

Environment & Resources Authority

Annual Report and Financial Statements

For the Year Ended 31 December 2018

Environment & Resources Authority
For the Year Ended 31 December 2018
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Environment & Resources Authority

Authority's Report

For the Year Ended 31 December 2018

The Authority present their report and the audited financial statements for the year ended 31 December 2018.

Principal Activities and Functions

As the environmental and resource regulator in Malta, the Environment and Resources Authority (ERA) is responsible for the Environment Protection Act (CAP 549). This legislation covers all of the thematic environmental areas including waste, water, air quality, biodiversity and nature protection, environmental noise, radiation, marine, genetically-modified organisms and bio-safety, environmental assessment, ozone protection and industry, amongst other things.

ERA is also the competent authority responsible for implementing much of the EU Environment Acquis as well as international environmental dossiers such as the Aarhus, Espoo and Basel Conventions, as well as the Convention on Biological Diversity, the Convention on long range Transboundary Air Pollution and Barcelona Convention, amongst others.

ERA is involved in a number of ongoing projects in relation to the conservation of the Marine Environment under the LIFE programme, and regularly assesses participation in other EU and international project opportunities that can help the Authority meet its environmental commitments.

From a procedural aspect, ERA is responsible for issuing permits in three different streams - Industrial, Nature and Waste Management. These are required in order to safeguard the environment from impacts arising from industrial and anthropogenic activities.

In terms of policy, ERA provides guidance on draft EU Legislation, on behalf of the Ministry for Sustainable Development, Environment and Climate Change and advises on key environmental matters such as proposed legislation and leads on public consultation on transposition obligations emanating from EU Directives.

Events After Balance Sheet Date

The collective agreement, for the technical and administration grade, is in the process of being finalised and the Authority is estimating arrears of €1,700,000 which are already approved by the Ministry for Finance.

Outlook for Financial Year Ending 31 December 2019

The Authority is not envisaging any changes in its regulatory activities for the forthcoming year. The Members are positive that the Authority will sustain its current operating strategies and intend to continue to operate in line with the current business plan.

Results and Surplus Funds

The financial results of the Authority for the year ended 31 December 2018 are shown on page 6 of the statement of comprehensive income.

Related Party Transactions

Details of transactions with related parties undertaken by the Authority during the period are disclosed in the notes to the financial statements.

Disclosure of Information to the Auditor

So far as the Authority is aware, there is no relevant audit information of which the Authority's auditor is unaware. The Authority has taken all the steps that ought to have taken in order to establish that the Authority's auditor is aware of any relevant information.

Environment & Resources Authority

Authority's Report (continued)

For the Year Ended 31 December 2018

Board Members

In accordance with Chapter 549 Act, Article 6 (5 and 7), the independent members shall hold office for such period, being not less than three years, as may be specified in the letter appointing them and if no such period is specified shall remain in office for three years. The other members of the Authority shall hold office until they are replaced by the Minister, and as long as they remain public officers.

The Board Members of the Authority who held office during the year were:

Prof. Victor Axiak - Chairperson (Appointed on 4th February 2016)
Ms. Carmen Buttigieg - Deputy Chairperson (Appointed on 4th February 2016)
Ms. Helga Buttigieg - Member (Appointed on 28th August 2017)
Dr. Jason Bonnici - Member (Appointed on 4th February 2016)
Prof. Alan Deidun - Member (Appointed on 4th February 2016)
Ms. Alexia Pisani - Member (Appointed on 4th February 2016)
Mr. Alan Pulis - Member (Appointed on 4th February 2016)
Prof. Alfred Vella - Member (Appointed on 4th February 2016)
Ms. Paula Grech Bonnici - Member (Appointed on 20th July 2016)
Dr. Simon Mizzi - Member (Appointed on 13 February 2018)

Board Secretaries

Dr. Joseph Gatt (Appointed on 14th July 2017)

Bankers

Bank of Valletta p.l.c
BOV Centre
Cannon Road
Sta Venera SVR 9030
Malta

APS Bank
APS Centre
Tower Street
Birkirkara BKR 4012
Malta

Legal Advisors

Dr. Paula Axiak (Appointed on 22nd November 2017)

Environment & Resources Authority

Authority's Report (continued)

For the Year Ended 31 December 2018

Statement of Authority's Responsibilities

The Authority acknowledge their responsibility to prepare financial statements in accordance with Chapter 549 of the Environment Protection Act, and to prepare financial statements which give a true and fair view of the state of affairs of the Authority at the end of each financial period and of its profit or loss for that period.

In preparation of the annual financial statements, the Authority is responsible for:

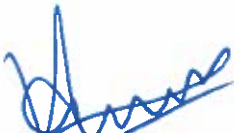
- ensuring that the financial statements have been drawn up in accordance with the International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial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

The Authority is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements comply with the provisions of the Act and with the International Financial Reporting Standards as adopted by the EU. The Authority is also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Authority are being properly safeguarded and that fraud and other irregularities will be prevented or detected.


Auditor

Alan Fiorini, Certified Public Accountant, has expressed his willingness to continue in office and a resolution for his reappointment will be proposed.

Approved by the Authority Board on 04 October 2019 and signed on its behalf by:



Prof. Victor Azzak
Chairperson



Dr. Louise Spiteri
Chief Executive Officer

Registered Address:

Hexagon House
Spencer Hill
Marsa
MRS 1441
Malta

Report of Auditor

To the Environment & Resources Authority on the Audit of the Financial Statements

Report on the Audit of the Financial Statements

I have audited the accompanying financial statements of Environment & Resources Authority set out on pages 6 to 20 which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In my opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Authority as at 31 December 2018, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am 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 that are relevant to my audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Authority is responsible for the other information. The other information comprises the Authority's Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work I have performed, in my opinion, the information given in the Authority's Report for the financial year for which the financial statements are prepared is consistent with the financial statement.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, I am required to report if I have identified material misstatements in the Authority's Report and other information. I have nothing to report in this regard.

Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as the Authority determines it 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 Authority 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 Authority either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Report of Auditor (continued)

To the Environment & Resources Authority on the Audit of the Financial Statements (continued)


Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 Authority.
- Conclude on the appropriateness of the Authority's 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 Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to a going concern.
- 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.

I communicate with the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



This copy of the audit report has been signed by
Alan Fiorini
Certified Public Accountant
Suite 8, Ta' Mallia Buildings,
Triqun Negozju
Mriehel
BKR 3000

04 October 2019

Environment & Resources Authority
Statement of Comprehensive Income
For the Year Ended 31 December 2018

		<u>2018</u>	<u>2017</u>
	Note	€	€
Revenue	3.	10,373,939	8,711,223
Salaries and personnel expenses	8.	(5,795,198)	(5,146,691)
Administrative expenses		(2,974,280)	(2,663,821)
Finance income	5.	13,026	378
Other income	4.	320,518	395,515
Income for settlement of demerger balance	11.b.	3,381,299	-
Surplus before tax		5,319,304	1,296,604
Taxation	6.	-	-
Surplus for the year - total comprehensive income	7.	5,319,304	1,296,604

The notes on pages 10 to 21 form an integral part of these financial statements.

Environment & Resources Authority

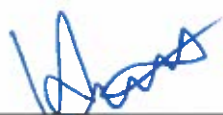
Statement of Financial Position

As At 31 December 2018

		2018	2017
	Note	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	9.	5,360,000	4,569,162
Current assets			
Trade and other receivables	10.	1,391,077	1,575,755
Cash and cash equivalents	12.a.	8,691,335	7,531,359
Total current assets		10,082,412	9,107,114
TOTAL ASSETS		15,442,412	13,676,276
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		8,786,461	3,467,157
Liabilities			
Non-current liabilities			
Trade and other payables	11.a.	5,059,346	5,613,626
Current liabilities			
Trade and other payables	11.b.	1,535,118	4,595,493
Bank overdraft	12.b.	61,487	-
Total current liabilities		1,596,605	4,595,493
Total liabilities		6,655,951	10,209,119
TOTAL EQUITY AND LIABILITIES		15,442,412	13,676,276

The notes on pages 10 to 21 are an integral part of these financial statements.

These financial statements on pages 6 to 21 were approved by the Authority Board on 04 October 2019 and were signed on its behalf by:


 Prof. Victor Axiak
 Chairperson


 Dr. Louise Spileri
 Chief Executive Officer

Environment & Resources Authority
Statement of Changes in Net Assets
For the Year Ended 31 December 2018

2018	Accumulated Surplus
	€
Balance as at 01 January 2018	3,467,157
Comprehensive income Surplus for the year	5,319,304
Balance as at 31 December 2018	8,786,461
2017	Accumulated Surplus
	€
Balance as at 01 January 2017	2,170,553
Comprehensive income Surplus for the year	1,296,604
Balance as at 31 December 2017	3,467,157

The notes on pages 10 to 21 form an integral part of these financial statements.

Environment & Resources Authority**Statement of Cash Flows****For the Year Ended 31 December 2018**

		<u>2018</u>	<u>2017</u>
	Note	€	€
Cash from operating activities:			
Surplus before tax		5,319,304	1,296,604
Interest expense to reconcile to surplus from operations		(13,026)	(378)
Depreciation		270,789	254,006
Government grants amortised		(12,527)	(97,512)
Income from settlement of amount owed to related party		(3,381,299)	-
Surplus from operations		<u>2,183,241</u>	<u>1,452,720</u>
Movement in trade and other receivables		184,678	(1,193,423)
Movement in trade and other payables		320,924	3,907,823
Bank interest received		13,026	378
Net cash flows from operating activities		<u>2,701,869</u>	<u>4,167,498</u>
Cash flows from investing activities:			
Payments and transfers to acquire property, plant and equipment		(1,061,626)	(613,432)
Net cash flows used in investing activities		<u>(1,061,626)</u>	<u>(613,432)</u>
Cash flows from financing activities:			
Proceeds from long-term loan		(541,754)	(2,176,090)
Net cash flows used in financing activities		<u>(541,754)</u>	<u>(2,176,090)</u>
Net cash from in cash and cash equivalents		1,098,489	1,377,976
Cash and cash equivalents at beginning of year		7,531,359	6,153,383
Cash and cash equivalents at end of year	12.a.	<u>8,629,848</u>	<u>7,531,359</u>

The notes on pages 10 to 21 form an integral part of these financial statements.

Environment & Resources Authority

Notes to the Financial Statements

For the Year Ended 31 December 2018

1. Basis of preparation

a. Statement of compliance

The financial statements have been prepared and presented in accordance with the requirements of the International Financial Reporting Standards as adopted by the EU.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

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

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

d. Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. Significant Accounting Policies

a. IFRS compliance and adoption

i. New IFRS standards and interpretations not applied

During the year, certain standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees with effective dates relating to the accounting periods starting on or after 1 January 2018.

The adoption of these standards and interpretations are not expected to have a material impact on the financial statements of Environment & Resources Authority in the period they are applied.

ii. Early adoption of IFRS standard

During the year, Environment & Resources Authority has elected to adopt early certain standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees to the 2018 financial statements.

Environment & Resources Authority
Notes to the Financial Statements (continued)
For the Year Ended 31 December 2018

2. Significant Accounting Policies continued

a. IFRS compliance and adoption continued

ii. Early adoption of IFRS standard continued

The standards and interpretations have been applied retrospectively. The adoption of these standards and interpretations did not have a material impact on the financial statements of Environment & Resources Authority in the period they are applied.

b. Property, plant and equipment

i. Value Method

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

ii. Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components are accounted for separately. The estimated useful lives are as follows:

Air conditioners	16.67%
Leasehold premises	1.2%
Leasehold improvements	5%
Lifts	10%
Furniture and fixtures	15%
Motor vehicles	20%
Electrical, plumbing & installations	6.67%
Computer equipment & software	20%
Other equipment	20%

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. The gains or losses are recognised in the statement of comprehensive income as other operating income or other operating costs, respectively.

c. Trade and other receivables

Trade 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 of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due to the original terms of the receivables.

d. Trade payables

Trade and other payables are stated at cost, which approximates fair value due to the short term nature of these liabilities.

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

2. Significant Accounting Policies continued

e. Revenue recognition

i. Subvention of Government/Funding of Environmental Fee

Subvention or funding available to cover recurrent expenditure are reflected in the Authority's profit or loss and are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the subventions will be received.

ii. Government Grants

Government grants are recognised when there is reasonable assurance that all the conditions attaching to them are recognised as income over the periods necessary to match the grant on a systematic basis and to the cost that it is intended to compensate. Where the grant related to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by annual equal annual installments.

iii. Interest Income

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance income in the income statement.

f. Impairment

i. Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk circumstances.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

ii. Non-financial Assets

The carrying amount of the Authority's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

2. Significant Accounting Policies continued

f. Impairment continued

ii. Non-financial Assets continued

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable 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 or amortisation, if no impairment loss had been recognised.

g. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

An application to the tax authorities has been submitted by the Authority to register the tax exempt status. Due to this application, the Authority does not provide for tax at 35% in its financial statements.

h. Financial instruments

i. Non-derivative Financial Instrument

Non-derivative financial instruments comprise in trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Authority's contractual rights to the cash flows from the financial assets expire or if the Authority transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Authority commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Authority's obligations specified in the contract expire or are discharged or cancelled.

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

2. Significant Accounting Policies continued

i. Employee benefits

The Authority contributes towards the state pension in accordance with the local legislation. The only obligation of the Authority is to make the required contributions. Obligations for contributions are recognised as employee benefits expenses in profit or loss in the periods during which services are rendered by the employees.

j. Contingencies

Contingent liabilities incurred by the Authority are not recognised but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity and are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Moreover, the amount of the obligation cannot be measured within sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Authority requires significant judgemental.

k. Financial risk management

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Authority's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. The Authority does not have components of equity.

The Authority Board has responsibility for the establishment and oversight of the Authority's risk management framework. No transactions in derivative financial instruments are entered into by the Authority to manage risks. The most significant financial risks that the Authority is exposed to are described below.

i. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

ii. Credit Risk

Financial assets which potentially subject the Company to concentrations of credit risk, consist principally of cash at bank and receivables. The Authority's cash is placed in prime financial institutions. Receivables are presented net of impairment provision.

iii. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Authority monitors liquidity risk by reviewing expected cash flows and ensure 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.

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

2. Significant Accounting Policies continued

k. Financial risk management continued

iv. Cash flow and fair value interest rate risk

The presentation of the financial statements and liabilities under the current and non-current headings within the statement of financial position is intended to indicate the timing in which cash flows will arise.

The Authority is exposed to interest rate risk on its bank balances. In view of the low market interest rates, a change in current market interest rates as at the reporting date would not have a material effect on profit or loss.

l. Capital risk management

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximize the return to stakeholders through the optimisation of the debt and equity balance.

The Authority manages the capital structure and make adjustments to it, in light of the changes in economic conditions. The capital structure is reviewed on an ongoing basis.

3. Revenue

	2018	2017
	€	€
Environmental fees	9,963,226	8,299,028
Procurement of shipment wastes	218,530	198,823
Fees for IPPC, waste and other permits	152,291	110,926
Producer Responsibility Registration (WEEE)	33,730	32,650
EU-funded projects	4,915	68,689
Convention on International Trade in Endangers Species of Flora and Fauna (CITES)	1,247	1,107
Total	10,373,939	8,711,223

4. Other income

	2018	2017
	€	€
Fees	52,450	-
Salary recoveries	142,285	284,023
Convention on International Trade in Endangered Species of Wild Fauna & Flora	3,060	-
Government grant income	12,527	97,512
Adverts recharged	3,590	11,060
Other income	106,606	2,920
Total	320,518	395,515

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

5. Finance income

	2018	2017
	€	€
Interest income	13,026	378

6. Taxation

In accordance with Article 30 of the Environment Protection Act, 2016, the Authority is exempt from any liability for the payment of any tax on income or duty on documents for the time being in force in Malta.

7. Surplus for the year

Surplus is stated after charging the following:

	2018	2017
	€	€
Auditor's remuneration	5,100	4,850
Board Honoraria	173,164	120,930
Depreciation	270,789	254,006

8. Salaries and personnel expenses

a. Wages and Salaries

Payroll costs for the year comprise of the following:

	2018	2017
	€	€
Wages and salaries	5,398,374	4,806,221
Social security costs	396,824	340,470
Total	5,795,198	5,146,691

b. Average number of employees

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

	2018	2017
Officers	200	173
Total	200	173

c. Number of board members and board secretary

	2018	2017
Board members	10	10
Board secretary	1	1
Total	11	11

Environment & Resources Authority
Notes to the Financial Statements (continued)
For the Year Ended 31 December 2018

9. Property, plant and equipment

31 December 2018

	Air conditioners	Leasehold premises and improvements	Lifts	Furniture and fixtures	Motor vehicles	Electrical and plumbing	Computer equipment and software	Other equipment	Total
	€	€	€	€	€	€	€	€	€
Cost									
Opening balance	724	4,396,719	41,204	143,871	68,500	71,673	726,142	2,522,323	7,971,156
Additions	214,461	302,749	-	93,555	60,342	94,228	287,709	8,582	1,061,626
Balance at 31 December 2018	215,185	4,699,468	41,204	237,426	128,842	165,901	1,013,851	2,530,905	9,032,782
Depreciation and impairment losses									
Opening balance	(10)	(530,261)	(5,151)	(124,952)	(65,875)	(1,110)	(216,286)	(2,458,349)	(3,401,994)
Depreciation	(8,859)	(65,745)	(4,117)	(10,728)	(3,629)	(8,208)	(140,419)	(29,083)	(270,788)
Balance at 31 December 2018	(8,869)	(596,006)	(9,268)	(135,680)	(69,504)	(9,318)	(356,705)	(2,487,432)	(3,672,782)
Carrying amount									
At 01 January 2018	714	3,866,458	36,053	18,919	2,625	70,563	509,856	63,974	4,569,162
At 31 December 2018	206,316	4,103,462	31,936	101,746	59,338	156,583	657,146	43,473	5,360,000

31 December 2017

	Air conditioners	Leasehold premises and improvements	Lifts	Furniture and fixtures	Motor vehicles	Electrical and plumbing	Computer equipment and software	Other equipment	Total
	€	€	€	€	€	€	€	€	€
Cost									
Opening balance	-	4,280,979	41,204	135,100	68,500	-	339,250	2,492,691	7,357,724
Additions	724	115,740	-	8,771	-	71,673	386,892	29,632	613,432
Balance at 31 December 2017	724	4,396,719	41,204	143,871	68,500	71,673	726,142	2,522,323	7,971,156
Depreciation and impairment losses									
Opening balance	-	(477,053)	(1,030)	(120,648)	(54,025)	-	(138,564)	(2,356,668)	(3,147,988)
Depreciation	(10)	(53,208)	(4,121)	(4,304)	(11,850)	(1,110)	(77,722)	(101,681)	(254,006)
Balance at 31 December 2017	(10)	(530,261)	(5,151)	(124,952)	(65,875)	(1,110)	(216,286)	(2,458,349)	(3,401,994)
Carrying amount									
At 01 January 2017	-	3,803,926	40,174	14,452	14,475	-	200,686	136,023	4,209,736
At 31 December 2017	714	3,866,458	36,053	18,919	2,625	70,563	509,856	63,974	4,569,162

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

10. Trade and other receivables

	2018	2017
	€	€
Trade receivables	92,222	67,617
Deposits	1,092,216	1,336,171
Funds due from Treasury	130,002	130,002
Prepayments	43,295	24,303
Employee costs in advance	-	5,984
Other receivables	33,342	11,678
Total	1,391,077	1,575,755

Note:

Other receivables consist of an EU-Funded project for which the Authority is the coordinating beneficiary, responsible for overall management and coordination of the project and implementation of certain actions.

11. Trade and other payables

a. Non-current liabilities

	2018	2017
	€	€
EIPP/General Fund (Note ii)	4,031,681	4,285,665
Hunting Fund deposited with ERA	1,004,628	1,292,397
Funds deposited with ERA	23,037	23,037
Deferred income - Government grants (Note iii)	-	12,527
Total	5,059,346	5,613,626

b. Current liabilities

	2018	2017
	€	€
Trade payables	430,153	503,725
Amounts owed to related party (Note i)	-	3,381,299
Accruals	390,060	419,310
Taxes and social security	714,905	284,961
Wages payable	-	6,198
Total	1,535,118	4,595,493

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

11. Trade and other payables continued

Note i: Amounts owed to related party

This amount represents the outstanding liabilities to the Planning Authority (PA), following a cost apportionment methodology applied. The Ministry for Sustainable Development, the Environment and Climate Change, committed towards the provision of such amount in the 2018 Financial Estimates of Government.

During 2018, the full amount was settled by the MFIN to PA by allocating a contribution to PA for the full amount owed in the MFIN Budget 2018.

Note ii: Environment Initiatives in Partnership Programme (EIPP)/General Fund

This fund was managed by MEPA prior to the demerger. These funds were collected through development planning applications as planning gain to sustain environmental projects and studies and cater for environmental mitigation measures. This fund was transferred to the Authority on the 5th December 2016 and is being used for current undertakings and projects in the pipeline.

Note iii: Deferred income (Government grants)

Deferred income represents the Government grants received to fund the purchase of property, plant and equipment owned by the authority. Each year, an amount equivalent to the depreciation charged on these assets is transferred to profit and loss.

Deferred income (Government grants)

	2018	2017
	€	€
Historic cost		
Opening balance	1,343,546	1,343,546
Amounts granted during the period	-	-
Total	1,343,546	1,343,546
	2018	2017
	€	€
Released to the income statement		
Opening balance	1,331,019	1,233,507
Amounts released during the period (Note 4)	12,527	97,512
Total	1,343,546	1,331,019
	2018	2017
	€	€
Deferred income - Government Grants		
Current	-	12,527
Non-current	-	-
Total	-	12,527

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

12. Cash and cash equivalents

a. Cash and cash equivalents

	2018	2017
	€	€
Cash on hand	1,410	193
Bank balances	6,089,925	4,831,166
Short-term deposits	2,600,000	2,700,000
Total cash and cash equivalents	8,691,335	7,531,359
Bank overdraft	61,487	-
Total cash and cash equivalents in the statement of cash flows	8,629,848	7,531,359

b. Bank overdrafts

Bank overdrafts included under current liabilities on the statement of financial position comprise the following amounts:

	2018	2017
	€	€
Bank overdraft	(61,487)	-

A substantial amount of cash and cash equivalents as at 31 December 2018, relates to funds advanced to Authority with respect to the setting up of funds. These funds are to be applied for specific purposes as provided for by the Act. As at 31 December 2018, an amount of €4,031,681 (2017: €4,285,665) relate to Environment Fund as in accordance with Chapter 549 of the Environment Protection Act, Article 32. An amount of €1,004,627 (2017: €1,292,397) is an amount transferred to the Authority for the purpose of placement within the Hunting Fund, as in accordance with Article 32 (9) which gives the power to the Authority to set up other funds.

13. Related party transactions

The Authority considered the ultimate controlling party to be the Government of Malta who appoints the majority of the board members.

During the course of the period, the Authority entered into transactions with a number of government entities which are related through common control.

As at 31 December 2018, the Authority had outstanding payable balance owed to PA amounting to nil (2017: €3,381,299) (Notes 11, 14 and 15). The amount owed to PA was settled in full by the MFIN (Notes 4 and 11).

Key management personnel compensation, consisting of board remunerations, has been disclosed in Note 7.

14. Transfer of net assets to the Environment & Resources Authority

On 4 April 2016, by virtue of Legal Notice 109 of 2017, all receivables, rights, liabilities and obligation of MEPA are assigned to PA and all functions previously carried out by the Environment Protection Directorate of MEPA are assumed by PA and ERA, respectively. Both Authorities may in turn further assign and transfer any assets, rights, liabilities, obligations and functions. The amount of €3,381,299 represents the balance payable to PA, as a final settlement of dues by the Environment and Resources Authority, up to 31 December 2017 (Notes 11, 13 and 15).

As at 31 December 2018, the amount payable to PA amounted to nil (Notes 4 and 11).

Environment & Resources Authority

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

15. Commitments and Contingencies

Commitments

The Authority has committed to projects, programs and initiatives for an estimated value of €3,500,000. Furthermore, in view of the current collective agreement negotiations the Authority has estimated that €1,700,000 in arrears will be payable in 2019.

Contingent Assets and Liabilities

The Authority holds various bank guarantees arising from the additional agreements made with certain applicants to be fulfilled before the Authority can issue a full environment permit. The Authority also holds bank guarantees arising out of permit conditions. These guarantees cover any losses which may likely be incurred by the Authority upon non-compliance of these additional conditions. As at 31 December 2018, the total bank guarantees amount to €13,308,932 (2017: €11,151,836).

The Authority is a defendant in a substantial number of cases instituted by persons claiming damages or remedial measures from third parties including against the Authority. Based on the information available to the Authority, the extent of potential liabilities cannot be quantified and no current claims or legal proceedings are deemed to be exceptional or which could lead to a significant liability falling on the Authority. Therefore, no provision for any claims or legal proceedings was deemed necessary as at the end of the reporting period.

Environment & Resources Authority
For the Year Ended 31 December 2018

Schedules

Schedule of Administrative Expenses

	2018	2017
	€	€
Administrative expenses		
Advertising and promotion	93,023	65,115
Auditor's remuneration	5,100	4,850
Bank charges and interest	7,403	933
Cleaning services	43,219	46,073
Consumables	73,417	35,328
Depreciation	270,789	254,006
Remuneration of Board Members	173,164	120,930
Electricity & water	92,588	94,401
Seconded staff costs	15,771	7,747
Insurance	66,036	49,027
Rental fee	65,019	178,749
Legal fees	531	25
Sponsorships	29,390	45,517
Ambient monitoring and data management	114,366	-
Printing and stationery	62,264	88,847
Programmes, initiatives and professional fees	849,802	276,773
Repairs and maintenance	40,429	30,786
Security	112,412	108,607
Subscriptions, books and postage	21,218	18,982
Telecommunications	54,571	50,983
Travelling	305,777	375,319
Staff training and education	98,979	56,915
Materials, supplies and sundries	33,859	12,037
General and administrative expenses	15,655	10,459
Other expenses	-	4,455
Membership Allowances	3,770	-
Professional fees	97,392	429,029
Computer expenses	76,175	58,409
Meetings and conventions	54,187	207,019
Publications and surveys	97,974	32,500
Total	2,974,280	2,663,821