Signed copies

Malta Resources Authority

Report & Financial Statements

31 December 2010

Contents

Statement of responsibilities of the Authority

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

a. Proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities, and

b. Adequate controls and procedures are in place for safeguarding the assets of the Authority and the prevention and detection of fraud and other irregularities.

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

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

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

The Members of the Authority Board are responsible to ensure that the Authority establishes and maintains internal control to provide reasonable assurance with regards to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

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

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

Fleur Vella

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	2010	2009
		€	€
Income (net of direct costs)	5	**1,719,673**	**983,436**
Staff costs	6	(1,096,705)	(895,836)
Professional and consultancy fees		(84,231)	(112,109)
Promotional expenses		(4,448)	(18,895)
Administrative expenses		(431,806)	(324,446)
Depreciation		(52,518)	(43,702)
Finance income	7	1,899	2,338
Finance cost	7	(9,831)	(13,635)
Surplus (deficit) for the year	8	**42,033**	**(422,849)**

Statement of financial position

	Notes	2010	2009
		€	€
Assets			
Non-current			
Property, plant and equipment	10	**114,104**	**98,655**
Current			
Receivables	12	228,925	127,763
Cash and cash equivalents	13	438,066	176,608
		666,991	**304,371**
Total assets		**781,095**	**403,026**
Equity			
Accumulated deficit	14	(187,159)	(229,192)
Total equity		**(187,159)**	**(229,192)**
Liabilities			
Non-current			
Finance lease liability	11	**23,126**	**69,207**
Current			
Trade and other payables	15	811,504	428,230
Current tax liability		133,624	134,781
		945,128	**563,011**
Total liabilities		**968,254**	**632,218**
Total equity and liabilities		**781,095**	**403,026**

The financial statements on pages 4 to 21 were approved by the Authority Board, authorised for issue on 25 October 2011 and signed on its behalf by:

Fleur Vella
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 deficit €
At 1 January 2009	193,657
Deficit for the year	(422,849)
At 31 December 2009	**(229,192)**
At 1 January 2010	(229,192)
Surplus for the year	42,033
At 31 December 2010	**(187,159)**

Statement of cash flows

	Notes	2010	2009
		€	€
Operating activities			
Surplus (deficit) for the year		42,033	(422,849)
Adjustments	16	98,296	54,999
Net changes in working capital	16	235,361	123,248
Interest paid		(9,831)	(4,641)
Taxes paid		(1,157)	(13,635)
		364,702	**(262,878)**
Investing activities			
Payments to acquire property, plant and equipment		(67,967)	(7,220)
Interest received		1,899	2,338
		(66,068)	**(4,882)**
Financing Activities			
Capital repayments under finance lease		**(37,176)**	**(33,371)**
Net change in cash and cash equivalents		261,458	(301,131)
Cash and cash equivalents, beginning of year		176,608	477,739
Cash and cash equivalents, end of year	13	**438,066**	**176,608**

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

3 Changes in accounting policies

3.1 Standards, amendments and interpretations to existing standards

New interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board are effective for the annual period beginning 1 January 2010.

These are:

- IFRS 3 *Business Combinations* (Revised 2008)
- IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008)
- *Improvements to IFRSs* 2009

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

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

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

Management anticipates that all of the 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 partitioning 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	2010	2009
		€	€
Subventions received from the Government of Malta		750,000	559,000
Licenses and contributions from utility organisations		1,259,174	841,423
Other income	5.1	3,582	96,354
Excess expenditures	5.2	(293,083)	(513,341)
Total income		**1,719,673**	**983,436**

5.1 Other income

	2010	2009
	€	€
Balance on reserve cheque bank account from collection of licenses (note)	-	71,083
Petrol course fees	2,703	-
Other sundry income	879	25,271
	3,582	**96,354**

Note -

This balance represents licenses collected by the Authority in excess of the amount stipulated in the Financial Estimates.

5.2 Excess expenditures

	2010	2009
	€	€
Rebate schemes, EU projects and other studies:		
Subventions received from Government of Malta and refunds from EU	1,351,576	2,256,742
Expenditures claimed	(1,644,659)	(2,770,083)
Excess of expenditures over refunds claimed	**(293,083)**	**(513,341)**

6 Staff costs

	2010	2009
	€	€
Wages and salaries	976,442	820,843
Social security costs	60,764	48,858
Other staff costs	59,499	26,135
	1,096,705	**895,836**

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

Board members	8	8
Operations	39	32
	47	40

7 Finance income and finance cost

Finance income and finance cost may be analysed as follows:

	2010 €	2009 €
Finance income		
Interest income from demand deposits	1,899	2,338
Finance cost		
Interest expense on finance lease liability	9,831	13,635

8 Surplus (deficit) for the year

The surplus (deficit) for the year is stated after charging:

	2010 €	2009 €
Board secretary's honoraria	3,521	3,494
Board members' honoraria	36,123	39,814
Depreciation of property, plant and equipment	52,518	43,702
Auditors' remuneration	4,130	4,000

9 Tax expense

The relationship between the expected tax (expense) income 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:

	2010 €	2009 €
Surplus (deficit) for the year before tax	42,033	(422,849)
Tax rate	35%	35%
Expected tax (expense) income	**(14,712)**	**147,997**
Non-taxable income	664	-
Non-deductible expenses	(35,670)	(15,460)
Movement in unrecognised deferred tax assets	49,718	(132,537)
Actual tax expense, net	-	-

As at reporting date, the Authority had unused tax losses of € 326,307 (2009: € 378,676) and excess of carrying amount over tax base of € 4,995 (2009: excess of tax base over carrying amount of € 352) 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 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**
Additions	7,872	12,435	-	28,000	19,660	-	67,967
At 31 December 2010	**18,981**	**101,029**	**15,677**	**64,105**	**114,234**	**287,508**	**601,534**
Depreciation							
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**
Depreciation for the year	3,735	5,537	2,740	5,600	6,155	28,751	52,518
At 31 December 2010	**11,790**	**90,217**	**15,463**	**41,705**	**91,059**	**237,196**	**487,430**
Carrying amounts							
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**
31 December 2010	**7,191**	**10,812**	**214**	**22,400**	**23,175**	**50,312**	**114,104**

11 Leases

11.1 Finance lease

The Authority's electrical installations, ventillation 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 € 50,312 (2009: € 79,063). 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 2010			
Lease payments	47,007	23,503	70,510
Finance charges	(926)	(377)	(1,303)
Net present values	**46,081**	**23,126**	**69,207**
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**

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 2010	47,065	-	47,065
31 December 2009	92,352	47,065	139,417

Lease payments recognised as an expense during the period amount to € 98,263 (2009: € 69,920), 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

	2010	2009
	€	€
Trade receivables	144,881	30,612
Receivables on EU projects	64,581	88,651
Accrued income	8,500	8,500
Loans and receivables	**217,962**	**127,763**
Other receivables	10,963	-
Total receivables	**228,925**	**127,763**

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

All of the receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired and a provision for bad debts of € 37,846 has been recorded accordingly.

The movement in the provision for bad debts can be reconciled as follows:

	2010	2009
	€	€
Balance at 1 January	-	-
Amount provided for	37,846	-
Balance at 31 December	**37,846**	**-**

13 Cash and cash equivalents

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

	2010	2009
	€	€
Financial assets:		
Cash in hand	757	757
Cash at bank	437,309	175,851
Cash and cash equivalents	**438,066**	**176,608**

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

15 Trade and other payables

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

	Note	2010 €	2009 €
Trade payables		177,871	98,906
Current portion of finance lease liability	11	46,081	37,176
Accruals		87,242	55,092
Other payables (third parties)		8,500	8,500
Other payables (note)		491,810	228,556
Total trade and other payables		**811,504**	**428,230**
Note - Other payables			
Funds received in advance for EU projects		79,133	69,032
Funds received in advance for rebate scheme		239,148	159,524
Funds received in advance from utility organisation		23,300	-
Funds received for training		150,229	-
		491,810	**228,556**

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:

	2010 €	2009 €
Adjustments:		
Depreciation of property, plant and equipment	52,518	43,702
Movement in provision for bad debts	37,846	-
Interest receivable	(1,899)	(2,338)
Interest expense	9,831	13,635
Total adjustments	**98,296**	**54,999**
Net changes in working capital:		
Change in receivables	(139,008)	(36,913)
Change in trade and other payables	374,369	160,161
Total changes in working capital	**235,361**	**123,248**

17 Related party transactions

The Malta Resources Authority is an autonomous public institution and reports to Parliament on an annual basis. The Board members of the Authority are appointed by the Government of Malta.

During the period under review, the Authority entered into transactions with a number of Government-related entities

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related parties are unsecured and interest free. Outstanding balances are usually settled in cash. Amounts owed to related parties are shown separately in note 15.

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

18 Contingent liabilities

Due to the nature of its functions, the Authority is currently a co-defendant 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;
4. Damages alleged to have been incurred by the plaintiff in a case related to commission payable to a petrol station.

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

19 Commitments

At reporting date, the Authority had approved an amount of € 13,055 for payment on the Renewable Energy Scheme and had committed an amount of € 86,260 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	2010	2009
		€	€
Classes of financial assets – carrying amounts			
Loans and receivables	12	217,962	127,763
Cash and cash equivalents	13	438,066	176,608
		656,028	**304,371**

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 2010 the Authority's financial liabilities have contractual maturities which are summarised below:

31 December 2010	Notes	Current Within 1 year €	Non-current 1 to 5 years €
Finance lease liability	11	46,081	23,126
Trade and other payables	15	765,423	-
		811,504	**23,126**

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

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**

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	2010 €	2009 €
Current assets			
Loans and receivables	12	217,962	127,763
Cash and cash equivalents	13	438,066	176,608
		656,028	**304,371**
Non-current liabilities			
Financial liabilities measured at amortised cost:			
- Finance lease liability	11	**23,126**	**69,207**
Current liabilities			
Financial liabilities measured at amortised cost:			
- Current portion of finance lease liability	11	46,081	37,176
- Trade and other payables	15	765,423	391,054
		811,504	**428,230**

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 (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 Malta Resources Authority set out on pages 4 to 21, which comprise the statement of financial position as at 31 December 2010, 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 2010, 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