EMBRYO PROTECTION AUTHORITY

FINANCIAL ESTIMATES
2021

EMBRYO PROTECTION AUTHORITY

Financial Estimates for the year ending 31st December 2021

Contents

Statement of Financial Performance

Notes to the Financial Estimates

EMBRYO PROTECTION AUTHORITY

Financial Estimates for the year ending 31st December 2021

Statement of Financial Performance

	Notes	2020			2021
		Estimates Euro	Actual Euro	Variance Euro	Estimates Euro
INCOME					
Government Contributions					
Government Subvention	2	270,000	225,361	(44,639)	330,000
Other Income generated by EPA					
Income generated from procedures	3	55,000	104,470	49,470	55,000
Other income resulting from waiver of erroneous payables		-	64	64	-
		55,000	104,534	49,534	55,000
Total Income		**325,000**	**329,895**	**4,895**	**385,000**
EXPENDITURE					
Staff Costs	4				
Salaries, Bonuses, Income Supplements and O/T of seconded personnel		175,945	141,992	(33,953)	292,728
Social Security Contributions		13,764	6,846	(6,918)	26,278
Overtime Expenses		1,500	2,962	1,462	2,000
		191,209	151,800	(39,409)	321,006
Board Members' Fees	5				
Chairman		13,945	13,945	-	13,945
Vice Chairperson		6,000	6,000	-	6,000
4 Members		20,702	13,370	(7,332)	20,702
		40,647	33,315	(7,332)	40,647
Other Estimated Payroll Expenses	6				
Salaries		68,473	-	(68,473)	68,473
Bonuses and Income Supplements		2,050	-	(2,050)	2,050
Social Security Contributions		6,847	-	(6,847)	6,847
		77,370	-	(77,370)	77,370

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31st December 2021

Statement of Financial Performance (Continued)

	Notes	2020			2021
		Estimates	Actual	Variance	Estimates
		Euro	Euro	Euro	Euro
Operational and Maintenance Expenses					
Utilities	7	22,300	1,148	(21,152)	22,300
Material and Supplies	8	10,000	11,234	1,234	10,000
Repair and Upkeep	9	200	1,770	1,570	200
Rent	10	35,000	-	(35,000)	55,000
Subscriptions	11	100	-	(100)	100
Transport	12	6,500	6,199	(301)	6,500
Travel	13	8,000	1,005	(6,995)	8,000
Contractual Services	14	-	-	-	30,000
Professional Services	15	6,000	1,500	(4,500)	6,000
Hospitality	16	1,000	-	(1,000)	1,000
Training	17	2,000	-	(2,000)	2,000
		91,100	22,856	(68,244)	141,100
Total Recurrent Expenditure		**400,326**	207,971	**(192,355)**	**580,123**
Other Expenditure					
Depreciation Expense	20	400	320	(80)	400
Bank Charges		50	40	(10)	50
Other Expenditure		-	205	205	-
		450	565	115	450
Total Expenditure		**400,776**	**208,536**	**(192,240)**	**580,573**
(Shortfall) / Surplus from operating activities		**(75,776)**	**121,359**	**197,135**	**(195,573)**
Capital Commitments					
Specialised Software and Domain	18	72,000	21,093	(50,907)	40,000
Furniture and Fittings	19	45,000	-	(45,000)	20,000
Hosting of Software - MITA	18	10,000	-	(10,000)	10,000
		127,000	21,093	(105,907)	70,000
(Shortfall) / Surplus from operating activities and capital commitments		**(202,776)**	**100,266**	**303,042**	**(265,573)**
Transfer from accumulated reserves		202,776	-	(202,776)	265,573
Taxation	21	-	-	-	-
(Shortfall) / Surplus after taxation		**-**	**100,266**	**100,266**	**-**

EMBRYO PROTECTION AUTHORITY

Financial Estimates for the year ending 31st December 2021

Notes to the Financial Estimates

The projected financial performance for the year ending 31st December 2021 takes into consideration the costs to be incurred for a full year once the Authority becomes independent and fully autonomous.

1. **Estimates and Actual 2020:** covers the period from 1 January 2020 to 31 December 2020
   Estimates 2021: covers the period from 1 January 2021 to 31 December 2021

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 and the Embryo Protection Act Regulations.

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

   Average staff complement for year 2021: 12 employees
   Average staff complement for year 2020: 10 employees

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

   Average Board members for year 2021: 6 members
   Average Board members for year 2020: 6 members

6. **Other Estimated Payroll Expenses:** in 2021, approval has been granted by the Ministry of Finance for the employment of three new staff members. These include the positions of a manager, inspector 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. The estimate for 2021 takes into account the costs which will be incurred by the Authority should they be relocating premises in 2021, for costs such as water and electricity, internet and telephone bills, which at present were never billed to the Authority as they are located in a governmental building, and were billed solely for cleaning 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 with repairs and maintenance of the equipment used on a daily basis.

10. **Rent:** includes all costs in relation to the Authority's rent. Up to December 2020, the Authority was housed at St. Luke's Hospital and had no rent charges. An estimate for 2021 is being made as a tender document is being issued for the relocation of the Embryo Protection Authority.

11. **Subscriptions:** includes all contributions payable to organization.

12. **Transport:** includes the costs incurred by the Authority for the leased motor vehicle and fuel costs.

EMBRYO PROTECTION AUTHORITY
Financial Estimates for the year ending 31st December 2021

Notes to the Financial Estimates (Continued)

13. **Travel:** includes all costs which relate 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.

14. **Contractual Services:** includes payments for outsourced cleaning and security services.

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

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

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

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. **Furniture and Fittings:** includes an estimate for the purchases of furniture and fittings which would be required for the new leased premises as mentioned in point 10.

20. **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 available for use. The principal annual rates used for this purpose are:

	Years
Furniture and Fittings	10
Computer Software and Domain	4

21. **Taxation:** the 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.

The financial estimates were approved by the Board on 24th February 2021 and were signed on its behalf by:

Hon. Judge Philip Sciberras UOM
Chairperson

Ms. Simone Attard
Chief Executive Officer

Registered Office:

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

EMBRYO PROTECTION AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31st December 2020

EMBRYO PROTECTION AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

Contents

Board's Report

Independent Auditor's Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

EMBRYO PROTECTION AUTHORITY

Board's Report

For the year ended 31st December 2020

The Members of the Board present the annual report and the audited financial statements of Embryo Protection Authority (the "Authority") for the year ended 31st December 2020.

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 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's main source of income is from the subvention received from the Government of Malta amounting to €225,361 (2019: €231,565) which is utilised to cover recurrent expenditure. Additionally, the Authority also earns income from fees received from public and private licensed clinics and hospitals as outlined in the Protocol. During the year ended 31st December 2020, these amounted to €104,470 (2019: €69,290). As a result, the Authority registered a surplus before tax of €121,359 for the year ended 31st December 2020 (2019: €124,585) as shown in the statement of comprehensive income on page 7.

On 10 March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation. Many Governments around the world introduced unprecedented measures to contain and control this outbreak. In Malta, the measures included quarantine, self-isolation and travel restrictions, amongst others. Social distancing and stay-at-home regulations were also enacted to control the outbreak of this pandemic. As a result, all operating theatres were closed to the public during the months of April and beginning of May and resumed procedures during the end of May 2020 in line with the directives issued by the Maltese Government. Notwithstanding the events brought about by COVID-19, the Authority recorded a 51% increase from income generated through procedures and storage fees. No adjustments have been made to the financial statements as at 31 December 2020 for the impacts of COVID-19.

Post Balance Sheet Events

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

Future Developments

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

EMBRYO PROTECTION AUTHORITY

Board's Report (Continued)

For the year ended 31st December 2020

Statement of Responsibilities of the Board

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.

In preparing these 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 accrual's 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

PKF Malta Limited, Registered Auditors, have intimated their willingness to continue in office.

Approved by the Board on 24th February 2021 and signed on its behalf by:

Hon. Judge Philip Sciberras UOM
Chairperson

Ms. Simone Attard
Chief Executive Officer

Registered Office:

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

PKF Malta

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Embryo Protection Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Embryo Protection Authority (the 'Authority'), set out on pages 7 to 20, which comprise the statement of financial position as at 31st December 2020, the statement of comprehensive income, statement of changes in equity, 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 give a true and fair view of the financial position of the Authority as at 31st December 2020 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 (EU IFRS's).

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 Auditor's 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 Matter

The financial statements of the Authority for the year ended 31st December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 16th March 2020.

Other Information

The Board is responsible for the other information. The other information comprises the board's report. Our opinion on the financial statements does not cover this information, including the board's report. 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's report. We have nothing to report in this regard.

PKF Malta Limited is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any other individual member or correspondent firm or firms.

PKF Malta

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board Members of Embryo Protection Authority

Responsibilities of the Board

The board is 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 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.

Auditor's 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 auditor's 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.

PKF Malta

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Board Members of Embryo Protection Authority

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Authority's operations and the overall economy.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 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.

The partner in charge of the audit resulting in the independent auditor's report is Mr. George Mangion for and on behalf of

PKF Malta Limited
Registered Auditors

15, Level 3, Mannarino Road
Birkirkara BKR 9080
Malta

24th February 2021

PKF Malta Limited is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any other individual member or correspondent firm or firms.

EMBRYO PROTECTION AUTHORITY

Statement of Comprehensive Income

For the year ended 31st December 2020

	Note	2020 EUR	2019 EUR
Income	4	**329,895**	300,855
Expenditure	5	**(208,536)**	(176,270)
Surplus before Tax	6	**121,359**	124,585
Taxation	7	**-**	-
Surplus for the year – total comprehensive income		**121,359**	124,585

The notes to the financial statements on pages 11 to 20 form an integral part of these financial statements.

EMBRYO PROTECTION AUTHORITY

Statement of Financial Position

As at 31st December 2020

	Note	2020 EUR	2019 EUR
ASSETS			
Non-Current Assets			
Intangible Asset	8	**78,058**	56,965
Property, Plant and Equipment	9	**1,644**	1,964
Total Non-Current Assets		**79,702**	58,929
Current Assets			
Trade and Other Receivables	10	**61,030**	49,400
Cash and Cash Equivalents	11	**309,808**	211,778
Total Current Assets		**370,838**	261,178
Total Assets		**450,540**	320,107
CAPITAL AND LIABILITIES			
Capital and Reserves			
Accumulated Reserve	12	**439,632**	318,273
Total Capital and Reserves		**439,632**	318,273
Current Liabilities			
Trade and Other Payables	13	**10,908**	1,834
Total Liabilities		**10,908**	1,834
Total Capital and Liabilities		**450,540**	320,107

The notes to the financial statements on pages 11 to 20 form an integral part of these financial statements.

The financial statements on pages 7 to 20 were authorised for issue by the Board on 24th February 2021 and were signed on its behalf by:

Hon. Judge Philip Sciberras UOM
Chairperson

Ms. Simone Attard
Chief Executive Officer

EMBRYO PROTECTION AUTHORITY

Statement of Changes in Equity

For the year ended 31st December 2020

	Accumulated Reserves EUR	Total EUR
Balance as at 1st January 2019	193,688	193,688
Surplus for the year – comprehensive income	124,585	124,585
Balance as at 31st December 2019	**318,273**	**318,273**
Surplus for the year – comprehensive income	121,359	121,359
Balance as at 31st December 2020	**439,632**	**439,632**

The notes to the financial statements on pages 11 to 20 form an integral part of these financial statements.

EMBRYO PROTECTION AUTHORITY

Statement of Cash Flows

For the year ended 31st December 2020

	Note	2020 EUR	2019 EUR
Cash flows from Operating Activities			
Surplus before tax		**121,359**	124,585
Adjustments for:			
Depreciation of property, plant and equipment	9	**320**	366
Operating surplus before working capital changes		**121,679**	124,951
Movement in Trade and Other Receivables	10	**(11,630)**	(39,540)
Movement in Trade and Other Payables	13	**9,074**	(2,741)
Net cash flow from Operating Activities		**119,123**	82,670
Cash flows from Investing Activities			
Development of Intangible Assets	8	**(21,093)**	(56,965)
Net cash used in Investing Activities		**(21,093)**	(56,965)
Movement in Cash and Cash Equivalents		**98,030**	25,705
Cash and Cash equivalents at start of the year		**211,778**	186,073
Cash and Cash equivalents at end of the year	11	**309,808**	211,778

The notes to the financial statements on pages 11 to 20 form an integral part of these financial statements.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements

For the year ended 31st December 2020

1. Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Statement of compliance

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

1.2 Basis of measurement

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

1.3 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

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

1.4 Changes in accounting policies and disclosures

(a) Standards, interpretations and amendments to published standards as endorsed by the EU effective in 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 the EU for an accounting period that begins on or after 1 January 2020. The adoption of new and amended standards did not have a material impact on the Authority's financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)
- Amendments to IFRS 3: Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual reporting periods beginning on or after 1 January 2020)
- Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions (effective for annual reporting periods beginning on or after 1 June 2020)

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

1. Basis of preparation (Continued)

1.4 Changes in accounting policies and disclosures (Continued)

(b) Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

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. Management anticipates that all the relevant pronouncements will be adopted in the Authority's accounting policies upon their effective date. The Authority is still assessing the effect of these changes on the financial statements, however certain new standards and interpretations are not expected to have a material impact on the Authority's financial statements.

- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2 (effective for annual reporting periods beginning on or after 1 January 2021)

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

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (effective for annual reporting periods beginning on or after 1 January 2023)
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 37 Onerous Contracts: Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 (effective for annual reporting periods beginning on or after 1 January 2022)

2. Significant accounting policies

2.1 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Government of Malta will continue to provide the necessary funding to the Authority to enable it to continue with its activities.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.2 Intangible assets

(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. As at 31st December 2020, the asset was not yet available for use and therefore was not amortised.

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 have 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.

2.3 Property, plant and equipment

(a) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the Authority and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price and any costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

After initial recognition, property, plant and equipment may be carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses, or under the revaluation model, that is at their fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.3 Property, plant and equipment (Continued)

(a) Recognition and Measurement (Continued)

After initial recognition property, plant and equipment are carried under the cost model.

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts to the residual values over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are:

	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 2.4).

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.

2.4 Impairment of non-financial assets

Assets that are subject to depredation 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.

2.5 Financial instruments

(a) Classification of financial assets

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;

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.5 Financial instruments (Continued)

(a) Classification of financial assets (Continued)

- 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) Recognition and measurement of financial assets

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 classifications as detailed in Note 2.5(a). After initial recognition, these are 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.

(c) Impairment of financial assets

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.

(d) Classification and measurement of 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.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.5 Financial instruments (Continued)

(d) Classification and measurement of financial liabilities (Continued)

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.

2.6 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. 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.10 Current and deferred tax (Continued)

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.

2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) The subvention received from the Government of Malta is available to cover recurrent expenditure and is reflected in the statement of comprehensive income of the Embryo Protection Authority.
(b) Income from fees received from public and private licensed hospitals and clinics are recognised on an accrual basis.

2.12 Financial risk management

2.12.1 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 affected 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.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.12 Financial risk management (Continued)

2.12.1 Financial risk factors (Continued)

(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.

(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:

	2020	2019
	EUR	EUR
Trade and other receivables (note 10)	**61,030**	49,400
Cash and cash equivalents (note 11)	**309,808**	211,778
	370,838	261,178

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 13). 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 2020 and 2019, the carrying amounts of trade and other receivables, cash and cash equivalents 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.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

2. Significant Accounting Policies (Continued)

2.12 Financial risk management (Continued)

2.12.2 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 (note 11) and items presented within the accumulated reserve (note 12) in the statement of financial position.

3. Critical accounting estimates and judgements

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

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. Revenue

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

	2020	2019
	EUR	EUR
Government Contribution (note 14)	**225,361**	231,565
Income from Procedures and Storage fees	**104,470**	69,290
Other income resulting from waiver of erroneous payables	**64**	-
	329,895	300,855

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

5. Expenses by nature

	2020 EUR	2019 EUR
Employee benefit expense (Note 6)	**185,115**	153,346
Depreciation of property, plant and equipment (Note 9)	**320**	366
Maintenance costs for specialised software	**1,770**	-
Office expenses	**12,353**	8,250
Motor vehicle expenses	**6,200**	6,221
Travel expenses	**1,005**	4,464
Professional fees	**1,500**	1,970
Other expenses	**273**	1,653
	208,536	176,270

Auditors' fees

Fees charged by the auditors for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	2020 EUR	2019 EUR
Annual statutory audit fee	**1,500**	1,770

6. Employee benefit expense

	2020 EUR	2019 EUR
Honoraria	**33,315**	38,922
Gross salaries and social security contributions	**151,800**	114,424
	185,115	153,346

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

6. Employee benefit expense (Continued)

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

	2020 EUR	2019 EUR
Board Members	6	6
Directly Employed by the Authority	4	3
	10	9

The Authority used the service of two subcontracted employees during the year ended 31st December 2020 (2019: 1) whose salaries are paid by the Authority.

7. Taxation

	2020 EUR	2019 EUR
Current Tax Expense	-	-
Deferred Tax Expense	-	-
	-	-

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

	2020 EUR	2019 EUR
Surplus before taxation	121,359	124,585
Effect of (income)/expenses that are not deductible for tax purposes in determining taxable profit:		
Exempt government subvention	(225,361)	(231,565)
Trading Losses for the year	(104,002)	(106,980)

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

7. Taxation (Continued)

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.

	2020	2019
	EUR	EUR
Trading Losses:		
Balance brought forward	**(543,781)**	(436,801)
Trading Losses for the year	**(104,002)**	(106,980)
Balance carried forward	**(647,783)**	(543,781)

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.

8. Intangible assets

	Specialised software and domain	Total
	EUR	EUR
Cost		
As at 1st January 2020	56,965	56,965
Additions	21,093	21,093
Disposals	-	-
As at 31st December 2020	78,058	78,058
Depreciation		
As at 1st January 2020	-	-
Charge for the year	-	-
Released on disposal	-	-
As at 31st December 2020	-	-
Net Book Value		
As at 31st December 2019	**56,965**	**56,965**
As at 31st December 2020	**78,058**	**78,058**

The intangible asset is not available for use as at 31st December 2020 and hence no amortisation is charged for the year.

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

9. Property, plant and equipment

	Furniture & fittings	Computer and office equipment	Total
	EUR	EUR	EUR
Cost			
As at 1st January 2020	2,875	313	3,188
Additions	-	-	-
Disposals	-	-	-
As at 31st December 2020	2,875	313	3,188
Depreciation			
As at 1st January 2020	(943)	(281)	(1,224)
Charge for the year	(288)	(32)	(320)
Released on disposal	-	-	-
As at 31st December 2020	(1,231)	(313)	(1,544)
Net Book Value			
As at 31st December 2019	**1,932**	**32**	**1,964**
As at 31st December 2020	**1,644**	**-**	**1,644**

10. Trade and other receivables

	2020	2019
	EUR	EUR
Accrued income – fees from procedures and storage fees	**55,720**	49,350
Prepayments	**5,310**	-
Other receivables	-	50
	61,030	49,400

11. Cash and Cash Equivalents

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

	2020	2019
	EUR	EUR
Cash at bank	**309,808**	211,778

EMBRYO PROTECTION AUTHORITY

Notes to the Financial Statements (Continued)

For the year ended 31st December 2020

12. Accumulated reserve

The accumulated reserve represents retained surpluses carried forward.

13. Trade and other payables

	2020 EUR	2019 EUR
Trade payables	**4,025**	64
Accruals	**6,883**	1,770
	10,908	1,834

14. Related party disclosures

14.1 Identity of related parties

Ultimate Controlling Party

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

14.2 Transactions with related parties

The Authority entered into transactions with related parties for the year ended 31st December 2020 and 2019 as disclosed in note 4.

14.3 Transactions with key management personnel

During the year ended 31st December 2020 and 2019, there were no transactions with key management personnel except for emolument payments as disclosed in note 6.

15. Statutory information

Embryo Protection Authority is a State-owned Authority, the registered office of which is Rm 7, Entitlement Premises, Ex-Outpatients Block, St. Lukes Hospital, GwardaMangia, Malta.

The Schedules and Appendices on the pages that follow do not form part of the financial statements.

EMBRYO PROTECTION AUTHORITY

Schedule for administrative expenses

For the year ended 31st December 2020

	2020 EUR	2019 EUR
Personal Emoluments		
Honoraria	**33,315**	38,922
Gross Salaries and Social Security Costs	**151,800**	114,424
	185,115	153,346
Utilities		
Telecommunication Costs	**-**	-
Water	**29**	33
Cleaning	**1,119**	-
	1,148	33
Repairs and maintenance		
Maintenance costs for specialised software	**1,770**	-
	1,770	-
Office Services		
Printing and Stationery	**3,748**	5,073
Advertising	**7,156**	3,177
Uniforms	**330**	-
	11,234	8,250
Transport		
Car Maintenance	**-**	-
Motor Vehicle Expense	**4,228**	3,840
Fuel Costs	**1,971**	2,381
	6,199	6,221
Travel		
Subsistence allowance	**484**	2,722
Tickets	**152**	693
Conference fees	**200**	723
Transport	**169**	326
	1,005	4,464
Professional Services		
Consultancy Services	**-**	200
Accountancy and Auditing Services	**1,500**	1,770
	1,500	1,970
Total Recurrent Expenditure	**207,971**	174,284

EMBRYO PROTECTION AUTHORITY

Schedule for Administrative Expenses (Continued)

For the year ended 31st December 2020

	2020 EUR	2019 EUR
Other Expenditure		
Bank Charges	**40**	8
Depreciation Expense	**320**	366
Other Expenditure	**205**	1,612
	565	1,986
Total Administrative Expenditure	**208,536**	176,270