Finance-18062024-4

MALTA FINANCIAL SERVICES AUTHORITY

Annual Report and Financial Statements
31 December 2023

Board of Governors' Report

The Governors present their report and the audited financial statements for the year ended 31 December 2023.

Principal activities
The Malta Financial Services Authority (the 'MFSA' or 'the Authority') is the single regulator for financial services in Malta, which incorporates credit institutions, financial and electronic money institutions, securities and investment services companies, regulated markets, insurance companies, pension schemes, trustees, VFA agents and VFA service providers. The MFSA also acts as the Resolution Authority and is also responsible for the approval of prospectuses and admissibility to listing of securities on regulated markets in Malta. The Authority is a fully autonomous public institution and reports to Parliament on an annual basis. Prior to 30 April 2018, the MFSA also managed the Registry of Companies ('the Registry').

Review of the business
The Governors hereby report a surplus of €2,765,092 for the financial year 2023 (2022: surplus of €1,357,221). The Authority has recorded a further increase of 4% in income over 2022 (2022: an increase of 6% over 2021), mainly on Investment Services, Banking, and Financial Institution supervisory fees. During 2023, the intention of the Authority was to continue to invest in its human resources and capacity building, as well as in technology and business intelligence, all in line with the MFSA's long term Strategic Plan. The increase on such investments was that of a 6% over 2022. There was also an increase in professional services mainly on enforcement and compliance services, and other costs associated to travelling.

Throughout 2023, the MFSA delivered on its responsibilities by conducting more supervisory interactions and carrying out its enforcement work effectively. In line with its Strategic Statement launched during the same year, it has continued to strengthen its outreach, mainly by organising industry briefings and conferences, actively promoting and enabling insight-sharing across the financial sector. It has also maintained regular engagement with the industry through several circulars and guidance notes, as well as with consumers and the media through the timely dissemination of notices, warnings, and educational campaigns. Complementing these initiatives, the MFSA continued to play a key role in the framing of national and EU-wide policies by actively contributing to meetings on legal, technical and regulatory developments with other supervisory bodies and competent authorities.

Results and surplus funds
The statement of comprehensive income is set out on page 7. During 2023 and 2022, no surplus funds for the financial year were payable to Government, in terms of the Mata Financial Services Authority Act, 1988.

Governors
The Governors of the Authority who held office during the year were:

Prof. John Mamo LLD. BLitt. (Oxol). BA – Chairman (until 16 February 2023)
Mr Jesmond Gatt, B.Sc (Hons) – Chairman (Appointed on 17 February 2023)
Dr Michelle Mizzi Buontempo LL.D. M.A (Fin.Serv) (Acting Chief Executive Officer until 11 April 2023) – (Non-Voting)
Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics) – (Appointed as Chief Executive Officer on 12 April 2023) – (Non-Voting)
Dr Anton Bartolo, LL.D. (Appointed on 17 February 2023)
Dr Carl Brincat, LL.D. (Appointed on 17 February 2023)
Mr Joseph Caruana, MBA (Executive), DPA, FIAB, MIM (Appointed on 17 February 2023)
Mr Mark Galea, BCom. Hons (Banking & Finance) (Re-appointed on 17 February 2023)
Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon) (Re-appointed on 17 February 2023)
Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.) (Re-appointed on 17 February 2023)
Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK) (Re-appointed on 17 February 2023)

Board of Governors' Report (continued)

Statement of Governors' responsibilities
With effect from 17 February 2024, the following persons have been re-appointed as members of the Board of Governors:

Mr Jesmond Gatt, B.Sc (Hons) – Chairman
Mr Kenneth Farrugia, B.Accty (Hons), FIA, CPA (pc), MA (Business Ethics) – Chief Executive Officer – (Non-Voting)
Dr Anton Bartolo, LL.D.
Dr Carl Brincat, LL.D.
Mr Joseph Caruana, MBA (Executive), DPA, FIAB, MIM
Mr Mark Galea, BCom. Hons (Banking & Finance)
Prof. Edward Scicluna, BA (Hons) Econ, MA (Toronto), PhD (Toronto), DSS (Oxon)
Dr Stephanie Vella, BCom. (Hons) (Econ.) (Melit.), MA (Econ.) (Melit.), PhD (Melit.)
Prof. Philip von Brockdorff, BA (Hons) (Melit.), MSc. (Econ.) (Wales), DPhil. (York), Grad. CIPD (UK)

In preparing the financial statements the Governors are responsible for;

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and the Malta Financial Services Authority Act, 1988;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation as a going concern.

The Governors are also responsible for designing, implementing and maintaining internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Financial Services Act, 1988. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Authority for the year ended 31 December 2023 are included in the Annual Report 2023, which is being made available on the Authority's website. The Governors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

On behalf of the board

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer

Malta Financial Services Authority,
Triq l-Imdina,
Zone 1, Central Business District,
Birkirkara CBD 1010
Malta

14 May 2024

Independent Auditors' Report

To the stakeholders of the Malta Financial Services Authority

Opinion

We have audited the financial statements of the Malta Financial Services Authority (the Authority) set out on pages 6 to 32, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Malta Financial Services Authority as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been prepared in accordance with the requirements of the Malta Financial Services Authority Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our 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 we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Our report, including the opinions, has been prepared for and only for the Authority's stakeholders as a body in accordance with Public Administration Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

KSi Malta is a Civil Partnership registered in Malta bearing registration number LPA-92,
with offices at KSi Malta, The Core, Valley Road, Msida MSD9021, Malta (EU)

Independent Auditors' Report (continued)

Other Information

The Board members are responsible for the other information. The other information comprises the Board of Governors' statement report. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Governors' Report. We have nothing to report in this regard.

Responsibilities of the Board Members

The Board members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Malta Financial Services Authority Act, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board members are 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 or the Government of Malta has plans to dissolve it or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but, is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Board members.

- Conclude on the appropriateness of the Board members' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as 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.

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

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act (Cap.386) enacted in Malta to report to you if, in our opinion:

- The information given in the Board of Governors' Report is not consistent with the financial statements.
- Adequate accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of Governors' emoluments specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Bernard Charles Gauci (Partner) for and on behalf of

KSi Malta
Certified Public Accountants
The Core
Valley Road
Msida MSD 9021
Malta (EU)

14 May 2024

Statement of financial position

	Notes	As at 31 December 2023 €	2022 €
ASSETS			
Non-current assets			
Property, plant and equipment	5	**16,844,403**	17,337,405
Right-of-use assets	11	**1,018,679**	1,247,486
Intangible assets	6	**28,927**	52,162
Financial assets at amortised cost	7	**1,115,171**	1,117,138
Total non-current assets		**19,007,180**	19,754,191
Current assets			
Trade and other receivables	8	**2,616,334**	2,752,162
Cash and cash equivalents	9	**17,393,163**	13,435,360
Total current assets		**20,009,497**	16,187,522
Total assets		**39,016,677**	35,941,713
EQUITY AND LIABILITIES			
Capital and reserves			
Capital fund	12	**1,164,687**	1,164,687
Revaluation reserve	13	**6,151,769**	6,151,769
Employee pension fund reserve	14	**1,375,001**	1,300,001
Reserve fund		**18,977,017**	16,286,925
Total equity		**27,668,474**	24,903,382
Non-current liabilities			
Lease liabilities	11	**636,631**	916,707
Current liabilities			
Trade and other payables	10	**10,312,794**	9,770,206
Lease liabilities	11	**398,778**	351,418
Total current liabilities		**10,711,572**	10,121,624
Total liabilities		**11,348,203**	11,038,331
Total equity and liabilities		**39,016,677**	35,941,713

The notes on pages 11 to 32 are an integral part of these financial statements.

The financial statements on pages 6 to 32 were approved by the Board of Governors and were authorised for issue on 14 May 2024. These were signed on its behalf by:

Mr Jesmond Gatt
Chairman

Mr Kenneth Farrugia
Chief Executive Officer

Statement of comprehensive income

		Year ended 31 December	
		2023	2022
	Notes	**€**	€
Income	18	**14,658,089**	14,074,462
Government subvention	19	**18,062,994**	14,330,066
Operating expenses	15	**(30,113,170)**	(27,133,665)
Operating surplus for the year		**2,607,913**	1,270,863
Finance income	17	**95,636**	45,013
Other income	20	**61,543**	41,345
Surplus for the year – total comprehensive income		**2,765,092**	1,357,221

The notes on pages 11 to 32 are an integral part of these financial statements.

Statement of changes in equity

	Note	Capital fund €	Revaluation reserve €	Employee *pension* fund reserve €	Reserve Fund €	Total €
Balance at 1 January 2022		**1,164,687**	**5,220,690**	**1,225,001**	**15,004,704**	**22,615,082**
Comprehensive income						
Appropriation from income statement		-	-	-	1,357,221	1,357,221
Transfer to pension fund reserve	14	-	-	75,000	(75,000)	-
Revaluation of property		-	931,079	-	-	931,079
Total comprehensive income for the year		-	931,079	75,000	1,282,221	2,288,300
As at 31 December 2022		**1,164,687**	**6,151,769**	**1,300,001**	**16,286,925**	**24,903,382**

Statement of changes in equity (continued)

	Note	Capital fund €	Revaluation reserve €	Employee pension fund reserve €	Reserve Fund €	Total €
Balance at 1 January 2023		**1,164,687**	**6,151,769**	**1,300,001**	**16,286,925**	**24,903,382**
Comprehensive income						
Appropriation from income statement		-	-	-	2,765,092	2,765,092
Transfer to pension fund reserve	14	-	-	75,000	(75,000)	-
Total comprehensive income for the year		-	-	75,000	2,690,092	2,765,092
As at 31 December 2023		**1,164,687**	**6,151,769**	**1,375,001**	**18,977,017**	27,668,474

The notes on pages 11 to 32 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2023 €	2022 €
Cash flows from operating activities			
Cash generated from operations	22	**4,774,928**	3,090,087
Net cash generated from operating activities		**4,774,928**	3,090,087
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(460,557)**	(811,043)
Purchase of intangible assets	6	**(78,547)**	(17,817)
Redemption of investments	7	**-**	211,740
Interest income from investing activities	17	**119,718**	63,246
Proceeds from sale of assets		**4,455**	4,551
Net cash used in investing activities		**(414,931)**	(549,323)
Cash flows from financing activities			
Capital repayments of lease liabilities		**(387,124)**	(370,800)
Net cash used in financing activities		**(387,124)**	(370,800)
Net movement in cash and cash equivalents		**3,972,873**	2,169,964
Cash and cash equivalents at beginning of year		**13,435,360**	11,265,396
Expected credit losses		**(15,070)**	-
Cash and cash equivalents at end of year	9	**17,393,163**	13,435,360

The notes on pages 11 to 32 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of material accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Malta Financial Service Authority Act, 1988. They have been prepared under the historical cost convention as modified by the fair valuation of the land and buildings class of property. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Governors to exercise judgement in the process of applying the Authority's accounting policies (see Note 4 – Critical accounting estimates and judgements).

During 2023, the Authority reported a surplus of €2,765,092 and a net current asset position of €9,297,925. The Governors have taken cognisance of the overall performance and cash flow position of the Authority and to that effect, a system of pre-approval of the annual subvention as approved by the House of Representatives has been agreed and established. This will be based on annual and 5-year forecasts of revenues and expenditure. On this understanding, the Board of Governors have determined that there is a reasonable expectation that the Authority will have adequate resources to continue its operations for the foreseeable future. For this reason, these accounts have been prepared on a going concern basis.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

1. Summary of material accounting policies (continued)

1.2 Foreign currency translation (continued)

(b) Transactions and balances

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

All foreign exchange gains or losses are presented in the Statement of comprehensive income.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings, comprising mainly the Authority's offices, are shown at fair value based on periodic valuation, less subsequent depreciation of buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Items of property, plant and equipment comprise land and buildings, furniture, fixtures and fittings, and equipment, and are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent depreciation and impairment losses.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Land and buildings	1
Furniture, fixtures and fittings	20
Equipment	20

Buildings are depreciated over an estimated useful life of 75 years while improvements carried out on leased property are depreciated over the lease period, which is three years.

1. Summary of material accounting policies (continued)

1.3 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in the income statement. When re-valued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.4 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of four years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.5 Financial assets

1.5.1 Classification

From 1 January 2018, the Authority classifies its financial assets in the following measurement categories;

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Authority's financial assets are classified at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Authority reclassifies debt instruments when, and only when, its business model for managing those assets changes.

1.5.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

1. Summary of material accounting policies (continued)

1.5 Financial assets (continued)

1.5.3 Measurement

Subsequent measurement of debt instruments depends on the Authority's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Authority classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

From 1 January 2018, the Authority assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Authority applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables - see note 1.6 for further details.

1.5.4 Impairment of financial assets

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

1. Summary of material accounting policies (continued)

1.5 Financial assets (continued)

1.5.4 Impairment of financial assets (continued)

The measurement of expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Authority considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

From 1 January 2018, the Authority assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

1.6 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

The Authority makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Authority uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Trade receivables are assessed for impairment by the Authority on a collective basis as they have been grouped based on the days past due, possessing shared credit risk characteristics.

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.8 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of material accounting policies (continued)

1.9 Provisions

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

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

The Authority has chosen to account for a specific provision related to certain debtors, rather than establishing a general provision covering all debtors.

1.10 Revenue recognition

The Authority recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria for each of the Authority's activities have been met, as described below:

(i) Income from application fees is recognised upon receipt of the application.
(ii) Income from annual supervisory fees is recognised by reference to the stage of completion of the transaction, which equates to a systematic recognition of revenue as it accrues over time.
(iii) Interest income from investments is reported on an accrual basis using the effective interest method.

1.11 Leases

The Authority has changed its accounting policy for leases where the Authority is the lessee. The new policy is described below and the impact of the change is described in Note 2.

Accounting policy as from 1 January 2019

The Authority leases office spaces. Rental contracts are typically made for fixed periods ranging from two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Authority.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities comprise the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Authority, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1. Summary of material accounting policies (continued)

1.11 Leases (continued)

To determine the incremental borrowing rate, the Authority where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments due within 12 months are classified as current, and if not, they are presented as non-current liabilities.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of vehicles and land are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Accounting policy as at 31 December 2018

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Authority as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

1.12 Government subvention and EU grants

Grants from the Government, including national Government and EU, are recognised at their fair value, where there is a reasonable assurance that the grant will be received, and the Authority will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2. Application of new and revised International Financial Reporting Standards (IFRSs) and IFRS sustainability disclosure standards

Standards and interpretations applied during the current year

Amendments and interpretations applicable for the first time in 2023 shown here-under have been implemented. The application of the below standards and interpretations do not have an impact on the financial statements of the Authority.

Standard	*Subject of amendment*	Effective date
IFRS 4 Insurance Contracts	Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 17 Insurance Contracts	Original issue Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	1 January 2023 1 January 2023
IAS 1 Presentation of Financial statements	Amendment regarding the disclosure of accounting policies	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12 Income Taxes	Amendments regarding deferred tax on leases and decommissioning obligations Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	1 January 2023 1 January 2023

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standard	Subject of amendment	Effective date
IFRS 7 Financial Instruments: Disclosures	Amendments regarding supplier finance arrangements	1 January 2024
IFRS 16 Leases	Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024

2. Application of new and revised International Financial Reporting Standards (IFRSs) and IFRS sustainability disclosure standards (continued)

Standards issued but not yet effective (continued)

Standard	Subject of amendment	Effective date
IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information	Original issue	1 January 2024
IFRS S2 Climate-related Disclosures	Original issue	1 January 2024
IAS 1 Presentation of Financial statements	Amendments regarding the classification of liabilities	1 January 2024
	Amendment to defer the effective date of the January 2020 amendments	1 January 2024
	Amendments regarding the classification of debt with covenants	1 January 2024
IAS 7 Statement of Cash Flows	Amendments regarding supplier finance arrangements	1 January 2024

The Board of Governors is of the opinion that the adoption of these Standards (where applicable) will not have a material impact on the financial statements.

3. *Financial risk management*

3.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Authority's risk management is coordinated by the Board of Governors and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

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

(a) Market risk

In view that the investments in Malta Government Stocks (see Note 7) are accounted for at amortised cost, the Governors do not consider that the Authority is exposed to significant market risk.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

	Notes	**2023**	2022
		€	€
Financial assets at amortised cost	7	**1,115,171**	1,117,138
Trade and other receivables	8	**493,304**	889,587
Cash and cash equivalents	9	**17,393,163**	13,435,360
		19,001,638	15,442,085

The Authority assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Authority monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Authority's receivables, taking into account historical experience.

The Authority's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Authority's financial assets are secured by collateral.

As at 31 December 2023, trade receivables of €420,348 (2022: €475,972) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Authority does not hold any collateral as security in respect of the impaired assets. Amounts are net of expected credit losses as outlined in Note 1.5. Expected credit losses for the year amount to €51,083.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023	2022
	€	€
Balance at beginning of year	**475,972**	1,092,570
Decrease in loss allowance on trade receivables	**(55,624)**	(616,598)
Balance at end of year	**420,348**	475,972

Credit risk in relation to cash and cash equivalents and held-to-maturity investments is considered to be limited, since the counterparts and issuer are reputable banks, and the Government of Malta, respectively.

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 10). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Authority's obligations.

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

3.2 Capital risk management

The Authority's equity, as disclosed in the statement of financial position, constitutes its capital. The Authority's objectives when managing capital are to safeguard the respective entity's ability to continue as a going concern in order to provide returns and benefits for stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Authority's equity is maintained in line with the provisions set within the Malta Financial Services Authority Act, 1988.

In view of the nature of the Authority's activities and its financial position, the capital level as at the end of the reporting period is deemed adequate by the Governors.

3.3 Fair values of financial instruments

The table on the following page analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as Level 1 in view of the quoted prices (unadjusted) in active markets for identical assets or liabilities.

3. Financial risk management (continued)

3.3 Fair values of financial instruments (continued)

The following table presents the Authority's assets and liabilities that are measured at fair value at the respective dates:

	Level 1
	€
31 December 2023	
Financial assets at amortised cost	**1,115,171**
31 December 2022	
Financial assets at amortised cost	1,117,138

At 31 December 2023 and 2022 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

4. Critical accounting estimates and judgements

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

In the opinion of the Governors, 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.

5. Property, plant and equipment

	Land and Buildings €	Furniture, fixtures and fittings €	Equipment €	Total €
Year ended 31 December 2022				
Opening net book amount	**14,599,307**	**412,371**	**1,534,119**	**16,545,797**
Additions	-	95,192	715,851	811,043
Revaluation	931,082	-	-	931,082
Reclassification from AUC IT	-	-	239,695	239,695
Disposals	-	-	(26,526)	(26,526)
Depreciation charge	(10,281)	(314,890)	(852,442)	(1,177,613)
Depreciation released on disposal	-	-	13,927	13,927
Closing net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
At 31 December 2022				
Cost or valuation	16,204,876	2,936,042	9,270,964	28,411,882
Accumulated depreciation	(684,768)	(2,743,369)	(7,646,340)	(11,074,477)
Net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
Year ended 31 December 2023				
Opening net book amount	**15,520,108**	**192,673**	**1,624,624**	**17,337,405**
Additions	877	85,073	374,607	460,557
Reclassification from AUC IT account	-	-	77,195	77,195
Disposals	-	-	(119,100)	(119,100)
Depreciation charge	(107,698)	(117,788)	(804,156)	(1,029,642)
Depreciation released on disposal	-	-	117,988	117,988
Closing net book amount	**15,413,287**	**159,958**	**1,271,158**	**16,844,403**
At 31 December 2023				
Cost or valuation	16,205,753	3,021,115	9,603,666	28,830,534
Accumulated depreciation	(792,466)	(2,861,157)	(8,332,508)	(11,986,131)
Net book amount	**15,413,287**	**159,958**	**1,271,158**	**16,844,403**

5. Property, plant and equipment (continued)

Fair value of land and buildings

The Authority's office building was revalued on 31 December 2022 by independent professionally qualified valuers. The valuation was conducted by DeMicoli & Associates (a firm of architects). The book value of the property was adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve (refer to Note 13). The Board of Governors has reviewed the carrying amount of the property as at 31 December 2023 and no further adjustments to the carrying amount were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year.

The Authority is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

The recurring property fair value measurement at 31 December 2023 uses significant unobservable inputs and is accordingly categorised within Level 3 of the fair valuation hierarchy.

The Authority's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the year ended 31 December 2023.

A reconciliation from the opening balance to the closing balance of non-financial assets for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

Valuation processes

The valuation of the property is performed regularly on the basis of valuation reports prepared by independent and qualified valuers. At the end of every reporting period, management assesses whether any significant changes in the major inputs have been experienced since the last external valuation. Management reports to the Board of Governors on the outcome of this assessment.

When an external valuation report is prepared, the information provided by the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Chief Operations Officer (COO). This includes a review of fair value movements over the period. When the COO considers that the valuation report is appropriate, the valuation report is recommended to the Board of Governors. The Board of Governors considers the valuation report as part of its overall responsibilities.

5. Property, plant and equipment (continued)

Valuation techniques

The Level 3 fair valuation of the Authority's land and buildings was determined by using a comparative approach whereby the current selling prices and rental values of similar developments were compared in order to obtain an equitable rental value of the property. The significant unobservable inputs in the valuation include:

Equivalent rental values	based on the actual location, type and quality of property supported by current market rents for similar properties.
Capitalisation rates	based on actual location, size and quality of the property and taking into account market data at the valuation date.

Information about fair value measurements using significant unobservable inputs (level 3)

			Significant unobservable inputs	
Description	**Fair value at 31 December 2023 €**	**Valuation technique**	**Equivalent value €**	**Capitalisatio Rate %**
Office building	*15.5m*	*Comparative and* Investment method	*0.96m*	6.25

The higher the rental yield and the lower the capitalisation rate, the higher the fair value. Conversely, the lower the rental value and the higher the capitalisation rate, the lower the fair value.

Historical cost of land and buildings

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023	2022
	€	€
Cost	10,808,916	10,808,039
Accumulated depreciation	(1,395,784)	(1,287,695)
Net book amount	9,413,132	9,520,344

6. Intangible assets

	Computer Software €
At 31 December 2022	
Cost	228,278
Accumulated depreciation	(176,116)
Net book amount	**52,162**
Year ended 31 December 2023	
Opening net book amount	52,162
Depreciation charge	(24,586)
Reclassifications to equipment	(77,195)
Additions	78,546
Closing net book amount	**28,927**
At 31 December 2023	
Cost	229,629
Accumulated depreciation	(200,702)
Net book amount	**28,927**

7. Financial assets at amortised cost

Financial assets include the following investments:

	2023 €	2022 €
Non-current		
Financial assets at amortised cost	**1,115,171**	1,117,138
As at 31 December	**1,115,171**	1,117,138

The movements during the year in financial assets at amortised cost, which comprise Malta Government Stocks, were as follows:

	2023 €	2022 €
Opening net book amount	**1,117,138**	1,330,845
Redemptions	**-**	(211,740)
Amortisation	**(1,967)**	(1,967)
Closing net book amount	**1,115,171**	1,117,138

8. Trade and other receivables

	2023 €	2022 €
Current		
Trade receivables – gross	**558,601**	1,002,585
Less: Loss allowance on trade receivables	**(420,348)**	(475,972)
Trade receivables – net	**138,253**	526,613
Other receivables	**355,051**	362,974
Prepayments	**1,910,351**	1,735,730
Accrued income	**212,679**	126,845
	2,616,334	2,752,162

Trade receivables and prepayments are net of Expected credit losses as per note 1.5. Expected credit losses amount to €32,846 and €3,167 respectively.

9. Cash and cash equivalents

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

	2023 €	2022 €
Cash in hand and cash at bank	**2,897,490**	13,435,360
Treasury Bills	**14,495,673**	-
	17,393,163	13,435,360

Cash and cash equivalents are net of Expected credit losses as per note 1.5. Expected credit losses amount to €15,070.

10. Trade and other payables

	2023 €	2022 €
Current		
Trade and other payables	**1,982,756**	1,598,334
Indirect taxation	**461,340**	481,762
Accruals	**2,700,395**	1,928,950
Deferred government subvention	**3,472,415**	3,995,443
Deferred income	**1,695,888**	1,765,717
	10,312,794	9,770,206

11. Lease liabilities

This note provides information on leases where the Authority is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023 €	2022 €
Right-of-use assets		
Vehicles	**117,434**	-
Offices	**901,245**	1,247,486
	1,018,679	1,247,486
Lease liabilities		
Current	**398,778**	351,418
Non-current	**636,631**	916,707
	1,035,409	1,268,125

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2023 €	2022 €
Depreciation charge of right of-use of assets		
Vehicles	**14,863**	-
Offices	**346,241**	344,365
	361,104	344,365
Interest expense (included in finance cost note 17)	**22,115**	16,266

12. *Capital fund*

The capital fund of €1,164,687 represents the initial contribution by the Government to the Authority in 1989 upon its establishment.

13. Revaluation reserve

	2023	2022
	€	€
As at 31 December	**6,151,769**	6,151,769

The revaluation reserve is not distributable and represents the accumulated fair value movements on the Authority's land and buildings.

During 2022, the office building was revalued to Euro 15.5m by independent professional qualified valuers (note 5). The book value of the property was adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve.

14. Employee pension fund

	2023	2022
	€	€
Balance as at 1 January	**1,300,001**	1,225,001
Transfer for the year	**75,000**	75,000
As at 31 December	**1,375,001**	1,300,001

The employee pension fund reserve has been created to set aside reserves to prepare for the potential employee pension fund that may be set up for the benefit of the employees at the opportune time.

15. Expenses by nature

	2023	2022
	€	€
Depreciation of property, plant and equipment (Note 5)	**1,029,642**	1,177,613
Depreciation of intangible assets (Note 6)	**24,586**	54,911
Depreciation of right of use asset (Note 11)	**361,104**	344,365
Employee costs (Note 16)	**21,509,037**	19,609,808
Professional fees	**666,447**	797,203
Regulatory support fees	**51,490**	-
Enforcement and compliance fees	**124,697**	6,614
Decrease on loss allowance on trade receivables	**(55,624)**	(616,598)
Bad debts	**178**	674,558
Communications and events	**81,027**	81,789
Governors' emoluments	**113,388**	105,857
IT professional services	**694,021**	793,021
Licenses and maintenance	**1,853,186**	1,818,481
Other administrative expenses	**3,608,908**	2,286,043
Expected credit losses	**51,083**	-
Total operating expenses	**30,113,170**	27,133,665

Auditor's fees
Fees charged by the auditor for the statutory audit amount to €15,000 (2022: €15,000).

16. Employee costs

	2023 €	2022 €
Wages and salaries	**18,904,974**	17,616,272
Social security costs	**1,113,330**	1,017,454
Other staff costs	**1,490,733**	976,082
	21,509,037	19,609,808

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

	2023	2022
Professionals	**415**	400
Administration	**57**	48
	472	448

17. Finance income/(cost)

	2023 €	2022 €
Interest income from Government Stocks	**56,141**	63,246
Interest charges for lease liabilities	**(22,115)**	(16,266)
Amortisation of MGS premium	**(1,967)**	(1,967)
Interest income from treasury bills	**63,577**	-
	95,636	45,013

18. Income

	2023 €	2022 €
Applications	**662,950**	777,875
Investment services supervision	**3,493,353**	3,282,216
Insurance and pensions supervision	**2,708,765**	2,587,284
Trustees and CSPs supervision	**606,947**	650,800
Banking supervision	**4,623,187**	4,354,482
Capital markets supervision	**637,267**	805,653
Fintech supervision	**845,343**	770,225
Financial institutions supervision	**1,080,277**	845,927
Total income	**14,658,089**	14,074,462

19. *Government subvention*

The government subvention represents a contribution by Government towards the Authority to ensure that it has adequate resources to continue its operations and meet its obligations as the single regulator for financial services in Malta.

20. Other income

	2023	2022
	€	€
EU grants designated for specific due diligence purposes	**6,536**	-
Disposal of assets	**4,455**	-
Other income	**50,552**	41,345
	61,543	41,345

EU funds designated for specific due diligence purposes amounting to €6,536 at 31 December 2023 (2022: €Nil) are amortised to profit or loss over the term of the service concession.

21. Tax expense

Section 30 of the Malta Financial Services Authority Act, Cap 330, exempts the Authority from any liability to pay income taxes.

22. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2023	2022
	€	€
Operating surplus for the year	**2,765,092**	1,357,221
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	**1,029,642**	1,177,613
Depreciation of intangible assets (Note 6)	**24,586**	54,911
Depreciation of right-of-use assets (Note 11)	**361,104**	344,365
(Profit)/Loss on sale of property, plant and equipment	**(3,343)**	431
Amortisation of investment (Note 7)	**1,967**	1,967
Decrease in loss allowance on trade receivables (Note 8)	**(55,624)**	(616,598)
Interest on right of use (Note 17)	**22,115**	16,266
Interest income (Note 17)	**(119,718)**	(63,246)
Other expense	-	6,301
Expected credit losses	**51,083**	-
Changes in working capital:		
Movement in trade receivables	**155,439**	756,875
Movement in trade payables	**542,585**	53,981
Cash generated from operations	**4,774,928**	3,090,087

23. Commitments

	2023 €	2022 €
Capital expenditure		
Capital expenditure that has been contracted for but not yet accounted for in the Financial Statements	**142,528**	12,630
Capital expenditure that has been authorised by the Board of Governors but has not yet been contracted for	**4,172,501**	2,041,309

24. Contingencies

The Authority has not provided for claims instituted against it by a number of persons on the basis that the proceedings are still at an early stage and the potential financial impact and probable outcome of these claims has as yet not been quantified.

25. Statutory information

The Malta Financial Services Authority is the single regulator for financial services in Malta enacted by virtue of the Malta Financial Services Act, 1988 and reports to the Maltese Parliament.

On 20 March 2018, by virtue of Act No. VI of 2018, Articles 2(2) and 6, it had been established that the Registry of Companies shall no longer form part of the Malta Financial Services Authority.