

**MALTA STATISTICS AUTHORITY**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

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## **MALTA STATISTICS AUTHORITY BOARD**

### **Chairman**

Mr Reno Camilleri B.Sc.Econ.(Lond.),D.P.A.,M.B.I.M.

### **Secretary to the Board**

Dr Jacqueline Tanti Dougall B.A., LL.D.

### **Members**

Mr Alfred Camilleri B.A.(Hons.),M.Sc.(Econ.), Director General,NSO (*ex officio*)

Mr E.P.Delia M.A.(Econ.), M.Litt.(Oxon.)

Prof. Edward Zammit B.A.,M.Litt.,D.Phil

Mr B. Borg Bonello B.A.(Hons.),M.A.(Warwick)

Prof. Joseph Falzon M.A.(Memphis), Ph.D.(Northwestern)

Mr Alfred Demarco B.Sc.(Econ.),A.C.I.B.

Ms Moira Catania B. Comm, B.A. (Hons.) (Economic) M.A. (European Studies)

12 November, 2003

The Hon. John Dalli FCCA, CPA, MBIM, MP  
Minister for Finance and Economic Affairs

Minister,

In accordance with Section 29 of the Malta Statistics Authority Act 2000, I am transmitting a copy of a report by the Director General on the activities of the National Statistics Office to cover the period 1 October 2002 to 30 September 2003 as well as a copy of the financial accounts of the Authority, certified by the auditors, for the same period.

The Malta Statistical 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 coordination 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 coordinating function as well as an advisory function, which, in other countries, is assumed by a separate technical board.

The Board is required to meet at least twice every calendar quarter. However, the vast statistical programme of initiatives undertaken by the National Statistics Office necessitated more frequent meetings of the Board, which has met twelve times since October 2002.

## **REVIEW**

Discussions during the Board's meetings focused on the production and quality of data as well as on the users' perceptions of the timeliness and reliability of information. In this regard, the Board noted that, apart from the main economic and social aggregates, the National Statistics Office (NSO) has collected information through 'ad hoc' surveys on a vast array of topics of an educational and cultural character, as detailed in the annual report.

During several meetings, the Board discussed the relevance of the methodologies and the extent to which the present statistical output meets the local and international demand for official statistics. This objective was outlined in last year's report. For this reason, meetings are being held with the main constituted Bodies to assess their needs and discuss issues of mutual interest.

The Board has kept in mind the need to avoid duplication of work and waste of human and other resources without compromising the quality and reliability of statistical information.

## **INTRASTAT**

Preparations were taken in hand during this year for the introduction of Intrastat. This is the system for collecting statistics on merchandise trade between countries of the European Union. It has been in operation since January 1993 and has replaced the Customs declarations as the basic source of information on imports and exports. The National Statistics Office still compiles trade statistics from data obtained from the Customs Authorities. However, since administrative documentation will be abolished as from 1 May 2004, Intrastat has to be operational as on that day. Trade information for statistical purposes will be collected ever month directly from importers and exporters either through paper-based returns or preferably in electronic format.

Imports and exports of goods from and to countries outside the EU will continue to be covered by the usual documents.

For the successful operation of this system the full cooperation of both importers and exporters is essential. A pilot exercise carried out earlier this year involving a number of businesses that were responsible for our imports and exports in 2002 yielded encouraging results. But more information, perhaps in cooperation with Malta Enterprise, will be given to traders in the near future.

#### **SURVEY ON INCOME AND LIVING CONDITIONS**

Another major project will be introduced next year. This is the survey on income and living conditions known as SILC. It is a longitudinal survey and will collect data on the demographic, social, educational and economic conditions of households. Another important set of statistics will cover the income and living conditions of households. The survey will be carried out on an ongoing basis both locally and Europe-wide. This survey will make use of a bilingual questionnaire and the NSO is making the necessary preparations covering the technical aspects, as well as the necessary human resources, for the execution of this large-scale research.

#### **BALANCE OF PAYMENTS**

Several improvements in the compilation methodology of the Balance of Payments Statement were implemented during the past years. This major area of official statistics now includes two new accounts worked out in accordance with the latest IMF guidelines. Monetary flows in the form of Foreign Direct Investment and in respect of Portfolio investment are being provided within the Coordinated Portfolio Investment Survey (CPIS) conducted by the IMF in respect of 2002.

During the current year, the NSO invested substantially in human resources and technology in order to create a new detailed survey system based on direct reporting by the main suppliers of balance of payments data. This required the preparation of the necessary software to enable the capture, retrieval and presentation of the information within the shortest possible time. One must mention the unstinting efforts of the I.T. Unit of the NSO in preparing the necessary software, and the collaboration and assistance of the Central Bank of Malta in making it possible to have the system operational by January 2004.

#### **NATIONAL ACCOUNTS**

During the past five years a substantial review of the collection system of data for the compilation of the national income was carried out with the assistance of foreign experts. Traditionally, two of the three approaches to produce estimates of the GDP were used. The NSO is now in a position to publish an estimated

national income worked out in accordance with the new ESA95 output or production approach. Information on the output of sixty industrial sectors was collected. At the same time, both the income and expenditure methodologies were extensively reviewed in accordance with international classifications; previously-published data since 1995 were also revised. This work involved substantial changes in the questionnaires as well as the introduction of more comprehensive data collection programmes.

#### **TIMELINESS**

Timeliness and reliability of information are essential to the efficiency of our statistical system. The NSO has succeeded in observing a calendar of publications in respect of the more important economic aggregates and to meet its international obligations for the timely submission of data to international organizations, particularly to Eurostat. The Office has also maintained its obligations to local users of data through the publication of statistics on trade, prices, labour, the Gross Domestic Product, the Balance of Payments and monetary developments as soon as the information became available.

In this regard, one has to mention that during 2003 the number of statistical releases is scheduled to reach 185 or, an average of 3.6 releases per week. The Board noted with satisfaction the wide coverage that is being given by the media to the dissemination of official statistics to the general public.

#### **MEDIA**

The national statistical institution has always recognised the important role of the media in the diffusion of official information. Good relations with the media were fostered throughout the year through a friendly and honest liaison with reporters by responding to their requests for new information or clarifications of technical issues. The Board and the NSO regard such a relationship as a fundamental prerequisite in the functioning of a democratic state. The Malta Statistics Authority has maintained its policy of providing statistical information without commenting on or interpreting statistical data. At the same time, the published information has been provided with the key principles of reliability, objectivity, relevance, confidentiality, transparency, specificity and proportionality firmly in mind. This is in keeping with the United Nations Principles of Fundamental Official Statistics.

#### **THE RETAIL PRICES INDEX ADVISORY COMMITTEE**

The Retail Prices Index Advisory Committee was set up under Section 33 of the Malta Statistics Authority Act in 2002 and replaced the RPI Management Board.

It is composed of representatives of the social partners who discuss the monthly Retail Prices Index prior to its publication.

During the past twelve months, the Committee met thirteen times and discussed the monthly index, the results of the new interim Harmonised Index of Consumer Prices and the report of the last Household Budgetary Survey. A new weighting frame of the RPI was introduced as from January 2003.

## THE EU REPORT

In considering developments in the field of official statistics, the latest EU report states that

“Malta is essentially meeting the commitments and requirements arising from the accession negotiations in the area of **statistics** [bold as in report] and is expected to be in a position to implement the *acquis* as from accession. Malta needs to make minor legislative adjustments in the areas of demographic and social, regional, macro-economic and external trade statistics. Further strengthening of Malta’s administrative capacity is still needed.”

The Board is pleased to note that a positive and generally acceptable comment has been made by the Commission vis-a-vis of the NSO’s performance. The Board agrees that further strengthening of the NSO’s administrative capacity is needed and will be implemented provided budgetary considerations will allow such improvements in human and other administrative resources.

## FUTURE INITIATIVES

- Staff training in the development of new methodologies and in IT will continue during the coming year. In addition, the NSO will endeavour to expand its IT Unit with a view to curtailing the Office’s reliance on MITTS Ltd.
- It is envisaged that the introduction of new surveys, particularly to satisfy the requirements of Eurostat in economic and social statistics, will require the local recruitment of more professional staff. In order to have the necessary supply of new and qualified staff, relations with the University of Malta will be enhanced.
- More in-house training will be provided in the coming months especially with regard to basic survey techniques.
- Although the publications calendar has not yet been published, this will be officially launched once the required staff complement is in place. It should be pointed out that the indicators on prices, trade, tourism and



the balance of payments are being published as envisaged in the tentative calendar.

- The Authority and the NSO will take further initiatives to study ways and means to mitigate the response burden on data suppliers. In this respect, the cooperation of the main constituted bodies will be required. More meetings with these organisations, as well as with the MCESD, will be held during the coming year.
- The adoption of the European System of Accounts 1995 took up four years of preparation. New revised economic aggregates will be published in the near future. Estimates of GDP will be revised retrospectively as from 1995. Once the system is in place, it is important that every effort be made to work out the economic accounts in accordance with the System. This will constitute a major challenge for the next year.
- The NSO will also endeavour to work out economic and social aggregates on a regional basis.

#### **ACKNOWLEDGEMENTS**

In endorsing the report of the Director General of the NSO, the Board would like to thank the ex-Minister for Economic Services and the present Minister of Finance and Economic Affairs for their support. Thanks are also due to all the staff of the NSO for their hard work during the year covered by this report.

Yours sincerely,

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 year and of its surplus or deficit for that year, the Authority:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- follows International Accounting Standards; and
- prepares the financial statements on the going concern basis unless this is considered inappropriate.

## Report of the auditors to the board members

We have audited the accompanying financial statements on pages 9 to 20. These financial statements are the responsibility of the Authority. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 30 September 2003 and of its surplus, changes in net assets/equity and cash flows for the year then ended in accordance with International Accounting Standards and have been properly prepared in accordance with the Malta Statistics Authority Act, 2000.



**Mark A. Bugeja**  
f/Grant Thornton

Certified Public Accountants and Auditors

Ta' Xbiex  
Malta

12 November 2003

## Income and expenditure account

	Note	<b>2003</b> Lm	2002 (19 months) Lm
<b>Income</b>	3	<b>1,459,906</b>	2,215,201
<b>Expenditure</b>		<b>(1,431,711)</b>	(2,200,978)
<b>Surplus for the year/period before taxation</b>	4	<b>28,195</b>	14,223
Taxation	5	<b>173</b>	-
<b>Surplus for the year/period</b>		<b>28,022</b>	14,223

## Balance sheet at 30 September

	Note	2003 Lm	2002 Lm
<b>Non-current assets</b>			
Tangible assets	6	175,621	168,646
Investment	7	499	-
		<hr/>	<hr/>
		176,120	168,646
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	8	21,518	16,197
Debtors	9	60,590	72,198
Cash at bank and in hand		85,246	13,603
		<hr/>	<hr/>
		167,354	101,998
<b>Creditors: amounts falling due within one year</b>	10	205,192	161,010
		<hr/>	<hr/>
<b>Net current liabilities</b>		(37,838)	(59,012)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		138,282	109,634
<b>Creditors: amounts falling due after more than one year</b>	11	96,037	95,411
		<hr/>	<hr/>
<b>Net assets</b>		42,245	14,223
		<hr/>	<hr/>
<b>Reserves</b>			
Retained funds		42,245	14,223
		<hr/>	<hr/>

The financial statements on pages 9 to 20 were approved on 12 November 2003 and were signed by:

**Chairman**

**Member**

## Statement of changes in net assets/equity

	<b>Retained funds Lm</b>
Surplus for the period/At 30 September 2002	14,223
Surplus for the year	28,022
	<hr/>
At 30 September 2003	<b>42,245</b>
	<hr/>

## Cash flow statement

		<b>2003</b>	2002
	Note	<b>Lm</b>	(19 months) Lm
<b>Operating activities</b>			
Cash generated from operations	12(a)	<b>189,880</b>	41,107
Tax paid		<b>(173)</b>	-
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>189,707</b>	41,107
		<hr/>	<hr/>
<b>Investing activities</b>			
Payments to acquire tangible fixed assets	12(b)	<b>(36,173)</b>	(110,047)
Payment to acquire investment		<b>(499)</b>	-
Interest received		<b>1,151</b>	-
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(35,521)</b>	(110,047)
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>154,186</b>	(68,940)
Cash and cash equivalents at beginning of year/period	12(c)	<b>(68,940)</b>	-
		<hr/>	<hr/>
Cash and cash equivalents at end of year/period	12(c)	<b>85,246</b>	(68,940)
		<hr/>	<hr/>

# Notes to the financial statements

## 1 Presentation of financial statements

The financial statements have been prepared in accordance with International Accounting Standards (IAS).

These financial statements are presented in Maltese Liri (Lm).

## 2 Summary of significant accounting policies

### Revenue recognition

Income from government subvention is recognised when received.

Income from National Programme for the Adoption of the Acquis funds 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 grant represents the net book value of assets supplied by the EU. The grant is deferred and transferred to the income and expenditure account in equal parts over the expected useful lives of the related assets.

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

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

	%
Improvements to premises	2
Computer equipment	33 1/3
Furniture and fittings	15
Office equipment	15
Motor vehicles	20



## Notes to the financial statements (continued)

### **2 Summary of significant accounting policies (continued)**

#### **Impairment**

At each balance sheet date the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the Authority's balance sheet when the Authority has become a party to the contractual provisions of the instruments.

##### *Trade and other debtors*

Trade and other debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

##### *Trade and other creditors*

Trade and other creditors are stated at their nominal value.

#### **Foreign currency amounts**

Assets and liabilities in foreign currencies are translated into Maltese Liri at the rate of exchange ruling at the balance sheet date.

Transactions during the year are translated into Maltese Liri at the rate of exchange ruling on the date of the transaction.

All profits and losses on exchange are dealt with through the income and expenditure account.

## Notes to the financial statements (continued)

### 3 Income

	2003	2002 (19 months)
	Lm	Lm
Government subvention		
- direct: paid to MSA	800,450	1,381,250
- indirect: expenses paid by Ministry	85,423	79,326
National Programme for the Adoption of the Acquis funds	361,289	667,566
Government grant	16,885	71,898
EU grant	9,110	-
Licences, training and installation expenses funded by the EU	18,936	-
Sale of publications	15,554	8,831
Other income	152,259	6,330
	<hr/>	<hr/>
	<b>1,459,906</b>	<b>2,215,201</b>
	<hr/>	<hr/>

### 4 Surplus for the year/period before taxation

	2003	2002 (19 months)
	Lm	Lm
Surplus for the year/period before taxation is stated after charging:		
Board members' remuneration	8,250	13,500
RPI Board members' remuneration	2,654	5,890
Staff costs	956,262	1,248,950
Auditors' remuneration	210	230
Depreciation	55,819	108,710
	<hr/>	<hr/>

### 5 Taxation

	2003	2002 (19 months)
	Lm	Lm
Malta income tax		
Final withholding tax at 15%	173	-
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 6 Tangible fixed assets

	Improvements to premises Lm	Computer equipment Lm	Furniture & fittings Lm	Office equipment Lm	Motor vehicles Lm	Total Lm
<b>Cost</b>						
At 1 October 2002	68,587	154,239	82,007	77,612	13,412	395,857
Additions	17,712	33,852	6,786	4,444	-	62,794
Reclassification	-	-	13,089	(13,089)	-	-
	_____	_____	_____	_____	_____	_____
At 30 September 2003	86,299	188,091	101,882	68,967	13,412	458,651
	_____	_____	_____	_____	_____	_____
<b>Depreciation</b>						
At 1 October 2002	4,705	126,426	49,190	39,162	7,728	227,211
Charge for the year	1,726	29,762	13,597	8,472	2,262	55,819
Reclassification	-	-	1,963	(1,963)	-	-
	_____	_____	_____	_____	_____	_____
At 30 September 2003	6,431	156,188	64,750	45,671	9,990	283,030
	_____	_____	_____	_____	_____	_____
<b>Net book value</b>						
At 30 September 2003	<b>79,868</b>	<b>31,903</b>	<b>37,132</b>	<b>23,296</b>	<b>3,422</b>	<b>175,621</b>
	_____	_____	_____	_____	_____	_____
At 30 September 2002	63,882	27,813	32,817	38,450	5,684	168,646
	_____	_____	_____	_____	_____	_____

The Authority has a specialised library which has been built up over a number of years. The material was donated to the Authority by international institutions or else was taken over from Government. Apart from these, the Authority also acquires library material through the exchange of material with international organisations, and acquires books using own funds in which case the funds are charged to the income and expenditure account.

The fair value of this material is estimated at around Lm 30,000, which amount has not been recognised in these financial statements as the recognition criteria set out in IAS 16, Property, Plant and Equipment are not met.

## Notes to the financial statements (continued)

### 7 Investment

	2003 Lm	2002 Lm
<b>Centre for Socio-Economic Research Company Limited</b>		
499 ordinary shares of Lm1 each, fully paid	<b>499</b>	-
	<hr/>	<hr/>

### 8 Stocks

	2003 Lm	2002 Lm
Books and publications	<b>14,399</b>	8,570
Stationery	<b>7,119</b>	7,627
	<hr/>	<hr/>
	<b>21,518</b>	16,197
	<hr/>	<hr/>

### 9 Debtors

	2003 Lm	2002 Lm
Amounts falling due within one year:		
Trade debtors	<b>46,597</b>	4,459
Accrued income	<b>1,596</b>	67,718
Other debtors	<b>12,397</b>	21
	<hr/>	<hr/>
	<b>60,590</b>	72,198
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	2003 Lm	2002 Lm
Bank overdraft	-	82,543
Trade creditors	<b>78,661</b>	36,316
Other creditors	<b>86,560</b>	591
Accruals	<b>39,971</b>	41,560
	<hr/>	<hr/>
	<b>205,192</b>	161,010
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 11 Creditors: amounts falling due after more than one year

	2003 Lm	2002 Lm
Grants (note)	122,032	167,309
Less: amounts transferred to income and expenditure account	(25,995)	(71,898)
	<u>96,037</u>	<u>95,411</u>

#### Grants (note)

	Government grant Lm	European Union grant Lm	Total Lm
<b>Cost</b>			
At 1 October 2002	167,309	-	167,309
Amounts granted during the year	-	26,621	26,621
	<u>167,309</u>	<u>26,621</u>	<u>193,930</u>
At 30 September 2003	167,309	26,621	193,930
<b>Amortisation</b>			
At 1 October 2002	71,898	-	71,898
Amounts transferred to income and expenditure during the year	16,885	9,110	25,995
	<u>88,783</u>	<u>9,110</u>	<u>97,893</u>
At 30 September 2003	88,783	9,110	97,893
<b>Balance</b>			
At 30 September 2003	<b>78,526</b>	<b>17,511</b>	<b>96,037</b>
	<u>95,411</u>	<u>-</u>	<u>95,411</u>
At 30 September 2002	95,411	-	95,411

## Notes to the financial statements (continued)

### 12 Notes to the cash flow statement

#### (a) Cash generated from operations

	2003	2002 (19 months)
	Lm	Lm
Surplus for the year/period before taxation	28,195	14,223
Adjustments for:		
Depreciation	55,819	108,710
Government grant transferred to income and expenditure account	(25,995)	(71,898)
Interest receivable	(1,809)	-
	<hr/>	<hr/>
Surplus before working capital changes	56,210	51,035
Increase in stocks	(5,321)	(16,197)
Decrease/(increase) in debtors	12,266	(72,198)
Increase in creditors	126,725	78,467
	<hr/>	<hr/>
	189,880	41,107
	<hr/>	<hr/>

#### (b) Tangible fixed assets

During the year, the Authority acquired fixed assets with an aggregate cost of Lm62,794. Lm26,621 were financed by means of an EU grant. Cash payments of Lm36,173 were made during the year.

#### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003	2002
	Lm	Lm
Cash at bank and in hand	85,246	13,603
Bank overdraft	-	(82,543)
	<hr/>	<hr/>
	85,246	(68,940)
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### **13 Financial instruments**

Financial assets include debtors and cash held at bank. Financial liabilities include creditors. At 30 September 2003 and 2002, the Authority had no unrecognised financial instruments.

#### **Risk management policies**

- (a) Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.
- (b) Liquidity risk is limited as the Authority has sufficient funding resources and the ability to raise finance to meet its financial obligations as these arise.

#### **Fair values**

At 30 September 2003 and 2002, the fair values of financial assets and liabilities were not materially different from their carrying amounts.

