harris	
	Brendan Murphy	
	Maria O'Dwyer	
	Dawn O'Driscoll	
<b>Secretary</b>	Liam O'Riordan	
<b>Registered Office</b>	Colvill House 24/26 Talbot Street Dublin 1	
<b>Solicitors</b>	<b>McCann Fitzgerald</b>	<b>A &amp; L Goodbody</b>
	Riverside One Sir John Rogerson's Quay Dublin 2	IFSC North Wall Quay Dublin 1
<b>Bankers</b>	<b>Allied Irish Bank</b> 40–41 Westmoreland Street Dublin 2	
<b>Auditor</b>	<b>Deloitte Ireland LLP</b> Chartered Accountants & Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2	
<b>Company Number</b>	530363	







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