EMBRYO PROTECTION AUTHORITY

Financial Estimates
2020

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31 December 2020

Statement of financial performance

Notes to the financial estimates

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31 December 2020

Statement of financial performance

	Notes	01/01/2019 - 31/12/2019			01/01/2020 31/12/2020
		Estimates €	Actual €	Variance €	Estimates €
INCOME					
Government Contributions					
Government Subvention	2	270,000	231,565	(38,435)	270,000
Other Income generated by EPA					
Income generated from procedures	3	55,000	69,290	14,290	55,000
Total Income		**325,000**	**300,855**	**(24,145)**	**325,000**
EXPENDITURE					
Staff Costs	4				
Salaries, Bonuses, Income Supplements and O/T of seconded personnel		175,945	108,228	(67,717)	175,945
Social Security Contributions		13,764	4,861	(8,903)	13,764
Overtime Expenses		1,500	1,335	(165)	1,500
		191,209	114,424	(76,785)	191,209
Board Members' Fees	5				
Chairman		13,945	13,945	-	13,945
Vice Chairperson		6,000	6,000	-	6,000
2019: 4 Members (2020: 4 Members)		20,702	18,977	(1.725)	20,702
		40,647	38,922	(1,725)	40,647
Other Estimated Payroll Expenses	6				
Salaries		20,644	-	(20,644)	68,473
Bonuses and Income Supplements		-	-	-	2,050
Social Security Contributions		-	-	-	6,847
		20,644	-	(20,644)	77,370

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31 December 2020

Statement of financial performance - continued

	Notes	01/01/2019 - 31/12/2019			01/01/2020 31/12/2020
		Estimates €	Actual €	Variance €	Estimates €
Operational and Maintenance Expenses					
Utilities	7	1,500	33	(1,467)	22,300
Material and Supplies	8	9,000	8,250	(750)	10,000
Repair and Upkeep	9	200	-	(200)	200
Subscriptions	10	100	-	(100)	100
Transport	11	6,500	6,221	(279)	6,500
Travel	12	8,000	4,464	(3,536)	8,000
Professional Services	13	6,000	1,970	(4,030)	6,000
Hospitality	14	1,000	-	(1,000)	1,000
Training	15	2,000	-	(2,000)	2,000
Rent	16	35,000	-	(35,000)	35,000
		69,300	20,938	(48,362)	91.100
Total Recurrent Expenditure		**321,800**	**174,284**	**(147,516)**	**400,326**
Other Expenditure					
Depreciation Expense	17	209	366	157	400
Bank Charges		50	8	(16)	50
Other Expenditure		-	1,612	1,612	-
		259	1,986	1,727	450
Total Expenditure		**322,059**	**176,270**	**(145,789)**	**400,776**
Surplus/(shortfall) from operating activities		**2,941**	**124,585**	**121,644**	**(75,776)**
Capital Commitments					
Specialised Software and Domain	18	100,000	56,965	(43,035)	72,000
Furniture and Fittings		45,000	-	(45,000)	45,000
Hosting of Software – MITA	18	-	-	-	10,000
Total Capital Commitments		**145,000**	**56,965**	**(88,035)**	**127,000**
Surplus/(shortfall) from operating activities and Capital Commitments		**(142,059)**	**67,620**	**209,679**	**(202,776)**
Transfer from accumulated reserves		**142,059**	**-**	**(142,059)**	**202,776**
Taxation	19	-	-	-	-
Surplus after taxation		**-**	**67,620**	**67,620**	**-**

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31 December 2020

Notes to the financial estimates

The projected financial performance for the year ending 31 December 2020 takes into consideration the costs to be incurred for a full year once the Authority becomes independent and fully autonomous.

1. **Estimates 2020:** covers the period from 1 January 2020 to 31 December 2020
   Estimates and Actual 2019: covers the period from 1 January 2019 to 31 December 2019

2. **Government Contributions:** funds received from the Government of Malta as per the approved parliamentary appropriation.

3. **Income generated from procedures:** fees received from public and private licensed clinics and hospitals in terms of the Embryo Protection Authority's Protocol, the Embryo Protection Act, 2012 and the Embryo Protection Act Regulations, 2015.

4. **Staff costs:** includes all payments plus overtime due to the Authority's current staff and the seconded employment of one employee (driver/messenger), the Authority's social security and maternity contributions for all employees together with a part-time inspector.

   Average staff complement for year 2020: 10 employees
   Average staff complement for year 2019: 6 employees

5. **Board Members' Fees:** includes all payments due to the Authority's Board Members.

   Average Board members for year 2020: 6 members
   Average Board members for year 2019: 6 members

6. **Other Estimated Payroll Expenses:** in 2020, approval has been granted by the Ministry of Finance for the employment of 4 new staff members. These include the positions of a manager, administrative accounts officer, administrative office data system and a clerk.

7. **Utilities:** includes costs of payments for services such as supply of water and electricity, telecommunication expenses, internet and cleaning expenses, and other utility services.

8. **Material and Supplies:** includes office supplies and other costs associated for the running of operations on a daily basis, such as stationery, printing and PR advertising costs.

9. **Repair and Upkeep:** includes charges and costs associated on repairs and maintenance of the equipment used on a daily basis.

10. **Subscriptions:** includes all contributions payable to organisations.

11. **Transport:** includes fuel costs for a full year. Up to January 2019 the Authority was making use of a vehicle provided by the Ministry of Health. As from February 2019 the Authority has leased a vehicle as approved by the Authority's Board.

12. **Travel:** includes all the costs related to travel abroad conducted on behalf of the Authority, including international conferences, seminars, etc. It also includes transportation of employees (flight tickets), per diem allowance on travel status as well as fees payable to attend to the conferences/training.

13. **Professional Services:** includes payments for consultancy fees, audit and accountancy services, and other professional services.

Notes to the financial estimates – continued

14. **Hospitality:** includes hosting costs of foreign delegations, costs associated with the organisation of meetings in Malta, accommodation, food, transportation and other relevant costs.

15. **Training:** includes all costs in relation to training to the Authority's employees.

16. **Rent:** includes all costs in relation to the Authority's rent. Up to December 2019, the Authority was housed at St. Luke's Hospital and had no rent charges. Estimates for 2020, is being made as all entities will be moving out of St. Luke's hospital.

17. **Depreciation:** includes a full year depreciation on current and planned fixed tangible assets.

    Depreciation is calculated by writing off the cost of the non-current assets on a straight-line basis over the estimated useful lives of the assets concerned and is charged once the asset is ready to use. The principal annual rates used for this purpose are:

	Years
Furniture and Fittings	10
Computer software and domain	4

18. **Specialised Software and Domain:** includes capital costs relating to a specialised software for connection of clinics to the Embryo Protection Authority for filing documents, reporting and real time statistics together with hosting expenses of such software with MITA.

19. **Taxation:** the subvention received from the Government is exempt from any liability for the payment of income tax and duty on documents under any law for the time being in force, in terms of Section 10 of L.N. 32 of 2015. Any surplus of income over expenditure after eliminating the Government Subvention is taxable.

The financial estimates were approved by the board on 16th March 2020 and were signed on its behalf by:

Hon. Judge Philip Sciberras UOM
Chairperson

Ms. Simone Attard
Executive Director

Registered Office:
Rm 7, Entitlement Premises
Ex-Outpatients Block,
St. Lukes Hospital,
GwardaMangia
Malta

EMBRYO PROTECTION AUTHORITY

Annual Report and Financial Statements
31 December 2019

EMBRYO PROTECTION AUTHORITY
Annual Report and Financial Statements - 31 December 2019

Board's report

Independent auditors' report

Statement of financial position

Statement of comprehensive income

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Board's report

The members of the Board present their report and the audited financial statements for the year ended 31 December 2019.

Establishment of the Authority

The Embryo Protection Authority was established by virtue of the Embryo Protection Act (the "Act") as a regulatory body to all assisted reproductive technologies in Malta performed in both public and private licenced clinics and hospitals, and Chairperson and Members of the Board were appointed on 17th May 2013, and is entrusted with the task of certifying that high standards are met as per EU directives in all ART Technologies in Malta including carrying out inspections in IVF clinics as outlined in the Protocol.

Performance Review

The Authority registered a surplus before tax of €124,585 for the year ended 31st December 2019 (2018: €47,606) as shown in the statement of comprehensive income on page 7.

Post Balance Sheet Events

There were no particular significant events affecting the Authority which occurred since the end of the accounting period.

Future Developments

The Board members intend to continue to operate in line with their current plan operations.

Board Members

The Members of the Board who served during the year were:

Chairperson
Hon. Judge Philip Sciberras UOM

Vice Chairperson
Ms Josephine Abdilla

Members
Ms Mariella Meachen
Dr Patrick Sammut
Ms Sarah Camilleri
Profs Victor Grech

Statement of Responsibilities of the Board for the financial statements

The Embryo Protection Act required the Board members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority at the end of the financial year and of the income and expenditure of the Authority for that year.

Board's report - continued

Statement of Responsibilities of the Board for the financial statements – continued

In preparing the financial statements, the Board members are required to:

- Adopt the going concern basis, unless it is inappropriate to presume that the Authority will continue in business;
- Select suitable accounting policies and apply them consistently from one accounting year to another;
- Make judgement and estimates that are reasonable and prudent;
- Account for income and charges relative to the accounting year on the accruals basis; and
- Value separately the components of assets and liability items on a prudent basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and to enable the Board members to ensure that the financial statements have been prepared in accordance with the Embryo Protection Act. The Board is 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.

Auditors

GCS Assurance Malta Limited, Certified Public Accountants and Registered Auditors, have indicated their willingness to continue in office.

On behalf of the board

Hon. Judge Philip Sciberras UOM
Chairperson

Ms Simone Attard
Executive Director

Registered office
Rm 7, Entitlement Premises
Ex-Outpatients Block,
St. Lukes Hospital,
GwardaMangia
Malta

16th March 2020

ASSURANCE

Independent auditors' report

To the Board Members of Embryo Protection Authority

Report on the audit of the financial statements

Our opinion

In our opinion:

- Embryo Protection Authority's financial statements give a true and fair view of the Authority's financial position as at 31 December 2019, and of the Authority's financial performance in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

What we have audited

Embryo Protection Authority's financial statements, set out on pages 6 to 22, comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of cahnges in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

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 of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Capt. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Board is responsible for the other information. The other information comprises the Board's report on pages 1 and 2 (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information.

ASSURANCE

Independent auditors' report - continued

To the Board Members of Embryo Protection Authority

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

Responsibilities of the Board for the financial statements

The Board is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, and for such internal control as the Board determines 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 is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Authority 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 judgment 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.
- 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.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If 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, future events or conditions may cause the Authority to cease to continue as a going concern.

ASSURANCE

Independent auditors' report - continued

To the Board Members of Embryo Protection Authority

- 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 the Board 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

Other matters on which we are required to report by exception

We also have responsibilities to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by ourselves.
- 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 the Board's members remuneration 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.



Christian Gravina
Director
For and on Behalf of
GCS Assurance Malta Limited
Certified Public Accountants

115A, Floor 1,
Msida Valley Road
Birkirkara BKR 9024
Malta

16th March 2020

Statement of financial position

	Notes	As at 31 December 2019 €	2018 €
ASSETS			
Non-current assets			
Intangible asset	5	**56,965**	-
Property, plant and equipment	6	**1,964**	2,330
Total non-current assets		**58,929**	2,330
Current assets			
Trade and other receivables	7	**49,400**	9,860
Cash and cash equivalents	8	**211,778**	186,073
Total current assets		**261,178**	195,933
Total assets		**320,107**	198,263
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated reserve		**318,273**	193,688
Total capital and reserves		**318,273**	193,688
Liabilities			
Current liabilities			
Trade and other payables	9	**1,834**	4,575
Total liabilities		**1,834**	4,575
Total capital and liabilities		**320,107**	198,263

The notes on pages 10 to 22 are an integral part of these financial statements.

The financial statements on pages 6 to 22 were authorised for issue by the Board on 16th March 2020 and were signed on its behalf by:

Hon. Judge Philip Sciberras UOM
Chairperson

Ms. Simone Attard
Executive Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	2018 €
Revenue	10	**300,855**	218,935
Administrative expenses	11	**(176,270)**	(171,329)
Surplus before tax		**124,585**	47,606
Tax expense	13	**-**	-
Surplus for the year – total comprehensive income		**124,585**	47,606

The notes on pages 10 to 22 are an integral part of these financial statements.

Statement of changes in equity

	Accumulated reserves €	Total €
Balance at 1st January 2018	146,082	146,082
Comprehensive income		
Surplus for the year	47,606	47,606
Balance at 31st December 2018	**193,688**	**193,688**
Balance at 1st January 2019	193,688	193,688
Comprehensive income		
Surplus for the year	124,585	124,585
Balance at 31st December 2019	**318,273**	**318,273**

The notes on pages 10 to 22 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2019 €	2018 €
Cash flows from operating activities			
Cash generated from operations	14	**82,670**	56,356
Net cash generated from operating activities		**82,670**	56,356
Cash flows from investing activities			
Development of intangible asset	5	**(56,965)**	-
Purchase of property, plant and equipment	6	**-**	(1,567)
Net cash used in investing activities		**(56,965)**	(1,567)
Net movement in cash and cash equivalents		**25,705**	54,789
Cash and cash equivalents at beginning of year		**186,073**	131,284
Cash and cash equivalents at end of year	8	**211,778**	186,073

The notes on pages 10 to 22 are an internal part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these individual 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. The Authority's financial statements have been prepared under the historical cost convention.

During the year ended 31 December 2019, the Authority generated a surplus before tax of €124,585 (2018: €47,606).

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 Board to exercise their judgement in the process of applying the Authority's accounting policies (See Note 3 - Critical accounting estimates and judgements).

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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 surplus or deficit.

1.3 Intangible asset

(a) Acquired specialised software and domain

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset initially measured at cost, comprising its purchase price (including import duties and non-refundable purchase taxes, net of trade discounts and rebates) and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised.

1. Summary of significant accounting policies – continued

1.3 Intangible asset – continued

(a) Acquired specialised software and domain - continued

Costs directly attributable to the development of the specialised software and domain are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Authority has an intention and ability to complete and use the specialised software and domain, and the costs can be measured reliably. Research costs are recognised as an expense when incurred.

(b) Determination of indefinite lives

When it is difficult to reliably estimate the useful life of the intangible asset, the intangible asset is said to an indefinite useful life. In such cases the intangible asset will be amortised over a period of 10 years.

The useful life of each intangible asset with an indefinite useful life is reviewed annually to determine whether infinite useful life assessment continues to be supportable. If it is no longer supportable, the change in useful life assessment from infinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. 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 company 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.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture and Fittings	10
Computer and office equipment	4

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 (Note 1.5).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1. Summary of significant accounting policies - continued

1.5 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Financial assets

1.6.1 Classification

(a) IFRS 9 – effective as from 1 January 2018

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Authority classifies its financial assets in the following categories: at amortised cost, fair value through other comprehensive income or fair value through profit and loss.

- debt instruments held within a business model whose objective is to hold to collect contractual cashflows are measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

(b) IAS 39 – Effective prior to 1 January 2018

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period.

These are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.7 and 1.8).

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.2 Recognition and measurement

The Authority recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Authority. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Subsequently they are measured according to their classification as details in Note 1.6.1. Under IAS 39, loans and receivables were subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.6.3 Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Authority to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Authority to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

1.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.6.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes deposits held at call with bank.

1. Summary of significant accounting policies - continued

1.9 Financial liabilities

The Authority recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Authority's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost.

The Authority derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 Trade and other payables

Trade and other payables comprise obligations to pay for 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.

1.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.12 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.13 Revenue recognition

In the prior year, the Authority has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which was effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The application of IFRS 15 had not had a significant impact on the financial position and/or financial performance of the Authority.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Authority recognises revenue when it transfers control over a product to a customer.

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Authority's activities. Sales are recognised upon performance of services, net of sales tax, returns, rebates and discounts.

(a) Subventions available to cover recurrent expenditure are reflected in the income and expenditure account of the Embryo Protection Authority.

(b) Income from fees received from public and private licensed hospitals and clinics are recognised on an accrual basis.

2. Financial risk management

2.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Authority's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. The Authority did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The transactions are mainly effected in euro, the functional and presentation currency of the Authority, and as such the Board does not consider exposure to foreign exchange risk to be significant.

(ii) Interest rate risk

As the Authority has no significant interest-bearing assets or liabilities, its income and operating cash flows are substantially independent of changes in market interest rates. Consequently, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Authority's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2019	2018
	€	€
Loans and receivables category:		
Trade and other receivables (Note 7)	**49,400**	9,860
Cash and cash equivalents (Note 8)	**211,778**	186,073
	261,178	195,933

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Authority does not hold any collateral as security in this respect.

(c) Liquidity risk

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which principally comprise the trade and other payables (Note 9). 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.

As at 31st December 2019 and 2018, the carrying amounts of trade and other receivables, cash and trade and other payables 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.

2.2 Capital risk management

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern.

The primary objective of the Authority's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations.

The capital structure of the Authority consists of cash and cash equivalents as disclosed in Note 8 and items presented within the accumulated reserve in the statement of financial position.

3. 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 Board, 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.

4. Changes in accounting policies

4.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Authority has applied new and amended IFRS Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in EU for an accounting period that begins on or after 1 January 2019. The adoption of new and amended standards did not have a material impact on the Authority's financial statements.

- IFRS 16 – Leases (effective for financial years beginning on or after 1 January 2019)
- Amendment to IFRS 9: Prepayment features with negative compensation (effective for financial years beginning on or after 1 January 2019)
- IFRIC 23—Uncertainty over income tax treatment (effective for financial years beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term interests in associates and joint ventures (effective for financial years beginning on or after 1 January 2019)
- Annual improvements to IFRS standards 2015 – 2017 Cycle (effective for financial years beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective for financial years beginning on or after 1 January 2019)

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

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

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)

Management anticipates that all the relevant pronouncements will be adopted in the Authority's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Authority's financial statements.

4.3 Standards, amendments and interpretations to published standards that are not yet endorsed by the EU

- IFRS 17—Insurance contracts (effective for financial years beginning on or after 1 January 2021)
- Amendment to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

5. Intangible asset

	Specialised software and domain €	Total €
Year ended 31 December 2019		
Opening net book amount	-	-
Additions	56,965	56,965
Amortisation charge	-	-
Closing net book amount	**56,965**	**56,965**
At 31 December 2019		
Cost	56,965	56,965
Accumulated amortisation	-	-
Net book amount	**56,965**	**56,965**

The intangible asset is not still in use, hence no amortisation is being charged for the year.

6. Property, plant and equipment

	Furniture & fittings €	Computer and office equipment €	Total €
At 1 January 2018			
Cost	1,308	313	1,621
Accumulated depreciation	(367)	(125)	(492)
Net book amount	941	188	1,129
Year ended 31 December 2018			
Opening net book amount	941	188	1,129
Additions	1,567	-	1,567
Depreciation charge	(288)	(78)	(366)
Closing net book amount	2,220	110	2,330
At 1 January 2019			
Cost	2,875	313	3,188
Accumulated depreciation	(655)	(203)	(858)
Net book amount	2,220	110	2,330

6. Property, plant and equipment - continued

	Furniture & fittings €	Computer and office equipment €	Total €
Year ended 31 December 2019			
Opening net book amount	2,220	110	2,330
Depreciation charge	(288)	(78)	(366)
Closing net book amount	**1,932**	**32**	**1,964**
At 31 December 2019			
Cost	2,875	313	3,188
Accumulated depreciation	(943)	(281)	(1,224)
Net book amount	**1,932**	**32**	**1,964**

7. Trade and other receivables

	2019 €	2018 €
Current		
Accrued income-fees from procedures and storage fees	**49,350**	9,810
Other receivables	**50**	50
	49,400	9,860

8. Cash and cash equivalents

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

	2019 €	2018 €
Cash at bank	**211,778**	186,073

9. Trade and other payables

	2019 €	2018 €
Current		
Trade payables	**64**	64
Accruals	**1,770**	4,511
	1,834	4,575

10. Revenue

Income represents the subvention voted to the Authority by the Government of Malta and the recognition of procedure fees, storage fees and any other relevant fees received from public and private licenced clinics and hospitals and is analysed as follows:

	2019	2018
	€	€
Government Contribution	**231,565**	170,135
Income from Procedures and Storage Fees	**69,290**	48,800
	300,855	218,935

11. Expenses by nature

	2019	2018
	€	€
Employee benefit expense (Note 12)	**153,346**	147,039
Depreciation of property, plant and equipment (Note 6)	**366**	366
Telecommunication expenses	**-**	64
Office expenses	**8,250**	10,192
Motor vehicle expenses	**6,221**	1,805
Travel expenses	**4,464**	4,015
Professional fees	**1,970**	5,068
Other expenses	**1,653**	2,780
Total administrative expenses	**176,270**	171,329

Auditors' fees

Fees charged by the auditors for services rendered during the financial years ended 31 December 2019 and 2018 relate to the following:

	2019	2018
	€	€
Annual statutory audit	**1,770**	1,800

12. Employee benefit expense

	2019	2018
	€	€
Honoraria	**38,922**	32,838
Gross salaries and Social security costs	**114,424**	114,201
	153,346	147,039

12. Employee benefit expense - continued

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

	2019	2018
Board Members	**6**	6
Directly employed by the Authority	**3**	3
	9	9

The Authority used the service of 1 employee who has a contract with Foundation for Medical Services and the Mount Carmel Hospital, whose salary is paid by the Authority.

13. Tax expense

	2019 €	2018 €
Current tax expense	**-**	-

The tax expense and the result of accounting profit multiplied by the statutory domestic income tax rate is reconciled as follows:

	2019 €	2018 €
Surplus before tax	**124,585**	47,606
Effect of (income)/expenses that are not deductible for tax purposes In determining taxable profit:		
Exempt government subvention	**(231,565)**	(170,135)
Trading losses for the year	**(106,980)**	(122,529)

Subvention received from Government is exempt from any liability for the payment of income tax and duty on documents under any law for the time being in force, in terms of Section 10 of L.N. 32 of 2015.

Any surplus of income over expenditure after eliminating the Government Subvention is taxable.

	2019 €	2018 €
Trading Losses		
Balance brought forward	**(436,801)**	(314,272)
Trading losses for the year	**(106,980)**	(122,529)
Balance carried forward	**(543,781)**	(436,801)

13. Tax expense - continued

Deferred tax asset for unused tax losses and unused capital allowances is not being recognised because in the Board members' opinion it is not probable that taxable profit will be available against which unused tax losses and unused capital allowances can be utilised.

14. Cash generated from operations

Reconciliation of surplus before tax to cash generated from operations:

	2019	2018
	€	€
Surplus before tax	**124,585**	47,606
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	**366**	366
Changes in working capital:		
Trade and other receivables	**(39,540)**	8,217
Trade and other payables	**(2,741)**	167
Cash generated from operations	**82,670**	56,356

15. Related party transactions

During the year ended 31 December 2019 and 2018, there were no transactions with key management personnel except for emolument payments as disclosed in Note 12.

16. Statutory information

Embryo Protection Authority is a State-owned Authority. The Authority's ultimate controlling party is the Ministry for Health on behalf of Government of Malta, the registered office of which is the Ministry for Health c/o Palazzo Castellania, Merchant Street, Valleta, Malta.

EMBRYO PROTECTION AUTHORITY
Detailed accounts - 31 December 2019

Schedule for expenditure

EMBRYO PROTECTION AUTHORITY
Detailed accounts - 31 December 2019

Schedule for administrative expenses

	2019 €	2018 €
Personal Emoluments		
Honoraria	**38,922**	32,838
Gross salaries and social security costs	**114,424**	114,201
	153,346	147,039
Utilities		
Telecommunication costs	**-**	64
Water	**33**	27
	33	91
Office Services		
Printing and stationery	**5,073**	10,192
Advertising	**3,177**	-
	8,250	10,192
Transport		
Fuel costs	**2,381**	1,558
Car maintenance	**-**	247
Motor vehicle expense	**3,840**	-
	6,221	1,805
Travel		
Subsistence allowance	**2,722**	1,940
Tickets	**693**	670
Conference fees	**723**	958
Transport	**326**	447
	4,464	4,015
Professional services		
Accountancy and audit services	**1,770**	2,124
Consultancy services	**200**	2,944
	1,970	5,068
	174,284	168,210

Schedule does not form part of the audited financial statements.

EMBRYO PROTECTION AUTHORITY
Detailed accounts - 31 December 2019

Schedule for administrative expenses – continued

	2019 €	2018 €
Other expenditure		
Bank charges	**8**	34
Depreciation expense	**366**	366
Other expenditure	**1,612**	2,719
	1,986	3,119
Total administrative expenses	**176,270**	171,329

Schedule does not form part of the audited financial statements.