



The Malta Resources Authority

ANNUAL REPORT 2011

MRA 

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The Malta Resources Authority, the regulator of energy, minerals and water resources in the Maltese Islands, is also responsible for implementing the directives and laws related to climate change. The Authority was established by the Malta Resources Authority Act XXV of 2000.

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THE AUTHORITY

Dr Reuben Balzan, LL.D.

Chairman

Dott. Ing. Matthew Spiteri, B.Eng. (Hons), M.Sc., Ph.D.

Deputy Chairman

Mr Godwin E. Bencini

Members

Ing. Francis Bugeja, B.Eng. (Hons)

Dr Pauline Galea, B.Sc., M.Sc., Ph.D. (Wellington)

Ms Ritienne Gauci, B.A. (Hons), M.A.

Ms Fleur Vella, B.Com. (Hons) Econ., MBA

Dr John Bonello, BA, LL.M. (IMLI), LL.D.

Secretary to the Authority

When the term of office of the Board expired on 30 September, 2011, a new Board of the Authority was nominated for the term between 1 October, 2011, and 30 September, 2012.

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Dott. Kristian Balzan, Adv. Trib. Eccl. Melit., B.A., LL.M.

Dr John Bonello, BA, LL.M. (IMLI), LL.D.

Secretary to the Authority

MISSION STATEMENT

The Malta Resources Authority seeks to serve the Maltese community through effective, coherent, holistic and transparent regulation of the energy, minerals and water resources sectors of the economy, ensuring their advancement and sustainable use to support the integrated environmental, social, economic and business development of the Maltese Islands. It further seeks to contribute to and participate in ongoing regional development and assist in the nation's efforts to fulfil its international obligations in these spheres.

THE MRA IN NUMBERS

In operation since 2001

Employs 46 people

Licences issued by MRA

Fuel distributors	29
Bunkering operators	8
Petrol station owners	91
Gas distributor	31
Competent Persons in the Fuel Installations	8
Competent Persons in LPG Technology	19
Wiremen	1,995
Operators of water bowzers	75
• for commercial use	52
• for own use	23
Quarry licences	53
• hard stone quarries	22
• soft stone quarries	31

THE MARKET IN NUMBERS

Number of account holders of electricity	266,843
• Residential	141,037
• Domestic	81,372
• Non-Residential	41,936
• Temporary	2,498

Number of account holders of water	249,276
• Residential	140,457
• Domestic	75,432
• Non-Residential	33,360
• Temporary	27

Energy

Installed capacity in the power stations	571 MW
• Marsa	267 MW
• Delimara	304 MW

Renewable sources of energy

Photovoltaic systems

• Registered	12346.20 kWp
• Installed	6629.12 kWp

Wind turbines

• Registered	79.90 kWp
• Installed	75.40 kWp

Water

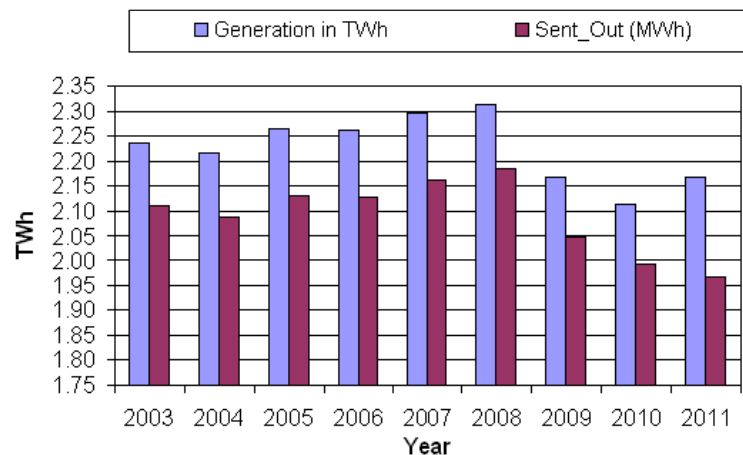
Boreholes registered

or notified 7,992

Swimming pool operators 2,490

FINANCIAL DATA

	2011 Actual €	2012 Estimate €
Net income	1,888,529	2,212,819
Staff costs	(1,217,005)	(1,668,098)
Professional & consultancy fees	(42,095)	(43,500)
Promotional expenses	(7,063)	(5,000)
Administrative expenses	(371,536)	(397,390)
Depreciation	(53,856)	(67,805)
Net finance costs	(3,736)	(1,060)
Surplus for the year	193,238	29,966



STATEMENT BY THE CEO

2011 – the start of a journey towards independence and autonomy for the Authority

The third energy package that came into force on 3 March, 2011, among a number of regulations established the Agency for the Co-operation of Energy Regulators (ACER); the autonomy and independence of the Energy Regulator having a separate annual budget; and adequate human and financial resources. In addition it placed obligations on suppliers to provide information to consumers and efficient complaint handling procedures, and give specific protection to vulnerable consumers. These requirements were transposed into Maltese law. This has meant that the Authority needed to have a separate budget where income was solely derived from its regulatory activities. For the first time since its formation in 2002, the Authority did not receive a subvention from Government and instead contributed €1.2 million to Government from its revenue.

The journey towards independence and autonomy has started through financial autonomy. The next steps are not as easy and require political commitment. It is clear that such autonomy is required to ensure a better functioning of the energy sector.

The “growth” of a competitive LPG market

2011 will be remembered for the growing “pains” in the LPG market. The Authority faced a number of issues as a result of the entry of the second wholesaler and retailer in the market. The start of the year was marked by the stoppage of the distributors and the Office of Fair Trading's decision that allowed the distributors to retail cylinders of both operators.



The Authority issued draft regulations to ensure the proper functioning of the market for consultation. In the meantime, the collection of cylinders continued to take place without an exchange scheme and this brought about a shortage of cylinders. Lawsuits were filed and are still pending. Close to the end of the year, Legal Notice 465 of 2011 amending the LPG market regulations was issued. These regulations were opposed by one of the operators, who initiated legal proceedings in the Constitutional Court to retract this legal notice.

Decisions issued by the Authority by virtue of the Malta Resources Authority Act (Cap. 423)

Throughout 2011 the Authority issued 22 decisions. This is a record number of decisions issued by the Authority since its formation. The decisions involved a wide range of issues, such as the establishment of the maximum mark-up from the sale of petrol and Diesel from petrol stations, the suspension of licenses and/or authorisations, the closure of

ground water sources and the refusal to issue licences. Each decision requires an amount of preparatory and legal work. All work was performed by employees of the Authority.

Appreciation for commitment and support

Finally, I would like to thank the Members of the Authority for their continuous support and understanding. Special thanks go to the Chairman, Dr Reuben Balzan, for his sound advice and guidance throughout his tenure and to the Employees of the Authority for their dedication and commitment.



Anthony Rizzo
CEO, Malta Resources Authority

LIST OF LEGISLATION ISSUED DURING 2011

Amendments to the Malta Resources Authority Act (Part VIII of Act No. V of 2011)

- LN 4/2011 European Community Greenhouse Gas Emissions Trading Scheme for Aviation (Amendment) Regulations, 2011
- LN 66/2011 Quality of Fuels (Amendment) Regulations, 2011
- LN 68/2011 Petroleum for the Inland (Wholesale) Fuel Market (Amendment) Regulations, 2011
- LN 73/2011 Marine Policy Framework Regulations
- LN 125/2011 Liquefied Petroleum Gas Market (Amendment) Regulations, 2011
- LN 126/2011 Guarantees of Origin of Electricity from High Efficiency Cogeneration and Renewable Energy Sources (Amendment) Regulations, 2011
- LN 166/2011 Electricity Market Regulations
- LN167/2011 Natural Gas Market Regulations
- LN 346/2011 Geological Storage of Carbon Dioxide Regulations, 2011
- LN 460/2011 Notification of Groundwater Sources (Amendment) Regulations, 2011
- LN 461/2011 Borehole Drilling and Excavation Works within the Saturated Zone (Amendment) Regulations, 2011
- LN 465/2011 Liquefied Petroleum Gas Market (Amendment) (No.2) Regulations, 2011
- LN 477/2011 Assessment and Management of Flood Risks (Amendment) Regulations, 2011

List of Decisions Issued in virtue of Malta Resources Authority Act (Cap. 423)

Decision Notice

- 01/2011/ED Issued on the maximum retail mark-up on the wholesale price of petrol and diesel sold from petrol stations. 31.3.11
- 02/2011/ED Issued to providers authorised by the Authority to import and, or whole sale LPG and/or authorised by the Authority to retail LPG, including retail of portable cylinders filled with LPG. 4.5.11
- 03/2011/ED Issued to licensed gas distributors. 6.5.11
- 04/2011/ED Issued in virtue of the Electrical Installations Regulations, 2010 (LN 225 of 2010) and the Authorisations (Suspension, Refusal and Revocation) Regulations, 2008 to Mr Alex Joseph Mallia with regard to the application for the issue of an Authorisation A to carry out the installation, alteration, extension and certification of single phase electrical installations. 27.6.11
- 05/2011/ED Issued in virtue of the Electrical Installations Regulations, 2010 (LN 225 of 2010) and the Authorisations (Suspension, Refusal and Revocation) Regulations, 2008 to Mr Ambrose Zammit with regard to the application for the issue of an Authorisation A to carry out the installation, alteration, extension and certification of single phase electrical installations. 27.6.11

LIST OF LEGISLATION ISSUED DURING 2011 *(CONTINUED)*

06/2011/ED	Issued in virtue of the Malta Resources Authority Act (Cap. 423), the Petroleum for the Inland (Retail) Fuel Market Regulations, 2010 (LN 53 of 2010), the Authorisations (Suspension, Refusal and Revocation) Regulations, 2008 to Mr Johan Abela with regard to application to carry out the activity of a Fuel Distributor. 27.6.11
07/2011/ED	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Petroleum for the Inland (Retail) Fuel Market Regulations (S.L. 423.37) to Mr Michael Galea, with regard to the closure of the storage of kerosene at Michael Garage," Sir Harry Luke Street, Mgarr, Malta. 27.6.11
08/2011/ED	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Petroleum for the Inland (Wholesale) Fuel Market Regulations (S.L. 423.28) to Shield Security Consultants Ltd of Triq il-Mimosa, Gwardamanga. 25.7.11
01/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr George Bonello, with regard to the closure of the groundwater source having Notification No. 0014/08. 27.6.11
02/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Adrian Strickland, with regard to the closure of the groundwater source having Notification No. 0461/08. 27.6.11
03/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Paul Borg, with regard to the closure of the groundwater source having Notification No. 0988/08. 27.6.11
04/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr George Borg, with regard to the closure of the groundwater source having Notification No. 1526/08. 27.6.11
05/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Vincent Debono, with regard to the closure of the groundwater source having Notification No. 1594/08. 27.6.11
06/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Joseph Preca, with regard to the closure of the groundwater source having Notification No. 1764/08. 27.6.11
07/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Peter Paul Testaferrata Moroni Viani, with regard to the closure of the groundwater source having Notification No. 1771/08. 27.6.11

LIST OF LEGISLATION ISSUED DURING 2011 *(CONTINUED)*

08/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Paul Testaferrata Moroni Viani, with regard to the closure of the groundwater source having Notification No. 2037/08. 27.6.11
09/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Carmelo Cuschieri, with regard to the closure of the groundwater source having Notification No. 2156/08. 27.6.11
10/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Trevor Sullivan, with regard to the closure of the groundwater source having Notification No. 3391/97. 27.6.11
11/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Tony Cassar, with regard to the closure of the groundwater source having Notification No. 1737/08. 27.6.11
12/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mrs Andrea Cassar, with regard to the closure of the groundwater source having Notification No. 1736/08. 27.6.11
13/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr John Farrugia, with regard to the closure of the groundwater source having Notification No. 0987/08. 27.6.11
14/2011/WD	Issued in virtue of the Malta Resources Authority Act (Cap. 423) and the Groundwater Abstraction (Metering) Regulations, 2010 (LN 241 of 2010) to Mr Aurelio Sammut, with regard to the closure of the groundwater source having Notification No. 0698/08. 27.6.11

List of Enforcement Orders issued in virtue of the Malta Resources Authority Act (Cap. 423)

MRA/WAT/16/10	Issued to the Water Services Corporation with regard to licensing obligations. 7.1.11
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UTILITY REGULATION

During 2011 the Authority continued to develop the framework for regulation of the utilities, i.e. Enemalta Corporation and Water Services Corporation.

Licence issued to Water Services Corporation

The licence issued to Water Services Corporation for the supply of potable water through the public distribution network and to provide sewerage services using the public sewerage collection system is effective from 1 June, 2010, until 31 December, 2013.

In January 2011, an enforcement order was issued by the Authority to the Water Services Corporation under Legal Notice 525 of 2004. Subsequent to this enforcement order, the WSC submitted the documentation required in connection with its licensing obligations.

The WSC published its Draft Customer Contract in May 2011. This was approved by the Authority in July. In May the Authority appointed PricewaterhouseCoopers as its financial and engineering assessors for the Water Services Corporation. PWC were commissioned to:

- i review and assess information, including key performance indicators submitted by Water Services Corporation as part of its licence obligations;
- ii improve methodologies, examine underlying assumptions, identify any weakness and increase reliability of the information; and
- iii review and assess unbilled water supplied by the Water Services Corporation.

Licence issued to Enemalta Corporation

The licence of Enemalta Corporation to produce, distribute and supply electricity to final consumers was issued on 10 January, 2011, and is effective from 1 June, 2010, to 31 December, 2020.

During 2011, Enemalta submitted the first set of reports referring to the calendar year 2010. Discussions were carried out with Enemalta on certain parts of the reports with a view to improving the reporting. A draft of the customer contract was submitted to the Authority and was referred back to Enemalta with feedback.

Technical Review of the Operations of ARMS Ltd in connection with Water and Electricity Billing and Customer Relationship Management

In October 2011 the Authority concluded its second review on the operations of ARMS Ltd in connection with water and electricity billing and customer relationship management.

The objectives of this review were to:

- i ensure consumer protection in the light of the recent alleged substantial amount of customer complaints;
- ii identify any major deficiencies in the billing system and related processes and, where possible, request measures to improve the levels of service provided to consumers;
- iii determine whether further regulatory action is necessary.

An internal team of assessors was nominated to review:

- i ARMS Ltd's operations with a specific emphasis on the metering and billing plans and methodologies; and

- ii the customer complaints handling methodologies and quality management systems, procedures and controls.

The review identified various issues where improved performance was noted compared to the first review that was concluded in November, 2011. At the same time the review also identified other areas where further improvements are warranted. This review also complemented the Audit carried out by the National Audit Office on the Setting Up and Operations of ARMS Ltd, also concluded in November

PRICE MECHANISMS

LPG and Propane Price Mechanism

In July 2010, Liguigas (Malta) Ltd took over the responsibility for the importation and sale of LPG and propane from Enemalta Corporation. The market structure thus created obliged the Malta Resources Authority to ensure that price setting follows a set of principles and methodology to safeguard consumer interests. Liguigas (Malta) Ltd then submitted its proposed LPG and propane prices on 27 January, 2010, and subsequently revised its prices on 19 May, 2010. These principles and methodology were reflected in the LPG and Propane Price Mechanism approved by the Authority in June, 2010.

In January 2011, Liguigas (Malta) Ltd submitted a proposal for the revision of the LPG and Propane Price Mechanism to reflect its operating costs, including storage and bottling, projected for the year ending 31 December, 2011. The Authority carried out a detailed review of this proposal, including a number of financial aspects, and subsequently revised the cost figures included in the mechanism while maintaining the

obligation on Liguigas (Malta) Ltd to continue to adhere to the principles of legality, sustainability, profitability, transparency and non-discrimination and to use the Full-Cost Recovery method in its price-setting responsibilities.

Maximum retail mark-up on the wholesale price of petrol and diesel sold from petrol stations

In June 2010, the authorised petrol station providers requested an increase of €0.032 per litre on the existing commissions for each litre of petrol and diesel sold from their respective petrol stations. On receiving this request, the Authority carried out a thorough investigation to determine whether the increase was justified. Subsequently, the Authority issued Decision Number 01/2011/ED, which determined the following:

- The maximum retail mark-up for the Petrol Stations should be €0.06494 per litre of diesel and petrol retailed to the final consumer;
- Each individual authorised petrol station provider must carry out an asset replacement programme as directed by the Authority to ensure improved customer service, safety and environmental protection within the period of duration of the authorisation (10 years);
- Authorised petrol station providers must apply for the applicable Malta Environment and Planning Authority Development permits within two (2) years from the date of this decision;
- Authorised petrol station providers must comply with mandatory requirements, as directed by other regulatory authorities;
- Authorised petrol station providers must abide by the applicable legislation and the authorisations or licenses issued thereunder.

ENERGY

SEA Energy Policy 2011

The scope of the Strategic Environmental Assessment process is to evaluate the environmental impacts of the Energy Policy to determine the likely significant effects on the environment, if it is adopted. Mitigation measures will be taken if required. The aim is to help improve the Energy Policy, especially on the promotion of sustainable development. The SEA process aims to increase public involvement in the formulation of this policy document through the various stages of consultation which are required by the SEA regulations.

A stakeholders' consultation on the draft environmental report on the

Energy Policy required by the SEA was launched on 16 December, 2010, and was concluded on 22 February, 2011. This consultation period was followed by one-to-one meetings with key stakeholders and a meeting for stakeholders organised within the Malta-EU Steering and Action Committee (MEUSAC). Public consultation on the Environmental Report was launched on 28 June, 2011, and lasted eight weeks up to 23 August, 2011. After the conclusion of the consultation process, work on the finalisation of the SEA document and the Energy Policy began. This last stage will take into account the responses received from different entities during the consultation process.



LPG

During the years preceding 2011, the Energy Directorate had prepared the way forward to regulate the Liquefied Petroleum Gas market by:

- Preparing the necessary legislation;
- Establishing the Competent Person;
- Creating a database for the registered bulk storage tanks;
- Setting up the procedures for registering the secondary storages; and
- Liaising with other authorities for issuing of the necessary permits.

LPG Secondary Storages

By the beginning of 2011 there was a steady flow of applications and the analysts were in a position to start issuing authorisations. Due to the estimated large number of authorisations, it was agreed to stagger the issuing of authorisations for each quarter starting from January of each year. The most important document that had to be presented with the application form was the 'Inspection and Risk Assessment Report', compiled by an Engineer recognised as a competent person in LPG technology.

Originally the report was a Word document handwritten in different formats. The Energy Directorate decided to standardise the report and subsequently designed a 16-page document listing all possible non-conformances that could exist in such installations. The report included a classification of risks, numbered from 0 (No risk) to 3 (high risk), and situations with risk factors over 2 (medium risk) had to be reduced by an upgrade corrective action to at least a factor 1

(low risk). A target date would be given to implement the upgrade or corrective action that would be followed by a re-inspection. This target date is carefully followed up by MRA analysts and reminders are sent to the owners accordingly.

Another important document was the MEPA permit for land use of the storage of gas. In December 2010 MEPA issued amendments to the DNO legislation, which facilitated to some extent the issue of land use permits. Existing underground storages (less than 4,050-litre capacity) and existing over-ground storages (less than 1,250-litre capacity) were exempted from applying, albeit in the previous year some applicants already applied to MEPA for a full development permit. Land use permits for storage larger than the quoted values take much longer (maximum of 52 weeks) to process by MEPA and, consequently, MRA authorisations cannot be issued. The status of the applications by the end of December, 2011, was as follows:

• Regularised storages	98
• Pending upgrades/ corrective action	130
• Pending missing documents (including MEPA permits)	74
• Still to be vetted	72

The number of applications to construct new LPG secondary storages continued to increase and these were processed according to the flow chart as found on the MRA's website:

(<http://www.mra.org.mt/Downloads/licences/MRA-MEPA%20New%20LPG%20Secondary%20Storage%20Authorisation%20Process%20Flow%20Chart.pdf>)

By the end of December 50 applications were vetted and given a clearance note for safety and are currently being vetted by MEPA for a land use permit.

LPG Pipe Networks

There were already a few existing mini pipe networks before the introduction of LN 249 of 2008 and these were vetted in the same manner as secondary storage installations. This alternative method of LPG supply was found to be attractive to various entrepreneurs in the leisure and commercial industry; so much so that the Authority received no fewer than six (6) new applications that again have been given clearance by the Authority and have been passed on to MEPA for the necessary permit.

LPG Primary Storage Facility

During 2011 the Authority received one (1) application for a primary storage facility of LPG cylinders to be located in Gozo.

Auto-gas Retail Stations

There were three (3) applications for Auto-gas retail stations to be constructed within existing petroleum filling stations. The Authority gave its permission for such development since the proposals were in line with the codes of practice. However, MEPA refused the permit of one of the applicants and is currently analysing the other two (2) applications.

Retail and distribution of portable cylinders

In 2011 the Authority did not receive any new applications for this activity.

Competent Persons in Fuel Installations

The Inland (Retail) Fuel Market Regulations, LN 53 of 2010 as amended, established



the competent person, i.e. a person who has suitable training, sufficient knowledge, experience and capability as approved by the Authority to:

- carry out assessment inspections of authorised facilities;
- supervise the material alterations made at an authorised facility;
- certify in writing that authorised facilities are designed, constructed, tested and maintained as prescribed in any authorisation conditions, direction given by the Authority and according to guidelines and Codes of Practice duly approved by the Authority; and
- carry out other work of a technical nature that is complementary or ancillary to the above.

In agreement with the Malta Resources Authority, and as a special occasion, the Association for Petroleum and Explosives Administration (APEA) of the UK agreed to deliver a course in Malta. The course was a conglomeration of five courses related to Petroleum Products Retail Stations in the UK, spread over a week which APEA offers continuously. The course was held at Project House in Floriana in November 2010.

The subjects addressed in the course were:

- Forecourt LPG Installations;
- Petrol Filling Station (PFS) – Risk Assessment, Audit and Inspection;
- Petrol Filling Station (PFS) – Construction Safety and Environmental Protection;
- Electrical Installations; and
- Wetstock Monitoring.

The course was attended by a number of engineers, other graduates and skilled personnel in the market. Since the course content covered issues related to the construction and operation of Petroleum Retail Stations, it was decided by the Authority's Boards to recommend that competent persons authorised post this course will also be considered as the competent persons to certify secondary storages as referred in the Inland (Retail) Fuel Market Regulations. At the end of 2011 there were eight (8) certified competent persons in the fuel sector.

Biofuels and Bioliquids Regulation

The Biofuels and Bioliquids Regulations, drafted following public consultation and meetings with the market players, were sent for notification to the European Commission and the other Member States in July 2011. The legislation will come into force in the first quarter of 2012. During 2011 an officer of the MRA attended the REFUREC meetings and the meetings of the Committee on Sustainability of Biofuels and Bioliquids, made up from experts from the 27 Member States. In July 2011 the latter Committee approved seven (7) voluntary schemes, which verify that 'sustainability criteria' dictated in the Renewables Directive are being adhered to.

The Malta Resources Authority is a member of REFUREC, the network of governmental institutions responsible for regulating biofuels within their respective countries, and regularly attends meetings of the forum to keep abreast of what is occurring in the market and the measures being taken by partner Regulators.

As regards the local market, contacts between the Authority and market operators remained strong so that market operators would meet the substitution obligation imposed in Legal Notice 278 of 2010, and so that the biofuel placed on the market would meet MSA EN Standards.

Fuel quality checks

During 2011 the Malta Resources Authority continued to carry out fuel quality checks from various storages on the island.

The Malta Resources Authority also makes random checks on the weight of distributed LPG cylinders of both suppliers. Checks are carried out on the prices of cylinders distributed to Maltese households and businesses. Illegal cylinders were identified by MRA compliance officers and the Authorities were informed with the findings. The officers also conduct random inspections to ensure that LPG storage sites are authorised under Legal Notice 249 of 2008. The number of LPG inspections conducted during 2011 was 128.

TEST	SAMPLES LIFTED	PETROL STATIONS	RESULT
Sulphur Content	191	107	7 samples were out of specification. Necessary action taken
Checks for respective constituents as per LN 44 of 2008 – unleaded petrol	20	13	All OK
Checks for respective constituents as per LN 44 of 2008 – Diesel	23	13	All OK
TEST	SAMPLES LIFTED	SECONDARY STORAGES	RESULT
Sulphur Content	59	47	All OK
TEST	SAMPLES LIFTED	SECONDARY STORAGES	RESULT
Sulphur Content – Gasoil	23	17	All OK
Sulphur Content – Fuel oil	11	17	All OK

Table 1 – Fuel quality checks carried out during 2011

Security of supply of fuels

Based on solidarity among European Union Member States, Council Directive 2006/67/EC of 24 July, 2006, imposes an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products, equivalent to 90 days supply. In this way, the EU would be in the position to alleviate any harmful effects in cases when supply of these products from outside the EU is disrupted or when there is a significant increase in prices on the international markets. Oil stocks may be held in any location across the EU. Due to the excellent relations between France and Malta, the Agreement on the Maintenance of Stocks of Crude Oil and Petroleum Products Stored in the Territory of the French Republic and of the Republic of Malta between the Government of the French Republic and the Government of the Republic of Malta was initialled in June 2010 to ensure the smooth running

of the internal market and to further the use of storage facilities in both states. The Commission was notified on this bilateral agreement and then made it known to the other EU member states.

The agreement lays down conditions for the maintenance of stocks to safeguard control and availability of these stocks, and specifies the arrangements for statistical reporting of these stocks. Under this agreement the State on whose territory the stocks are held will not oppose the transfer of these stocks to the other State for the account of which stocks are held under the same agreement, but it will monitor and inspect these stocks in accordance with the procedures specified in this agreement. The agreement is in force for an unlimited time period and, although a provision is made for unilateral termination, this will not apply without prior notice to the Commission or during a period of supply crisis.

RENEWABLE ENERGY

National Energy Efficiency Action Plan

Malta submitted its second NEEAP in line with Directive 2006/32/EC. The measures proposed in the first NEEAP were, or are in the process of being, implemented in the majority of cases. New measures not envisaged in the first NEEAP were implemented successfully. One such case is the compact fluorescent lamps scheme whereby all households were given free energy saving lamps in a bid to promote energy efficient lighting. The aim was to create a culture of buying energy saving lamps since it is assumed that, once the lamp reaches its end of life, the user will replace it with the same type of lamp.

The Maltese population are generally frugal in resource use. This has been consistently demonstrated in Eurobarometer surveys carried out since 2004. The latest survey published in 2011 showed 75% of Maltese indicating that they are cutting down on electricity use, well above the EU average of 53%. Recent increases in electricity tariffs have reinforced this culture.

Government grants for energy efficiency and renewable energy sources were welcomed due to the trends in electricity prices and the economic crisis. More people were realising the benefits of investing in these technologies and the rate of take-up was successful in most cases.

The main tangible efforts during the past three years have been in promoting energy efficiency in the domestic sector, tourism and industry. A number



of schemes have been issued targeting these sectors and the uptake was very successful. Measures for the Public sector and Transport sector were also devised but more effort has to be made in these sectors since there is more potential to be realised in both sectors. SMEs were the least focused on and government will endeavour to identify measures even after the second NEEAP is published to promote energy efficiency measures. The target of 3% for 2010 has been achieved, and marginally exceeded; the target was 126 GWh and the result achieved was 153 GWh.

Schemes promoting renewable energy sources

During 2011, the MRA continued to administer the existing 2010 grant schemes relating to solar water heaters and Photovoltaic systems. Two new schemes for solar water heaters were launched in April 2011. The National Scheme provides a grant of 40% up to €400 and was not restricted by social criteria. The ERDF scheme provides a grant of 40% up to €560 and is only open to persons satisfying certain social criteria:

- a household must be in receipt of the energy voucher;
- a household must be in receipt of the children's allowance for households whose income is less than €23,932 (Note: "children's allowance" is defined in Article 2 of the Social Security Act and is distinct from the "fixed children's allowance" that is also separately defined in Article 2 of the same Act. Households in receipt of the fixed children's allowance are not eligible);
- a household that has purchased a property as its 'sole ordinary residence' after 1 January, 2010 (the value of the property must be less than €120,000 and the electricity and water bill must be in the name of the applicant);

- a household in receipt of supplementary allowance in accordance with the Social Security Act.

In July 2011, there was a fresh call for PV applications offering a grant of 50% of the eligible expenditure up to a maximum of €3,000. Over 3,500 applications with close to 7 MWp in installations were submitted for the ERDF funded scheme.

During September 2011, a scheme was launched to provide grants on the purchase of new electric powered vehicles that derive their motive power exclusively from an electric motor. The vehicle must be for personal use, must have never been registered in any country and must show one of the following categories on the logbook:

- L3e (motorcycles)
- L6e (mini quadricycles)
- L7e (quadricycles)
- M1 (cars)

Applicants are eligible to apply for a grant of:

- 20% up to €2,500 on the purchase price of the vehicle; and
- 50% up to €3,000 on the purchase price of a PV system.

SCHEME	APPLICATIONS RECEIVED	ISLAND
2005 Electric car	1	Malta
2010 Solar water heater	103	Malta
2010 Solar water heater	128	Gozo
2011 PV ERDF	497	Gozo
2011 PV ERDF	3,019	Malta
2011 Solar water heater ERDF	12	Gozo
2011 Solar water heater ERDF	22	Malta
2011 Solar water heater National	1,128	Malta
2011 Solar water heater National	107	Gozo

Table 2 – Number of applications handled by the MRA during 2011

SCHEME	NUMBER OF GRANT OFFERS ISSUED	TOTAL GRANT OFFERS (€)	TOTAL KWP	TOTAL INVESTMENT BY THE PUBLIC (€)	ISLAND
2010 PV call 2	8	23,857.50	13.46	58,736.65	Gozo
2010 PV call 2	81	237,252.00	143.07	587,408.43	Malta
2010 Solar water heater	124	68,545.20		187,218.00	Gozo
2010 Solar water heater	107	59,369.60		168,187.49	Malta
2011 PV ERDF	456	1,351,152.00	903.53	3,307,988.34	Gozo
2011 PV ERDF	2,843	8,382,496.00	5,814.95	2,0841,012.10	Malta
2011 Solar water heater ERDF	12	6,720.00		18,250.00	Gozo
2011 Solar water heater ERDF	17	9,457.50		30,174.98	Malta
2011 Solar water heater National	102	40,800.00		152,165.20	Gozo
2011 Solar water heater National	1,066	424,650.00		1,712,372.42	Malta

Table 3 – Number of grant offers issued during 2011

SCHEME	NUMBER OF APPLICANTS	GRANTS PAID (€)	KWP	TOTAL INVESTMENT BY THE PUBLIC (€)	ISLAND
2009 Roof insulation/double glazing	4	930.89		2,883.79	Malta
2009 Solar water heater	1	460.00		1,350.00	Gozo
2009 Solar water heater	12	5,520.00		17,516.00	Malta
2010 PV call 2	191	559,004.00	348.42	1,413,834.03	Gozo
2010 PV call 2	1,439	4,255,676.00	2598.19	1,0332,919.30	Malta
2010 PV National	1	3,000.00	2.18	7,656.86	Gozo
2010 PV National	2	5,885.50	3.49	12,528.00	Malta
2010 Solar water heater	169	92,489.60		250,919.00	Gozo
2010 Solar water heater	173	95,037.50		267,628.36	Malta
2011 PV ERDF	72	213,813.00	139.38	506,540.62	Malta
2011 Solar water heater ERDF	4	2,240.00		6,680.00	Gozo
2011 Solar water heater ERDF	9	5,038.00		16,289.99	Malta
2011 Solar water heater National	55	22,000.00		81,097.00	Gozo
2011 Solar water heater National	675	268,884.00		1,076,402.44	Malta

Table 4 – Number of grant offers paid during 2011

WATER

Analysis and Updating of Groundwater Sources Database

The Water Directorate continued analysing the groundwater sources database through the performance of further inspections and updates made available through applications from users of these sources. Two hundred and forty-one on-site verifications were performed in 2011. These focused mainly on the groundwater sources registered in 1997, with particular reference to those sources located in areas where there was substantial land development in past years. During these on-site verifications it was established that 47 sources were notified more than once and the duplicates were thus removed from the database.

The process of registering additional users on already registered groundwater sources helped to further improve the information available on the database. One hundred and two applications for the addition/change of users were received during 2011. These increased the number of users by 218, bringing the total number of users registered with the Malta Resources Authority by the end of 2011 to 13,017.

Six (6) applications for late notifications of groundwater sources were received this year. The legislation allowing for these late notifications was repealed in March 2011 through Government Notice 187 of 2011.

A number of the late applications received consisted of old, hand-dug 'spejjer'. The majority of these could be traced on records produced after the



performance of an on-field survey in the late 1940s and early 1950s but they were not duly reregistered in 1997 or 2008, as required by the respective legislation. These sources are of importance from an agricultural point of view. Therefore, the relevant legislation was amended so that sources that meet certain criteria could be notified as required.

The following criteria were established:

- a groundwater source dug or enlarged prior to 1955; provided that this groundwater source is found in records possessed by the Authority as having been dug or enlarged prior to 1955;

- a shaft wider than three (3) feet (91.44 cm) in diameter located in the surface catchment area of a perched aquifer or a coastal aquifer and used to draw water from above the blue clay formation; or
- a shaft wider than three (3) feet in diameter located in the surface catchment area of a mean sea level aquifer, which does not exceed 50 metres in depth, provided that in the case of the groundwater sources referred to in the two previous paragraphs, the applicant shall present proof of the existence of the groundwater source before 1992.

Metering of Groundwater Sources used for Industrial and Commercial Purposes

In 2011, a further 86 groundwater sources were metered. The industry categories where these sources are located are:

- Water suppliers 23
- Commercial 4
- Institutions 2

By the end of 2011 payments for meter installation on another 60 sources had been effected. These sources are used mainly by operators supplying water by water tankers.

Metering of Groundwater Sources used for Agricultural Purposes

The process for the metering of agricultural sources started during 2011. Localities were zoned according to their hydrological importance and to ease logistics. Site inspections commenced. During these site inspections the users were instructed on any preparatory work that was required prior to the metering itself. The metering process is envisaged to be completed by mid 2013.

Closure of Domestic Groundwater sources

In August 2011 the Authority started issuing orders for the closure and decommissioning domestic groundwater sources. One hundred and eighty-four such orders were issued in 2011.

Regulation of water tanker suppliers

The process for the regulation of the transport of water by water tankers continued in 2011.

Applications submitted for a licence to supply water by water tanker for commercial purposes	3
Applications submitted for a licence to supply water by water tanker for own use	2
Licences issued for the supply of water by water tanker for commercial purposes	79
Licences issued for the supply of water by water tanker for own use	27
Licences/Applications withdrawn	10

Table 5 – Licensing of the supply of water by water tankers in 2011

Thus the number of licensed operators at the end of 2011 stood at 106. A number of applicants withdrew their application after concluding that their investment was no longer viable.

Water Catchment Management Plan

In 2000, the European Union took a groundbreaking step when it adopted the Water Framework Directive (WFD). It introduced a new legislative approach to managing and protecting water, based not on national or political boundaries but on natural geographical and hydrological formations: river basins and, in the case of Malta, water catchment areas.

The Water Catchment Management Plan (WCMP) is the key tool for implementing the WFD. This plan was the outcome of a six-month public consultation period that ran from May to November 2010 on a draft version of this plan. During this period members of the public were invited to contribute to the plan and several stakeholder bilateral meetings were held. The contributions of willing participants were various and extensive. The plan can be viewed at <http://www.mepa.org.mt/topic-wcmp>.

After the plan was finalised, Government decided to set up an Interministerial Committee to oversee the implementation of the WCMP, chaired by the Malta Resources Authority, with the participation of key stakeholders, including the Ministry of Finance, the Economy and Investment, the Ministry for Resources and Rural Affairs, the Malta Environmental and Planning Authority, the Water Services Corporation and Transport Malta.

Throughout 2011 the Interministerial Committee met on four occasions to discuss the implementation of the measures incorporated within the WCMP. The WCMP has 40 measures categorised under six main headings: Regulatory, Agriculture and Animal Husbandry Practices; Fisheries and Aquaculture Practices; Industrial Practices and Urban Environment Pressures; Management of Immediate Coastal and Marine Environment; Safeguarding Natura 2000-protected Areas; and Awareness and Enhancement of Knowledge Base. The completion date of each measure is 2015 and the implementing entities were optimistic that they will be successful in meeting the target date.

CATEGORY	MEASURES	STATUS
Regulatory	2	completed
Agriculture and Animal Husbandry Practices	7	In progress
Fisheries and Aquaculture Practices	1	In progress
Industrial Practices and Urban Environment Pressures	8	1 completed In progress
Management of Immediate Coastal and Marine Environment	7	2 completed In progress
Improvement of Groundwater	6	1 completed In progress
Safeguarding Natura 2000-protected Area	2	In progress
Awareness and Enhance of Knowledge Base	7	In progress

Table 6 – A summary of the status of the WCMP measures as at the end of 2011

Implementation of the Floods Directive (2007/60/EC)

In January 2006, the European Commission brought forward a proposal for a Directive on the assessment and management of flood risks (the Floods Directive). The Directive as finally agreed came into force in November 2007.

The Floods Directive requires Member States to take a long-term planning approach to reduce flood risks by adopting a three stage process:

- Stage 1: Undertaking of a preliminary flood risk assessment (to be completed by 22 December, 2011);
- Stage 2: Preparation of flood hazard and risk maps (to be completed by 22 December, 2013); and
- Stage 3: Preparation of flood risk management plans (to be completed by 22 December, 2015)

These three stages must be reviewed every six years in a cycle co-ordinated and synchronised with the Water Framework Directive implementation cycle.

The Authority was entrusted with the responsibility of carrying out the first stage of implementation, i.e. the preliminary flood risk assessment (PFRA). Member states had to carry out a PFRA for each river basin district or unit of management and based on readily available information. The assessment required a description of past flood events that have had a significant adverse effect and for which the likelihood of occurrence is still relevant, and an assessment of potential adverse consequences of future floods.

This was achieved by searching newspaper articles describing flood events that occurred within the past 50 years. Reports of past flood events in newspaper articles can generally give an indication of the adverse consequences attributed to a particular flood event, including details on casualties and injuries, damage to private property and the infrastructure and the areas that experienced flooding.

To facilitate the identification of reports on past flood events, rainfall data for the last 50 years was provided by the Malta International Airport Meteorological Office. Newspaper articles reporting the aftermath of significant rainfall events were then identified according to the date of the rainfall event. Past flood events were considered significant if casualties were reported or if the storm event had adverse consequences on private property and infrastructure.

In the absence of stream flow records and detailed hydrological data on past flood

events, the hydrological characteristics of future flood events was determined by the predictive model developed as part of the National Flood Relief Project (NFRP) in 2010. The NFRP also included a Flood Damage Evaluation (FDE) procedure that identified the potential adverse consequences of future floods, together with the impacts of climate change and long-term developments on the occurrence of floods.

Reporting of Information

All the information collated as part of the PFRA had to be reported to the Commission in the appropriate and specified format. The information reported included the unit of management together with the competent authorities and their specific roles. Throughout the PFRA, the Authority was the sole competent authority and was responsible for the co-ordination, preparation, production and reporting of the PFRA to the Commission. The Authority also reported the approach used for the identification of past and future significant flood events and details of past and future flood events and their associated consequences.

As part of the reporting requirements the Authority had to prepare and submit geographic information to enable the creation of maps indicating the river basin district and unit of management of the competent authority, together with the location of past significant flood events.

Based on the results of the PFRA, the Authority recommended that no areas should be considered as flood prone areas since past significant flood events are no longer considered significant and any areas that experience a temporary covering of water is a result of storm water runoff that subsides within a couple of hours.

OIL EXPLORATION SECTION

The Oil Exploration Section implements the provisions of the Petroleum (Production) Act (Cap. 156), the Continental Shelf Act (Cap. 194), the Petroleum (Production) Regulations (2001) and related petroleum exploration and production terms as set out in contracts with oil companies on behalf of Government. The Section also provides technical support to Government in the form of advice; analysis of data and contractual terms; monitoring of contractual obligations; and keeping of data and surveillance of petroleum exploration activity on Malta's continental shelf.

Licensing and Exploration Activity

During 2011, the Oil Exploration Section monitored the contractual obligations of Heritage Oil International (Malta) Ltd and Malta Oil Pty Ltd, the two oil companies currently holding a Production Sharing Contract in Malta. Heritage Oil operates under a PSC in Area 2 and Area 7 of offshore Malta and Malta Oil operates under another PSC in Blocks 4, 5, 6 and 7 of Area 4. During 2011, Heritage Oil and Malta Oil acquired new seismic data over their respective blocks. The newly acquired data will be integrated with existing data in preparation for identifying the best drillable prospects.

Promotional Activity & the 2011 Bid Round

During 2011, the Malta Resources Authority organised an oil promotional road show and a bid round that closed on 1 December. Presentations to the oil industry were held in London (June) and Houston (September). Following the presentations, several oil companies visited the data room at the MRA. By the bid round closure date, three applications for Production

Sharing Contracts were submitted for acreage in offshore Malta. Negotiations with the applicants are expected to be concluded in early 2012.

Surveillance

The surveillance of exploration activities in the Central Mediterranean continued to be a priority activity of the Section. No unauthorised activities were reported in areas that overlap the Maltese continental shelf claims.

Legislation

Following the oil spill incident in the Gulf of Mexico in April 2010, the Section participated at several meetings organised by the EU Commission for national regulators of the oil and gas industry. The Department is closely following the latest legislative initiatives proposed by the Commission.

The Section is also reviewing the updating of local petroleum legislation, including the Continental Shelf Act.

Malta Geographical Survey

The Authority has been accepted by all members of the Geological Surveys of Europe to become the 33rd member of the Eurogeosurveys Organisation. This marks a distinct recognition of the Geological Maps of Malta within the European Forum.

Work is ongoing to develop the digitised geological map data to its full potential at a scale of 1:2500. This is being undertaken through geological collaborations with a view to providing the information as a comprehensive geological information resource.

THE CLIMATE CHANGE AND POLICY UNIT

In 2011, the unit continued to fine tune its operational set-up, while ensuring continuity in the basic functions relating to climate change obligations, particularly those related to the implementation of Malta's obligations and relevant legislation.

Responsibilities arising from Malta's obligations as an Annex 1 party to the United Nations Framework Convention on Climate Change (UNFCCC) and from the EU's Monitoring Mechanism include:

- the drawing up of the national greenhouse gas emissions and removals inventory, covering the period 1990 to 2010, for submission to the European Commission and the UNFCCC Secretariat; and
- the compilation of the report on Greenhouse Gas Emissions Mitigation Policies and Measures and Projections for submission to the European Commission.

In view of Malta's status as an Annex 1 Contracting Party of UNFCCC, the unit collaborated closely with officials of UNFCCC to harmonise Malta's reporting with the requirements of the convention. Subsequently the first national GHG inventory under this annex was submitted. This was later vetted by the UNFCCC's Expert Review Team.

During the year, the unit covered the monitoring process of the national GHG mitigation policy measures to establish a viable direction for any subsequent policy in this regard. At the same time the unit was involved in the publication of the '2011 Policies and Measures Report', which gives a comprehensive list of the planned

measures in relation to GHG mitigation.

This report provides the way forward for Malta in respect of its mitigation targets, encompassing the main sectorial Government policies.

Substantial effort was also reserved for the preparatory administrative and registry work for the inclusion of aviation activities in the scope of the EU ETS directive, 2011 being the second year of monitoring for aircraft operators and the last year prior to the full inclusion of aviation operations in the scheme. In addition, the routine compliance cycle for stationary installations was completed as duly required by the Directive.

The Climate Change and Policy Unit represented Malta at a number of international and EU fora, working on climate change policy and international affairs. At EU level the unit participated in the main fora for the implementation of relevant legislation, mainly the Climate Change Committee and its work groups, established by EU law to draw up and adopt implementing provisions arising from the EU's climate change legislative framework. Meanwhile, the unit also continued to provide technical input to the formulation of Malta's position on various negotiation streams at European Council level.

The CCPU was involved in consultations as a major consultee in the drafting of the 'National Environment Policy', the 'National Climate Change Adaptation Strategy' and the 'National Energy Policy', highlighting the horizontal aspects of climate change issues.

EU PROPOSALS AND LEGISLATIVE INSTRUMENTS

The principal proposal relating to energy being discussed in the European Council was the Energy Efficiency Proposal. The MRA gave its support to Government on this proposal. The Authority also participated in a number of Council meetings as well as bilateral meetings with the Presidency and the Council. In October 2011, the Commission published its proposal for a new Regulation on the safety of offshore oil and gas prospection, exploration and production activities. Last year, the MRA gave its initial views and inputs on the proposed Regulation through the usual channels.

MEPA Consultations

The Authority was consulted on several issues pertaining to energy and replied to MEPA in the stipulated time. There were:

Consultations on building complexes	8
Consultations on liquid fuel installations	2
Consultations on LPG bulk installations	15
Consultations on material changes to petroleum filling stations	2
Consultations on renewable energy projects	13

Table 7 – Consultations carried out on issues pertaining to energy

The amount of consultations has reduced over the previous year primarily due to the reform within MEPA whereby the architects first consult with the other authorities and get their consent before submitting an application to MEPA.

The Authority was also consulted on several issues pertaining to water.

MEPA	
Agricultural store	12
Agricultural store/Reservoir	2
Alteration in existing building	10
Amendments to farms	6
Extension in farms	2
Greenhouse	1
Industrial Facility	7
Pigeon loft	1
Rabbit Farm	1
Residential Farmhouse	13
Reservoir	3
Reservoir with pump room	1
Paving and landscaping	3
Stables	2
Cesspit	2
Others	11
Total	77

PRE-SUBMISSIONS	
Agricultural store	16
Amendments in existing farms	19
Alteration in existing building	5
Agricultural store/Reservoir	9
Cow farm	1
Greenhouse	6
Industrial Facility	1
Poultry/Broiler farm	2
Pump room	10
Reservoir with pump room	7
Residential Farmhouse	6
Domestic Cesspit	2
Paving & Landscaping	1
Reservoir	45
Sheep Farm	4
Stables	10
Farm extension	8
Others	36
Total	188

Table 8 – Consultations carried out on issues pertaining to energy

CONFERENCES AND SEMINARS

Agency for the Co-operation of Energy Regulators

The Authority this year increased its participation in the ACER and CEER fora.

The Agency for the Co-operation of Energy Regulators (ACER) is an agency of the European Union by Regulation 713/2009 in 2009. Its seat is in Ljubljana, Slovenia.

The agency aims to:

- complement and co-ordinate the work of national regulatory authorities;
- participate in the creation of European network rules;
- take, under certain conditions, binding individual decisions on terms and conditions for access and operational security for cross border infrastructure;
- give advice on various energy related issues to the European institutions; and
- monitor and report developments at the European energy markets.

The Council of European Energy Regulators (CEER) is the organisation in which Europe's national regulators of electricity and gas voluntarily co-operate to protect consumers' interests and facilitate the creation of a single, competitive and sustainable internal market for gas and electricity in Europe.

The CEER acts as a platform for co-operation, information exchange and assistance between national energy regulators. It is their interface at European level with the EU Institutions and complements the ACER activities.

MEDREG

The MRA was again invited to all the ad hoc meetings and the two General Assemblies of the Association of Mediterranean Regulators of Electricity and Gas (MEDREG). The Authority sent representatives for the 11th General Assembly, held in Florence in May, but did not attend the ad hoc meetings and the 12th General Assembly in December. In addition, another meeting for the communications officers of each country was held in Milan in September and the Authority sent a delegate.

Conferences

The MRA was requested by the MCCAA to attend the annual conference on CEN/TC 286 in Paris in May, 2011.

Participation in EU-funded projects

During 2011 the Malta Resources Authority's energy directorate was involved in three EU funded projects.

PV-NMS-NET



The aim of the project, 'Photovoltaic in New Member States Networking', with the acronym PV-NMS-NET, was to define the boundaries existing in the uptake of the PV market in the new member states and to share strengths between partners in the implementation of promotional mechanisms for PV markets.

The 12 partners involved were representatives from technical institutes and energy agencies from new member states. The project, whose duration was 36 months and was concluded in September 2011, was co-funded by Intelligent Energy Europe. The Malta Resources Authority, as the local energy regulator, through the assistance of the PV-NMS-NET project has contributed considerably to the promotion of photovoltaic technology in our islands by:

- Improvement through barrier reduction;
- Dissemination of information;
- Addressing grid connection barriers;
- Defining the installers' training requirements;
- Spearheading the FIT regulation; and
- Indirectly promoting the use of PVs in the residential sector by administering an ERDF grant scheme.

For further information on the project and deliverables please visit: <http://www.pv-nms.net/pvnms/web/frontend.php/article>.

Concerted Action – Renewable Energy Sources



In July 2010 the Authority was approached from the Austrian Energy Agency to be

part of an EU-wide project financed by the Commission to co-ordinate the actions required under Directive 28 of 2009, the Directive on the promotion of the use of energy from renewable sources. The project, entitled CA-RES, is to last three years, and mainly consists of six meetings during which Member States discuss the problems being faced by each Member State and propose measures to promote harmonisation of the legislation.

The project has 10 distinct Working Groups, to which the Authority attempts to attend the following Working Groups, 'Co-operation mechanisms & NREAPs', 'Calculation Methodology', 'Authorisation of plants and infrastructure', 'Training and Information', 'Electricity Networks', 'RES in transport and biofuels', and 'Guarantees of Origin certificates', since Working Group sessions are held concurrently.

For more information please refer to the link: <http://www.ca-res.eu/>.

RESI – Renewable Energy Scenarios in Islands

Since 2010 the Malta Resources Authority has been involved in a 20-month project that forms part of the Operational Programme Italy-Malta 2007-2013. The aim of the project, which is still in its initial phases, is to promote and share good practices and information on promotion of renewable energy sources and technologies between Malta and the provinces and to serve as a pilot to incorporate other provinces in the activity.

The leader of the project is the Regional Province of Ragusa. The partners are the Regional Province of Agrigento, the Institute for Sustainable Energy based in Malta and the Malta Resources Authority.

The Malta Resources Authority

REPORT & FINANCIAL STATEMENTS

31 December 2011

STATEMENT OF RESPONSIBILITIES OF THE AUTHORITY

The Authority consists of the Members of the Authority Board. The Authority Board is responsible for the policy to be adopted by the Authority and for the execution of that policy. This includes responsibility to ensure that:

- a. Proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities, and
- b. Adequate controls and procedures are in place for safeguarding the assets of the Authority and the prevention and detection of fraud and other irregularities.

The Malta Resources Authority Act, Chapter 423 requires that financial statements are prepared for each financial year. In preparing those financial statements which give a true and fair view of its state of affairs as at the end of the financial year and of its surplus or deficit for that year, the Authority:

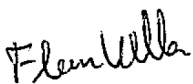
- adopts the going concern basis unless it is considered inappropriate;
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- accounts for income and charges relating to the accounting period on the accruals basis;
- values separately the components of asset and liability items; and
- reports comparative figures corresponding to those of the preceding accounting period.

The Members of the Authority Board are responsible for keeping proper accounting records which disclose with reasonable accuracy, the financial position of the Authority. 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 Members of the Authority Board are responsible to ensure that the Authority establishes and maintains internal control to provide reasonable assurance with regards to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

After reviewing the Authority's results and plans for the coming financial year, the Members of the Authority Board are satisfied that at the time of approving these financial statements, the information provided in this report is a true reflection of the position of the Malta Resources Authority.

Signed on behalf of the Board of the Malta Resources Authority by:



Ms. Fleur Vella
B.Com. (Hons.) Econ., M.B.A.
Chairperson



Ing. Anthony Rizzo
B. Mech (Eng) Hons
Chief Executive Officer

3 February 2012

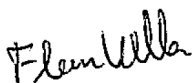
INCOME STATEMENT

	Notes	2011 €	2010 €
Income (net of direct costs)	5	1,888,529	1,719,673
Staff costs	6	(1,217,005)	(1,096,705)
Professional and consultancy fees		(42,095)	(84,231)
Promotional expenses		(7,063)	(4,448)
Administrative expenses		(371,536)	(431,806)
Depreciation		(53,856)	(52,518)
Finance income	7	1,859	1,899
Finance cost	7	(5,595)	(9,831)
Surplus for the year	8	193,238	42,033

STATEMENT OF FINANCIAL POSITION

	Notes	2011 €	2010 €
Assets			
Non-current			
Property, plant and equipment	10	75,944	114,104
Current			
Trade and other receivables	12	167,317	228,925
Cash and cash equivalents	13	3,601,563	438,066
Taxation recoverable		7,354	-
		3,776,234	666,991
Total assets		3,852,178	781,095
Equity			
Accumulated surplus (deficit)	14	6,079	(187,159)
Total equity		6,079	(187,159)
Liabilities			
Non-current			
Finance lease liability	11	-	23,126
Current			
Trade and other payables	15	3,846,099	811,504
Current tax liability		-	133,624
		3,846,099	945,128
Total liabilities		3,846,099	968,254
Total equity and liabilities		3,852,178	781,095

The financial statements on pages 33 to 52 were approved by the Authority Board, authorised for issue on 3 February 2012 and signed on its behalf by:



Ms. Fleur Vella
B.Com. (Hons.) Econ., M.B.A.
Chairperson



Ing. Anthony Rizzo
B. Mech (Eng) Hons
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

	Accumulated (deficit)/ Surplus €
At 1 January 2010	(229,192)
Surplus for the year	42,033
At 31 December 2010	(187,159)
At 1 January 2011	(187,159)
Surplus for the year	193,238
At 31 December 2011	6,079

STATEMENT OF CASH FLOWS

	Notes	2011 €	2010 €
Operating activities			
Surplus for the year		193,238	42,033
Adjustments	16	96,894	98,296
Net changes in working capital	16	3,086,738	235,361
Interest paid		(5,595)	(9,831)
Taxes paid		(152,527)	(1,157)
		3,218,748	364,702
Investing activities			
Payments to acquire property, plant and equipment		(15,696)	(67,967)
Interest received		1,859	1,899
		(13,837)	(66,068)
Financing activity			
Capital repayments under finance lease		(41,414)	(37,176)
Net change in cash and cash equivalents		3,163,497	261,458
Cash and cash equivalents, beginning of year		438,066	176,608
Cash and cash equivalents, end of year	13	3,601,563	438,066

NOTES TO THE FINANCIAL STATEMENTS

1 Nature of operations

The Malta Resources Authority ('MRA' or 'the Authority') is a public corporate body with regulatory responsibilities relating to water, energy, mineral resources and oil exploration in the Maltese Islands. The Authority has wide ranging responsibilities essentially involving regulation of water and energy utilities, industrial enterprises, exploiting resources, and regulating wiremen in the regulated sectors.

2 General information and statement of compliance with IFRS

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Malta Resources Authority Act, Chapter 423.

MRA was established by law on 2 February 2001 and is an autonomous body constituted by the Malta Resources Authority Act, Chapter 423, and reports annually to Parliament. The Authority is the single regulator for the water, energy, mineral resources and oil exploration and is comprised of the Members of the Authority Board, appointed by the Prime Minister, and the Minister for Resources and Rural Affairs.

The financial statements are presented in euro (€), which is also the functional currency of the Authority.

3 Changes in accounting policies

3.1 Adoption of Improvements to IFRSs 2010

The Improvements to IFRSs 2010 made several minor amendments to a number of IFRSs.

None of the amendments made is relevant to the Authority's operations and therefore there is no impact on the current or prior year's financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Authority

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

The Authority Board anticipates that all of the relevant pronouncements will be adopted in the Authority's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Authority's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Authority's financial statements.

IFRS 9 Financial instruments (IFRS 9)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. The Authority Board has yet to assess the impact of this new standard on the Authority's financial statements. However, they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The accounting policies have been consistently applied by the Authority and are consistent with those used in previous years.

4.2 Revenue

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.

- Income from subvention from the Government of Malta is recognised when the allocation is approved by the Ministry of Finance.
- Income from licences and contributions from utility organisations is recognised on an accrual basis.
- Income derived from grants from EU and other entities is recognised over the periods necessary to match with related costs.
- Interest income from investments is reported on an accrual basis using the effective interest method.

4.3 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the Authority's finance lease liability. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance cost'.

4.5 Property, plant and equipment

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, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Authority Board. Property, plant and equipment also include leasehold improvements held under a finance lease (see note 4.6). Subsequently, they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost or valuation less estimated residual value of property, plant and equipment. The rates generally applicable are:

	%
- 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

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement within 'other income' or 'other expenses'.

4.6 Leased assets

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 4.5 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 statement, as finance cost over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Authority is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.7 Impairment testing of tangible assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the Authority Board estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect the Authority Board's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating units. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the Authority are classified into loans and receivables upon initial recognition.

Loans and receivables are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance income' and 'finance cost', except for impairment of trade receivables which is netted off against revenue.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Authority's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Classification and subsequent measurement of financial liabilities

The Authority's financial liabilities include finance lease liability and trade and other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the income statement are included within 'finance cost' or 'finance income'.

4.9 Income taxes

Tax expense recognised in the income statement comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable surplus, which differs from surplus or deficit in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting surplus.

Leases

In applying the classification of leases in IAS 17, the Authority considers its rental contract for the office leased premises as operating lease and the electrical installations, ventilation systems and partitioning carried out on the leasehold premises as finance lease arrangements. In some cases, the lease transaction is not always conclusive and the Authority Board uses judgement in determining whether the lease is finance or operating lease arrangement.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

The Authority Board reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

5 Income (net of direct costs)

	Notes	2011 €	2010 €
Subventions received from the Government of Malta		-	750,000
Licenses and contributions from utility organisations and other operators		2,310,563	1,278,284
Other income	5.1	1,644	3,582
Excess expenditures	5.2	(423,678)	(312,193)
Total income		1,888,529	1,719,673

5.1 Other income

	2011 €	2010 €
Tender fees	700	-
Petrol course fees	795	2,703
Other sundry income	149	879
	1,644	3,582

5.2 Excess expenditures

	2011 €	2010 €
Rebate schemes, EU projects and other initiatives:		
Refunds received from the Government of Malta and EU	5,621,268	1,332,466
Related expenditure	(6,044,946)	(1,644,659)
Excess of expenditure over refunds received	(423,678)	(312,193)

6 Staff costs

	2011 €	2010 €
Wages and salaries	1,150,929	1,035,941
Social security costs	66,076	60,764
	1,217,005	1,096,705

The average number of persons employed by the Authority during the year was:

	2011	2010
Board members	8	8
Operations	40	39
	48	47

7 Finance income and finance cost

Finance income and finance cost may be analysed as follows:

	2011 €	2010 €
Finance income		
Interest income from demand deposits	1,859	1,899
Finance cost		
Interest expense on finance lease liability	5,595	9,831

8 Surplus for the year

The surplus for the year is stated after charging:

	2011 €	2010 €
Board members' honoraria	39,185	36,123
Board secretary's honoraria	3,507	3,521
Depreciation of property, plant and equipment	53,856	52,518
Auditors' remuneration	6,189	4,130

9 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Authority at 35% and the tax expense actually recognised in the income statement can be reconciled as follows:

	2011 €	2010 €
Surplus for the year before tax	193,238	42,033
Tax rate	35%	35%
Expected tax expense	(67,633)	(14,712)
Non-taxable income	651	664
Non-deductible expenses	(34,437)	(35,670)
Movement in unrecognised deferred tax assets	101,419	49,718
Actual tax expense, net	-	-

As at reporting date, the Authority had unused tax losses of € 82,100 (2010: € 326,307) and excess of carrying amount over tax base of € 6,434 (2010: € 4,995) for which no deferred tax has been recognised.

10 Property, plant and equipment

The Authority's property, plant and equipment comprise leasehold improvements, computer equipment, computer software, motor vehicles, furniture, fixtures and other equipment and assets held under finance lease. The carrying amounts can be analysed as follows:

	Leasehold improvements	Computer equipment	Computer software	Motor vehicles	Furniture, fixtures & other equipment	Assets held under finance lease	Total
	€	€	€	€	€	€	€
At 31 December 2009	11,109	88,594	15,677	36,105	94,574	287,508	533,567
Additions	7,872	12,435	-	28,000	19,660	-	67,967
At 31 December 2010	18,981	101,029	15,677	64,105	114,234	287,508	601,534
Additions	-	6,109	3,111	-	6,476	-	15,696
At 31 December 2011	18,981	107,138	18,788	64,105	120,710	287,508	617,230
Depreciation							
At 31 December 2009	8,055	84,680	12,723	36,105	84,904	208,445	434,912
Depreciation for the year	3,735	5,537	2,740	5,600	6,155	28,751	52,518
At 31 December 2010	11,790	90,217	15,463	41,705	91,059	237,196	487,430
Depreciation for the year	3,735	7,183	1,147	5,600	7,440	28,751	53,856
At 31 December 2011	15,525	97,400	16,610	47,305	98,499	265,947	541,286
Carrying amounts							
At 31 December 2009	3,054	3,914	2,954	-	9,670	79,063	98,655
At 31 December 2010	7,191	10,812	214	22,400	23,175	50,312	114,104
At 31 December 2011	3,456	9,738	2,178	16,800	22,211	21,561	75,944

11 Leases

11.1 Finance lease

The Authority's electrical installations, ventilation systems and partitioning carried out on the leasehold premises are held under a finance lease arrangement. The net carrying amount of the assets held under the lease is € 21,561 (2010: € 50,312). The assets are included under 'assets held under finance lease' which form an integral part of 'property, plant and equipment' (see note 10).

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due		
	Within 1 year €	1 to 5 years €	Total €
31 December 2011			
Lease payments	23,503	-	23,503
Finance charges	(377)	-	(377)
Net present values	23,126	-	23,126
31 December 2010			
Lease payments	47,007	23,503	70,510
Finance charges	(926)	(377)	(1,303)
Net present values	46,081	23,126	69,207

The lease agreement for the finishing works on the Authority's leasehold premises includes fixed lease payments and a purchase option at the end of the 10 year lease term. The agreement is non-cancellable but does not contain any further restrictions.

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Authority.

11.2 Operating lease

The Authority's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year €	1 to 5 years €	Total €
31 December 2011	97,633	-	97,633
31 December 2010	47,065	-	47,065

Lease payments recognised as an expense during the period amount to € 92,253 (2010: € 98,263). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Authority.

The rental contract for the leased office premises rented since 1 July 2002 is for Millenia, 2nd Floor, Aldo Moro Road, Marsa and has a non-cancellable term of 5 years, and is renewable for a further period of 5 years. The contract was due to expire on 30 June 2012, however, it was renewed for a further period of 6 months.

The Authority's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debts.

12 Trade and other receivables

	2011 €	2010 €
Trade receivables, gross	134,389	182,727
Allowance for credit losses	(81,815)	(37,846)
Trade receivables	52,574	144,881
Receivables on EU projects	12,832	54,616
Accrued income	45,688	8,500
Other receivables	43,845	10,963
Loans and receivables	154,939	218,960
Non-financial asset		
Prepaid expenses	12,378	9,965
Total trade and other receivables	167,317	228,925

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

All of the receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired and a provision of € 43,969 (2010: € 37,846) has been recorded accordingly.

The movement in the allowance for credit losses can be reconciled as follows:

	2011 €	2010 €
Balance at 1 January	37,846	-
Amount provided for	43,969	37,846
Balance at 31 December	81,815	37,846

13 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include:

	2011 €	2010 €
Financial assets:		
Cash at bank	3,600,806	437,309
Cash in hand	757	757
Cash and cash equivalents	3,601,563	438,066

The Authority did not have any restrictions on its cash and cash equivalents at year end.

14 Accumulated surplus (deficit)

	2011 €	2010 €
At 1 January	(187,159)	(229,192)
Surplus for the year	193,238	42,033
At 31 December	6,079	(187,159)

In accordance with section 14(3) of the provisions of the Malta Resources Authority Act, Chapter 423 of the Laws of Malta, 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.

In accordance with section 14(4) of the provisions of the Malta Resources Authority Act, Chapter 423 of the Laws of Malta, any excess of revenue over expenditure shall, subject to such directives as the Minister, after consultation with the Minister responsible for Finance, may from time to time, be applied by the Authority to the formation of reserve funds to be used for the purposes of the Authority.

15 Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

	Note	2011 €	2010 €
Trade payables		210,810	177,871
Current portion of finance lease liability	11	23,126	46,081
Accruals		236,215	87,242
Other payables (third parties)		-	8,500
Other payables (note)		3,375,948	491,810
Total trade and other payables		3,846,099	811,504

Note - Other payables

Funds received in advance for EU projects	2,767,332	79,133
Funds received in advance for rebate scheme	205,708	239,148
Funds received in advance from utility organisation	109,950	23,300
Funds received for training	208,257	150,229
Funds received in advance from wiremen	76,874	-
Others	7,827	-
	3,375,948	491,810

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

Amounts due to related parties (included in other payables) are unsecured, interest free and repayable on demand.

16 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to the pre-tax result for the year to arrive at operating cash flow:

	2011 €	2010 €
Adjustments:		
Depreciation of property, plant and equipment	53,856	52,518
Movement in allowance for credit losses	43,969	37,846
Finance lease liability written-off	(4,667)	-
Interest receivable	(1,859)	(1,899)
Interest expense	5,595	9,831
Total adjustments	96,894	98,296
Net changes in working capital:		
Change in trade and other receivables	17,639	(139,008)
Change in trade and other payables	3,069,099	374,369
Total changes in working capital	3,086,738	235,361

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. Transactions with related parties are unsecured and interest free. Outstanding balances are usually settled in cash. Amounts owed to related parties are shown separately in note 15.

Income recognised for the year under review relating to subventions received from the Government of Malta, licences and contributions from utility organisations and refunds on previous year's expenditure on other studies, are disclosed in note 5.

18 Contingent liabilities

Due to the nature of its functions, the Authority is currently a co-defendant vis-a-vis court claims which refer to:

1. Damages allegedly suffered by the plaintiff as a result of flooding;
2. Damages alleged to have been incurred by the plaintiff in a case related to fuel distribution commissions;
3. Damages alleged to have been incurred by the plaintiff in a case related to access to infrastructure in regard to aviation activities; and
4. Damages alleged to have been incurred by the plaintiff in a case related to commission payable to a petrol station.

In all of the above, the attribution of responsibility, if any, is still undetermined. Thus, quantification of any potential liability is premature. No provision has been recognised in these financial statements.

19 Commitments

At reporting date, the Authority had committed an amount of € 106,808 towards particular studies. This includes an amount of € 47,277 which is to be reimbursed out of the funds for these studies.

In addition, the Authority authorised but not yet contracted for the purchase of a capital asset of € 7,082 during the year.

20 Risk management objectives and policies

The Authority is exposed to various risks in relation to financial instruments. The Authority's financial assets and liabilities by category are summarised in note 20.4. The main types of risks are market risk, credit risk and liquidity risk.

The Authority's risk management is coordinated by the Authority Board 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 the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks which the Authority is exposed to are described below.

20.1 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:

	Notes	2011 €	2010 €
Classes of financial assets – carrying amounts			
Loans and receivables			
- Trade and other receivables	12	154,939	218,960
- Cash and cash equivalents	13	3,601,563	438,066
		3,756,502	657,026

None of the Authority's financial assets are secured by collateral or other credit enhancements.

In respect of loans and receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties since this principally consist of amounts due from the European Union for certain studies and projects entered into by the Authority. See note 12 for further information on impairment of trade receivables.

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

20.2 Liquidity risk analysis

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise finance lease liability and trade and other payables (see notes 11 and 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Authority's obligations when they become due.

The Authority manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The Authority's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

21 Capital management policies and procedures

The Authority's capital management objectives are:

- To ensure the Authority's ability to continue as a going concern, and
- To provide a high standard of regulation and conduct in the public utilities and resources industry from the capital investment made in the Authority.

The capital structure of the Authority consists of debt, which includes finance lease liability (note 11) and trade and other payables (note 15), trade and other receivables (note 12), cash and cash equivalents (note 13) and equity, comprising accumulated surplus (deficit) (note 14).

The Authority's policy is to maintain a strong capital base to maintain Government, public, other utility organisations and creditor confidence and to sustain future development of the Authority's ever-growing role and activities in the public utilities and resources sector.

The Authority monitors the level of debt, which includes its finance lease liability and trade and other payables less cash and bank balances against total equity on an ongoing basis. The Authority Board considers the Authority's gearing level at year end to be appropriate for its operations.

22 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation by the Board.

INDEPENDENT AUDITORS' REPORT

To the Authority Board of

Malta Resources Authority

Report on the financial statements

We have audited the accompanying financial statements of Malta Resources Authority set out on pages 4 to 23, which comprise the statement of financial position as at 31 December 2011, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Authority Board's responsibility for the financial statements

The Authority Board are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Authority Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

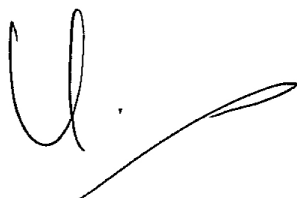
In our opinion, the financial statements give a true and fair view of the Authority's financial position as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Malta Resources Authority Act, Cap 423.

Report on other legal and regulatory requirements

We also have responsibilities under the Malta Resources Authority Act, Cap 423 to report to you if, in our opinion:

- the information given in the Authority Board's report is not consistent with the financial statements.
- the Authority has not kept proper accounting records.
- the Authority's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- certain information required by the Act regarding the Authority Board's remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON

Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

3 February 2012