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**Malta Resources Authority**  
**Report and Financial Statements**  
**For the period ended 31 December 2008**

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## **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.

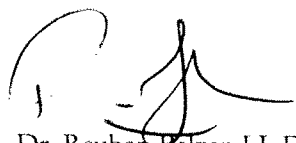
The Members of the Authority Board are responsible for keeping proper accounting records which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and 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 report, 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 Malta Resources Authority.

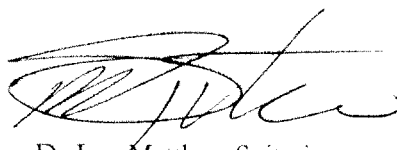
**Malta Resources Authority  
Report and financial statements  
For the period ended 31 December 2008**

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




Dr. Reuben Balzan LL.D

**Chairman**



Dr Ing. Matthew Spiteri  
B. Eng (Hons) M. Sc. Ph. D  
**Deputy Chairman**



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

6 December 2010

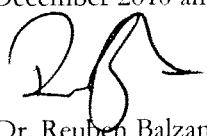
## Statement of income and expenditure

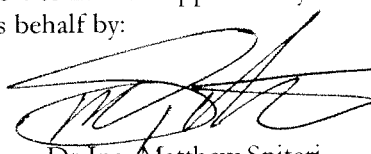
	Notes	2008 (15 months) €	2007 (12 months) €
<b>Income (net of direct costs)</b>	4	<b>1,746,565</b>	<b>957,321</b>
Staff costs	5	(1,072,243)	(600,047)
Professional and consultancy fees		(36,343)	(53,007)
Promotional expenses		(4,857)	(10,820)
Administrative expenses		(273,325)	(186,263)
Depreciation		(61,209)	(53,811)
Finance income	6	5,511	6,364
Finance cost	6	(21,807)	(19,539)
<b>Surplus before tax</b>	7	<b>282,292</b>	<b>40,198</b>
Tax expense	8	(137,270)	(2,227)
<b>Surplus for the financial period/year</b>		<b>145,022</b>	<b>37,971</b>


## Balance sheet

	Notes	2008 €	2007 €
<b>Assets</b>			
<b>Non-current</b>			
Property, plant and equipment	9	135,137	184,996
<b>Current</b>			
Receivables	11	90,850	56,167
Cash and cash equivalents	12	477,739	329,106
		<b>568,589</b>	<b>385,273</b>
<b>Total assets</b>		<b>703,726</b>	<b>570,269</b>
<b>Equity</b>			
Accumulated surplus reserve	13	193,657	48,635
<b>Total equity</b>		<b>193,657</b>	<b>48,635</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Finance lease liability	10	106,383	131,528
<b>Current</b>			
Trade and other payables	14	264,264	387,879
Current tax liability		139,422	2,227
		<b>403,686</b>	<b>390,106</b>
<b>Total liabilities</b>		<b>510,069</b>	<b>521,634</b>
<b>Total equity and liabilities</b>		<b>703,726</b>	<b>570,269</b>

The financial statements on pages 4 to 21 were approved by the Authority Board, authorised for issue on 6 December 2010 and signed on its behalf by:

  
 Dr. Reuben Balzan LL.D  
**Chairman**

  
 Dr Ing. Matthew Spiteri  
 B. Eng (Hons) M. Sc. Ph. D  
**Deputy Chairman**

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

## Statement of changes in equity

	<b>Accumulated surplus reserve</b>	<b>Total</b>
	€	€
At 1 October 2006	10,664	10,664
Surplus for the year	37,971	37,971
<b>At 31 September 2007</b>	<b>48,635</b>	<b>48,635</b>
At 1 October 2007	48,635	48,635
Surplus for the period	145,022	145,022
<b>At 31 December 2008</b>	<b>193,657</b>	<b>193,657</b>

## Statement of cash flows

	Notes	2008 (15 months) €	2007 (12 months) €
<b>Operating activities</b>			
Surplus before tax		282,292	40,198
Adjustments	15	77,505	66,546
Net changes in working capital	15	(146,567)	(467,639)
Tax refunded		-	846
Tax paid		-	(811)
Interest paid		(21,807)	(19,539)
		<b>191,423</b>	<b>(380,399)</b>
<b>Investing activities</b>			
Payment to acquire property, plant and equipment		(11,350)	(18,579)
Proceeds from disposals of property, plant and equipment		-	440
Interest received		5,511	6,364
		<b>(5,839)</b>	<b>(11,775)</b>
<b>Financing Activities</b>			
Capital repayments under finance lease		<b>(36,951)</b>	<b>(27,468)</b>
Net change in cash and cash equivalents		148,633	(419,642)
Cash and cash equivalents, beginning of period/year		329,106	748,748
<b>Cash and cash equivalents, end of period/year</b>	12	<b>477,739</b>	<b>329,106</b>



## **Notes to the financial statements**

### **1 Nature of operations**

The Malta Resources Authority (MRA) (‘the Authority’) is a public corporate body with regulatory responsibilities relating to water, energy and mineral resources 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 in accordance with the Malta Resources Authority Act, Chapter 423.

The Malta Resources Authority (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 and mineral resources 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 for this period cover a fifteen month period in view of the fact that the Authority has changed its financial year-end to 31 December, thus bringing it in line with that of other public sector organisations.

The financial statements are presented in euro (€). Following Malta’s adoption of the euro as its national currency on 1 January 2008 the functional currency of the Authority changed from Maltese lira to euro. Consequently, the results and financial position for the year ended 30 September 2007 were translated at the Irrevocable Fixed Conversion rate (IFR) of € 1 : Lm 0.4293 on the date of changeover.

### **3 Summary of accounting policies**

#### **3.1 Overall considerations**

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

At the date of authorisation of these financial statements, certain new Standards, Amendments and Interpretations to existing Standards have been published but are not yet effective, and have not been

adopted early by the Authority.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

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

### **3.2 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.

### **3.3 Leases**

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then 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 leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building element, in accordance with the relative fair values of the leasehold interests at the date the assets recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements, correspond to those applied to comparable assets which are legally owned by the Authority. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to income or expenditure over the period of the lease.

All other leases are treated as operating leases. 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.

### **3.4 Operating expenses**

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

### **3.5 Borrowing costs**

Borrowing costs primarily comprise interest on the Authority's finance lease liability. Borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

### **3.6 Property, plant and equipment**

Items of property, plant and equipment comprise leasehold improvements, computer equipment, computer software, motor vehicles, furniture, fixtures and other equipment and assets held under finance lease, and are initially recognised at acquisition cost. 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 periods 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	by equal annual installments over the remaining term of the lease

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 statement of income and expenditure within 'other income' or 'other expenses'.

### **3.7 Impairment testing of tangible assets**

For the purposes of assessing impairment, 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 assets 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 their respective risk profiles as assessed by the Authority Board.

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 loss that has been previously recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been previously recognised.

### **3.8 Financial instruments**

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the financial instrument.

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.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

#### **Financial assets**

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

The category determines subsequent measurement and whether any resulting income and expense is recognised in the statement of income and expenditure.

Loans and receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the statement of income and expenditure are presented within 'finance income' and 'finance costs', respectively.

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 and most receivables fall into this category of financial instruments.

#### **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 statement of income and expenditure are included within 'finance costs' or 'finance income'.

### **3.9 Income taxes**

Tax expense recognised in statement of income and expenditure comprises current tax not recognised 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 substantially 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.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Authority has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in income or expenditure, except where they relate to items that are recognised directly in equity, in which case the related deferred tax is also recognised in equity.

### **3.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank.

### **3.11 Reserves**

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

### **3.12 Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Authority and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or the Authority has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**4 Income**

	Note	2008 (15 months) €	2007 (12 months) €
Subventions received from the Government of Malta		663,822	419,287
Licenses and contributions from utility organisations		514,209	407,640
Registration and notification fees – Boreholes		496,622	-
Other income	4.1	71,912	130,394
<b>Total income</b>		<b>1,746,565</b>	<b>957,321</b>

**4.1 Other income**

	2008 (15 months) €	2007 (12 months) €
Balance on reserve cheque bank account from collection of licenses (note a)	1,956	83,857
Refunds on previous year's expenditure on other studies (note b)	16,492	17,810
Petrol course fees	-	3,836
Recharge of personnel and other administrative costs: (note c)		
- Appliance rebate scheme	-	2,856
- EU projects and other studies	53,160	20,755
Profit on asset disposal	-	440
Other sundry income	304	840
	<b>71,912</b>	<b>130,394</b>

Notes -

- a) This balance represents licenses collected by the Authority in excess of the amount stipulated in the Financial Estimates.
- b) These refunds were received during the current year on expenditure incurred in the previous year on certain studies carried out by the Authority.
- c) These recharges represent personnel and other administrative costs claimed by the Authority in respect of EU projects and other studies carried out by the Authority.

**5 Staff costs**

	2008 (15 months) €	2007 (12 months) €
Wages and salaries	985,137	541,283
Social security costs	59,932	30,664
Other staff costs	27,174	28,100
	<b>1,072,243</b>	<b>600,047</b>

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

Board members	8	8
Operations	32	24
	<b>40</b>	<b>32</b>

**6 Finance income and finance cost**

Finance income and finance cost may be analysed as follows:

	2008 (15 months) €	2007 (12 months) €
<b>Finance income</b>		
Interest income from demand deposits	5,511	6,364
<b>Finance cost</b>		
Interest expense on finance lease liability	21,807	19,539

**7 Surplus before tax**

The surplus before tax is stated after charging:

	2008 (15 months) €	2007 (12 months) €
Board secretary's honoraria	4,367	3,494
Board members' honoraria	46,587	37,270
Depreciation of property, plant and equipment	61,209	53,811
Auditors' remuneration	4,673	4,123

**8 Tax expense**

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

	2008 (15 months) €	2007 (12 months) €
Surplus for the period/year before tax	282,292	40,198
Tax rate	35%	35%
<b>Expected tax expense</b>	<b>98,802</b>	<b>14,070</b>
Non-taxable income	-	(146,751)
Underprovision of current tax in previous years	69,101	-
Non-deductible expenses	122	116,226
Movement in unrecognised deferred tax assets	(30,755)	18,682
<b>Actual tax expense, net</b>	<b>137,270</b>	<b>2,227</b>

At balance sheet date, taxable temporary differences for which no deferred tax assets have been recognised are as follows:

	2008 €	2007 €
Temporary differences on:		
- Property, plant and equipment	21,927	17,145
- Unused tax losses	-	33,913
- Unabsorbed capital allowances	-	1,624
	<b>21,927</b>	<b>52,682</b>

**9 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 and other equipment		Assets held under finance lease		Total
	€	€	€	€	€	€	€	€	€	€	€	€	
<b>Cost</b>													
At 1 October 2006	11,109	79,190	-	-	-	36,105	85,313	287,508	499,225				
Additions	-	6,744	7,137	-	-	-	4,698	-	18,579				
Disposals	-	(2,807)	-	-	-	-	-	-	(2,807)				
<b>At 30 September 2007</b>	<b>11,109</b>	<b>83,127</b>	<b>7,137</b>	<b>-</b>	<b>-</b>	<b>36,105</b>	<b>90,011</b>	<b>287,508</b>	<b>514,997</b>				
Additions	-	87	8,540	-	-	-	2,723	-	11,350				
<b>At 31 December 2008</b>	<b>11,109</b>	<b>83,214</b>	<b>15,677</b>	<b>-</b>	<b>-</b>	<b>36,105</b>	<b>92,734</b>	<b>287,508</b>	<b>526,347</b>				
<b>Depreciation</b>													
At 1 October 2006	4,444	62,716	-	-	-	36,105	60,729	115,003	278,997				
Depreciation for the year Released on disposal	1,111	10,438	2,141	-	-	-	11,370	28,751	53,811				
	-	(2,807)	-	-	-	-	-	-	(2,807)				
<b>At 30 September 2007</b>	<b>5,555</b>	<b>70,347</b>	<b>2,141</b>	<b>-</b>	<b>-</b>	<b>36,105</b>	<b>72,099</b>	<b>143,754</b>	<b>330,001</b>				
Depreciation for the period	1,389	10,170	5,879	-	-	-	7,833	35,938	61,209				
<b>At 31 December 2008</b>	<b>6,944</b>	<b>80,517</b>	<b>8,020</b>	<b>-</b>	<b>-</b>	<b>36,105</b>	<b>79,932</b>	<b>179,692</b>	<b>391,210</b>				
<b>Carrying amounts</b>													
1 October 2006	6,665	16,474	-	-	-	-	24,584	172,505	220,228				
30 September 2007	5,554	12,780	4,996	-	-	-	17,912	143,754	184,996				
31 December 2008	4,165	2,697	7,657	-	-	-	12,802	107,816	135,137				



## 10 Leases

### 10.1 Finance lease

The Authority's electrical installations, ventilation systems and portioning 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 € 107,816 (2007: € 143,754). The assets are included under 'assets held under finance lease' which form an integral part of 'property, plant and equipment' (see note 9).

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 €
<b>31 December 2008</b>			
Lease payments	47,007	117,517	164,524
Finance charges	(13,636)	(11,134)	(24,770)
<b>Net present values</b>	<b>33,371</b>	<b>106,383</b>	<b>139,754</b>
<b>30 September 2007</b>			
Lease payments	47,007	176,580	223,587
Finance charges	(1,829)	(45,052)	(46,881)
<b>Net present values</b>	<b>45,178</b>	<b>131,528</b>	<b>176,706</b>

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.

### 10.2 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 2008	69,581	176,923	246,504
30 September 2007	68,721	229,195	297,916

Lease payments recognised as an expense during the period amount to € 86,364 (2007: € 68,300). 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 2<sup>nd</sup> 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 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.

**11 Receivables**

	2008 €	2007 €
Receivables on EU projects	88,613	49,250
Other receivables	-	5,795
<b>Loans and receivables</b>	<b>88,613</b>	<b>55,045</b>
Prepayments	-	1,122
Other receivables	2,237	-
<b>Total receivables</b>	<b>90,850</b>	<b>56,167</b>

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

**12 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet and statement of cash flows include:

	2008 €	2007 €
<b>Financial assets:</b>		
Cash in hand	757	233
Cash at bank	476,982	328,873
<b>Cash and cash equivalents</b>	<b>477,739</b>	<b>329,106</b>

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

**13 Accumulated surplus reserve**

	2008 €	2007 €
At 1 October	48,635	10,664
Surplus for the period/year	145,022	37,971
<b>At 31 December/30 September</b>	<b>193,657</b>	<b>48,635</b>

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 appropriate 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 give, be applied by the Authority to the formation of reserve funds to be used for the purposes of the Authority.

#### **14 Trade and other payables**

Trade and other payables recognised in the balance sheet can be analysed as follows:

	Note	2008 €	2007 €
Amounts due to related parties		35,179	28,167
Trade payables		53,919	9,352
Current portion of finance lease liability	10	33,371	45,178
Accruals		27,719	18,667
Other payables (note)		114,076	286,515
<b>Total trade and other payables</b>		<b>264,264</b>	<b>387,879</b>

##### **Note - Other payables**

Funds received in advance for EU projects	57,684	-
Funds received in advance for rebate scheme	27,275	111,810
Funds received in advance from utility organisation	29,117	-
Other prepaid funds	-	174,705
	<b>114,076</b>	<b>286,515</b>

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

Amounts due to related parties are unsecured, interest free and repayable on demand.

#### **15 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 surplus for the period before tax to arrive at operating cash flow:

	2008 (15 months) €	2007 (12 months) €
<b>Adjustments:</b>		
Depreciation of property, plant and equipment	61,209	53,811
Interest receivable	(5,511)	(6,364)
Interest expense	21,807	19,539
Profit on disposal of property, plant and equipment	-	(440)
<b>Total adjustments</b>	<b>77,505</b>	<b>66,546</b>
<b>Net changes in working capital:</b>		
Change in receivables	(34,758)	(55,050)
Change in trade and other payables	(111,809)	(412,589)
<b>Total changes in working capital</b>	<b>(146,567)</b>	<b>(467,639)</b>

#### **16 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 course of the period, 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 14.

Income recognised for the period 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 4.

## **17 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; and
3. Damages alleged to have been incurred by the plaintiff in a case related to access to infrastructure in regard to aviation activities.

In all of the above, the determination of any responsibility and the quantification of any potential liability in regard to these matters is still premature. Therefore, no provision has been recognised in these financial statements.

## **18 Commitments**

At balance sheet date, the Authority had approved an amount of € 382,267 for payment on the Appliance Rebate Scheme and had committed an amount of € 131,500 towards particular studies.

## **19 Risk management objectives and policies**

The Authority is exposed to market risk through its use of financial instruments and specifically to credit risk, liquidity risk and interest rate risk, which result from both its operating and investing activities. 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 to which the Authority is exposed to are described below. See also note 19.4 for a summary of the Authority's financial assets and liabilities by category.

### **19.1 Credit risk**

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Notes	2008 €	2007 €
Classes of financial assets – carrying amounts			
Loans and receivables	11	88,613	55,045
Cash and cash equivalents	12	477,739	329,106
		<b>566,352</b>	<b>384,151</b>

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. There were no impaired receivables as at the balance sheet date.

The credit risk for cash and cash equivalents is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

### **19.2 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 10 and 14). 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.

At 31 December 2008 the Authority's financial liabilities have contractual maturities which are summarised below:

<b>31 December 2008</b>	<b>Notes</b>	<b>Current Within 1 year €</b>	<b>Non-current 1 to 5 years €</b>
Finance lease liability	10	33,371	106,383
Amounts owed to related parties	14	35,179	-
Trade and other payables	14	195,714	-

This compares to the maturity of the Authority's financial liabilities in the previous reporting period as follows:

<b>30 September 2007</b>	<b>Notes</b>	<b>Current Within 1 year €</b>	<b>Non-current 1 to 5 years €</b>
Finance lease liability	10	45,178	131,528
Amounts owed to related parties	14	28,167	-
Trade and other payables	14	314,534	-

### **19.3 Interest rate sensitivity**

The Authority's policy is to minimise interest rate cash flow risk exposures on short-term and long-term financing. The company is exposed to interest rate risks on its finance lease liability. The Board considers that a change of +/- 100 basis points in interest rates is reasonably possible. However, the Authority does not retain high levels of cash in view of the fact that it regularly settles its liabilities soon after receiving the cash inflows from its receivables. Therefore, for the purpose of the analysis, an average amount of cash held during the year should be considered. Consequently, the potential impact of such a shift in interest rate, with effect from the beginning of the year, on the net result of the reporting periods under review, is considered immaterial. The Authority is not exposed to any other interest rate risk as it had no interest bearing borrowings during the period.

#### **19.4 Summary of financial assets and liabilities by category**

The carrying amounts of the Authority's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See note 3.8 for explanations about how the category of financial instruments affects their subsequent measurements.

	Notes	2008 €	2007 €
<b>Current assets</b>			
Loans and receivables	11	88,613	55,045
Cash and cash equivalents	12	477,739	329,106
		<u>566,352</u>	<u>384,151</u>
<b>Non-current liabilities</b>			
Financial liabilities measured at amortised cost:			
- Finance lease liability	10	<u>106,383</u>	<u>131,528</u>
<b>Current liabilities</b>			
Financial liabilities measured at amortised cost:			
- Current portion of finance lease liability	10	33,371	45,178
- Amounts due to related parties	14	35,179	28,167
- Trade and other payables	14	195,714	314,534
		<u>264,264</u>	<u>387,879</u>

#### **20 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 10) and trade and other payables (note 14), receivables (note 11), cash and cash equivalents (note 12) and equity, comprising accumulated surplus reserves (note 13).

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 Board considers the Authority's gearing level at year end to be appropriate for its operations.

#### **21 Events after the balance sheet date**

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 6 December 2010 by the Board.

#### **22 Reclassification**

Certain comparative figures have been reclassified to conform with the current year's presentation.

## **Independent auditors' report**

To the Authority Board of

Malta Resources Authority

We have audited the accompanying financial statements of Malta Resources Authority set out on pages 4 to 21, which comprise the balance sheet as at 31 December 2008, and the statement of income and expenditure, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

### **The Authority's responsibility for the financial statements**

The Authority Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility**

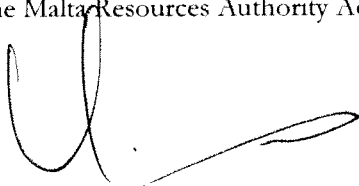
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at 31 December 2008, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Malta Resources Authority Act, Chapter 423.



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON  
Certified Public Accountants**

Tower Business Centre  
Tower Street  
Swatar BKR 3013  
Malta

6 December 2010