



# Annual Report 2017

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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**

(resigned on the 30.09.2017)

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

**Ing. Paul Fenech**

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

**Mr. Frederick Cutajar**

**Ms. Paula Grech Bonnici**

(appointed on the

28.08.2017)

B.Sc (Hons.) Chemistry and Biology, M.Sc Biology

### 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 is being prepared in accordance with the requirements of the MRA Act Chap. 423 Articles 18(1) and 24 and provides an overview of the activities of the Malta Resources Authority for the period 1<sup>st</sup> January 2017 to the 31<sup>st</sup> December 2017.

## Regulatory framework and responsibilities.

During 2017 there were no changes to the regulatory framework and the Authority continued to fulfill its obligations under the MRA Act as amended in 2015. It also continued to act as the Inventory Agency responsible for compiling and submitting Malta's Greenhouse Gas Inventory and administer the Emissions Trading Scheme. The Authority continued to operate from its new offices at Millennia Building, Aldo Moro Road Marsa.

## Support - Presidency of the Council of European Union

Throughout the Maltese Presidency of the Council of Europe, the Authority provided technical support to the Presidency. Employees from the Climate Change Unit occupied the role of Deputy Chairs of various Climate Change Working Party meetings and provided technical expertise for the preparation of papers and non-papers and carried out assessment of comments and proposals made by the European Commission, Member States, and other interested stakeholders.

Although the support period was very intense and demanding it was an enriching and learning experience for all involved.

## Quality Management System.

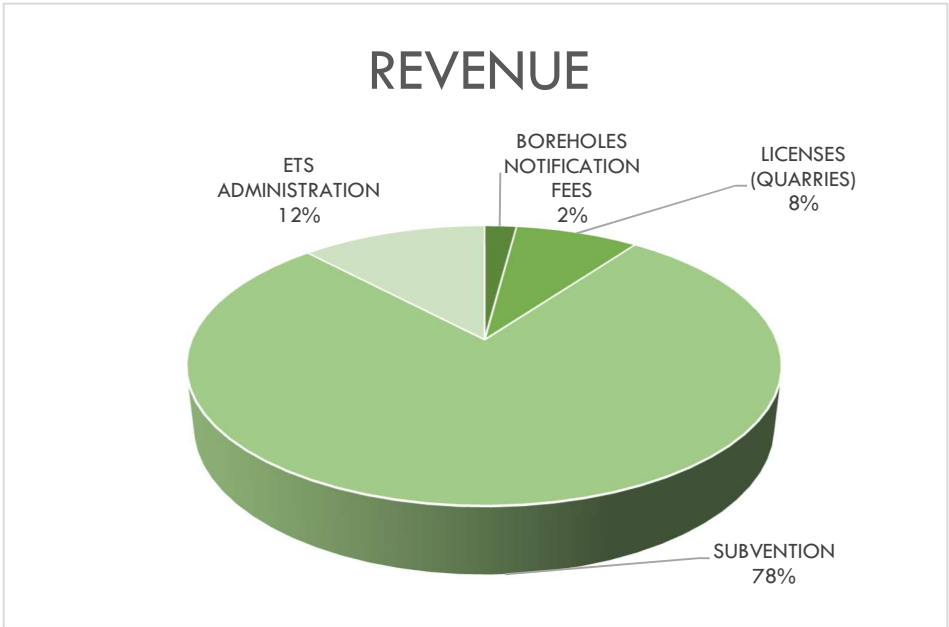
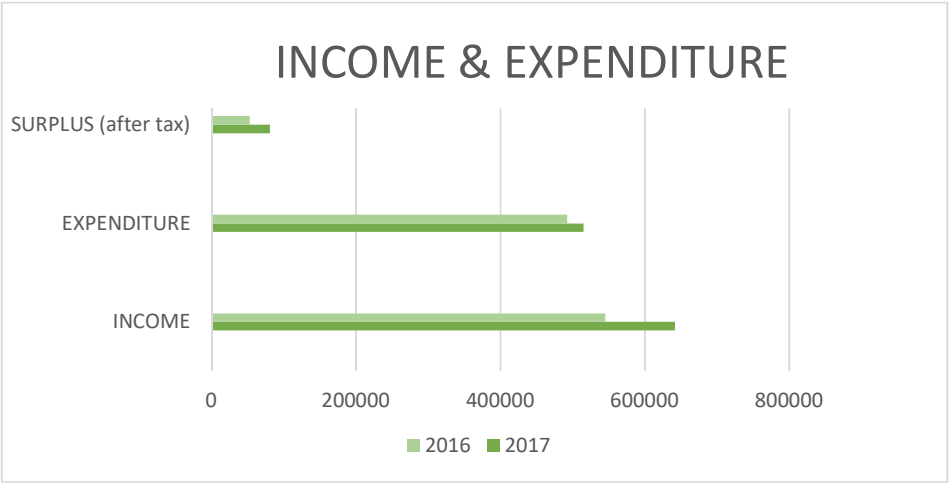
In addition to the commitments and service provided to the Maltese Presidency considerable efforts were also dedicated to the setting up of a Quality Management System (QMS) within the Climate Change Unit. The QMS took into consideration the guidelines of Intergovernmental Panel for Climate Change and the requirements of the Quality Standard ISO9001:2015. The Quality Management was implemented during August 2017 and the desk review of the certification process was carried out October 2017. Due to reasons outside the control of the Authority the certification audit scheduled to take place by the end of 2017 had to be postponed to the first week of January 2018.

## Human Resources - Capacity Building

The headcount for the authority at the beginning of 2017 stood at ten, three in Regulation and Corporate sections and the rest, seven, within the Climate Change Unit. The Authority continued with its efforts of capacity building and at the end of the year the total number of employees increased to twelve with two resignations. Efforts to increase the capacity in the climate change unit are in hand for at least two additional employees.

## Financial Resources

During 2017 the Authority received a subvention from Government of €499,999 and had an income of €141,770 from Licences and Emission Trading Scheme Administration. Following strict budgetary control at the end of 2017, the Authority registered a surplus after tax of €80,477.



Appreciation

I would like to express my gratitude and appreciation to the Chairman, Members of the Authority and employees for their continuous support and understanding throughout the year.

# CORPORATE MATTERS

## Litigation

During 2017, one appeal at the Administrative Review Tribunal of was decided in the Authority's favour confirming the decision of the Authority ordering the closure of a domestic groundwater borehole. An appeal at the Courts of Appeal was decided in the Authority's favour while one was decided in the appellant's favour.

No new court cases and or appeals were filed against the Authority during 2017.

## 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 four additional persons during 2017, one of which was detailed from ESL. Two employees resigned and another one is on sabbatical leave. At the end of December 2017, the total number of MRA employees was 11. The total number of sick leave availed of by MRA employees was 37 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 2017, an ICT system continued to be developed and strengthened. The VOIP and DDI system was put in place. On-line backup was implemented. The unit worked extensively on e-forms in support of the Government initiative to implement mobile services.

# REGULATION

## Inspire Directive

During 2017, the Authority continued to collaborate 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 public, the data is provided through the Malta Spatial Data Infrastructure, a portal that offers web services to the 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 within the limits of its remit under the MRA Act.

## Groundwater Sources Database

During 2017, the Authority continued the process of overhauling the data held for groundwater sources.

1. All hard copies of files that that were handed over to MRA by WSC had been 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 Authority scanned all the pre-1988 “water board” maps, which were geo-referenced. The exercise required substantial manual intervention. The objective of the exercise was 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.
3. 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) has been completed.
4. 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 was obtained from current users.
5. 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 in houses on the perched aquifer. These are two conditions necessary for determining which sources are to be metered.



6. The database did not contain information on the use of the spieri, 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 and 2016.
7. 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 2017, 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 3 investigations.

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**

<b>Renewals Quarries</b>	<b>New</b>	<b>Renewal</b>	<b>Transfers</b>
Hardstone	1	27	Nil
Softstone	Nil	32	Nil

**TABLE 2: ONE TIME REGISTRATIONS OR NOTIFICATIONS**

<b>Registrations / Notifications</b>	
Registration of users of groundwater sources	19
Notification of a Groundwater Source	25

**TABLE 3: PERMITS**

<b>Permits</b>	<b>Requested</b>	<b>Accepted</b>	<b>Refused</b>	<b>Pending</b>
Application for the exportation of stone products	3	3	Nil	Nil
Application for the closure, sealing and decommissioning of a groundwater source	Nil	Nil	Nil	Nil
Sea-wells	13	13	Nil	Nil
Cleaning of boreholes and replacement boreholes	5	4	1	Nil
Geological/site investigations	24	24	Nil	Nil

# CLIMATE CHANGE

Climate change remains at the forefront of social, economic, and political thinking and action across the world. The Malta Resources Authority remains an important cog in the wheel of climate action in Malta. The work of the Climate Change Unit during 2017 attests to this.

## Malta's Presidency of the Council of the European Union – MRA at the forefront of EU policy making

2017 was a crucial year for climate-related policy action at European level and Malta's Presidency of the Council of the European Union, in the first half of the year, was an important driver of progress on European legislative action. Indeed, Malta's Presidency was involved in leading intra-EU negotiations on four legislative dossiers directly related to implementation of EU action on climate change:

- Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low carbon investments (revision of the EU ETS Directive);
- Proposal for a Regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (Effort-sharing Regulation);
- Proposal for a Regulation of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (LULUCF Regulation);
- Proposal for a Regulation of the European Parliament and of the Council amending Directive 2003/87/EC to continue current limitations of scope for aviation activities and to prepare to implement a global market-based measure from 2021 (extension of the Aviation-ETS derogation).

Staff from the Climate Change Unit of the MRA supported the Maltese Presidency, serving in the role of deputy chairs of Working Party meetings discussing these dossiers and also providing the necessary

technical expert input to the elaboration of Presidency papers and non-papers, in the assessment of comments and proposals made by the European Commission, Member States and other interested stakeholders, in meetings and bilaterals with Member States' delegations and other stakeholders, and to the drafting of changes to the text of the proposal (Presidency texts).

The efforts by Malta during its Presidency term translated into a General Approach being reached at Council on the proposal to revise the EU ETS Directive, and agreement at COREPER on the proposal to extend the Aviation-EU ETS derogation. In both instances, this led to immediate start of triologue negotiations with the European Parliament, in the case of the proposal on revising the EU ETS Directive already during the Maltese Presidency (also with the involvement of MRA staff). In the case of the proposals for an Effort-sharing Regulation and for a LULUCF Regulation, the Maltese Presidency made important strides in the negotiation process, leaving a sound basis for further work during the subsequent Estonian Presidency.

### Core functions of the Climate Change Unit: monitoring and reporting of greenhouse gas emissions

The MRA, through its Climate Change Unit continued to fulfil its role of national Inventory Agency, including the compilation and submission of Malta's national greenhouse gas inventory covering the period 1990-2015. Of interest in this submission was the significant reduction in overall national greenhouse gas emissions reflecting the decrease in emissions from the local power generation sector as the investments of recent years in more efficient power plant and the use of the interconnector start bearing fruit. It is expected that this trend will continue in the coming years.

During 2017, the MRA dedicated a lot of effort and energy into the preparation of a fully documented quality management system for the greenhouse gas inventory process and associated supporting functions. The quality management system will support the MRA's philosophy of continuous improvement through a structured and systematic approach towards meeting greenhouse gas inventory quality objectives. The intention is also to obtain ISO certification, a process already initiated by the end of 2017.

A second important national report produced by the MRA during 2017, in accordance with reporting obligations under EU legislation, was the biennial report on climate mitigation policies and measures and projections. The 2017 report continues to indicate the need for national effort to tackle emissions from activities other than power generation, that is, those activities which fall within the scope of the existent Effort-sharing Decision which provides for a limit of not more than a 5% increase, compared to 2005 levels, in aggregate emissions from activities such as transport, industrial processes, the use of fluorinated gases, agriculture, land use and land-use change, and waste.

2017 was also marked by an important recruitment effort, with three new staff members joining the Climate Change Unit, counteracting to some extent the loss of two experienced staff who have taken on roles abroad.

### Core functions of the Climate Change Unit: market-based measures

The revision of the EU ETS Directive already mentioned above prepares the road towards the fulfilment of the EU's overall greenhouse gas emissions reduction commitments beyond 2020, up to 2030. Meanwhile, the routine implementation of the current phase of the EU ETS (2013-2020) continues in earnest.

As the Maltese competent authority for the implementation of the EU's emissions trading scheme, the MRA has maintained its normal administrative role, including the receipt, review and acceptance of annual emissions reports from operators of stationary installations and aircraft operators administered by Malta, and registry functions.

With the decommissioning of generation plant at Marsa, the ongoing set-up of new, independent power generation companies operating at the Delimara site and the coming on-line of new generation facilities, work on new and revised permits and monitoring plans was initiated, in collaboration with the respective operators involved.

On the aviation side, there are indications that the number of operators falling within the scope of the scheme may increase in future. Furthermore, progress has been achieved at international level on the elaboration of technical modalities for the implementation of the International Civil Aviation Organisation's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Indeed, the proposal to extend the Aviation-ETS derogation discussed during Malta's Presidency of the Council of the European Union was a direct response by the EU to the progress achieved at ICAO, with further steps envisaged to align European action with global action, to the extent that the latter truly contributes to international efforts on greenhouse gas emissions mitigation, including commitments made in the context of the 2015 Paris Agreement. One assumes an important role for the MRA in the implementation of CORSIA in Malta, a matter for further consideration during 2018.

## LEGISLATIVE FRAMEWORK

The following is the legislative framework for the Authority. There were no changes to the legislative framework during 2017

### Cap. 423 Malta Resources Authority Act

- S.L. 423.12 Notification of Groundwater Sources Regulations
- S.L. 423.32 Borehole Drilling and Excavation Works within the Saturated Zone Regulations
- S.L. 423.40 Groundwater Abstraction (Metering) Regulations
- S.L. 423.41 Assessment and Management of Flood Risks Regulations
- S.L. 423.45 Users of Groundwater Sources (Application) Regulations
- S.L. 423.48 Lifecycle Greenhouse Emissions from Fuels Regulations
- S.L. 423.50 European Union Greenhouse Gas Emissions Trading Scheme for Stationary Installations Regulations
- S.L. 423.51 European Union Greenhouse Gas Emissions Trading Scheme for Aviation Regulations

## FINANCIAL ESTIMATES 2018

	<b>2017</b> <b>ACTUAL</b> EURO	<b>2018</b> <b>ESTIMATE</b> EURO
<b>INCOME</b>	641,769	615,000
<b>NET DIRECT EXPENDITURE</b>	32,952	31,800
<b>STAFF COSTS</b>	386,217	448,967
<b>OTHER ADMINISTRATIVE EXPENSES</b>	88,630	101,265
<b>DEPRECIATION</b>	7,006	5,426
<b>SURPLUS BEFORE TAX</b>	<b>126,964</b>	<b>27,542</b>

## AUDITED FINANCIAL STATEMENTS 2017



**MALTA RESOURCES AUTHORITY**

**Annual Report and Financial Statements  
31 December 2017**

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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 2017.

### **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 licences and contributions of €141,770 (2016 €301,624) and €499,999 (2016 €243,129) as subvention. These revenues are generated in support of the Authority's regulatory responsibilities. The Authority registered a surplus after tax for the year of €80,477 (2016 €52,681).

On 1st August 2015 by Act No XXV of 2015, Article 42, all assets and liabilities of the Authority as at 21st 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 7. The surplus for the year amounted to €80,477 (2016: €52,681).

### **Board members**

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

Mr. Mario J. Azzopardi (Chairman)

Dr. Simon Schembri

Ing. Paul Fenech

Mr. Frederick Cutajar

Professor Manfred Weissenbacher - resigned on 30 September 2017

Paula Grech Bonnici - appointed 1 August 2017

## Authority board report - continued

### 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.

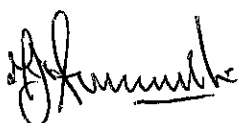
The board members are also responsible for designing, implementing and maintaining internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Resources 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 2017 are included in the Annual Report 2017, 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.

### 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  
Aldo Moro Road  
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*

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#### *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 2017, 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 6 to 22, comprise:

- the statement of financial position as at 31 December 2017;
- 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.

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#### *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.

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#### *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.



## *Independent auditor's report - continued*

To the Stakeholders of the Malta Resources Authority

### *Report on the audit of the financial statements*

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#### *Other information - continued*

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.

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### *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.

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### *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.



## *Independent auditor's report - continued*

To the Stakeholders of the Malta Resources Authority

### *Report on the audit of the financial statements*

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#### *Auditor's responsibilities for the audit of the financial statements - continued*

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  
Qormi  
Malta



Stefan Bonello  
Partner

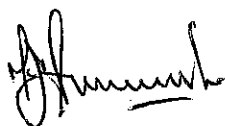
21 February 2017

## Statement of financial position

		As at 31 December	
	Notes	2017 €	2016 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	9,345	14,248
Total non-current assets		9,345	14,248
<b>Current assets</b>			
Trade and other receivables	5	4,440	4,490
Current tax asset		-	99,396
Cash and cash equivalents	6	324,877	92,244
Total current assets		329,317	196,130
<b>Total assets</b>		<b>338,662</b>	<b>210,378</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated surplus	7	109,542	29,065
Total equity		109,542	29,065
<b>Current liabilities</b>			
Trade and other payables	8	206,715	157,906
Current tax liabilities		22,405	23,407
Total liabilities		229,120	181,313
<b>Total equity and liabilities</b>		<b>338,662</b>	<b>210,378</b>

The notes on pages 10 to 22 are an integral part of these financial statements.

The financial statements on pages 6 to 22 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	2017 €	2016 €
<b>Revenue</b>	10	<b>141,770</b>	301,624
Subvention received	10	499,999	243,129
Direct expenditure	11	(32,952)	(15,256)
Administrative expenses	11	(481,853)	(477,225)
<b>Surplus before tax</b>		<b>126,964</b>	52,272
Tax (expense)/credit	14	(46,487)	409
<b>Surplus for the year - total comprehensive income</b>		<b>80,477</b>	52,681

The notes on pages 10 to 22 are an integral part of these financial statements.

## Statement of changes in equity

	Note	Accumulated surplus €
Balance at 1 January 2016		(272,420)
<b>Comprehensive income</b>		
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
<b>Balance at 31 December 2016</b>		<b>29,065</b>
<b>Comprehensive income</b>		
Surplus for the year		80,477
<b>Balance at 31 December 2017</b>		<b>109,542</b>

The notes on pages 10 to 22 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2017 €	2016 €
<b>Cash flows generated from operating activities</b>			
Cash generated from operations	15	182,829	109,220
Net income tax		51,907	-
Net cash generated from operating activities		234,736	109,220
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(2,103)	(17,872)
Net cash used in investing activities		(2,103)	(17,872)
<b>Net movement in cash and cash equivalents</b>		232,633	91,348
<b>Cash and cash equivalents at beginning of year</b>		92,244	896
<b>Cash and cash equivalents at end of year</b>	6	324,877	92,244

The notes on pages 10 to 22 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 2017*

In 2017, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2017. 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 2017*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Authority's accounting periods beginning after 1 January 2017. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Authority's board members are of the opinion that, with the possible exception of IFRS 9, there are no requirements that will have possible significant impact on the Authority's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective for accounting periods commencing on or after 1 January 2018. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The Authority's financial assets are limited to trade and other receivables which continue to be measured at amortised cost, consistently with IAS 39. The standard also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39. Notwithstanding this change in recognising impairment, the Authority qualifies for the simplifications afforded in IFRS 9 in recognising impairment losses, by estimating the expected credit loss using a provisions matrix. The board members have concluded that the resultant provision after the application of the provisions matrix would be immaterial given the short-term nature of the Authority's receivables and a low occurrence of past default.

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

**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.

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

**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).

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

**1.5 Financial assets - continued**

**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.

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 deposits held at call with banks.

**1.8 Reserves**

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

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

**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.

**1.10 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.

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.



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

**1.12 Provisions - continued**

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.

**1.13 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 reimbursements for expenses to administer various schemes are recognised on an accrual basis.
- (ii) Interest income from investments is reported on an accrual basis using the effective interest method.

**1.14 Operating expenses**

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

**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 (cash flow and fair value interest rate 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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(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:

	2017 €	2016 €
Cash and cash equivalents (Note 6)	<b>324,877</b>	92,244

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

#### *(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 8). 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 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**

	Furniture, fixtures and other equipment €
<b>At 31 December 2015</b>	
Cost or valuation	3,769
Accumulated depreciation	(1,018)
Net book amount	<u>2,751</u>
<b>Year ended 31 December 2016</b>	
Opening net book amount	2,751
Additions	17,872
Depreciation charge	(6,375)
Closing net book amount	<u>14,248</u>
<b>At 31 December 2016</b>	
Cost or valuation	21,641
Accumulated depreciation	(7,393)
Net book amount	<u>14,248</u>
<b>Year ended 31 December 2017</b>	
Opening net book amount	14,248
Additions	2,103
Depreciation charge	(7,006)
Closing net book amount	<u>9,345</u>
<b>At 31 December 2017</b>	
Cost or valuation	23,744
Accumulated depreciation	(14,399)
Net book amount	<u>9,345</u>

**5. Trade and other receivables**

	2017 €	2016 €
<b>Current</b>		
Prepayments and accrued income	<u>4,440</u>	<u>4,490</u>

**6. Cash and cash equivalents**

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

	2017 €	2016 €
Cash and cash equivalents	<b>324,877</b>	92,244

**7. Accumulated surplus**

	2017 €	2016 €
Balance as at 1 January	<b>29,065</b>	(272,420)
Surplus for the year	<b>80,477</b>	52,681
	<b>109,542</b>	(219,739)
Adjustment to distribution of reserves upon enactment of new regulator and transfer of related activities (Note 9)	-	248,804
As at 31 December	<b>109,542</b>	29,065

**8. Trade and other payables**

	2017 €	2016 €
<b>Current</b>		
Trade and other payables	<b>29,474</b>	6,550
Amounts owed to related party	<b>89,221</b>	68,166
Accruals and deferred income	<b>88,020</b>	83,190
	<b>206,715</b>	157,906

Amounts owed to related party are unsecured, interest free and repayable within the next year.

## 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. 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.

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

Represented by:

	€
Distribution of Authority's reserves	<b>1,941,906</b>

## 10. Revenue

Income represents licenses and income from emission control. Following the transfer of all activities to the new Regulator in 2015, other than regulated mineral resources, the Authority received a subvention amounting to €243,129 from the Regulator for Energy and Water Services to cover its operational costs in 2016. In 2017, the Authority received a subvention amounting to €499,999 from the Government of Malta to cover its operational costs.

## 11. Expenses by nature

	2017 €	2016 €
Direct expenditure	32,952	15,256
Employee benefit expense (Note 12)	386,217	390,178
Depreciation of property, plant and equipment (Note 4)	7,006	6,375
Rent payable	15,756	14,324
Travelling expenses	32,852	32,538
Insurance costs	10,060	8,507
Motor vehicle expenses	7,978	4,864
Other expenses	21,984	20,439
Total excess expenditure, direct expenditure and administrative expenses	<b>514,805</b>	492,481

### Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2017 and 2016 relate to the following:

	2017 €	2016 €
Annual statutory audit	2,000	2,500

## 12. Employee benefit expense

	2017 €	2016 €
Wages and salaries	369,020	373,029
Social security costs	17,197	17,149
	<b>386,217</b>	390,178

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

	2017	2016
Board members	5	5
Board secretary	1	1
Operations	9	9
	<b>15</b>	15

Salary expenses relating to staff seconded from and with Government entities amounting to €77,642 (2016: €33,041) are included above.

**13. Board remuneration**

	2017 €	2016 €
Board members' honoraria	28,000	28,000
Board secretary's honoraria	3,000	3,000
	<b>31,000</b>	<b>31,000</b>

**14. Tax expense/(credit)**

	2017 €	2016 €
Current tax	46,487	(409)

The tax on the Authority's surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2017 €	2016 €
Surplus for the year before tax	126,964	52,272
Tax on surplus at 35%	44,437	18,295
Tax effect of:		
Under provision in previous year	1,675	-
Movement in unrecognised deferred tax assets	375	338
Prior year adjustment	-	(19,042)
Tax expense/(credit)	<b>46,487</b>	<b>(409)</b>

The authority also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2017 amounting to €2,111 (2016: €1,040). The resulting deferred tax asset of €739 (2016: €364) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

## 15. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2017 €	2016 €
Operating surplus	126,964	52,272
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	7,006	6,375
Changes in working capital:		
Trade and other receivables	50	47,938
Trade and other payables	48,809	2,635
Cash generated from operations	<u>182,829</u>	<u>109,220</u>

## 16. 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.

## 17. 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. Outstanding balances are usually settled in cash.

The Regulator for Energy and Water Services (REWS) and the Government of Malta are considered to be a related parties. The following transactions were carried out by the Authority with the related parties during the year:

	2017 €	2016 €
Subventions (Note 10)	499,999	243,129
Tax settlement	-	358,412

As at 31 December 2017, the Authority had an outstanding balance with the Regulator as disclosed in note 8.

Key management personnel compensation, consisting of board members' remuneration, has been disclosed in note 13 to the financial statements.