

Malta Resources Authority
Report & Financial Statements
31 December 2009

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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.

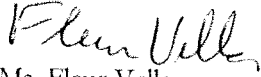
The Members of the Authority Board are responsible for keeping proper accounting records which disclose with reasonable accuracy, the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and 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 reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

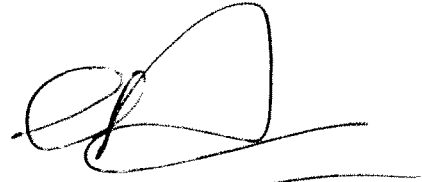
After reviewing the Authority's results and plans for the coming financial year, the Members of the Authority Board are satisfied that at the time of approving these financial statements, the information provided in this report is a true reflection of the position of the Malta Resources Authority.

**Malta Resources Authority
Report and financial statements
For the year ended 31 December 2009**

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



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



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

25 October 2011

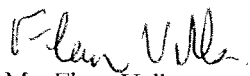
Income statement

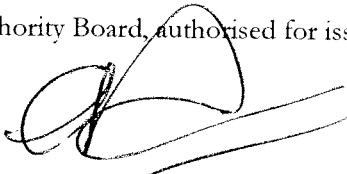
	Notes	2009 €	2008 (15 months) €
Income (net of direct costs)	5	983,436	1,746,565
Staff costs	6	(895,836)	(1,018,484)
Professional and consultancy fees		(112,109)	(36,343)
Promotional expenses		(18,895)	(4,857)
Administrative expenses		(324,446)	(327,084)
Depreciation		(43,702)	(61,209)
Finance income	7	2,338	5,511
Finance cost	7	(13,635)	(21,807)
(Deficit) surplus before tax	8	(422,849)	282,292
Tax expense	9	-	(137,270)
(Deficit) surplus for the year/period		(422,849)	145,022

Statement of financial position

	Notes	2009 €	2008 €
Assets			
Non-current			
Property, plant and equipment	10	98,655	135,137
Current			
Receivables	12	127,763	90,850
Cash and cash equivalents	13	176,608	477,739
		304,371	568,589
Total assets		403,026	703,726
Equity			
Accumulated (deficit) surplus reserve	14	(229,192)	193,657
Total equity		(229,192)	193,657
Liabilities			
Non-current			
Finance lease liability	11	69,207	106,383
Current			
Trade and other payables	15	428,230	264,264
Current tax liability		134,781	139,422
		563,011	403,686
Total liabilities		632,218	510,069
Total equity and liabilities		403,026	703,726

The financial statements on pages 4 to 22 were approved by the Authority Board, authorised for issue on 25 October 2011 and signed on its behalf by:


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


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

Statement of changes in equity

	Accumulated surplus (deficit) reserve €
At 1 October 2007	48,635
Surplus for the period	145,022
At 31 December 2008	193,657
At 1 January 2009	193,657
Deficit for the year	(422,849)
At 31 December 2009	(229,192)

Statement of cash flows

	Notes	2009 €	2008 (15 months) €
Operating activities			
(Deficit) surplus before tax		(422,849)	282,292
Adjustments	16	54,999	77,505
Net changes in working capital	16	123,248	(146,567)
Taxes paid		(4,641)	-
Interest paid		(13,635)	(21,807)
		(262,878)	191,423
Investing activities			
Payments to acquire property, plant and equipment		(7,220)	(11,350)
Interest received		2,338	5,511
		(4,882)	(5,839)
Financing Activities			
Capital repayments under finance lease		(33,371)	(36,951)
Net change in cash and cash equivalents		(301,131)	148,633
Cash and cash equivalents, beginning of year/period		477,739	329,106
Cash and cash equivalents, end of year/period	13	176,608	477,739

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 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 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 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 in 2008 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 (€), which is also the functional currency of the Authority.

3 Changes in accounting policies

3.1 Overall considerations

The Authority has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Authority's financial statements for the annual period beginning 1 January 2009:

- IAS 1 *Presentation of Financial Statements* (Revised 2007)
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – improving disclosures about financial instruments.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described in notes 3.2 and 3.3.

3.2 Adoption of IAS 1 *Presentation of Financial Statements* (Revised 2007)

The adoption of the standard does not affect the financial position or results of the Authority, but gives rise to additional disclosures. The measurement and recognition of the Authority's assets, liabilities, income and expenses is unchanged, however, some items that were recognised in equity are now recognised in other comprehensive income. In the case of the Authority there is no other comprehensive income and therefore there is no significant change in disclosure and only an income statement is presented.

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances, one of these being the reclassification of comparative figures. Management has reclassified certain comparative figures of 2008 expenses in the income statement. However it has not presented a further comparative statement of financial position since the reclassification of expenses did not have any impact on the 2008 statement of financial position figures.

3.3 Adoption of amendments to IFRS 7 *Financial Instruments: Disclosures* – improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy which reflects the extent to which they are based on observable market data. The Authority does not have any financial instruments which fall into this category.

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

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 relevant 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.

4 Summary of accounting policies

4.1 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.

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 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.

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 profit or loss 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.

4.4 Operating expenses

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

4.5 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 costs'.

4.6 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	over the 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 income statement within 'other income' or 'other expenses'.

4.7 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.

4.8 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.

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 income statement.

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 income statement are presented within 'finance income' and 'finance cost', 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 income statement are included within 'finance costs' or 'finance income'.

4.9 Income taxes

Tax expense recognised in profit or loss comprises current tax not recognised in other comprehensive income or 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 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 profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.10 Cash and cash equivalents

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

4.11 Reserves

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

4.12 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.

4.13 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Authority that have the most significant effect on the financial statements. Critical estimations uncertainties are described in note 4.14.

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 portioning carried out on the leasehold premises as finance lease arrangements. In some cases, the lease transaction is not always conclusive and management uses judgement in determining whether the lease is finance or operating lease arrangement.

4.14 Estimation uncertainty

When preparing the financial statements the Authority Board undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by the Authority Board, and will seldom equal the estimated results.

Useful lives of depreciable assets

The Authority reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Authority. The carrying amounts are analysed in note 10.

5 Income (net of direct costs)

	Notes	2009	2008
		€	(15 months) €
Subventions received from the Government of Malta		559,000	663,822
Licenses and contributions from utility organisations		841,423	514,209
Registration and notification fees – Boreholes		-	496,622
Other income	5.1	96,354	18,752
Excess (expenditures) refunds	5.2	(513,341)	53,160
Total income		983,436	1,746,565

5.1 Other income

	2009	2008 (15 months)
	€	€
Balance on reserve cheque bank account from collection of licenses (note a)	71,083	1,956
Refunds on previous year's expenditure on other studies (note b)	-	16,492
Other sundry income	25,271	304
	<u>96,354</u>	<u>18,752</u>

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.

5.2 Excess (expenditures) refunds

	2009	2008 (15 months)
	€	€
Rebate schemes, EU projects and other studies:		
Subventions received from Government of Malta and refunds from EU	2,256,742	1,897,696
Expenditures claimed	(2,770,083)	(1,844,536)
Excess of (expenditures)/refunds over refunds/(expenditures) claimed	<u>(513,341)</u>	<u>53,160</u>

6 Staff costs

	2009	2008 (15 months)
	€	€
Wages and salaries	820,843	931,378
Social security costs	48,858	59,932
Other staff costs	26,135	27,174
	<u>895,836</u>	<u>1,018,484</u>

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

Board members	8	8
Operations	32	32
	<u>40</u>	<u>40</u>

7 Finance income and finance cost

Finance income and finance cost may be analysed as follows:

	2009	2008 (15 months)
	€	€
Finance income		
Interest income from demand deposits	<u>2,338</u>	<u>5,511</u>
Finance cost		
Interest expense on finance lease liability	<u>13,635</u>	<u>21,807</u>

8 (Deficit) surplus before tax

The (deficit) surplus before tax is stated after charging:

	2009	2008 (15 months)
	€	€
Board secretary's honoraria	3,494	4,367
Board members' honoraria	39,814	55,791
Depreciation of property, plant and equipment	43,702	61,209
Auditors' remuneration	<u>4,000</u>	<u>4,673</u>

9 Tax expense

The relationship between the expected tax income (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:

	2009	2008 (15 months)
	€	€
(Deficit) surplus for the year before tax	(422,849)	282,292
Tax rate	35%	35%
Expected tax income (expense)	<u>147,997</u>	<u>(98,802)</u>
Underprovision of current tax in previous years	-	(69,101)
Non-deductible expenses	(15,460)	(122)
Movement in unrecognised deferred tax assets	(132,537)	30,755
Actual tax expense, net	<u>-</u>	<u>(137,270)</u>

As at reporting date the Authority had unabsorbed capital allowances of € 44,054 (2008: nil), unused tax losses of € 378,676 (2008: nil) and excess of tax base over carrying amount of € 352 (2008: € 21,927) 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 and other equipment	Assets held under finance lease	Total
	€	€	€	€	€	€	€
Cost							
At 1 October 2007	11,109	83,127	7,137	36,105	90,011	287,508	514,997
Additions	-	87	8,540	-	2,723	-	11,350
At 31 December 2008	11,109	83,214	15,677	36,105	92,734	287,508	526,347
Additions	-	5,380	-	-	1,840	-	7,220
At 31 December 2009	11,109	88,594	15,677	36,105	94,574	287,508	533,567
Depreciation							
At 1 October 2007	5,555	70,347	2,141	36,105	72,099	143,754	330,001
Depreciation for the period	1,389	10,170	5,879	-	7,833	35,938	61,209
At 31 December 2008	6,944	80,517	8,020	36,105	79,932	179,692	391,210
Depreciation for the year	1,111	4,163	4,703	-	4,972	28,753	43,702
At 31 December 2009	8,055	84,680	12,723	36,105	84,904	208,445	434,912
Carrying amounts							
1 October 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
31 December 2009	3,054	3,914	2,954	-	9,670	79,063	98,655

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 € 79,063 (2008: € 107,816). 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 2009			
Lease payments	47,007	70,510	117,517
Finance charges	(9,831)	(1,303)	(11,134)
Net present values	37,176	69,207	106,383
31 December 2008			
Lease payments	47,007	117,517	164,524
Finance charges	(13,635)	(11,134)	(24,769)
Net present values	33,372	106,383	139,755

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 2009	92,352	47,065	139,417
31 December 2008	69,581	176,923	246,504

Lease payments recognised as an expense during the period amount to € 69,920 (2008: € 86,364). 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 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 Receivables

	2009 €	2008 €
Trade receivables	30,612	-
Receivables on EU projects	88,651	88,613
Accrued income	8,500	-
Loans and receivables	127,763	88,613
Other receivables	-	2,237
Total receivables	127,763	90,850

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

13 Cash and cash equivalents

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

	2009 €	2008 €
Financial assets:		
Cash in hand	757	757
Cash at bank	175,851	476,982
Cash and cash equivalents	176,608	477,739

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

14 Accumulated (deficit) surplus reserve

	2009 €	2008 €
At 1 January	193,657	48,635
(Deficit) surplus for the year/period	(422,849)	145,022
At 31 December	(229,192)	193,657

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 give, 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	2009 €	2008 €
Amounts due to related parties		-	35,179
Trade payables		98,906	53,918
Current portion of finance lease liability	11	37,176	33,372
Accruals		55,092	27,719
Other payables (third parties)		8,500	-
Other payables (note)		228,556	114,076
Total trade and other payables		428,230	264,264
Note - Other payables			
Funds received in advance for EU projects		69,032	57,684
Funds received in advance for rebate scheme		159,524	27,275
Funds received in advance from utility organisation		-	29,117
		228,556	114,076

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.

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:

	2009 €	2008 (15 months) €
Adjustments:		
Depreciation of property, plant and equipment	43,702	61,209
Interest receivable	(2,338)	(5,511)
Interest expense	13,635	21,807
Total adjustments	54,999	77,505
Net changes in working capital:		
Change in receivables	(36,913)	(34,758)
Change in trade and other payables	160,161	(111,809)
Total changes in working capital	123,248	(146,567)

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 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 5.

18 Contingent liabilities

Due to the nature of its functions, the Authority is currently a co-defendant in 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 are still premature. Therefore, no provision has been recognised in these financial statements.

19 Commitments

At reporting date, the Authority had approved an amount of € 250,943 for payment on the Renewable Energy Scheme and had committed an amount of € 32,049 towards particular studies.

20 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 which the Authority is exposed to are described below. See also note 20.4 for a summary of the Authority's financial assets and liabilities by category.

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	2009 €	2008 €
Classes of financial assets – carrying amounts			
Loans and receivables	12	127,763	88,613
Cash and cash equivalents	13	176,608	477,739
		304,371	566,352

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 reporting 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.

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.

At 31 December 2009 the Authority's financial liabilities have contractual maturities which are summarised below:

31 December 2009	Notes	Current Within 1 year €	Non-current 1 to 5 Years €
Finance lease liability	11	37,176	69,207
Trade and other payables	15	391,054	-
		428,230	69,207

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

31 December 2008	Notes	Current Within 1 year €	Non-current 1 to 5 Years €
Finance lease liability	11	33,372	106,383
Amounts owed to related parties	15	35,179	-
Trade and other payables	15	195,713	-
		264,264	106,383

20.3 Interest rate risk analysis

The Authority's policy is to minimise interest rate cash flow risk exposures on short-term and long-term financing. The Authority 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.

20.4 Summary of financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.8 for explanations about how the category of financial instruments affects their subsequent measurements.

	Notes	2009 €	2008 €
Current assets			
Loans and receivables	12	127,763	88,613
Cash and cash equivalents	13	176,608	477,739
		<u>304,371</u>	<u>566,352</u>
Non-current liabilities			
Financial liabilities measured at amortised cost:			
- Finance lease liability	11	<u>69,207</u>	<u>106,383</u>
Current liabilities			
Financial liabilities measured at amortised cost:			
- Current portion of finance lease liability	11	37,176	33,372
- Amounts due to related parties	15	-	35,179
- Trade and other payables	15	391,054	195,713
		<u>428,230</u>	<u>264,264</u>

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), receivables (note 12), cash and cash equivalents (note 13) and equity, comprising accumulated (deficit) surplus reserves (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 on 25 October 2011 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 the Malta Resources Authority set out on pages 4 to 22, which comprise the statement of financial position as at 31 December 2009, 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 2009, 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
Tower Street, Suite 3
Swatar BKR 4013
Malta

25 October 2011