MALTA STATISTICS AUTHORITY

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

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20 April 2009

The Hon. Tonio Fenech B.A.(Hons) Accty., F.I.A, C.P.A., M.P.
Minister of Finance, the Economy and Investment

Honourable Minister,

In accordance with Section 29 of the Malta Statistics Authority (MSA) Act 2000, I am transmitting a copy of the report by the Director General on the activities of the National Statistics Office covering the period 1 October 2007 to 31 December 2008, as well as a copy of the financial accounts of the Authority for the same period, duly certified by the auditors.

Both the report of the National Statistics Office and the audited financial statements for the period 1 October 2007 to 31 December 2008 were discussed and approved by the MSA Board. I am also highlighting some of the main items included in the report.

General

The Malta Statistics Authority was set up by Act XXIV of 2000 and came into force on 1 March 2001. Its functions are defined in Section 7 of the said Act as follows:

a) To examine and submit, for the approval of the Minister, the business plan and financial estimates drawn up by the Director General for the administration of the Office;

b) To regulate and to generally supervise the production of official statistics in accordance with international requirements and standards;

c) To discuss and advise on statistical matters, including methodologies, relating to the collection, compilation and dissemination of statistics;

d) To establish priorities in responding to the demand for official statistics;

e) To liaise between the Office and other public bodies concerning the supply of data and the co-ordination of activities with statistical implications;

f) To publish the business plan after its approval by the Minister of Finance;

g) To disseminate the knowledge of official statistics;

h) To consider and comment on, where necessary, the yearly report submitted by the Director General on the work of the Office as required by article 9(5)(g).

The Board of the Malta Statistics Authority has a regulatory, supervisory and co-ordinating function. In most countries, the latter function is assumed by a separate technical committee. The National Statistics Office is the executive arm of the Authority.

EU Membership

As pointed out in previous reports, EU membership offers challenges and opportunities to the National Statistics Office (NSO) as new demands for additional data are made by Eurostat, the statistical office of the EU Commission.

The NSO was assisted by foreign experts to review its methodologies in the fields of National Accounts, Price Indices and short-term business statistical surveys in order to bring them in line with new harmonised methodologies. In addition, the Office has succeeded in improving its data submissions to Eurostat and this is included in the comparative data bulletins issued by Eurostat from time to time.

The Office met its international obligations by attending most working groups organised by Eurostat and transmitted data in accordance with Eurostat's requirements within the established time frames.

Director General

On 26 January 2007, the MSA Board had to reluctantly accept the sudden resignation of Dr Gordon Cordina from the post of Director General of NSO. In agreement with the MSA Board and in consultation with the Minister of Finance, the undersigned, Chairman of the MSA Board, assumed also the duties of Director General NSO, in an acting capacity.

Immediately following the resignation of the Director General, the MSA Board embarked on the task to identify and recruit a new Director General for the NSO without success. In July 2008, a public call for the filling of the vacant position of Director General was issued. There were four applicants. The adjudicating Board recommended that Mr Michael Pace Ross be offered the post. The MSA Board accepted the recommendations of the Selection Board and Mr Pace Ross was appointed Director General of the NSO as from 5 November 2008.

Meetings

In terms of Section 6(2) of the MSA Act, the Board is required to meet at least twice every calendar quarter. During the period covered by the report, the Board met thirteen times. The vast statistical programme of activities undertaken by NSO during this period, the need to review existing methodologies and the recruitment of new staff were the more important items on the agenda of most meetings of the MSA Board. The recruitment of competent staff often proved to be a difficult task.

The Board kept the production and quality of statistical data under constant review. Indeed, most of the time has been devoted to presentations on new or updated methodologies by the managers of the various units within the Office and discussions thereon.

The Board examined the relevance of such methodologies, keeping in mind the pertinent EU directives and the country's obligations as determined by Eurostat under the statistical *Acquis*.

Staff

At the end of 2008, NSO had 143 employees on its books. The MSA Board is pleased to report that over 50 per cent of NSO staff members are graduates. Several of these also hold a Masters degree while other members are currently reading for a post-graduate degree or diploma. The intention is to further improve the general professional level of the staff, particularly through attendance at specialised meetings and workshops organised by Eurostat. These events are also important for the upgrading of existing methodologies and the harmonisation of Malta's statistical system.

NSO staff attended 176 workshops and meetings abroad during the period under review. This involved 284 working days.

Staff training is a priority item on the agenda of all statistical institutions. The NSO Annual Report makes reference to the various initiatives undertaken in this regard.

Grant-based Projects

As in previous years, several new projects were undertaken by NSO. These were partly financed from EU funds, and included pilot studies such as the one on estimating the volume of water used for irrigation purposes. At present some twenty-eight projects are in hand involving around half a million euro by way of EU funding. The Office has also filed applications for financial assistance to initiate other projects during the current year. Detailed information on each project may be read in Table 5 of the NSO Annual Report.

Users' Needs

The local demand for statistical information continued to grow. Users' needs and their perception of the relevance and quality were discussed during meetings with the constituted bodies.

The level of response by data providers and the workload involved in the production of information were issues that engaged the attention of the Board during the period under review.

Response Burden

In the opinion of the Board, the response burden is gradually becoming an acute problem that must continue to be addressed in the current year. The Board has been conscious of the need to avoid duplication of work in the production of statistical information that would result in waste of human and other resources.

In 2008, the NSO commissioned a report to suggest ways and means of avoiding duplication of requests for information during surveys and to make more use of administrative records for the extraction of information. As a result, more use is being made of administrative registers for the extraction of data. The Director General, in co-operation with the Better Regulation Unit at OPM, also initiated discussions at a technical level towards the end of 2008.

In addition, standing committees were set up consisting of representatives of NSO, the Ministry of Finance, the Employment and Training Corporation and the main public enterprises, with a view to establishing a sound system of co-operation regarding the provision of relevant data, the collection of which is the competence of these bodies.

Another memorandum of understanding with the Central Bank of Malta was signed during the period under review.

In this respect, MSA would like to acknowledge the support of various Ministries and Departments, particularly the Ministry for Social Policy and the Inland Revenue and VAT departments. Furthermore, requests for business statistics continued to be reviewed.

It is clear, however, that more work has to be done during the present year in order to lessen the response burden.

Code of Practice

The European Statistics Code of Practice promoted by Eurostat in 2005 continued to be observed. The document sets out fifteen key principles for the production and dissemination of European official statistics. It focuses on the independence, integrity and accountability of these statistical authorities and emphasises the standards and principles governing ethical behaviour, quality and good practices in official statistics that have to be observed by National Statistical Institutes.

The Code of Practice is strictly observed by the Malta Statistics Authority and by NSO.

The observance of this Code of Practice within the operation of the local statistical system was the subject of a Peer Review by Eurostat officials which took place in the last week of November 2007. The report was a positive one and is available on Eurostat's website.

Quality of Data

Although the issue of duplication of effort resulting in waste of human resources is a priority item on the agenda of the EU, and Malta is no exception, the Board was vigilant in ensuring that this rationalisation of resources would not compromise in any way the quality and reliability of statistical information. The Board is satisfied that the local perception of statistics produced by NSO does credit to the organisation.

Timeliness of Data

During the period under review, the dissemination of the main social and economic aggregates like the Gross Domestic Product, the Balance of Payments, Trade, the Labour Supply, Government Finance and the Inflation Index, were on a regular and timely basis in accordance with the advance release calendar. This calendar is now being published every week in a local business paper so as to provide economic analysts with prior information on statistical releases during the coming fortnight.

The release of statistical data should take into account the needs of data users. Although the main statistical indicators are compiled and published within a relatively short span of time, they have themselves to be reliable measures of economic performance, the more so in present times. One should also emphasise that timely and good-quality statistics are not always possible. Every effort is, however, being made to abide by professional standards in the compilation and dissemination of the main socio-economic indicators.

The Board is also pleased to note that the NSO has succeeded in meeting its obligations with regard to the timely transmission to Eurostat of the main socio-economic indicators within the prescribed periods.

Dissemination Activities

NSO issued 232 news releases in 2008. These translate into an average of more than four releases per week. Furthermore, the Information Services Unit dealt with some 1,520 requests for information. In addition, fifteen statistical publications were issued, some of them in CD-ROM.

NSO has also compiled three methodological inventories dealing with national accounts and public finance besides two other publications covering the Retail Price Index and the Harmonised Index of Consumer Prices.

Press coverage of statistical releases was extensive. One is gratified to record that very often press reviews on the release of data were published online within minutes of the release of such data by NSO.

Recent publications by NSO and other EU statistical offices are accessible to the public at the Office's library. The website contains all publications issued from time to time in full text and in real time.

The Retail Price Index Advisory Committee

The Retail Price Index Advisory Committee that replaced the RPI Management Board established in 1998 was set up under Section 33 of the MSA Act. The Committee is composed of representatives of the social partners and its main function is to discuss the monthly changes in the Retail Price Index prior to its publication, as well as other factors that contribute towards inflationary pressures. During the period under review, the Committee met fifteen times.

The collection of information on household expenditure, which started in 2008, will be completed in 2009. NSO is in the process of vetting and validating the results of the Household Budgetary Survey. It is envisaged that a new weighting frame will be introduced in the Retail Price Index in January 2010.

Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices launched by the EU in 1997 in the context of the EMU convergence criteria under the Maastricht Treaty, is intended to allow price comparisons with other EU Member States. It is a legally binding arrangement and the National Statistical Institutes are required to compile it on a monthly basis and to submit the results to Eurostat.

In 2007, the HICP was the subject of an audit by Eurostat officials, who were satisfied that the index is being compiled according to established international methodology.

During 2008, the Office extended the use of the hedonic method of quality adjustment to other items in the index such as computers and motor cars.

The Media

The Malta Statistics Authority and NSO have maintained good relations with the media through a constant liaison with reporters and correspondents by responding to their requests for new information and clarifications of technical terms.

The MSA Board and NSO have always considered the media as essential partners in the transmission and dissemination of the statistical output of the Office.

Throughout the past year, NSO has maintained its policy of providing the main statistical aggregates without interpreting the data. At the same time, it has published methodological guides and all necessary definitions and other relevant notes so as to enable analysis of socio-economic trends.

Special care was taken to explain in detail the main revisions to the Gross Domestic Product made during the period under review.

Methodological issues were also explained through appropriate notes in the statistical releases. The communication of official data will be further developed during 2009.

Two meetings with the Press were held during 2008 to explain certain definitions of published indicators and clarify issues of a technical nature.

National Accounts

Several new classifications have been introduced in Malta's national accounting system. The Gross Domestic Product estimated through the use of three approaches has been published on a quarterly and annual basis. Extensive explanations were provided in the releases whenever revisions of already published data were involved.

New weights for the annual Purchasing Power Parities (PPP) exercise on sectoral accounts with particular reference to capital stock and formation and Supply and Use Tables (SUT) were compiled. This exercise will continue during the current year. Work was also commenced on the System of Health Accounts and the Health Labour Accounts.

The work of the Unit was also reviewed during visits made by experts from Eurostat.

Public Finance

Biannual reports on Malta's Excessive Debt and Deficit were submitted to the European Commission. This was done with the cooperation of the Treasury and the Central Bank of Malta.

More work was done on extending the COFOG classification of Government expenditure to a two-digit level. At the same time, the Public Finance Unit proceeded with the compilation of the Social Protection accounts in accordance with the European System of Integrated Social Protection Statistics (ESSPROS) for the years 1995-2005. Information on the General Government revenue and expenditure position as well as the deficit and debt position was duly published every month.

Balance of Payments

Following the adoption of the euro on 1 January 2008, Malta was required to submit to the European Central Bank (ECB) a monthly statement of financial transactions between Malta and the rest of the euro area. The Office cooperated with the Central Bank of Malta in carrying out monthly surveys of the non-financial and financial sectors.

Statistics on investment in respect of flows and stock positions were collected through monthly surveys. More attention was directed towards the provision of further information on a geographical basis on international trading companies particularly within the financial sector.

Issues related to the classification of resident and non-resident companies continued to be dealt with in the period under review.

Information Technology

During the past year, NSO continued to strengthen its IT Systems Unit and to maintain an extensive computerisation programme. In particular, a new manager was appointed.

More use was made of the Computer Aided Telephone Interviewing (CATI) system. CATI permitted the undertaking of several requests from private organisations to carry out surveys on their behalf.

Future Initiatives

The following are some of the initiatives that will be introduced, or will continue to be developed, in the coming months:

- a new weighting frame will be introduced by the Price Statistics Unit in January 2010. In 2009 all data on household expenditure collected in the 2008/9 Household Budgetary Survey will be checked and validated. The new weighting frame of the RPI and the HICP will enhance the estimation of consumption expenditure for national accounts purposes;

- the introduction of a Producer Prince Index in 2008 provided NSO with an important short-term indicator of competitiveness and inflationary developments, and with another tool for the deflation of the Production Approach for national accounts purposes;

- during the current year, NSO will start examining the feasibility of holding another Population and Housing Census in 2011, in line with the decennial census round by EU Member States;

- more work will be undertaken on the ESA revisions;

- as highlighted in earlier reports, the adoption of the statistical *Acquis* imposed a heavier burden on the NSO that can only be assumed on the basis of the availability of more qualified staff. An intensive drive was mounted during 2008 and NSO almost has a full staff complement. In the coming year, attention will be directed towards the filling of posts at senior management level;

- work will continue on the gradual compilation of a set of environmental accounts;

- more training on basic survey techniques will be provided. Relations with the University have been enhanced, and it is intended to introduce a Diploma course specifically on official statistics;

- the Office will continue with a project initiated two years ago concerning the digitisation of historical statistical data found in the Blue Books. These publications, which started being compiled early in the nineteenth century contain information covering population, trade, labour and education, constitute the best available sources of official data at that time. The project is being undertaken with the co-operation of the National Archives of Malta;

- NSO will continue to honour its commitment to adhere to the Advance Release Calendar of statistical information in the main statistical areas. At the same time, it will maintain a continuous dialogue and consultation with its principal users to ensure that their needs are met on time. NSO is planning to adhere the SDDS standard in 2009, following an IMF mission;

- in the course of 2009, the Malta Statistics Authority and NSO will concentrate on the adoption of new strategies in data collection in order to avoid duplication of effort and to rationalise the demand for statistical data from its main suppliers, thus lessening response burdens;

- the MSA Board will proceed with its monthly discussions on methodologies and best practice for the compilation of timely and good-quality statistics in accordance with the European Statistics Code of Practice;

- during 2009, the Harmonised Index of Consumer Prices – Constant Taxes (HICP-CT) will be introduced on a monthly basis. This will be done with the assistance of a foreign expert. The intention is to provide analysts and policy makers with a valuable tool to estimate the impact of changes in direct taxation on inflation;

- in 2009, a Community Innovation Survey will be launched. With the assistance of industry, the Research and Development survey will be further developed;

- NSO will continue to undertake a number of customised surveys on behalf of public authorities and private companies.

- in 2009, Malta is committed to hosting, for the first time, the annual conference of Directors General of the EU Member States (known as DGINS). Preparations for this unique event commenced in September 2008, after consultations with the Ministry of Finance, and conference details will be announced by Eurostat and NSO in the near future. Migration statistics will be the main theme on the conference's agenda;

- MSA is planning to conclude negotiations on a new Collective Agreement with the UHM for all NSO staff. The agreement shall cover the years 2008-2010 and is being negotiated by the NSO Director General on behalf of MSA.

Acknowledgements

The Board would like to thank all government departments, business enterprises, NGOs, households and individuals that have supplied information to NSO in the period under review.

MSA would like to thank the media for their efforts in communicating official information, the general public, and all those who offered assistance and suggestions, and showed appreciation of the efforts of NSO in giving Malta an efficient and reliable statistical service.

In endorsing the detailed and informative report of the Director General of NSO, the Board would like to thank the organisation's management and staff for their work during the period covered by this report.

Reno Camilleri
Chairman

Statement of responsibilities of the Authority

The Authority is governed by a Board consisting of 8 members. Among other responsibilities, the Authority is responsible for the production of official statistics in accordance with international requirements and standards.

The Authority is responsible for ensuring that:

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

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.

In preparing the financial statements which give a true and fair view of the state of affairs as at the end of each financial period and of its surplus or deficit for that period, the Authority:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- follows International Financial Reporting Standards as adopted by the EU; and
- prepares the financial statements on the going concern basis unless this is considered inappropriate.

Income and expenditure account

	Notes	2008	2007
		€	**€**
Income	5	**4,911,104**	**3,301,426**
Expenditure		(4,987,445)	(3,291,766)
		(76,341)	**9,660**
Finance income	6	9,627	8,726
Finance costs	6	(557)	(1,598)
(Loss)/Surplus for the period/year before taxation	7	**(67,271)**	**16,788**
Taxation	8	(2,455)	(1,069)
(Loss)/Surplus for the period/year		**(69,726)**	**15,719**

Balance sheet

	Notes	2008	2007
		€	€
Assets			
Non-current			
Property, plant and equipment	9	339,095	396,580
Investment	10	1,162	1,162
		340,257	**397,742**
Current			
Inventories	11	40,525	35,316
Trade and other receivables	12	257,266	160,850
Cash and cash equivalents	13	587,276	778,372
		885,067	**974,538**
Total assets		**1,225,324**	**1,372,280**

Balance sheet – continued

	Notes	2008	2007
		€	**€**
Reserves			
Retained funds		**312,531**	**382,257**
Liabilities			
Non-current			
Long term payables	14	**108,161**	**111,551**
Current			
Trade and other payables	15	**804,632**	**878,472**
Total liabilities		**912,793**	**990,023**
Total equity and liabilities		**1,225,324**	**1,372,280**

The financial statements on pages 12 to 30 were approved on 20 April 2009 and were signed by:

Chairman **Member**

Statement of changes in net assets/equity

	Retained funds €
At 1 October 2006	366,538
Surplus for the year	15,719
At 30 September 2007	**382,257**
At 1 October 2007	382,257
Loss for the period	(69,726)
At 31 December 2008	**312,531**

Statement of cash flows

	Notes	2008	2007
		€	**€**
Operating activities			
(Loss)/Surplus before tax		(67,271)	16,788
Adjustments	16	84,093	79,507
Change in inventories		(5,209)	20,868
Change in trade and other receivables		(103,158)	159,657
Change in trade and other payables		(73,840)	77,317
Tax paid		(2,455)	(1,069)
		(167,840)	**353,068**
Investing activities			
Payments to acquire property, plant and equipment		(39,625)	(78,854)
Interest received		16,369	7,091
		(23,256)	**(71,763)**
Net change in cash and cash equivalents		(191,096)	281,305
Cash and cash equivalents, beginning of period		778,372	497,067
Cash and cash equivalents, end of period	13	**587,276**	**778,372**

Notes to the financial statements

1 Nature of operations

The Authority is responsible for the production of official statistics.

2 General information

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements are presented in euro (€), which is also the functional currency of the Authority. Following Malta's adoption of the euro as its national currency on 1 January 2008, the Authority's functional currency was changed from Maltese lira to euro. The effects of the change in functional currency have been accounted for prospectively and all items have been translated into the new functional currency using the exchange rate at the date of the change.

3 Change in accounting policies

3.1 Overall considerations

The Authority has adopted for the first time IFRS 7 *Financial Instruments: Disclosures* in its 2008 financial statements. This Standard has been applied retrospectively, i.e. with amendments to the 2007 accounts and their presentation. The 2007 comparatives contained in these financial statements therefore differ from those presented in the financial statements for the year ended 30 September 2007.

In accordance with the amendment of IAS 1 *Presentation of Financial Statements*, the Authority now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 can be found in note 18.

Other Standards or Interpretations relevant for IFRS financial statements did not become effective during the current financial period.

Significant effects on current, prior or future periods arising from the first-time application of IFRS 7 in respect of presentation, recognition and measurement of accounts are described in the following notes.

3.2 Adoption of IFRS 7 Financial Instruments: Disclosures

IFRS 7 *Financial Instruments: Disclosures* is mandatory for reporting periods beginning on 1 January 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in IAS 32 *Financial Instruments: Presentation and Disclosures* and has been adopted by the Authority in its 2008 financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

3.3 Standards and Interpretations not yet applied by the authority

Certain new Standards and Interpretations, which have been published but are yet to become mandatory, have not been applied in the Authority's 2008 financial statements. The members have not yet determined the possible impact that the adoption of those new Standards and Interpretations will have on the Authority's financial statements in the period of initial application.

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

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

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

4.2 Income and expense recognition

Income from government subvention is recognised on an accrual basis.

Government grant represents the net book value of assets supplied by the government. The grant is deferred and transferred to the income and expenditure account in equal parts over the expected useful lives of the related assets.

EU grants represent the net book value of assets supplied by the EU and grant agreements. The grant referring to the assets is deferred and transferred to the income and expenditure account in equal parts over the expected useful lives of the related assets. The grant agreements are transferred to the income and expenditure account when the Authority has complied with the conditions attaching to them.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

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

4.3 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Authority, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement.

4.4 Property, plant and equipment

Items of plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is calculated using the straight line method to write off the cost or valuation of the assets over their estimated useful lives on the following basis:

		%
-	Improvements to premises	2
-	Computer equipment	33.33
-	Furniture, fixtures and fittings	15
-	Office equipment	15
-	Motor vehicles	20

No depreciation is provided on assets that are not yet brought into use.

4.5 Impairment testing of intangible and 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 asset's 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's management 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's members.

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 unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been 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 or amortisation, if no impairment loss had been recognised.

4.6 Investments

Investments are included in the Authority's balance sheet at cost less any impairment loss that may have arisen. Income from investments is recognised only to the extent of distributions received by the Authority from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At each balance sheet date the Authority reviews the carrying amount of its investment to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in profit or loss.

4.7 Financial assets

The Authority's financial assets other than cash and cash equivalents fall into the category of loans and receivables. A summary of financial assets by category is given in note 17.5.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Discounting, however, is omitted where the effect of discounting is immaterial. A provision for impairment of loans and receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

Loans and receivables are considered for impairment on a case-by-case basis and the provision is based on management's assessment of the amount recoverable on each receivable.

Any change in the value of loans and receivables is recognised in profit or loss.

4.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to acquiring the inventories and to bringing them to their existing location and condition. Financing costs are not taken into consideration. Costs of inventories are assigned using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.9 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

4.10 Financial liabilities

The Authority's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method. A summary of the Authority's financial liabilities by category is given in note 17.5.

Financial liabilities are recognised when the Authority becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement.

5 Income

	2008	2007
	€	**€**
Government subvention		
- direct: paid to MSA	3,299,731	2,633,357
- indirect: expenses paid by Ministry	264,054	91,819
- household budgetary survey	476,886	-
Government grant	3,390	2,711
EU grant agreements	687,326	365,754
Sale of publications	125,825	126,271
Other income	53,892	81,514
	4,911,104	**3,301,426**

6 Finance income and finance costs

The following amounts have been included in the income statement line for the reporting periods presented:

	2008	2007
	€	**€**
Bank interest received	9,627	8,726
Finance income	**9,627**	**8,726**
Realised loss on exchange	557	1,598
Finance costs	**557**	**1,598**

7 Surplus for the period/year before taxation

Surplus for the period/year before taxation is stated after charging:

	2008	2007
	€	**€**
Board members' remuneration	46,587	37,270
RPI Board members' remuneration	11,561	8,665
Staff costs	3,483,083	2,513,026
Auditors' remuneration	540	536
Depreciation	97,110	90,944

8 Taxation

	2008	2007
	€	**€**
Malta income tax:		
Final withholding tax at 15%	2,455	1,069

9 Property, plant and equipment

	Improvements to premises	Computer equipment	Furniture and fittings	Office equipment	Motor vehicles	Total
	€	€	€	€	€	€
Cost						
At 1 October 2006	276,567	614,810	305,493	192,332	44,847	1,434,049
Additions	-	22,199	4,519	35,003	429	62,150
At 30 September 2007	276,567	637,009	310,012	227,335	45,276	1,496,199
At 1 October 2007	276,567	637,009	310,012	227,335	45,276	1,496,199
Additions	-	21,550	7,036	11,039	-	39,625
At 31 December 2008	276,567	658,559	317,048	238,374	45,276	1,535,824
Depreciation						
At 1 October 2006	29,849	550,657	239,071	155,136	33,962	1,008,675
Depreciation for the year	5,532	45,043	20,669	16,893	2,807	90,944
At 30 September 2007	35,381	595,700	259,740	172,029	36,769	1,099,619
At 1 October 2007	35,381	595,700	259,740	172,029	36,769	1,099,619
Depreciation for the year	6,895	44,729	21,961	20,016	3,509	97,110
At 31 December 2008	42,276	640,429	281,701	192,045	40,278	1,196,729
Carrying amounts						
At 30 September 2006	**246,718**	**64,153**	**66,422**	**37,196**	**10,885**	**425,374**
At 30 September 2007	**241,186**	**41,309**	**50,272**	**55,306**	**8,507**	**396,580**
At 31 December 2008	**234,291**	**18,130**	**35,347**	**46,329**	**4,998**	**339,095**

10 Investments

	2008	2007
	€	€
Centre for Socio-Economic Research Company Limited		
499 ordinary shares of €2.329373 each	1,162	1,162

The company holds 499 shares out of 500 shares making up the issued share capital of Centre for Socio-Economic Research Company Limited, representing a holding of

99.8%. Centre for Socio-Economic Research Company Limited is engaged in providing consulting and training services. The investment is accounted for at cost.

The registered address of Centre for Socio-Economic Research Company Limited is Central Block, Lascaris, Valletta.

11 Inventories

	2008	2007
	€	€
Books and publications	17,920	13,327
Stationery	22,605	21,989
	40,525	**35,316**

12 Trade and other receivables

	2008	2007
	€	€
Trade receivables	96,061	133,266
Accrued income	138,886	6,741
Financial assets	**234,947**	**140,007**
Prepayments	22,319	20,843
Trade and other receivables - current	**257,266**	**160,850**

The carrying value of short-term loans and receivables is considered a reasonable approximation of fair value.

The Authority does not have any credit terms with its trade debtors. The age of trade debtors is as follows:

	2008	2007
	€	€
Not more than 1 month	10,671	106
More than 1 month but not more than 3 months	32,338	8,279
More than 3 months but not more than 6 months	5,577	46,618
More than 6 months but not more than 1 year	21,916	37,913
More than one year	25,559	40,350
	96,061	**133,266**

13 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2008 €	2007 €
Cash and bank balances	587,276	778,372
Cash and cash equivalents in the balance sheet and statement of cash flows	**587,276**	**778,372**

The Authority did not have any restrictions on its cash in hand and at bank at year end.

14 Long term payables

	2008 €	2007 €
Grants (note):	111,551	114,262
Less: amount transferred to income and expenditure account	(3,390)	(2,711)
	108,161	**111,551**

Note -

	Government grant €	European Union grant €	Total €
Cost			
At 1 October 2006/ 30 September 2007/ 31 December 2008	389,724	77,943	467,667
Amortisation			
At 1 October 2006	275,462	77,943	353,405
Amounts transferred to income and expenditure	2,711	-	2,711
At 30 September 2007	278,173	77,943	356,116
At 1 October 2007	278,173	77,943	356,116
Amounts transferred to income and expenditure	3,390	-	3,390
At 31 December 2008	281,563	77,943	359,506
Balance			
At 30 September 2006	**114,262**	**-**	**114,262**
At 30 September 2007	**111,551**	**-**	**111,551**
At 31 December 2008	**108,161**	**-**	**108,161**

The carrying value of long term payables is a reasonable approximation of fair value.

15 Trade and other payables

	2008 €	2007 €
Trade payables	56,300	104,030
Accrued expenses and deferred income	739,118	764,398
Financial liabilities	**795,418**	**868,428**
Other payables	9,214	10,044
Trade and other payables - current	**804,632**	**878,472**

Short-term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

16 Statement of cash flows

The following non-cash flow adjustments have been made to the result for the period to arrive at operating cash flow:

	2008 €	2007 €
Adjustments:		
Depreciation charge of property, plant and equipment	97,110	90,944
Interest income	(9,627)	(8,726)
Government and EU grants transferred to income and expenditure account	(3,390)	(2,711)
	84,093	**79,507**

17 Risk management objectives and policies

The Authority is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from both its operating and investing activities. The Authority's risk management is coordinated by the Board members and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the Authority is exposed are described below. See also note 17.5 for a summary of the Authority's financial assets and liabilities by category.

17.1 Foreign currency risk

The Authority is not significantly exposed to foreign currency risk since most of its transactions are carried out in euro.

17.2 Interest rate risk

The Authority is not exposed to interest rate risk on its payables and borrowings since all these are interest free.

17.3 Credit risk

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

	Note	2008	2007
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	12	234,947	140,007
Cash and cash equivalents	13	587,276	778,372
		822,223	**918,379**

The Authority's Board members consider that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Authority's financial assets is secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

17.4 Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise trade and other payables (see notes 14 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.

At 30 September 2007 and 31 December 2008, the Authority's financial liabilities have contractual maturities which are summarised below:

	2008				2007			
	Current		Non-current		Current		Non-current	
	Within 6 months	6-12 months	1-5 years	Later than 5 years	Within 6 months	6-12 months	1-5 years	Later than 5 years
	€	€	€	€	€	€	€	€
Trade and other creditors	795,418	-	-	-	868,428	-	-	-
Grants	-	-	-	108,161	-	-	-	111,551
	795,418	-	-	108,161	868,428	-	-	111,551

The above contractual maturities reflect the gross cash flows which may differ from carrying values of liabilities at the balance sheet date.

17.5 Summary of financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	2008 €	2007 €
Current assets		
Trade and other receivables	234,947	140,007
Cash and cash equivalents	587,276	778,372
	822,223	**918,379**
Non-current liabilities		
Financial liabilities measured at amortised cost:		
- Grants	**108,161**	**111,551**
Current liabilities		
Financial liabilities measured at amortised cost:		
- Trade and other payables	**795,418**	**868,428**

18 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 official statistics from the capital investment made in the Authority.

The capital structure of the Authority consists of cash and cash equivalents and reserves.

The Board's policy is to maintain a strong capital base to maintain Government, public and creditor confidence and to sustain future development of the Authority's ever-growing role and activities.

19 Comparative figures

In view of the change in the Authority's presentation currency from Maltese lira to euro all comparative information in these financial statements has been converted into euro using the Irrevocably Fixed Conversion Rate of €1:Lm0.429300.

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

20 Events after the balance sheet date

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorisation on 20 April 2009 by the Board.

Independent auditors' report

To the Board of

Malta Statistics Authority

We have audited the accompanying financial statements of Malta Statistics Authority set out on pages 12 to 30, which comprise the balance sheet as at 31 December 2008, and the income and expenditure accounts, statement of changes in assets/equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 December 2008, and of its loss, changes in net assets/equity and its cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Malta Statistics Authority Act, 2000.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Grant Thornton House
30 Princess Elizabeth Street
Ta' Xbiex

20 April 2009