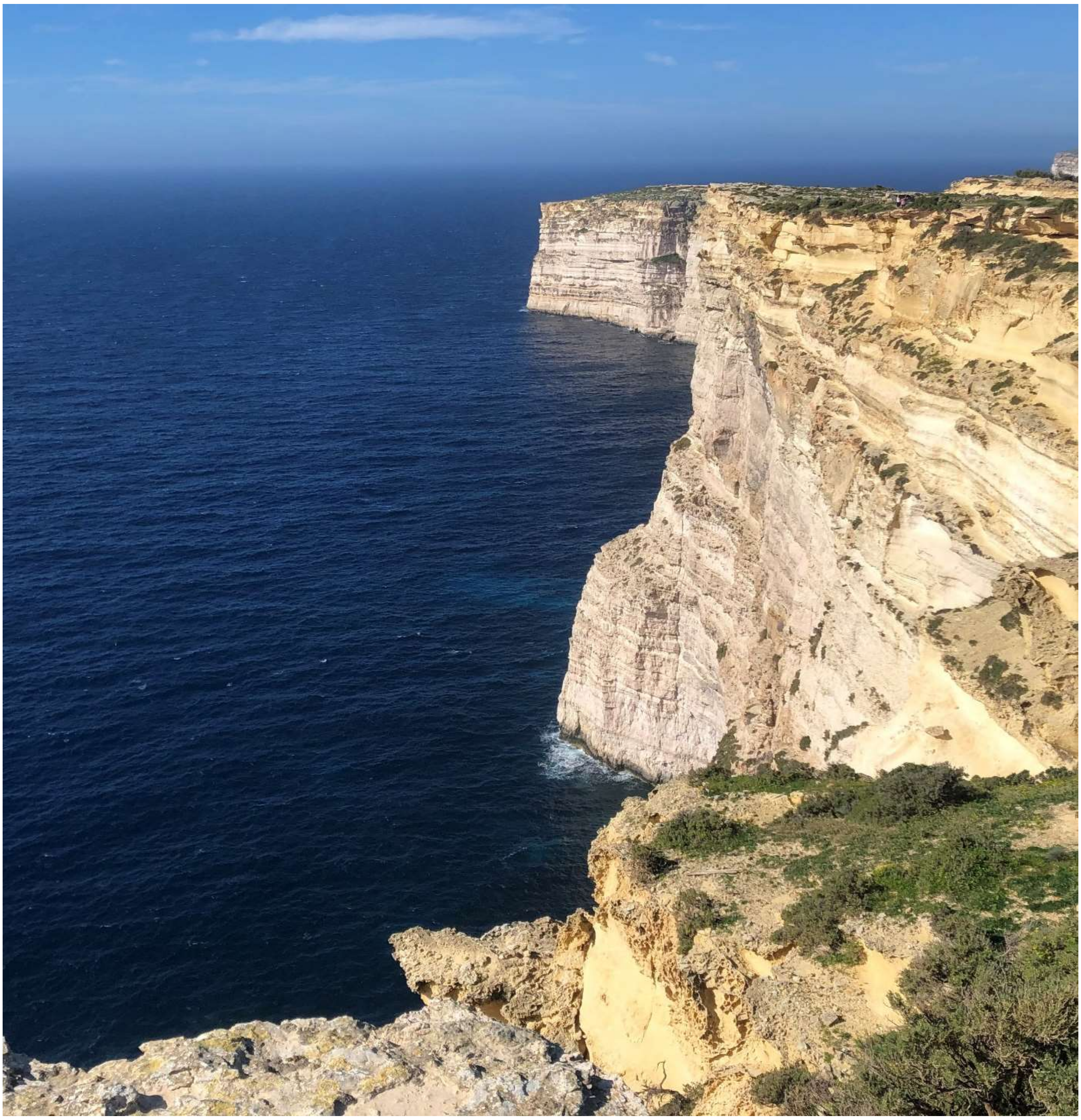
Annual Report 2020



Malta Resources Authority

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Cover Photo – Munxar Cliffs Gozo

CHIEF EXECUTIVE OFFICER'S INTRODUCTION

This report was prepared in accordance with the requirements of the MRA Act Chap. 423 Articles 18(1) and 24 and provides an overview of the activities of the Malta Resources Authority for the period 1st January 2020 to the 31st December 2020.

Regulatory framework and Responsibilities.

There were no changes to the legislative framework of the Malta Resources Authority Act (Chapter 423 of the Laws of Malta) and the associated Subsidiary Legislation.

The Authority continued to fulfil its role of national Greenhouse Gas Inventory Agency, responsible for compiling and submitting Malta's national inventory of greenhouse gas emissions and removals. The MRA also retained responsibility for other national reporting obligations, including the biennial report on emissions mitigation policies and measures and projections, and the Biennial Report under the United Nations Framework on Climate Change (UNFCCC), both reports being submitted in 2020. The quality management system established for the national GHG inventory process has maintained the ISO 9001 certification.

COVID-19 Pandemic

2020 was a challenging year due to the COVID 19 Pandemic. Although the Authority already had a remote working policy in place it was the pandemic that really put the policy to test. It was important that all employees were provided with the resources and support to ensure that they continued to be productive. All employees adopted to the new reality of working remotely meeting daily to discuss work plans and to discuss any issues that were affecting their work. These measures ensured the continuity of work and the meeting of reporting deadlines.

Capacity Building.

The headcount for the Authority at the beginning of 2020 stood at eleven[1], three in the Regulation and Corporate section and the rest, eight, within the Climate Change Unit.

Notwithstanding efforts to meet the recommendations of external experts' advice the headcount of the Climate Change Unit to be at the end of 2020 still fell short. The expected headcount of the unit was indicated at least 13 employees.

[1] includes 2 employees register with other entities.

The work on the 2020 Green House Gas GHG inventory submission continued to be complemented by capacity building support through the ongoing project with a UK consultancy company and other training. The support provided in 2020 included tasks relating to development of the GHG report, sector-specific technical advice, training on overarching aspects of inventory work, and uncertainties of emission estimates.

Staff of the Climate Change Unit also successfully completed the GHG Management Institute Training course on the Intergovernmental Panel for Climate Change (IPCC) Guidelines. The course is a rigorous introduction on greenhouse gas inventories covering the fundamental processes and techniques for compiling an inventory of GHG emissions and removals.

i-values Programme.

During 2020 the Authority launched an i-value programme with an aim of creating addition value to the work performed and the actual performance of the work. Two teams were created: Working Remotely and Adding Value. Each team was made up of Climate Change Employees and the Chairman of the team was appointed by the Team. The identified drivers of the process were the use of artificial intelligence, obsession with value creation and making creativity a reality.

Each team was tasked to: research and identify best practices in the area; invite or meet at least one expert to share his or her experience; carry out a consultation process with the whole MRA team and finally present the initiatives. At the end of 2020, the teams concluded the internal consultation process and shared their ideas. The final stage of the process is still on going.

Financial Resources.

During 2020, the Authority received a Government subvention through the Environment and Resources Authority of €500,000 had an income of €235,589 from Licenses and Emission Trading Scheme Administration. The Authority registered a surplus before tax of €247,570

Outlook 2021- Retuning to the new normal.

As stated above the COVID 19 Pandemic brought about challenging times. However, there is now, light at the end of the tunnel and progress with the vaccination programme should bring us to a new normal. It is clear that working remotely provides a number of advantages and it is important that such advantages are embraced and exploited. It is clear that the i-value programme can provide the required impetus for the creation of value be it working remotely, working at the office or a hybrid of the two. The important element being the creation of the added value to the work done by the Authority.

Appreciation.

I would like to express my gratitude and appreciation to the employees for their continuous support, efforts and understanding throughout 2020.

CORPORATE MATTERS

This section provides a summary of the corporate activities and initiatives undertaken by the Authority throughout 2020.

Human Resources.

The Authority recruited two employees during 2020. The following changes took place in 2020:

- Two Project Officers resigned.
- Two Project Officer were employed
- One Senior Analyst started an unpaid 2 year parental leave period in January 2020.
- One Project Officer returned from unpaid leave that was requested to follow a PhD. The Project Officer started working on reduced hours in October until March 2021 to finalise the PhD.

At the end of December 2020, the total number of full-time MRA employees was eleven[2]. This excludes one student on attachment and one ERA employee.

Continued professional development of employees of the MRA remains an important objective of the Authority. Notwithstanding the COVID-19 Pandemic during 2020, staff benefited from a number of capacity building opportunities.

During the year, the Authority also provided training to one ICT student under the MITA student placement program.

Internal Control.

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

ICT.

The ICT system continued to be developed and strengthened. The GIS system was strengthened. Multifactor authentication services were enabled for all employees. Online backup services were rolled out for all employees. An upgraded WIFI system was installed. Online payroll services were procured for 2020. Electronic controlled door access systems were installed.

The system proved its strength when, as soon as the COVID measures were announced in March 2020, every employee was able to continue to work from home without any interruption. The

[2] The number of employees includes employees "registered" with other entities.

enhancements that had been carried out in 2019 – particularly the two-factor authentication and the VPN upgrade – proved their worth. A set of new laptops was procured as the existing laptops were now more than 5 years old.

An intermittent fault with the server motherboard that cropped up in April and subsequently in November 2020 created very significant pressure on resources. All services continued without interruption, except for the SQL services that were disrupted for a total of 9 days while the services were moved online and back again twice, while tests had to be carried out on the integrity of data each time. Having said that, the resources dedicated to the maintenance of the services when the system was down meant that other development planned on the groundwater and mineral sectors had to take a lower priority and was effectively shelved for this year.

During 2020, the website was revised substantially with the input of a student attached via the MITA Student Placement Programme, The website was also audited by MCCAA for accessibility towards the end of the year and, as a result, a number of improvements had to be made to the website. The unit is now waiting for feedback on the updated version.

Litigation.

One court case was filed against the Authority during 2020. The case is being heard by the Administrative Tribunal and relates to a withdrawal of a Quarry license.

LEGISLATIVE FRAMEWORK

The following is the legislative framework for the Authority.

There were no amendments to the legislative framework for the Authority during 2020

The current legislation is composed of:

Cap. 423 Malta Resources Authority Act.

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

REGULATION

This section provides information of activities undertaken by the Regulation unit throughout 2020. It also provides data related to the licensing and permitting undertaken.

TABLE 1: RENEWALS

Renewals Quarries	New	Renewal	Transfers
Hardstone	0	27	0
Soft Stone	0	42	0

TABLE 2: ONE TIME REGISTRATIONS OR NOTIFICATIONS

Registrations / Notifications	Number
Change of users of groundwater sources (individuals)	16
New sea wells	19

TABLE 3: PERMITS

Permits	Requested	Accepted	Refused	Pending
Application for the exportation of stone products	0	0	0	0
Application for the closure, sealing and decommissioning of a groundwater source	5	5	0	0
Sea-wells	19	19	0	0
Replacement boreholes	9	9	0	0
Geological/site investigations	1	1	0	0

Inspections and Enforcement.

During 2020 the Authority continued to take enforcement action as was considered necessary following cases of non-compliance. These cases were brought to the attention of the Authority by the public. In all cases where an alleged illegal drilling activity was taking place, officers from the Authority were present on site within two hours.

The Authority also received reports of abstraction from illegal sources. These reports were first checked against the MRA records of notified sources followed up with an on-site inspection. MRA officials did not need the assistance of the Police Force in any investigation this year.

During the year, the Authority's officers also attended several Court sittings related mainly to enforcement duties in connection with groundwater abstraction, drilling and quarry licensing. Officers also attended sittings of the Administrative Review Tribunal. Officers were called to testify in 2 civil cases.

Consultation Requests from the Environment and Resources Authority.

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

Inspire Directive.

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

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

At this point, only point data regarding quarries duly holding a trading licence by the MRA was uploaded. Additional information, including data on groundwater sources, will be uploaded once more information is available and verified.

Participation - Projects.

The Authority continued its participation in the Cleaner Vehicles Commission during 2020. A representative of the MRA also participates in Sintegram (an EU funded Planning Authority project).

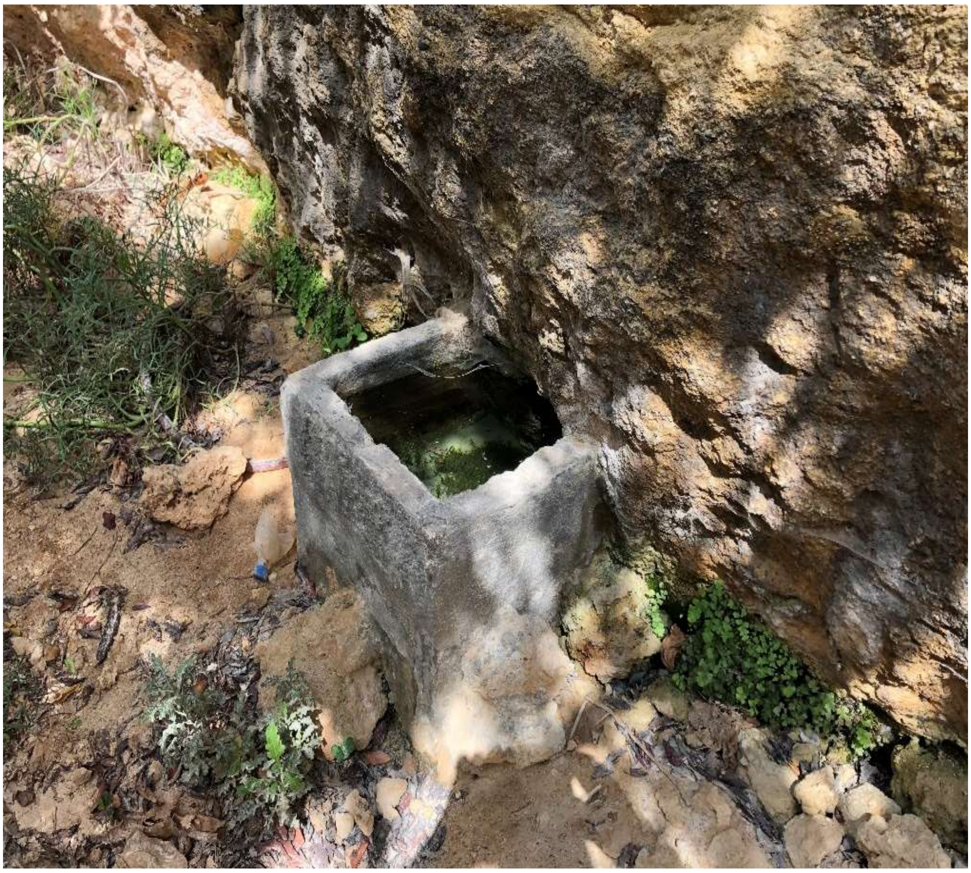

Photo - Natural Spring at Majjistral Nature and History Park Ghajn Tuffieha

CLIMATE CHANGE

This Section provides an overview of the activities performed by the Climate Change Unit.

Despite the COVID-19 pandemic, the Climate Change Unit continued to fulfil its responsibilities as normal, albeit with the use of virtual means for coordination internally and for interacting with third parties. The main tasks include the compilation of relevant national reports due for submission in 2020 and applicable follow-up, the administration of the EU's emissions trading system for stationary installations and aircraft operators, and the first steps in the implementation of the Carbon Offsetting and Reduction System for International Aviation (CORSIA) of the International Civil Aviation Organisation (ICAO).

Reporting and related activities.

The national inventory of greenhouse gas emissions from sources and removals by sinks covering the time-series 1990 – 2018 was submitted in accordance with the timeframes established by EU law: a provisional submission to the European Commission in January, with a final submission in March; submission under the United Nations Framework on Climate Change (UNFCCC) in April. The GHG Inventory submission to the European Commission was subject to a comprehensive review, for the purposes of determining the compliance emissions value for 2018 pursuant to the EU's Effort-sharing Decision, and, in addition, for the purposes of determining the reference emission values for the years 2005, 2016, 2017 and 2018 so as to allow the estimation of the annual emission allocations due to Malta for the years 2021 to 2030 in accordance with the Effort-sharing Regulation. The latter establishes the compliance obligations of Member States in respect of non-ETS emissions, based on the EU's goal of achieving a reduction in overall EU greenhouse gas emissions of at least 40% by 2030 compared to 1990 levels.

2020 also saw the UNFCCC's review of Malta's Fourth Biennial Report, which had been submitted in the beginning of 2020. The review largely involved the CCU, as the coordinating body and primary compiler of the Biennial Report. A resubmission of the Biennial Report, duly revised, was made in June, to take into account recommendations arising from the review that could be addressed immediately. This step was very much welcomed by the UNFCCC Secretariat.

Capacity building remained at the forefront of actions taken by MRA to ensure continued improvement of its work. The work on the 2020 GHG inventory submission continued to be complemented by capacity building support through the ongoing project with a UK consultancy company, which collaboration has now been ongoing for a number of years. The support provided in 2020 included tasks relating to development of the report, sector-specific technical advice, and training on overarching aspects of inventory work, in particular uncertainties of emission estimates. Furthermore, CCU staff participated actively in a stand-alone training programme on general inventorying aspects given by the same company to staff from the Environment and Resources Authority and the MRA.

Regulatory Implementation of Market-Based Mechanisms.

The MRA continued its administrative functions in respect of the EU's Emissions Trading System (EU ETS) for stationary installations and for aviation activities and in respect of Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) of the International Civil Aviation Organisation (ICAO). The administrative responsibilities of the MRA cover the four public electricity generation plants operating in Malta at present and a number of aircraft operators falling within the scope of the EU ETS and of CORSIA, mainly with an operating licence issued by Malta. 2020 saw the submission by aircraft operators of data in respect of 2019 baseline emissions, which was then submitted to ICAO for the purposes of the determination of the baseline emissions against which compliance with the CORSIA offsetting obligations will eventually be established. It is worth noting that in light of the severe impact that the COVID-19 pandemic has had on aviation activities during the course of 2020, the ICAO has decided that the baseline for offsetting purposes, at least for the first phase of CORSIA, will be based solely on 2019 emissions data, as opposed to the original decision to use a combination of 2019 and 2020 data.

In its role as the National Administrator of Malta for the Union Registry, the MRA has processed a number of new applications for the opening of trading accounts. Interest continued to be shown in the opening of accounts with the Maltese Registry Administrator, especially in the run-up to the formal withdrawal of the UK from the EU.

Reporting Under the Fuel Quality Directive.

During 2020, the MRA prepared the third national report on lifecycle greenhouse gas emissions for fuels used in road transport. The reporting is pursuant to the EU Fuel Quality Directive and is compiled on the basis of annual reporting by individual fuel suppliers. The national report is the basis for the monitoring, by the European Commission, of progress being made towards the agreed objectives for the reduction of lifecycle emissions of such fuels.

2020: Milestone Year for EU Climate Policy.

With the publication, by the new European Commission, of the EU Green Deal in late 2019, 2020 turned out to be a watershed year for EU climate policy and action.

2020 saw the adoption by the Commission of a proposal for an EU Climate Law that enshrines the objective of climate neutrality into EU law. Negotiations on this proposal were undertaken within the respective EU institutions during the course of the year, culminating in the adoption by the European Council, in December 2020, of a strategic decision on the enhancement of the EU GHG emission reduction target for 2030 from –40% compared to 1990 levels to –55%. In December, the Commission then launched the Climate Pact initiative, to spread awareness of, and support action on, climate change. The Pact aims at engaging people and organisations to improve understanding of climate and environmental challenges, develop solutions, find ways to influence and change behaviours, and trigger, and scale-up, positive change.

The MRA, through the CCU, contributed actively towards the inter-Ministerial discussions on the position to be taken by Malta on these EU developments, with particular involvement in the preparations for the December 2020 European Council, through the technical data and support it was able to provide.

The decision taken at the December 2020 European Council means that during the course of 2021, a new legislative cycle will start to revise existing climate legislation so as to implement the enhanced emission reduction objective for 2030, including legislation which impacts on the work of the CCU, including the EU ETS Directive, the Effort-sharing Regulation and the LULUCF Regulation.

Participation - EU Fora.

Due to the restrictions on travel imposed by the pandemic, and restrictions on office-working for staff of the European Union institutions, the policy business of the EU had to adapt to a new normality: the use of virtual means for remote meetings. This was the prevailing situation across all for a where the MRA is active. Staff of the CCU continued to attend meetings of the Climate Change Committee and the Climate Change Expert Group of the European Commission, the EU ETS Compliance Forum, and other ad hoc events. Meeting Malta's Reporting Obligations.

The following list refers to all reports due in 2020 and prepared by the Authority and submitted in accordance with Malta's legal obligations relating to climate change.

National Inventory of Greenhouse Gas Emissions and Removals 1990-2018, provisional submission to the European Commission (January 2020

National Inventory of Greenhouse Gas Emissions and Removals 1990-2018, final submission to the European Commission (March 2020)

National Inventory of Greenhouse Gas Emissions and Removals 1990-2018, final submission to the UNFCCC (April 2020)

Approximated National Inventory of Greenhouse Gas Emissions and Removals 2019 (July 2020)

End of Period Progress Report on Information on Land Use, Land Use Change and Forestry Actions (December 2020)

Report on the Implementation of Directive 2003/87/EC (June 20120)

Fuel Quality Directive Article 7a Report (December 2020)

FINANCIAL ESTIMATES 2021

	2019 Actual EURO	2020 Actual EURO	2021 Estimate EURO
TOTAL INCOME[3]	637,839	735,589	625,000
NET DIRECT EXPENDITURE	1,476	565	-
STAFF COSTS	368,021	368,325	419,967
OTHER ADMINISTRATIVE EXPENSES	120,637	113,883	153,354
DEPRECIATION	6,010	5,245	5,000
SURPLUS BEFORE TAX	141,695	247,570	46,679

[3] Total income includes revenue, subvention and other income.

AUDITED FINANCIAL STATEMENTS 2020

MALTA RESOURCES AUTHORITY

Annual Report and Financial Statements
31 December 2020

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MALTA RESOURCES AUTHORITY MRA

Chief Executive Officer report

The Chief Executive Officer presents his report and the audited financial statements for the year ended 31 December 2020.

Principal activities

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

Review of the operations

During the year under review the Authority received revenues from licences and contributions of €235,589 (2019: €137,839) and €500,000 (2019: €500,000) as subvention. These revenues are generated in support of the Authority's regulatory responsibilities. The Authority registered a surplus after tax for the year of €161,858 (2019: €92,726).

The COVID-19 pandemic, which hit Malta as from March 2020, has necessitated that MRA adapt its operations and administrative processes from a health and safety perspective. To date there has been no significant impact on MRA' revenues and costs when considering the effect of COVID-19 on economic activity.

Results and surplus funds

The statement of comprehensive income is set out on page 7. The surplus for the year amounted to €161,858 (2019: €92,726).

Board members

There were no board members of the Authority who held office during the year.

The minister has authorised the Chief Executive Officer to prepare and to approve these financial statements on behalf of the Authority.

MALTA RESOURCES AUTHORITY MRA

Chief Executive Officer report - continued

Statement of Chief Executive Officer's responsibilities

In preparing the financial statements the Chief Executive Officer is responsible for:

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

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

The financial statements of the Authority for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the Authority's website. The Chief Executive Officer is responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the Authority

Ing. Anthony Rizzo
Chief Executive Officer

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

26 March 2021

Independent auditor's report

To the Stakeholders of the Malta Resources Authority

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Malta Resources Authority's financial statements give a true and fair view of the authority's financial position as at 31 December 2020, and of the authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Malta Resources Authority Act.

What we have audited

The Malta Resources Authority's financial statements, set out on pages 6 to 26, comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The Chief Executive Officer is responsible for the other information. The other information comprises the annual report and Chief Executive Officer's report, which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information, including the annual report and Chief Executive Officer's report.

MALTA RESOURCES AUTHORITY MRA

Report on the audit of the financial statements - continued

Other information - continued

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

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

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

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

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

Responsibilities of the Chief Executive Officer for the financial statements

The Chief Executive Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Malta Resources Authority Act, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive Officer either intend to liquidate the authority or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MALTA RESOURCES AUTHORITY MRA

Independent auditor's report - continued

To the Stakeholders of the Malta Resources Authority

Report on the audit of the financial statements - continued

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the entity's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

26 March 2021

MALTA RESOURCES AUTHORITY
MRA

Statement of financial position

	Notes	As at 31 December 2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**7,761**	13,006
Total non-current assets		**7,761**	13,006
Current assets			
Trade and other receivables	5	**7,363**	715
Cash and cash equivalents	6	**589,104**	446,447
Total current assets		**596,467**	447,162
Total assets		**604,228**	460,168
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus	7	**491,542**	329,684
Total equity		**491,542**	329,684
Current liabilities			
Trade and other payables	8	**88,625**	127,613
Current tax liabilities		**24,061**	2,871
Total liabilities		**112,686**	130,484
Total equity and liabilities		**604,228**	460,168

The notes on pages 10 to 26 are an integral part of these financial statements.

The financial statements on pages 6 to 26 were authorised for issue by the Chief Executive Officer on 26 March 2021:

Ing. Anthony Rizzo
Chief Executive Officer

MALTA RESOURCES AUTHORITY
MRA

Statement of comprehensive income

		Year ended 31 December	
		2020	2019
	Notes	**€**	€
Revenue		**235,589**	137,839
Subvention received	9	**500,000**	500,000
Direct expenditure	10	**(565)**	(1,476)
Administrative expenses	10	**(487,454)**	(494,668)
Surplus before tax		**247,570**	141,695
Tax expense	13	**(85,712)**	(48,969)
Surplus for the year - total comprehensive income		**161,858**	92,726

The notes on pages 10 to 26 are an integral part of these financial statements.

Statement of changes in equity

	Accumulated surplus €
Balance at 1 January 2019	236,958
Comprehensive income	
Surplus for the year	92,726
Balance at 31 December 2019	**329,684**
Balance at 1 January 2020	329,684
Comprehensive income	
Surplus for the year	161,858
Balance at 31 December 2020	**491,542**

The notes on pages 10 to 26 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2020 €	2019 €
Cash flows generated from operating activities			
Cash generated from operations	14	**207,179**	132,615
Income tax paid		**(64,522)**	(89,326)
Net cash generated from operating activities		**142,657**	43,289
Net movement in cash and cash equivalents		**142,657**	43,289
Cash and cash equivalents at beginning of year		**446,447**	403,158
Cash and cash equivalents at end of year	6	**589,104**	446,447

The notes on pages 10 to 26 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

The financial statements have been prepared on a going concern basis. The Chief Executive Officer has considered the relevant information, and in response to Covid-19, have considered the Authority's available resources and ability to adapt to changes in its operating environment to continue to operate for the foreseeable future. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, the current resources available and the subvention to be received from the Government of Malta in 2021 to cover its operational costs. the Chief Executive Officer has concluded that he can continue to adopt the going concern basis in preparing the annual report and accounts. The Authority's treasury management process considers liquidity as further described in the liquidity risk note 3.

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

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Authority's accounting policies impacting the financial performance and position. The Authority had to change its accounting policies as a result of adopting IFRS 16, 'Leases'. The accounting policy is disclosed in Note 1.13 below. The other amendments did not have any impact on the Authority's accounting policies and did not require retrospective adjustments.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Authority's accounting periods beginning after 1 January 2019. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

The Chief Executive Officer is of the opinion that there are no requirements that will have a possible significant impact on the Authority's financial statements in the period of initial application.

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

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

1.3 Property, plant and equipment

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

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

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

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

	%
Motor vehicles	20
Furniture, fixtures and other equipment	10 - 30

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

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

1.4 Financial assets and liabilities

1.4.1 Recognition, initial measurement and derecognition of financial assets

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All purchases and sales of investments are recognised on the trade date, which is the date that the Authority commits to purchase or sell the assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Authority has also transferred substantially all risks and rewards of ownership.

1.4.2 Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Authority classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Investments in debt instruments are classified at fair value through other comprehensive income (FVOCI) only if the contractual cash flows are solely principal and interest and the objective of the Authority's business model is achieved both by collecting contractual cash flows and selling financial assets.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

1.4 Financial assets and liabilities - continued

1.4.2 Classification of financial assets - continued

Business model assessment

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Authority's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Authority's claim to cash flows from specified assets (e.g. non-recourse features).

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1. Summary of significant accounting policies - continued

1.4 Financial assets and liabilities - continued

1.4.2 Classification of financial assets - continued

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

1.4.3 Subsequent measurement of financial assets

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1.4.4 Impairment of financial assets

The Authority recognises loss allowances for ECLs on financial assets measured at amortised cost and debt investments measured at FVOCI to which the Authority is exposed. It measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Authority in full, without recourse by the Authority to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Authority considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally-understood definition of 'investment grade'. The Authority considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Poor's or Fitch.

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

1.4 Financial assets and liabilities - continued

1.4.4 Impairment of financial assets - continued

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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

1.4 Financial assets and liabilities - continued

1.4.4 Impairment of financial assets - continued

Write-off

The gross carrying amount of a financial asset is written off when the Authority has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For each of its financial assets that subject the Authority to credit risk, it makes an individual assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Authority expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Authority's procedures for recovery of amounts due.

1.4.5 Financial liabilities

Issued financial instruments or their components, which are not designated at FVTPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Authority having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

1.5 Impairment of non-financial assets

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

1.6 Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established in accordance with the accounting policy disclosed in note 1.4.4.

MALTA RESOURCES AUTHORITY

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

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include deposits held at call with banks.

1.8 Trade and other payables

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

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

1.9 Current and deferred tax

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

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

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

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

1.10 Provisions

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

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

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2. Financial risk management

2.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk (cash flow and fair value interest rate risk), credit risk and liquidity risk. The Authority's risk management is coordinated by the Chief Executive Officer and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets.

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

(a) Cash flow and fair value interest rate risk

The Authority has no significant interest-bearing assets and liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

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

	2020	2019
	€	€
Financial assets measured at amortised cost		
Cash and cash equivalents (Note 6)	**589,104**	446,447

The Authority applies the low credit risk simplification for all instruments that are externally rated at a rating of BBB- (or equivalent) or better; and the ECL provision for these instruments is accordingly measured at an amount equivalent to the 12-month ECLs. The Authority thus applies the simplification for its bank deposits.

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 8). Prudent liquidity risk management includes maintaining sufficient cash reserves to ensure the availability of an adequate amount of funding to meet the Authority's obligations.

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

2. Financial risk management

2.2 Capital risk management

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

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

2.3 Fair values of financial instruments

At 31 December 2019 and 2018 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

3. Critical accounting estimates and judgements

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

In the opinion of the Chief Executive Officer, 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.

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4. Property, plant and equipment

	Furniture, fixtures and other equipment €	Motor vehicles €	Total €
Year ended 31 December 2019			
Opening net book amount	3,421	15,595	19,016
Depreciation charge	(2,050)	(3,960)	(6,010)
Closing net book amount	**1,371**	**11,635**	**13,006**
At 1 January 2020			
Cost or valuation	23,744	19,555	43,299
Accumulated depreciation	(22,373)	(7,920)	(30,293)
Net book amount	**1,371**	**11,635**	**13,006**
Year ended 31 December 2020			
Opening net book amount	1,371	11,635	13,006
Depreciation charge	(1,285)	(3,960)	(5,245)
Closing net book amount	**86**	**7,675**	**7,761**
At 31 December 2020			
Cost or valuation	23,744	19,555	43,299
Accumulated depreciation	(23,658)	(11,880)	(35,538)
Net book amount	**86**	**7,675**	**7,761**

5. Trade and other receivables

	2020 **€**	2019 €
Current		
Prepayments and accrued income	**7,363**	715

6. Cash and cash equivalents

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

	2020 €	2019 €
Cash and cash equivalents	**589,104**	446,447

7. Accumulated surplus

	2020 €	2019 €
Balance as at 1 January	**329,684**	236,958
Surplus for the year	**161,858**	92,726
As at 31 December	**491,542**	329,684

8. Trade and other payables

	2020 €	2019 €
Current		
Trade and other payables	**4,680**	8,293
Amounts owed to related party	**-**	72,007
Accruals and deferred income	**83,945**	47,313
	88,625	127,613

9. Revenue

In 2020, the Authority received a subvention amounting to €500,000 (2019: €500,000) from the Government of Malta to cover its operational costs.

10. Expenses by nature

	2020 €	2019 €
Direct expenditure	**565**	1,476
Employee benefit expense (Note 11)	**368,325**	368,021
Depreciation of property, plant and equipment (Note 4)	**5,245**	6,010
Rent payable	**15,756**	15,756
Training costs	**27,393**	40,421
Travelling expenses	**2,414**	12,295
Insurance costs	**13,078**	14,531
Motor vehicle expenses	**1,953**	5,241
Other expenses	**53,290**	32,393
Total direct expenditure and administrative expenses	**488,019**	496,144

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2020 and 2019 relate to the following:

	2020 €	2019 €
Annual statutory audit	**2,940**	2,800

11. Employee benefit expense

	2020 €	2019 €
Wages and salaries	**347,739**	348,734
Social security costs	**20,586**	19,287
	368,325	368,021

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

	2020	2019
Operations	**9**	9
	9	9

Salary expenses relating to staff seconded from and with Government entities amounting to €55,595 (2019: €57,391) are included above.

12. Board remuneration

There were no board members of the Authority who held office during the year.

13. Tax expense

	2020	2019
	€	€
Current tax	**85,712**	48,969

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

	2020	2019
	€	€
Surplus for the year before tax	**247,570**	141,695
Tax on surplus at 35%	**86,650**	49,593
Tax effect of:		
Movement in unrecognised deferred tax assets	**(915)**	(624)
Over provision in prior year	**24**	-
Tax expense	**85,712**	48,969

The authority also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2020 amounting to €2,616 (2019: €1,784). The resulting deferred tax asset of €2,483 (2019: €3,398) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

14. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2020 €	2019 €
Operating surplus	**247,570**	141,695
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**5,245**	6,010
Changes in working capital:		
Trade and other receivables	**(6,648)**	5,497
Trade and other payables	**(38,988)**	(20,587)
Cash generated from operations	**207,179**	132,615

15. Contingencies

The Authority is currently a co-defendant in a particular case which does not relate to mineral resources and therefore any attribution of responsibility in this court case should be attributed to the Regulator for Energy and Water Services in accordance with Chapter 545 Regulator for Energy and Water Services Act Article 42, 2(b) thus no provision has been recognised in these financial statements.

16. Related party transactions

The Malta Resources Authority is an autonomous public Authority established by an Act of Parliament - The Malta Resources Authority Act Chap 423. In accordance with the Malta Resources Authority Act Chap 423 Article 5 (7), the Chief Executive Officer is appointed by the Authority.

During the period under review, the Authority entered into transactions with a number of Government-related entities. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

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

	2020 €	2019 €
Subventions (Note 9)	**500,000**	500,000

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