

ANNUAL REPORT

2016



MALTA RESOURCES AUTHORITY

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THE AUTHORITY

CHAIRMAN

Mr. Mario J Azzopardi

BA (Hons.), MA (Fin.Ser.), B.Com., FIA, IIA, CPAA

MEMBERS

Dr. Simon Schembri B.A.

(Legal & Hum. Studies), LL.D., TEP

Prof. Manfred Weissenbacher

Dipl. Ing. Dr. techn. M.B.A.

Ing. Paul Fenech

B.Mech.Eng. (Hons.), EU Ing (FEANI) M.B.A. (Henley)

Mr. Frederick Cutajar

SECRETARY

Dr. Claudio Zammit B.A. LL.D. M. Jur (EU. Law)

CHIEF EXECUTIVE OFFICER

Ing. Anthony Rizzo B.Mech. Eng. (Hons.)

CHIEF EXECUTIVE OFFICER'S INTRODUCTION

This report provides an overview of the activities of the Malta Resources Authority for the period 1st January 2016 to the 31st December 2016 presented in accordance with the requirements of the MRA Act Chap. 423 Articles 18(1) and 24.

Throughout 2016 the Authority continued to invest its energy to build and strengthen its roles, particularly as the competent authority and national registry administrator under the European Community Gas Emissions Trading Scheme Regulations and as the competent inventory agency with respect to the National System for the Estimation of Anthropogenic Greenhouse Gas Emissions by Sources and Removals by Sinks, together with the regulatory functions related to quarry operations, the metering of boreholes and the drilling of seawells and geological boreholes. Staff of the Authority were also actively involved in the preparations for Malta's Presidency of the Council of the European Union.

During 2016 personnel from the Authority provided management consultancy services to the Bermuda Regulatory Authority to set-up the electricity regulatory management system.

Regulatory

Quarries

The Authority continued to issue quarry operators with an operating license in accordance with the Police Licenses Regulations (SL128.10) Article 95. During 2016 it issued 59 authorisations. 4 Quarries were declared and certified as non-operative and or exhausted. No new licenses were issued in 2016.

The Authority also issued the clearance for the use of explosives in Hardstone Quarries.

Boreholes

It also issued 6 authorisations for the drilling of seawells, 10 replacement boreholes and 14 authorisations for geological Boreholes in accordance the Borehole drilling and excavation works within the saturated zone Regulations – SL423.32

With the aim of providing a better service the Authority “overhauled” the available data on groundwater sources and quarries. All ground water documents were scanned and entered into a database to ensure easy retrieval of information. In the case of the quarries database original MEPA permits boundaries were included in the data base.

During 2016 the Authority continued to investigate and take enforcement action on reported illegalities in one particular case the

Police authorities were asked to assist the Authority in its investigations. As a result of the enforcement carried out the Authority issued three Administrative fines totalling four thousand five hundred euros.

The European Community Gas Emissions Trading Scheme

Throughout 2016 the Authority continued to administer the EU ETS as competent authority and as the national registry administrator.

The EU ETS covers stationary industrial installations and aircraft operators. In respect of stationary installations, the coverage of the EU ETS in Malta during 2016 included the two power generation plants at Marsa and Delimara, with preparations in hand to include two additional electricity generation installations situated in Delimara in early 2017.

In the case of aviation activities, a number of major operators based in Malta fall within the administrative responsibility of MRA for EU ETS purposes. It is worth noting that although the General Assembly of the International Civil Aviation Organisation finally reached an agreement on a Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), this agreement did not have an immediate impact on the Authority's work with regards to implementation of the EU ETS.

The GHG National Inventory Agency

From a national GHG Inventory perspective, 2016 can be considered a year of review as two major reviews of Malta's inventory submissions took place during the course of this year. The European Environment Agency performed a comprehensive review of Malta's inventory submission to the European Union, in accordance with requirements of the EU's Effort-sharing Decision, which review included a two-day mission to Malta. The second review was Malta's first ever in-country review of its inventory under the rules of the UNFCCC and the Kyoto Protocol carried out by an international team of six experts who visited Malta and reviewed all aspects of Malta's national inventory system and inventory submission.

The two reviews showed that the Authority's efforts to develop its capacity to prepare national GHG inventory submissions are on the right track. The reviews also recommended a number of improvements, including the setting up of a documented quality management system.

Management Services

During the first two months of 2016 the Authority provided management consultancy services to the Bermuda Regulatory Authority. The Bermuda Regulatory Authority was originally set-up to regulate the communications sector however in late 2015, the Bermudian Government issued a draft Electricity Act giving the Bermuda Regulatory Authority the added responsibility to regulate the supply and provision of electricity. Following an extensive review of the draft electricity act and a visit to Bermuda where representatives of the Authority held meetings with key stakeholders. A final report containing recommendations was transmitted to the Bermuda Regulatory Authority Board of Commissioners.

Budgetary Control

Following the establishment of the Regulator for Energy and Water Services (REWS), the

Consultancy

Authority's income was severely curtailed due to the transfer of the regulatory responsibility to REWS. However the Regulator agreed that, for 2016, it would provide the necessary funds to cover the expenditure gap of the Authority. Notwithstanding the Authority followed strict budgetary control and it sought to identify additional revenue sources, like the provision of management consultancy services, to ensure that its expenditure did not exceed the budget estimates. In fact, at the end of 2016, the Authority registered a surplus of fifty two thousand euros.

In addition, an internal audit programme was initiated and is being followed to monitor compliance with set policies and procedures.

Appreciation

Finally, I would like to thank the Members of the Authority and the employees for their support and commitment during 2016.

My gratitude also goes to the Chairman, Mr Mario Azzopardi for his advice and guidance throughout the year.



CORPORATE MATTERS

Litigation

During the course of 2016, one appeal was decided in the Authority's favour confirming the decision of the Authority ordering the closure of a domestic groundwater borehole.

No new court cases and or appeals were filed against the Authority during 2016

Internal Control

Through due attention to budgeting and expenditure, the Authority maintained a stable financial base during the period under consideration. The Authority continued to focus on ensuring that all dues are collected in a timely manner.

Human Resources

The Authority recruited two additional persons during 2016 to its staff complement, one of which left during the probation period. At the end of December 2016, the total number of MRA employees was 10. The total number of sick leave availed of by MRA employees was 42 days.

During the year, the Authority provided training to one ICT student under the MITA student placement program and one University of Malta summer worker.

ICT

During the last 4 months of 2015 and 2016, an ICT system that was totally independent structure had to be developed.

This activity included:

- Updating of www.mra.org.mt website;
- Network design and installation at new MRA offices including cabling, installation of firewall, switches and router;
- Relocation of video conferencing facilities from the Regulator for Energy and Water Services to MRA;
- Setting up of email and collaboration facilities for staff;
- Installation of physical server and virtual servers (domain controller, file server and application server);
- Installation of MSSQL servers to handle groundwater source database and registry database, plus a number of test databases;
- Procurement of laptops, office software and security certificates for climate change staff;
- Creation of domain for the 'new' MRA;
- Installation of PBX and SIP telephony system including telephony services of laptops for use when staff is abroad;

- Provision of VPN service for off-site operation;
- Creation of new front ends and separation of databases for the MRA registry systems;
- Scanning of all groundwater source files for sources registered in 1997 and 2008;

- Participation in Inspire directive implementation;

The Authority also offered IT Service assistance to the Regulator for Energy and Water Services in the development and running of the National Grant Schemes Databases.



REGULATION

Inspire Directive

During 2016 the Authority collaborated with MITA to upload geo-referenced data related to quarries. Since the MRA does not have the necessary infrastructure to host spatial datasets files on the web server and make them available to the general public, the data is provided through the Malta Spatial Data Infrastructure, a portal that offers web services to the general public, public service and public sector organisations.

The uploading of Spatial data is one of the requirements of the Inspire Directive, formally known as European Directive 2007/2/EC. The Directive establishes an Infrastructure for Spatial Information in the European Union. The intention of INSPIRE is to create a European Union (EU) spatial data infrastructure (SDI) that facilitates the sharing of environmental spatial information across public sector organisations (at a national and international level) and improves public access to spatial information across Europe.

At this point, only point data regarding quarries duly holding a trading licence by the MRA was uploaded. Additional information, including

data on groundwater sources, will be uploaded once more information is available and verified.



Consultation Requests from the Environment and Resources Authority

The Malta Resources Authority continued to give regular consultation services on various permit applications received by the Planning authority and the Environment and Resources Authority (ERA). These permits include both development permits and operational Environmental Permits. The latter include consultations on the Integrated Pollution Prevention and Control (IPPC) Permits. Consultation mainly concerns issues of groundwater protection and the focus was on requests for developments in areas Outside Development Zones and developments which could give rise to environmental pollution especially with regards to groundwater or developments in disused quarries.

The MRA gave feedback in so far as possible within the limits of its remit under the MRA Act.

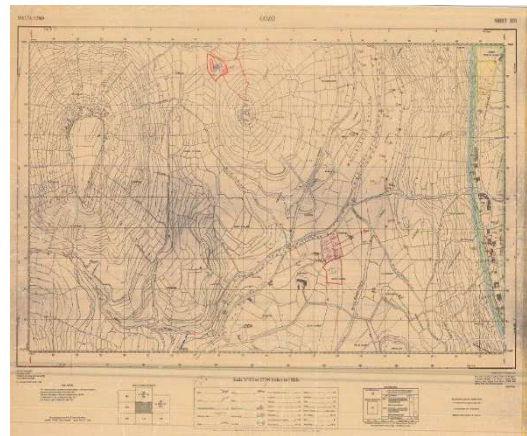
Groundwater Sources Database

During 2016, the Authority started a process of overhauling the data held for groundwater sources.

1. All hard copies of files that were handed over to MRA by WSC were scanned and referenced. This eliminated the need to search a file manually whenever there was a query on a borehole by a member of the public.
2. The access database was re-written. Facilities to map and lookup files were added. The backend was transferred to robust SQL server from Microsoft access. After quality control checks a large amount of data and information located in separate excel sheets were integrated into the database,.
3. The Authority scanned all the pre-1988 “water board” maps. Presently these maps are being geo-referenced. The exercise requires substantial manual intervention. The objective of the exercise is to avoid the need to handle the maps (dating from 1958) manually

whenever a query on old ‘spieri’, in line with the ‘Notification of groundwater sources regulations’ is made by a member of the public.

4. The Authority has registered all WSC sources as originally handed over to the Authority and accepted by the review board as validly registered. The data handed over is being validated and verified against the current status of the sources.



5. Around 300 sources registered (mainly in 1997) did not have a location identified in terms of eastings and northings, or the location geocoded was not correct (e.g. the northings and eastings were transposed). The reason behind such an occurrence was that no site plans were provided or those provided were unclear. The process for either de-registering (on the grounds that the information provided was not complete) or geocoding these sources

(after confirming the site with the user and other location information submitted at the time of registration) is ongoing.

6. 400 registered sources either do not have correct depth information or have missing depth information. This information is necessary particularly for sources located above perched aquifers, as this determines which aquifer is being tapped by the sources. The data is being requested as an ongoing exercise.

7. The Authority has started the process of geo-enabling the database with all the sources and a process of linking the sources to the aquifer. It was found that this process requires substantial manual intervention. A separate but similar process will establish which sources are located in houses on the perched aquifer. These are two conditions necessary for determining which sources are to be metered.

8. The database did not contain information on the use of the spier, either at the point of registration or later. The 'change of user form' was amended to capture this data every

time a new user is registered. The original WSC and MRA excel data capture sheets and will be capturing this data, together with additional information received by the Authority during a data collection exercise undertaken in 2015.

9. The Authority is also following up with the WSC the process of the metering exercise started in compliance with the 'Metering of groundwater sources regulations' in 2010.

Inspections and Enforcement

During 2016 the Authority continued to take enforcement action as was considered necessary following cases of non-compliance.



These cases were brought to the attention of the Authority by the public. In all cases where an alleged illegal drilling activity was taking place, officers from the Authority were present on site within two hours.

The Authority also received reports of abstraction from illegal sources. These reports were first checked against the MRA records of notified sources followed up with an on-site inspection. MRA officials requested the assistance of the Police Force in one investigation.

During the year, the Authority's officers also attended several Court sittings related mainly to enforcement duties in connection with groundwater abstraction, drilling and quarry licensing. Officers also attended sittings of the Administrative Review Tribunal. Officers were called to testify in two civil cases.



Renewals, Permits and Notifications

TABLE 1: RENEWALS

Renewals Quarries	New	Renewal	Transfers
Hardstone	Nil	25	Nil
Softstone	Nil	34	Nil

TABLE 2: ONE TIME REGISTRATIONS OR NOTIFICATIONS

Registrations / Notifications	
Registration of users of groundwater sources	24
Notification of a Groundwater Source	1

TABLE 3: PERMITS

Permits	Requested	Accepted	Refused	Pending
Application for the exportation of stone products	Nil	Nil	Nil	Nil
Application for the closure, sealing and decommissioning of a groundwater source	Nil	Nil	Nil	Nil
Sea-wells	6	6	Nil	Nil
Cleaning of boreholes and replacement boreholes	10	10	Nil	Nil
Geological investigations	14	14	Nil	Nil

INTERNATIONAL COOPERATION

Consultancy Service to the Regulatory Authority of Bermuda

In December of 2015, the Government of Bermuda tabled a draft Electricity Act in the House of Assembly. The draft Act allocated the responsibility for electricity regulation to the RAB. The RAB was to take on this responsibility together with the existing responsibility for the Communications Sector.

Officers of the MRA reviewed the draft Electricity Act 2016, the National Electricity Sector Policy of Bermuda, and proposed options for an organisational and administrative structure for the RAB that was consistent with the proposed *Electricity Act* and international practice, and that allowed the RAB to apply the principles and concepts behind the regulation of an electrical utility in the specific Bermuda context.

The final report set out a number of alternatives and recommendations that the RAB could adopt to fulfill its obligations under the Electricity Act 2016. It also proposed a number of key changes to the governance and organisational structure to ensure that the RAB can meet its institutional and regulatory goals as laid down in the Regulatory Act 2011 and the Electricity Act 2016. The report, intended as a guide, proposed that the RAB formulates and implements a

short-term strategy to take on the additional responsibility of electricity regulation together with taking up its official advisory role in the legislative process within its competence and to the continuous development of Bermuda's energy policy. The Electricity Act 2016 can into force in October 2016.

Other Consultancy Service bids

The MRA also submitted a bid to the Authority for Electricity Regulation (AER) of Oman following a call for the drafting of standards and rules for the connection of rooftop solar PV systems giving due consideration to the general requirements of the Oman Electrical Standards. The scope of works included the recommendation and drafting of technical standard and rules allowing the connection of rooftop solar PV systems to the distribution LV network; proposals for new procedures to follow in order to properly assess and approve rooftop solar connection applications and ensure their compliance with the standards that are being developed by Distribution companies; and advise on the minimum requirements (experience/ competency & training) for rooftop solar PV systems designers and installers. Unfortunately, the bid was not accepted by the AER.

CLIMATE CHANGE

2016 has been another year of intense activity for the Climate Change Unit of the Malta Resources Authority in practically all areas under its responsibility. Of particular importance are events that will have a strong impact on the future work of the Unit in the short, medium and longer-term.

Much of what the Malta Resources Authority does in respect of climate change is influenced by developments at international, European Union (EU) and national level. While the adoption of the Paris Agreement in late 2015 signalled the start of technical discussions at international level to implement that agreement, the fulfilment of reporting obligations under the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol continued. This is particularly the case with respect to the reporting obligations, where Malta was, in the course of 2016, also subject to its first ever in-country review of its national greenhouse gas inventory.

At European level, the adoption by the European Commission of two new proposals continues the legislative implementation of the 2030 Climate and Energy Framework approved by Heads of Government of the European Union Member States at the European Council of October 2014. Meanwhile, preparations for

Malta's Presidency of the Council of the European Union continued apace.



Fulfilling reporting obligations

In fulfilment of its role as national Inventory Agency, MRA, through its Climate Change Unit, prepared the 2016 submission of Malta's national inventory of anthropogenic greenhouse gas emissions and removals, and started work on the 2017 submission.

Two reviews of Malta's inventory were the highlight of 2016 reporting activities of the Climate Change Unit. The first review was performed in accordance with requirements of the EU's Effort-sharing Decision, in order to determine Malta's compliance status under that decision in respect of 2013 and 2014 emission limitation targets for emissions not covered by the EU's emissions trading system. This review, which also included a two-day mission to Malta, was carried out under the auspices of the European Environment Agency. Inventory

compilers of the Climate Change Unit were actively involved in providing the necessary feedback to the expert reviewers. The second review was Malta's first ever in-country review of its inventory under the rules of the UNFCCC and the Kyoto Protocol. A team of six experts from countries across the globe coordinated by two officials from the UNFCCC Secretariat spent a week in Malta going through all aspects of Malta's national inventory system and inventory submission. This review again required inventory compilers from the Climate Change Unit to participate in discussions with the reviewing experts.



The two reviews show that Malta's efforts to develop its national system for reporting of national inventories are headed in the right direction and bearing fruit. The UNFCCC in-country review in particular does however highlight a number of areas where improvements are required, both in terms of process and content. To this effect, the findings from this review form the basis for significant improvements being undertaken by the MRA for future inventory submissions, including updating of methodological approaches and the

formulation and documentation of a comprehensive quality management system for the Climate Change Unit.

Continuing policy-making at European Union level

The implementation of decisions taken by Heads of Government at the October 2014 European Council on a 2030 Climate and Energy Framework was further boosted by the adoption, by the European Commission, of two new legislative proposals in the middle of 2016. These were a proposal for a regulation on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 (so called Effort-sharing Regulation) and a proposal for a regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 Climate and Energy Framework (so called LULUCF Regulation). Together with the proposal adopted in 2015 for a directive amending Directive 2003/87/EC (so-called EU Emissions Trading Scheme, EU-ETS, Directive) to enhance cost effective emissions reductions and low-carbon investments, the proposals adopted in 2016 continue to ensure that EU climate policy covers as many greenhouse gas emitting sources as possible.

Negotiations between Member States on the new proposals at the level of Working Party for the Environment started in earnest in the

course of the second half of 2016, under the stewardship of the Slovak Presidency, in parallel with the continuing discussions on the proposal to amend the EU ETS Directive. The Climate Change Unit provided technical support to the Maltese Government in preparing Malta's position on these dossiers. The Unit's work on these dossiers during 2016 will also prepare the groundwork for the role that officers from the Unit will be undertaking in 2017 as part of Malta's Presidency of the Council of the EU.

Preparation for Malta's Presidency of the Council of the European Union

2017 is the year of Malta's Presidency of the Council of the European Union. The first half of 2017 provides Malta with the opportunity to lead discussions on important climate policy at European Union level, not least through its role



as broker of negotiations among the EU Member States at Council, and as lead negotiator on behalf of the Council with the other EU institutions, namely the European

Parliament and the Council, on the three legislative dossiers already mentioned.

In this respect, officers from the Climate Change Unit will serve as deputy chairs of sessions of the Working Party for the Environment working on the proposal to amend the EU ETS Directive, the proposal for an Effort-sharing Regulation and the proposal for a LULUCF Regulation. Other staff from the Unit will be providing technical backup support to the Presidency teams working on these dossiers.

In order to prepare for the mentioned Presidency roles, officers of the Climate Change Unit participated in training provided specifically for Malta's Presidency term. A number of training events were attended, providing both theoretical and practical sharing of experience on all aspects of a Presidency of the Council of the EU. Furthermore, Climate Change Unit staff attended several Working Party sessions to follow the ongoing deliberations on the respective proposals and to gain first-hand insight into how these meetings function. Such participation took place in coordination with the officials from Malta's Permanent Representation to the European Union who will be leading Malta's work as chair of the Working Party for the Environment sessions.

Implementing the EU Emissions Trading Scheme

2016 was another year of routine implementation of the EU ETS by the Malta Resources Authority in fulfilment of its roles as Malta's competent authority for the scheme and as national administrator of the Union registry. This applies both for stationary installations and aircraft operators.

While coverage of the scheme in respect of stationary installations remained in terms of two installations (Marsa Power Station and Delimara Power Station) for 2016, preparations are in hand to provide for the new set up of three independent generating installations to be located at Delimara, including the issuance of the necessary updated or new permits, approval of monitoring plans and fulfilment of compliance obligations by the operators of the respective installations.

The aviation sector saw an important agreement being reached at the 2016 General Assembly of the International Civil Aviation Organisation on a Carbon Offsetting and

Reduction Scheme for International Aviation (CORSIA) as a global market-based measure to complement a broader basket of measures to achieve the global aspirational goal of carbon-neutral growth of international aviation from 2020 onwards. This agreement did not have an immediate impact on the MRA's work in relation to implementation of the EU ETS in respect of aviation for 2016; a legislative response is however anticipated to take place at EU level during the course of 2017. The Commission should be adopting a proposal on whether to continue the implementation of the EU ETS Directive in respect of aviation for the period up to 2020, as an interim measure before the implementation of CORSIA by EU Member States once the pilot phase commences in 2021, in the first weeks of 2017. The Commission proposal is expected to be another dossier where the Climate Change Unit will be providing support during 2017, not least in providing support during negotiations on the dossier, including as part of Malta's Presidency term.



FINANCIAL ESTIMATES 2017

	2016 Actual	2017 Estimate
	€	€
Income	544,752	616,340
Net Direct Expenditure	15,256	31,800
Staff Costs	390,178	480,820
Other Administrative Expenses	80,671	97,865
Depreciation	6,375	5,426
Finance Income	0	0
Surplus before tax	52,272	429

MALTA RESOURCES AUTHORITY

**Annual Report and Financial Statements
31 December 2016**

MALTA RESOURCES AUTHORITY
Annual Report and Financial Statements - 31 December 2016

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Authority board report

The members of the Authority board present their report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The Malta Resources Authority (MRA) is a public corporate body with regulatory responsibilities relating to water, energy and mineral resources in the Maltese Islands. It was set up by the Maltese Parliament through the Malta Resources Authority Act, Chapter 423. The MRA has a wide range of responsibilities essentially involving regulation of water and energy utilities, quarry operations, the protection of groundwater, the regulation of retailers, operations and tradesmen in the regulated sectors.

As from 1 August 2015, all activities, other than regulated mineral resources, were taken over by the newly formed Regulator for Energy and Water Services (REWS) by virtue of Act No. XXV of 2015.

Review of the operations

During the year under review the Authority received revenues from licenses and contributions of €301,624 (2015: €1,526,388) and €243,129 (2015: €181,000) as a subvention from the Regulator for Energy and Water Services to cover its operational costs. These revenues are generated in support of the Authority's regulatory responsibilities. The Authority registered a surplus for the year of €52,681 (2015: €310,977) after a tax credit of €409 (2015: expense of €138,861) and administrative costs of €477,225 (2015: €1,106,181).

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services (REWS). No contribution was paid to the authority for such a transfer, and so the Board deems this transfer as a distribution of net assets amounting to €1,941,906 to the newly formed Regulator.

Results and surplus funds

The statement of comprehensive income is set out on page 8. The surplus for the year amounted to €52,681 (2015: €310,977). During 2015, by virtue of Act No. XXV of 2015, Article 42, the Authority's net assets as at 31 July 2015, amounting to €1,941,906, were distributed to the newly formed Regulator for Energy and Water Services. Shortfalls will be financed in future periods by the new Regulator.

Authority board report - continued

Board members

The board members of the Authority who held office during the year were:

Mr. Mario J. Azzopardi (Chairman)
Professor Manfred Weissenbacher
Dr. Simon Schembri
Ing. Paul Fenech
Mr. Frederick Cutajar

Statement of board members' responsibilities

In preparing the financial statements the board members are responsible for;

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

The board members are also responsible for designing, implementing and maintaining internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Resources Authority Act. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

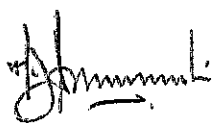
The financial statements of the Authority for the year ended 31 December 2016 are included in the Annual Report 2016, which is published in hard-copy printed form and may be made available on the Authority's website. The board members are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Authority board report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed.

On behalf of the board



Mario J. Azzopardi
Chairman



Ing. Anthony Rizzo
Chief Executive Officer

Registered office
Malta Resources Authority
Millennia, 2nd Floor
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Marsa MRS 9065
Malta

21 February 2017



Independent auditor's report

To the Stakeholders of the Malta Resources Authority

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Malta Resources Authority's financial statements give a true and fair view of the authority's financial position as at 31 December 2016, and of the authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Malta Resources Authority Act.

What we have audited

The Malta Resources Authority's financial statements, set out on pages 7 to 26, comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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



Other information

The board members are responsible for the other information. The other information comprises the annual report and board's report, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the annual report and board's report.

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

With respect to the annual report and board's report, we also considered whether the annual report and board's report include the disclosures required by the Malta Resources Authority Act.

Based on the work we have performed, in our opinion:

- The information given in the annual report and board's report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- the annual report and board's report have been prepared in accordance with the Malta Resources Authority Act.

In addition, in light of the knowledge and understanding of the authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report and board's report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the board members for the financial statements

The board members are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Malta Resources Authority Act, and for such internal control as the board members 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 board members are responsible for assessing the authority'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 board members either intend to liquidate the authority or to cease operations, or has 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgement 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 authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the board members' 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 authority'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 our auditor's report. However, future events or conditions may cause the authority 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 we identify during our audit.

PricewaterhouseCoopers

78, Mill Street
Q69mi
Malta


Stefan Bonello
Partner
21 February 2017

Statement of financial position

		As at 31 December	
	Notes	2016 €	2015 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	14,248	2,751
Total non-current assets		14,248	2,751
Current assets			
Trade and other receivables	5	4,490	52,428
Current tax asset		99,396	-
Cash and cash equivalents	6	92,244	896
Total current assets		196,130	53,324
Total assets		210,378	56,075
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus/loss	7	29,065	(272,420)
Total equity		29,065	(272,420)
Current liabilities			
Trade and other payables	8	157,906	294,467
Current tax liabilities		23,407	34,028
Total liabilities		181,313	328,495
Total equity and liabilities		210,378	56,075

The notes on pages 11 to 26 are an integral part of these financial statements.

The financial statements on pages 7 to 26 were authorised for issue by the board members on 21 February 2017 and were signed on its behalf by:



Mario J. Azzopardi
Chairman



Ing. Anthony Rizzo
Chief Executive Officer

Statement of comprehensive income

		Year ended 31 December	
	Notes	2016 €	2015 €
Revenue	10	301,624	1,526,388
Subvention from new Regulator	10	243,129	181,000
Excess expenditure over funds received	11	-	(11,431)
Direct expenditure	12	(15,256)	(144,722)
Administrative expenses	12	(477,225)	(1,106,181)
Operating surplus		52,272	445,054
Finance income	15	-	4,784
Surplus before tax		52,272	449,838
Tax credit/(expense)	16	409	(138,861)
Surplus for the year - total comprehensive income		52,681	310,977

The notes on pages 11 to 26 are an integral part of these financial statements.

Statement of changes in equity

	Note	Accumulated surplus/loss €
Balance at 1 January 2015		1,358,509
Comprehensive income		
Surplus for the year		310,977
Distribution of reserves upon enactment of new regulator and transfer of related activities	7	(1,941,906)
Balance at 31 December 2015		(272,420)
Comprehensive income		
Surplus for the year		52,681
Adjustment to the distribution of reserves upon enactment of new regulator and transfer of related activities	7	248,804
Balance at 31 December 2016		29,065

The notes on pages 11 to 26 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December	
	Notes	2016 €	2015 €
Cash flows generated from operating activities			
Cash generated from operations	17	109,220	936,327
Interest received		-	4,784
Income tax paid		-	(348,199)
Net cash generated from operating activities		109,220	592,912
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(17,872)	(8,023)
Net cash used in investing activities		(17,872)	(8,023)
Net movement in cash and cash equivalents		91,348	584,889
Cash transfer to Regulator for Energy and Water Services	9	-	(3,988,142)
Excess funds reimbursed back to Government of Malta	11	-	(1,500,000)
Cash and cash equivalents at beginning of year		896	4,904,149
Cash and cash equivalents at end of year	6	92,244	896

The notes on pages 11 to 26 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Malta Resources Authority Act. They have been prepared under the historical cost.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the board members to exercise judgement in the process of applying the Authority's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Authority's accounting policies.

Standards, interpretations and amendments to published standards effective in 2016

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the authority's accounting periods beginning after 1 January 2016. The authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Board is of the opinion that, with the exception of IFRS 9, 'Financial instruments', there are no requirements that will have a possible significant impact on the authority's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains or losses are presented in the income statement.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Items of property plant and equipment comprise leasehold improvements, computer equipment, computer software, motor vehicles, and furniture, fixtures and other equipment and are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Leasehold improvements	10
Computer equipment	30
Computer software	30
Motor vehicles	20
Furniture, fixtures and other equipment	10 - 30
Assets held under finance lease	over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.4 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1. Summary of significant accounting policies - continued

1.5 Financial assets

1.5.1 Classification

The Authority classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Note 1.6 and 1.7).

1.5.2 Recognition and measurement

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

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

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

1.5.3 Impairment

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Authority first assesses whether objective evidence of impairment exists. The criteria that the Authority uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.3 Impairment - continued

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.6 Trade and other receivables

Trade receivables generally comprise amounts due from utility organisations and other operators. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call together with short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

1.8 Reserves

The reserve fund includes all current and prior period retained surpluses and deficits.

1.9 Financial liabilities

The authority recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The authority's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The authority derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.10 Trade and other payables

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

Other payables include amounts related to committed and approved grants allocated to the Authority by the EU and the Government of Malta with respect to the renewable energy rebate schemes administrated by the Authority.

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

1.11 Current and deferred tax

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

1.12 Provisions

Provisions for legal claims are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

1. Summary of significant accounting policies - continued

1.13 Revenue recognition

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for the Authority's activities has been met.

- (i) Income from licences and contributions from utility organisations is recognised on an accrual basis.
- (ii) Interest income from investments is reported in an accrual basis using the effective interest method.

Income derived from grants allocated to the Authority by the EU and the Government of Malta with respect to the renewable energy rebate schemes is recognised over the periods necessary to match with related refunds paid to eligible scheme applicants.

1.14 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service rendered.

1.15 Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Authority is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See note 1.3 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to the income statements, within 'finance cost' over the period of the lease.

1.16 Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

1.17 Borrowing costs

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

2. Financial risk management

2.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Authority's risk management is coordinated by the board members and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets.

The Authority does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks that the Authority is exposed to are described below.

(a) Cash flow and fair value interest rate risk

The Authority has no significant interest-bearing assets and liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates. Notwithstanding this, the Authority has short-term bank deposits with an average maturity date of three months from the end of the reporting period (Note 6).

(b) Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Authority's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2016	2015
	€	€
Trade and other receivables (Note 5)	-	52,428
Cash and cash equivalents (Note 6)	92,244	896
	92,244	53,324

The Authority monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Authority's receivables, taking into account historical experience.

The Authority's receivables, which are not impaired financial assets, are principally in respect of transactions with operators for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Authority's financial assets is secured by collateral.

As at 31 December 2016, no trade receivables were impaired (2015: €Nil), and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Authority does not hold any collateral as security in respect of the impaired assets.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 9). Prudent liquidity risk management includes maintaining sufficient cash reserves to ensure the availability of an adequate amount of funding to meet the Authority's obligations.

The Authority monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Authority's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments and commitments.

2.2 Capital risk management

The Authority's equity, which constitutes its capital base, as disclosed in the statement of financial position. The Authority's objectives when managing capital are to safeguard the respective entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In view of the fact that the Authority's net assets as at 31 July 2015 were transferred to the newly formatted Regulator, by virtue of Act No. XXV of 2015, the equity of the Authority as at 31 December 2016 resulted in a negative net liability position. This shortfall will be financed in future periods by the Regulator for Energy and Water Services.

Furthermore, in accordance with section 14(3) of the provisions of the Malta Resources Authority Act, the Authority shall be paid by the Government of Malta out of the Consolidated Fund such sums as Parliament may from time to time authorise to be appropriated to meet any of its expenditure that cannot be met out of its revenue and the costs of specified works to be continued or otherwise carried out by the Authority, being works of infrastructure or a similar capital nature.

3. Critical accounting estimates and judgements

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

In the opinion of the board members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment

	Leaseholds improvements €	Motor vehicles €	Furniture, fixtures and other equipment €	Assets held under finance lease €	Total €
At 1 January 2015					
Cost or valuation	18,981	81,185	371,739	287,508	759,413
Accumulated depreciation	(18,981)	(67,521)	(308,450)	(287,508)	(682,460)
Net book amount	-	13,664	63,289	-	76,953
Year ended 31 December 2015					
Opening net book amount	-	13,664	63,289	-	76,953
Additions	-	-	8,023	-	8,023
Net assets transferred upon formation of Regulator for Energy and Water Services (Note 10)	-	(11,671)	(46,534)	-	(58,205)
Depreciation charge	-	(1,993)	(22,027)	-	(24,020)
Closing net book amount	-	-	2,751	-	2,751
At 31 December 2015					
Cost or valuation	-	-	3,769	-	3,769
Accumulated depreciation	-	-	(1,018)	-	(1,018)
Net book amount	-	-	2,751	-	2,751
Year ended 31 December 2016					
Opening net book amount	-	-	2,751	-	2,751
Additions	-	-	17,872	-	17,872
Depreciation charge	-	-	(6,375)	-	(6,375)
Closing net book amount	-	-	14,248	-	14,248
At 31 December 2016					
Cost or valuation	-	-	21,641	-	21,641
Accumulated depreciation	-	-	(7,393)	-	(7,393)
Net book amount	-	-	14,248	-	14,248

5. Trade and other receivables

	2016 €	2015 €
Current		
Prepayments and accrued income	4,490	-
Amounts owed by related party	-	52,428
	<u>4,490</u>	<u>52,428</u>

6. Cash and cash equivalents

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

	2016 €	2015 €
Cash and cash equivalents	<u>92,244</u>	<u>896</u>

7. Accumulated surplus/loss

	2016 €	2015 €
Balance as at 1 January	(272,420)	1,358,509
Surplus for the year	52,681	310,977
	<u>(219,739)</u>	<u>1,669,486</u>
Distribution of reserves upon enactment of new regulator and transfer of related activities (Note 9)	-	(1,941,906)
Adjustment to distribution of reserves upon enactment of new regulator and transfer of related activities (Note 9)	248,804	-
	<u>29,065</u>	<u>(272,420)</u>
As at 31 December		

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services (REWS). No contribution was paid to the authority for such a transfer, and so the Board deems this transfer as a distribution of net assets amounting to €1,941,906 to the newly formed Regulator for Energy and Water Services. Shortfalls will be financed by the Regulator for Energy and Water Services.

8. Trade and other payables

	2016 €	2015 €
Current		
Trade and other payables	6,550	21,198
Amounts owed to related party	68,166	238,592
Accruals and deferred income	83,190	34,677
	<u>157,906</u>	<u>294,467</u>

9. Transfer of net assets to the Regulator for Energy and Water Services

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services, referred in these financial statements as the new Regulator. No contribution was paid to the authority for these net assets and hence the Board has treated this transfer as a distribution of the Authority's reserves upon the enactment and commencement of activities of the new Regulator.

Net assets transferred by the Authority to the new Regulator amounted to €1,941,906 and comprise:

	€
Property, plant and equipment	58,205
Trade and other receivables	
Receivables on licences and contributions	403,610
Prepayments and accrued income	147,435
Total trade and other receivables	<u>551,045</u>
Cash in hand and in bank	<u>3,988,142</u>
Total assets transferred	<u>4,597,392</u>
Trade and other payables	
Trade and other payables	240,443
Other payables	1,092,043
Accruals and deferred income	1,323,000
Total liabilities transferred	<u>(2,655,486)</u>
Net assets transferred to new regulator	<u>1,941,906</u>
Represented by:	
	€
Distribution of Authority's reserves (Note 8)	<u>1,941,906</u>

9. Transfer of net assets to the Regulator for Energy and Water Services - continued

During 2016, the net assets transferred to the new Regulator have been adjusted by €248,804 in respect of funds taken over and utilised for the settlement of tax payable on past surpluses accumulated by the Malta Resources Authority.

10. Revenue

Income represents licenses and contributions charged to utility organisations and other operators. Following the transfer of all activities to the new Regulator in 2015, other than regulated mineral resources, the Authority receives a subvention amounting to €243,129 (2015: €181,000) by the Regulator for Energy and Water Services to cover its operational costs.

11. Excess expenditure over funds received

	2016 €	2015 €
Rebate schemes, EU projects and other initiatives:		
Funds allocated by the Government of Malta and EU	-	999,894
Related refunds to eligible scheme applicants	-	(1,011,325)
	-	(11,431)

During the year under review, the Authority reimbursed excess funds amounting to €Nil (2015: €1,500,000) to the Government of Malta with respect to funds originally allocated by the Government of Malta and the European Union in relation to rebate schemes, EU projects and other initiatives.

12. Expenses by nature

	2016 €	2015 €
Excess expenditure over refunds received (Note 11)	-	11,431
Direct expenditure	15,256	144,722
Employee benefit expense (Note 13)	390,178	864,205
Depreciation of property, plant and equipment (Note 4)	6,375	24,020
Rent payable	14,324	60,741
Travelling expenses	32,538	35,622
Motor vehicle expenses	4,864	18,605
Other expenses	28,946	102,988
Total excess expenditure, direct expenditure and administrative expenses	492,481	1,262,334

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €2,500 (2015: €5,500).

13. Employee benefit expense

	2016 €	2015 €
Wages and salaries	373,029	1,054,464
Social security costs	17,149	60,320
	<u>390,178</u>	<u>1,114,784</u>
Re-charged to new Regulator (Note 19)	-	(250,579)
	<u>390,178</u>	<u>864,205</u>

Average number of persons employed by the Authority during the year:

	2016	2015
Board members	5	7
Board secretary	1	1
Operations	9	38
	<u>15</u>	<u>46</u>

Salary expenses relating to staff seconded from and with Government entities amounting to €33,041 (2015: €31,731) are included above. Salaries in relation to the administration of EU projects and rebate schemes amounting to €Nil (2015: €9,562) are excluded from the above noted amounts and included within excess expenditure over funds received (Note 11). Salary expenses related to seconded employees of the Authority amounting to €Nil (2015: €24,682) have been refunded by other Government entities during the year.

14. Board remuneration

	2016 €	2015 €
Board members' honoraria	28,000	34,423
Board secretary's honoraria	3,000	1,096
	<u>31,000</u>	<u>35,519</u>

For the financial year ended 31 December 2016, employee benefit expenses include an amount of €Nil (2015: €52,240) related to salaries received by the deputy chairman in his capacity as consultant with the Authority.

15. Finance income

	2016 €	2015 €
Interest income from demand deposits	-	4,784

16. Tax (credit)/expense

	2016 €	2015 €
Current tax	(409)	138,861
The tax on the Authority's surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
	2016 €	2015 €
Surplus for the year before tax	52,272	449,838
Tax on surplus at 35%	18,295	157,443
Tax effect of:		
Income taxed at reduced rates	-	(830)
Expenses not allowed for tax purposes	-	216
Movement in unrecognised deferred tax assets	338	(17,968)
Prior year adjustment	(19,042)	-
Tax (credit)/expense	(409)	138,861

The authority also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2016 amounting to €1,040 (2015: €76). The resulting deferred tax asset of €364 (2015: €27) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

17. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2016 €	2015 €
Operating surplus	52,272	445,054
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	6,375	24,020
Changes in working capital:		
Trade and other receivables	47,938	(261,019)
Trade and other payables	2,635	728,272
Cash generated from operations	109,220	936,327

18. Contingencies

Due to the nature of its functions, the Authority is currently a co-defendant vis-à-vis several cases. The Board notes that the attribution of responsibility, if any, in these court cases is still undetermined. Thus, quantification of any potential liability is premature and hence no provision has been recognised in these financial statements. Furthermore, in accordance with Act No. XXV of 2015, Article 42, potential liabilities related to the activities taken over by the Regulator for Energy and Water Services are now under the responsibility of the new Regulator.

19. Related party transactions

The Malta Resources Authority is an autonomous public institution and reports to Parliament on an annual basis. The Board members of the Authority are appointed by the Government of Malta.

During the period under review, the Authority entered into transactions with a number of Government-related entities.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related parties are unsecured and interest free. Outstanding balances are usually settled in cash.

19. Related party transactions - continued

Income recognised for the year under review relating to licenses and contributions from utility organisations and refunds on previous year's expenditure on other studies (if any), are disclosed in Notes 11 and 12.

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 amounting to €1,941,906 were transferred to the Regulator for Energy and Water Services (REWS), which is considered to be a related party. The following transactions were carried out by the Authority with the new Regulator for the period till year end:

	2016 €	2015 €
Subvention (Note 9)	243,129	181,000
Recharged employee benefit expenses (Note 13)	-	250,579
Tax settlement (Note 8)	358,412	238,592

As at 31 December 2016, the Authority had an outstanding receivable balance owed by the new Regulator amounting to €Nil (Note 5) (2015: €52,428) and an outstanding payable balance owed to the Regulator amounting to €68,166 (Note 8) (2015: €238,592).

Key management personnel compensation, consisting of board members' remuneration, has been disclosed in note 14 to the financial statements.