

HERITAGE MALTA

Annual Report and Consolidated Financial Statements
For the Year Ended 31 December 2022

HERITAGE MALTA**Annual Report and Consolidated Financial Statements for the year ended 31 December 2022**

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Directors' Report

The Board presents their report and the audited financial statements of Heritage Malta ("the Agency") and consolidated financial statements of the Group for the year ended 31 December 2022.

Principal activities

Heritage Malta was set up in 2002 under the provisions of the Cultural Heritage Act, 2002 and entrusted with the management of national museums and heritage sites and their collections in Malta and Gozo - including seven UNESCO World Heritage sites. The Agency is responsible for ensuring that those elements of cultural heritage entrusted to it are protected and made accessible to the public as well as conserving and restoring cultural property within its portfolio. It also provides training in conservation, education, research and consultation. It strives to create public awareness through displays, exhibition, thematic events, public relations and other initiatives.

Review of operations

Directors noted that 2022 has been a positive year of tangible successes for Heritage Malta. A year that somewhat started off on the wrong foot due to the Covid-19 restrictions which were still in force, but that saw a tremendous turn for the better once restrictions were lifted and life returned to some semblance of normality.

The face-to-face public interaction that lacked during those long Covid months, was made up for with a remarkable amount of work behind the scenes. February saw the signing of a new collective agreement for Heritage Malta employees, balancing their needs with the Agency's sustainability and bringing about improvement and innovation in all aspects. Besides improved working conditions and increased wages, the new agreement is committed towards the continuous professional development of employees, through internal training and coaching by outside sources. Heritage Malta's employees are entrusted with the noble mission of protecting our country's patrimony and it is crucial to provide them with benefits that ensure their contentment at the workplace.

In tandem with the collective agreement, an internal restructuring exercise was conducted during the year under review. The need for this new structure arose due to the Agency's growth, not only in terms of workforce size but also with the increase in the number of sites and collections managed by Heritage Malta, all hinged to the expectations of visitors and of the public. There have been considerable changes in the environment within which the Agency operates as well – due to the pandemic and to the competitive forces all around – giving rise to the need for the Agency to consolidate its operations and to restructure itself. Heritage Malta's restructuring exercise included, inter alia, the creation of new positions within its hierarchy, the establishment of new departments and the merging of others, as well as the implementation of the new concept of "experience development".

Undoubtedly, one of the most significant milestones for Heritage Malta in 2022 was the launch of its new brand identity, heralding the Agency's entry into a new era with the slogan 'Part of Us'. Far from simply a new look, rebranding exercise marked the beginning of a new chapter in Heritage Malta's story, where the Agency ventures into new areas while remaining loyal to its roots and mission. The Agency wants to shift away from the idea of the museum as a static showcase, and move towards dynamic, people-focused museology; ensure that design and interpretation are based on the needs, wants and expectations of the audience; the Agency wants its museums and sites to come alive with the creation and exchange of information and ideas. The Agency must continue to strengthen what was achieved so far thanks to the investment in technology, including the digitisation of and a management system for the National Collection, software for the management of human resources and other internal processes, and the best equipment for the Diagnostic Science Laboratories.

As previously mentioned, 2022 is still deemed a pandemic year, since normal operations only resumed in May, meaning that the Agency missed out on one of the busiest visitor periods. Despite this, the Agency's overall performance during the year in question has been very encouraging, with positive results across the board that augur well for 2023 and beyond, not just in terms of visitors and revenue but also as far as employee performance goes. Indeed, 2022 was brimming with projects and initiatives, a full events calendar and a very good public response as attested by the statistics published in this annual report. The public's engagement, both physically and online, was and still is utterly heartening.

Sustained by last year's promising result, by the product and the experience the Agency offers, as well as by tourism forecasts, the Directors all look forward optimistically to another fruitful year.

Financial allocation

The Agency finances its operations through revenues, mainly from admission fees to museums and sites, and also from a Government subvention. The net revenue generated from admission fees by the Agency in 2022 amounted to €6,045,328 (2021: €2,875,215).

A government subvention of €12,063,045 (2021: €12,141,594) was received to meet the Agency's administrative expenditure for the financial year ended 31 December 2022.

Directors' Report (continued)

Furthermore, an amount of €155,738 (2021: €361,693) is paid to Government as rent on various sites and premises occupied by Heritage Malta. Following the changes in the Cultural Heritage Act 2002, Heritage Malta is to enter into site entrustment agreements with the Department of Lands for the management of all the Museums and Historical sites under its remit. The Agency is to proceed with these agreements during the year 2023.

Further amounts were also allocated to Heritage Malta under Capital Vote XIV in the Government's financial estimates of 2022 covering the period from 1 January 2022 to 31 December 2022. These include €1,750,000 (2021: €1,876,063) relating to improvements at museums and historical sites under Vote 7033. Additional funds amounting to €7,780,000 (2021: 1,000,000) for the restoration of Grand Master's Palace under Vote 7965. Other funds were allocated for the acquisition of Maltese artwork, national monuments, restoration of Malta Maritime Museum and Underwater Cultural Heritage Unit.

The Agency's subsidiary, Heritage Malta Services Limited (C 31260), serves as its commercial arm for activities. Its main activities include the hiring out of venues for functions, promoting a patrons program and other day-to-day revenue generating operations. The net revenue generated through Heritage Malta Services Limited amounted to €800,763 (2021: €257,934).

The Agency's sub-subsidiary, DigiArc Limited (C 100261), which was incorporated on 02 December 2021 provides digitalisation and archaeological services. Revenue generated through DigiArc Limited amounted to €67,144.

Results

The Agency and the Group registered a surplus for the year of €858,962 (2021: deficit of €1,414,283) and €1,005,476 (2021: deficit of €1,358,215) respectively.

Capital works**Cottonera Region**

The implementation of the Cottonera Strategy, prepared by the Agency subsequent to the issuance of the vision for the area by the central government, is an ongoing process, with various actions currently underway and/or planned.

The restoration works on the back façade of the **Inquisitor's Palace** along Pope Alexander VII Street have now been completed except for the reconstruction of the open 17th century balcony, to be tackled in 2023. Other restoration works were carried in the interior of the palace, including refurbishment works to the toilet facilities at second floor level on the Pannellini Quarters. This was a minor but significant upgrade in the museum facilities, particularly since these are in proximity of the Cardinals' Hall, where most of the museum's educational and commercial events take place. Other works included removing old cement pointing and carrying out the necessary maintenance works on the flagstones at the foot of the main staircase. Conservation works spilled into the passageway leading to the kitchen area and the *Castellania* courtyard with cleaning, repointing and the necessary plastic repair of some of the walls after the removal of the temporary display exhibition boards. Both are expected continue next year.

Planning and design proposals are being prepared in order to improve the accessibility within the edifice, while a tender for the restoration of the interiors of the Palace is also currently being drafted. Steps forward were registered to improve the museum experience with a total reinstatement of the inquisitor's apartments, that would include improved events and visitor facilities and physical accessibility. Following the survey carried out in 2020 two options are being considered for an accessibility project including a lift. Further to this, a holistic plan for the general experience upgrade of the Inquisitor's Palace was presented through a project entitled '*Il Trattarsi Splendidamente* – a 15-point proposal for the Inquisitor's Palace to live up to its name'. The project of manufacturing a replica of the original furniture in the *Cancelleria* also continued. The works consisted of the manufacture of two of the larger wall cabinets, which shall be installed on site once the decorative scheme is completed.

Resources were also dedicated towards the upkeep of the **Birgu Armoury**, namely general cleans in view of hosting two events. Works also included implementing safety measures, tightening, and locking up apertures and replacing glass panes. It is evident that the building needs a thorough survey to stop further damages caused by water ingress and improve upon safety.

On the other hand, the project at the **Malta Maritime Museum**, saw the completion of the civil and restoration works part-funded through the EEA mechanism. The second phase of the project, which involves the implementation of a new masterplan and visitor experience, is now underway. The integrated design team engaged for this project is now completing the masterplan, in preparation for tenders to be issued in 2023. In the meantime, exploratory works are currently being planned to establish the work methodology to expose the original ditch running along the rear side of the building, in St Lawrence Street, which was backfilled in the 1950s. Subsequently the reconstruction of the arcaded terrace can proceed. Preparatory works are also underway to commence with the restoration of the internal fabric of the ground floor spaces and clock tower, that do not form part of the EEA project. The ongoing works on the restoration of all external apertures also registered further progress.

Directors' Report (continued)

At **Fort St Angelo** regular maintenance as per established maintenance schedules proceeded throughout the year, which included cleaning of archaeological pits and gutters, maintenance of roofs, keeping vegetation under control, scheduled maintenance of airconditioners, lifts, generator, fire fighting equipment and pest control system. Other works included repointing the external walls of Admiral's Hall, Administration Block, Officers' Lounge, Egmont Hall and Blondel Block, installation of a new lighting system and rain water gutter in the crypt, re-installation of uplighters at Parade Ground Kalkara side, replacement of waypoints lights around fort, and maintenance of the Egmont Hall stage. Various repainting works were concluded, including the Sick Bay vent and gate, the 1780s barrack diorama, the gunpowder magazine diorama and the St Angelo Battery sign near Egmont Hall, and water drains around Admiral's Hall, Administration, Blondel Residence and Officers' Lounge. Ferramolino's cavalier guns were also micro-blasted. Parts of the external architectural lighting circuits and fittings continued to be replaced due to their deterioration in such a severe exposed environment.

Valletta Region

The implementation of several initiatives forming part of the 2019 Valletta Vision that the Agency prepared for all its sites in Valletta are currently underway. Furthermore, the work of the manufacture and upkeep regional team continued with the regular maintenance of all sites and museums in the area, as well as the works required in the offices of the Ministry for Cultural Heritage, Arts and Local Government (MHAL).

At the **National Museum of Archaeology**, the drafting of a design brief for an international design competition for the entire museums and the architectural surveying of the entire complex, including annexed areas such as 138, 139 Melita Street and the properties on Cart Street, is complete. However, the publication of this call is pending the confirmation of a budget allocation for this project.

Works concerning **Underground Valletta** continued. These included the installation of all required infrastructure for the setting up of the audio-visual immersive visitor experience for 'WWII Experience: Shelter – Famine – Resistance'. The next phase of the project is to develop this experience further into a permanent installation.

A tender to engage an integrated design team for the complex at **Biagio steps** (presently the Fortress Interpretation Centre) to be transformed into an interpretation centre for Valletta has been drafted. However this is not yet published until funds are allocated to this project.

The design process for the visitor experience at the **Main Guard** continued with the selected integrated design team. Furthermore, the tender for the restoration of the building fabric was also finalised and is due for publication in early 2023.

Works at the **Grand Master's Palace**, the Agency's largest project ever undertaken, with an investment of circa €30M, €10M of which are co-financed via the ERDF funding mechanism, continued with a steady pace. These include:

1. the restoration of the external masonry fabric and structural repairs/waterproofing of the roofs,
2. the installation of the required services within the various areas,
3. the restoration of the interiors of the state rooms, focusing on the ornate timber soffits, fresco and decorated wall surfaces and the marble flooring.

Works are now progressing according to the established programme of works, with a number of staterooms now nearing handing-over stage. These include spaces earmarked to accommodate the Offices of the President, at second and third floor levels, partly overlying the main grand staircase. Restoration works in the Piano Nobile Corridor, *Uccelliera* and Armoury were completed. In the meantime, the restoration works of the decorated timber soffits, wall paintings/frescos and flooring (marble, flagstones, timber) in all staterooms also got underway, with works in the Ambassadors Chamber (Red Room) and Pages Room (Green Room) practically completed, and a number of other rooms nearing completion. Of particular note is the specialised operation undertaken by Agency's masonry restoration team in reinstating the recovered flagstone flooring in the Paladini Chapel. All such operations are supported by thorough extensive curatorial research and on-site documentation.

The works in most spaces has now moved into the final phase, with the installation of the active equipment and environmental control systems. This was followed by the installation of the fit-out future and showcases, manufacture of mounts, and the actual fit-out and placing of the thousands of artefacts in the Armoury area which are due for completion in early 2023. In the meantime, the interpretative elements, consisting of graphic panels and audio-visual installations are currently being finalized. The restoration of the timber apertures in all areas have also continued at a steady pace. During the year works were impacted to prepare the site for the general election (March), the visit of Pope Francis (April), the state visit by the President of Croatia (July) and the Arraiolos Heads of State meeting (October), apart from the celebration related to Republic Day (December).

Directors' Report (continued)

The continuous maintenance/restoration and upgrading of the structures at **Fort St Elmo** continued. Works included re-pointing of several structures, cleaning and maintenance of roofs, and vegetation control. Scheduled maintenance was conducted on lifts, water pumps and air-conditioning units. Other works comprised maintenance of the cavalier lighthouse base, of Abercrombie casemates' facade and roof, parade ground verandahs and arches, re-pointing of Abercrombie QF left battery stone bases, the installation of a locker for tourist bags, maintenance of No.1 and No.2 museum blocks' apertures, and repainting of Abercrombie QF left and centre Battery railing. Works also continued in the upper level of the Cavalier, including the manufacture of the furniture for the former 'Firing Command' station.

Snagging and maintenance works are ongoing in **MUZA**. Furthermore, the restoration of the fabric of the former Jobs Plus offices, located under the Camerone area, with access from Zachary Street and linked via a staircase to the ground floor level, are now complete and design of the services and finished for the area has commenced. In the meantime, works are also underway for the upgrade of areas of the permanent display and ancillary areas. Works were also carried out in the conservation 'drying area' which included electrical installations, HVAC related works and carpentry.

The working committee set up for the management of works at **Villa Guardamangia** proceeded with its preparatory work for an ERDF proposal for the restoration and rehabilitation of the site, and the implementation of an engaging visitor experience. A Cost Benefit Analysis on the project was carried out. A GPR survey for the entire site was completed and underground features identified. A team of conservators have completed the investigative works on the uncovered painted wall decorations on the internal walls. Part of the facade was structurally consolidated through an inhouse emergency intervention. Another intervention carried out this year involved the removal and proper disposal of all asbestos material found in the building – a laborious operation. In the meantime, the tender drafting for the restoration of the villa is at an advanced stage.

Good progress was registered at **Villa Frere gardens**. Works in 2022 were mainly focused on the restoration of Villa Hay, with two roofs reconstructed, *deffun* re-laid, balusters reinstated, and all external apertures restored. Pointing on localised areas was also initiated. Apart from the reconstructing of the roofs, all other works mentioned were carried out by volunteers with support from Heritage Malta and public donations. The rebuilding of the partially collapsed garden wall with a neighbouring property was almost completed too. Works also commenced on the damaged loggia of the cottage. The *deffun* finish of the Sunken Garden as well as various stormwater channels in front of Villa Hay were also reserviced in order to maximise of rainwater falling into one of the estate's largest reservoirs beneath the building.

South Region

The **Ghar Dalam Park** working group continued with its work to further develop the project in view of lodging an ERDF project proposal for the 2021-27 period for the implementation of the master plan [and interpretation strategy] for all the sites managed by the Agency in the Wied Dalam area. The design for the new visitor centre for the park is at an advanced stage and a development permit for the restoration of rubble walls and fencing around Ta' Kaccatura archaeological site has been issued. A topographic survey was carried out on the new land which has been acquired by Heritage Malta in the Borg in-Nadur area. A Cost Benefit Analysis on this project has also been completed as part of the preparatory work required for the submission of an ERDF application. In line with the memorandum of understanding signed with PARKS Malta, invasive and alien plants and trees were removed both from Wied Dalam and Borg in-Nadur. Further landscaping works were carried out on the side of the valley, consisting mainly in the reconstruction of dry-stone rubble walls. Several trees and shrubs were planted in the area to improve the natural habitat and prevent soil erosion.

Rock-movement monitoring equipment was installed inside the cave. This equipment, including data loggers, were supplied and serviced by a third-party contractor. The atmospheric data loggers continued to collect data within the cave system. Unfortunately, six months of valuable data was lost due to two power cuts. The clearing of alien/invasive species continued. Trees and bushes were pruned, and a general clean-up was carried out in all the soft area and around the *Gnien Dinja Wahda*, including the curt ruts.

As part of the yearly maintenance of the **Hagar Qim and Mnajdra archaeological park**, some of the rubble walls near the pathway between Hagar Qim and Mnajdra were repaired. As one of the areas in the Maltese islands where the night sky can still be observed, efforts are being made to diminish the spillage of security lights across the park. With this in mind, security lights at both Hagar Qim and Mnajdra were fitted with barndoors to reduce light pollution in this landscape, while still providing adequate lighting for security purposes. Barndoors will also be fitted to security lights around the perimeter of the visitor centre in 2023. A risk assessment of the park was also carried out. New window UV stickers replaced the old ones at the visitor centre as part of the measures to reduce carbon footprint. Directional and informational signage throughout the park was updated and/or replaced as necessary.

Directors' Report (continued)

Internal discussions were held towards identifying a way forward for the long-term maintenance of the protective shelters over Hagar Qim and Mnajdra and with regards to the management of the parking area of the park. Several concerns have been raised with regards night-time use of the parking area, which would benefit if closed to the public at night. Another matter of concern is the development application for the rebuilding of the Hagar Qim restaurant adjacent to Agency's property, that has been presented to the authorities with the assumption that the Park's parking area will be used for a private use. Heritage Malta has objected to this application, also because of the environmental impacts it will have on the park, as well as the impact on views and vistas from Hagar Qim.

The tender for the reconstruction of the pathway between Hagar Qim and Mnajdra and the replacement of security huts at both sites was published. It was awarded and the project kicked off in September. Following discussions with the Superintendence of Cultural Heritage, works on site commenced in November and are being monitored by curatorial staff. Work will involve the building of a temporary walkway and replacement of the pathway in stages, in order to maintain access to both megalithic sites at all times. This new pathway will be wider than the existing one providing access to emergency vehicles to Mnajdra should the need arise. The project will be concluded in 2023.

Maintenance of the protective shelter at **Tarxien Megalithic Complex** was carried out by the contractor, this being part of the 10-year plan and relative guarantees included with the original works contract. Regular maintenance by the responsible contractor was also conducted on the environmental monitoring system together with quarterly checks. Such environmental data is important when assessing protective shelter performance and future site management. Regular site upkeep such as walkway repairs and the removal of invasive species from the site was also conducted. The regular grass cutting this year was timed to lessen the impact on local bee populations. The drip irrigation that was installed in 2021 has proven fruitful with the indigenous plants planted having thrived. This adds to the visitor experience, and further works in these regards are planned, with meetings having been held to incorporate an area of the complex into one of the *Gnien Dinja Wahda* locations. A risk assessment was conducted this year, with actions on risks identified during this exercise currently being undertaken. Monitoring of faunal activity in the area of the site continued throughout the year with measures being taken to curb the impact of such activity. The tender for the reconstruction of the perimeter walls was issued and awarded with works due to commence in early 2023. To further improve visitor experience, a new Wi-Fi network was installed within the site for use by visitors, this enables stronger Wi-Fi connectivity within the complex than previously possible. Furthermore, an agreement was signed with the Ministry for Tourism to allocate funds to the Agency for the rehabilitation of the semi-circular open space in *Triq it-Tempji Neolitici*, along the perimeter wall of the site and close to the current entrance to the visitor centre.

Work at the **Hal Saflieni Hypogeum** mainly included the pedestrianisation of *Triq ic-Cimiterju*, which was all paved with local hardstone, creating an ambience which is more befit to a UNESCO World Heritage Site. The project, unexpectedly, also required the replacement of all underground services, running along this stretch of the road. The final phases of the project shall involve the installation of street furniture, including planters and benches. A new maintenance agreement for the maintenance of the BMS for the HVAC system was concluded and started being implemented. The Department continued to gather data on the environmental parameters logged by the HVAC system four times a day. This complements the automated environmental data collection of the bespoke installed environmental system within the site. Anti-slip strips were installed within the Hypogeum as part of the necessary actions identified through the risk assessment of the site. Regular maintenance together with new procedures were instituted to help keep audio-visual downtime to a minimum. A change in the ticketing system was also implemented to ensure a smoother customer ticket-buying experience.

Regular grass cutting and cleaning was conducted at **Kordin III** throughout the year as part of the site's upkeep. This year Kordin saw the introduction of electricity. This installation will enable Heritage Malta to introduce security cameras next year to ensure the safety of the site, to act as a deterrent to vandals and to record what happens on-site in case any damage or vandalism is sustained by the site since the site does not have permanent security.

Considerable works were carried out at **Fort Delimara** during the period under review, including the cleaning of communication passage, parade ground, and of No. 2 BL gun embrasure, extension of the lighting system in casemates passage and communication passage, the installation of a water sink and shelving in the detention room, the installation of gutter cover on bridge, new covers for runoff water hatches, and new wooden apertures for the CCTV room. The keystone of the main gate was repaired, while the wall blocking access to the guns tunnel and the farm walls in guard room were removed. Measures were also taken to replace the security system around the Fort. Preparations are underway for the installation of a new CCTV system. Furthermore, the site was equipped with relevant safety signs throughout, and dangerous areas cordoned off. A limited pest control system was also installed on site. Following the required applications to the Superintendence of Cultural Heritage, the removal of non-historic structures within the fort commences, mainly those in use when the site was utilized as a pig farm. These included the removal of modern first floor room at parade ground, and the removal of pig stalls and manure in casemates tunnel. The cleaning of the Fort's ditch in collaboration with Parks Malta is underway. Security around the ditch was augmented by the purchase of several concrete barriers to prevent illegal dumping. The site suffered no intrusions or vandalism during the period under review. However, the police reports lodged in 2020 are still open and unsolved.

Directors' Report (continued)

The design for the walkways and new visitor centre at **Tas-Silg** has been developed further through discussions held with the Superintendence for Cultural Heritage after the completion of a detailed topographical and archaeological survey. The new proposal is taking into consideration the possible deviation of the road, which is currently dividing the site, as has been envisaged through the Marsaxlokk Bay Local Plan. The planning and implementation of the alternative route shall be undertaken by the Superintendence of Cultural Heritage and Infrastructure Malta. The works required on this site will be forming part of the ERDF application being planned for the Ghar Dalam Park.

North Region

The project at **San Pawl Milqi** continued with the design of the first phases of the implementation of the management plan. In January a small trial pit was excavated on the rear of the chapel in preparation for the relocation of an existing electricity pole. This needs to be relocated to remove most of the cable brackets causing damage to the chapel's fabric. An air conditioner was installed in the chapel's sacristy to alleviate the hot temperatures endured by the security personnel on site during summer.

Works at the **Domus Romana** mainly focused on maintaining the site and upgrade the waterproofing system and the water run-off management system from the roofs. The studies and design to reinstate the skylight over the peristyle have continued and the process is now in design stage. Due to works carried out by Infrastructure Malta on a new pavement along the facade and side of the site, level changes brought about by said works created situations which could lead to interior flooding when it rains. Such anomalies were addressed in liaison with Infrastructure Malta in February. The repainting of most of the apertures was completed in March, except for the new large door leading to the outdoor ruins. Further repainting works focused on the ceiling of the corridor surrounding the peristyle, both sides of the door leading to the bathrooms, and the wall facing the back of the reception area in June.

The works at the **Ta' Bistra Catacombs** were mainly focused on the maintenance of the site and the installation of a skylight to solve some third-party issues. Some mature olive trees that had to be moved from Floriana in view of the Oliver Friggieri monument were planted in the field. Birdlife has committed planting the indigenous *Pistacia lentiscus* (lentisk) tree along the passage, to be irrigated from purposely-installed water tanks together with other trees planted in the field, including twelve *Ceratonia siliqua* (carob) trees and six *Fraxinus* (ash) trees. The debris from under the quarry was also cleared.

Work continued at the **National Museum of Natural History**. In summer a private contractor was entrusted with the restoration works of the entire open area above the Mdina Dungeons Courtyard. All walls were pointed, and weathered stones were replaced.

A small room in a secondary courtyard behind the curatorial office was identified as the best location to host the IT cabinet for the new Mdina Lighting System. As compensation for providing the space, Infrastructure Malta replaced the floor of said courtyard, cleaned and pointed the walls up to the first floor, and installed four new doors. They also cleared all the accumulated material from site.

Another initiative was the restoration of the main door by carpenters of the Government Garage. Once all the paint was stripped, it became apparent that a new frame and panels were required. The ornate wood was removed and treated separately. In January the door was removed from its hinges and stored under two marques in the courtyard. In the meantime, a replacement gate was setup. The new door was installed in place in June.

Other works included the restoration of three doors and one window in the main courtyard, the installation of aluminium doors in the collection's corridors on the first and second floor, providing added security to the collections and assisting to maintain a stable temperature, and the coating with liquid membrane of the former Cactus Garden area and adjacent roof, together with the entire area above the inner courtyard. The palm and olive trees in the main courtyard were also pruned. Currently a maintenance plan is being prepared to complete the structural repairs required to the beams and 'xoroK' roof of the corridor around the main courtyard (upper level) as well as continuation of the restoration works of the parapet walls and other structures at roof level.

Abbatija tad-Dejr was part of the HSBC voluntary scheme where volunteers cleared loads of garbage from the area. The amount of discarded waste demonstrates that a national effort to raise awareness about Abbatija tad-Dejr and the environment is still required. The Community Garden concept which started in 2020 continued successfully, with new contracts signed for a two-year period. Not only was the tenant's produce a success, but the allotment also gave them the opportunity to make new friends with similar allotment holders and the neighbours who live in the vicinity. The neighbours' comments were positive and acknowledged the hard work in order to bring the area to a lively clean space.

Works at **St Paul's Catacombs** mainly focused on the maintenance of the site, mostly a complete maintenance programme on the underground walkways, as well as the restoration of the site's boundary walls and entrance chambers into the catacombs. On the other hand, the design of the upgrade of the permanent display to include the recovered sarcophagus is entering its final phase.

Directors' Report (continued)

The environmental management of the **Bidnija Olive Grove** continued throughout the year through the trimming of grass to prevent fire hazards and the implementation of the maintenance management with the assistance of *Ambjent Malta*, in line with ERA. Following the approval of the planning application for the restoration of the rubble walls on this site, the tender documents are being compiled by *Ambjent Malta*. Works will include repairs to all the rubble walls, the removal of reeds, cleaning and repairs of the *qanat* and the installation of an irrigation system. Besides receiving routine pest control, cleaning, and pruning, the **Salini Catacombs** benefited from the creation of a 360-degree digital tour which will eventually be uploaded on Agency's website, thus making this catacomb complex accessible to a wider audience.

Gozo Region

In February a tender for twenty new display cases at the **Ggantija Interpretation Centre** was awarded to Fibula Museum Showcases based in Turkey. The manufacture of the new showcases started in October and are expected to be delivered and installed early next year.

In January, telecommunication services and related equipment in the reception area of the **Gozo Nature Museum** were moved to the server room on the first floor. The apertures of the small windows on the ground floor overlooking the garden area were maintained, and mosquito nets installed to improve air circulation. The water culvert running along the museum's east-facing wall in the garden was cleaned of accumulated debris during summer. The water-proofing membrane was given its yearly maintenance before autumn. Loose stonework in the side walls of the stairs leading up to the first floor was fixed and pointed as necessary.

External signage at the **Old Prison** was repainted in March. A number of dead cables which had been hanging down in the courtyard of the Old Prison were removed. Maintenance works were carried out on the main door's eroded step while the same door's chassis was plastered anew. Further plastering and pointing was done to the well-head found in one of the external corridors.

At the **Gran Castello Historic House**, general upkeep of the building fabric and the garden was continuous throughout the year. In March, a CCTV camera was installed in the garden area for monitoring purposes, following several instances of illegal dumping of waste in the garden by unknown individuals. No further issues have been reported since. The outdoor benches in the same site were given basic maintenance before summer.

The staff room at the **Gozo Museum of Archaeology** was repainted. The external side door facing east and overlooking the steps leading up to St Michael's Bastion has to be replaced because the timber is in poor condition. The original fittings of the locks will be fixed onto the new door. Works are still in progress. The museum shop area was enhanced with the addition of another slat wall. This allowed a more diverse selection of merchandise. The water-proofing membrane was given its yearly maintenance. During October and November, maintenance works were carried out on the wooden apertures of the store room on the topmost floor, some external apertures on the first floor and iron grilles on the façade.

At **Ta' Kola Windmill**, the vanes and cone superstructure underwent routine maintenance work. The doors in the central tower leading to the rooftop also underwent maintenance. Re-routing of sewage drains took place in the last quarter of the year, in preparation for the upgrading of restrooms planned for 2023.

The Agency is still liaising with the Ministry for Gozo for the establishment of a **Gozo Museum** which shall be operated by the Agency. This project is funded through national funds. Representatives of Heritage Malta monitor the site works and procurement processes, and provide all information for the interpretation. The civil works on site are now nearing completion and finishes are due to commence. However, this year was characterized by a throughout cost-cutting exercise, in particular for the finishes and fit-out phases for the project, due to the evolving unstable international situation.

National Monuments

Following the testing and consolidation phase of the **Memorial Bell** monument in the Grand Harbour, the final phase of the procurement process is underway to execute the intervention to consolidate the structure.

The site preparations for the monument to be erected in honour of Prof **Oliver Friggieri** have commenced earlier this year through the uprooting of trees. A call for tender has been issued for the required civil and landscaping works with the contract to be awarded in the first weeks of 2023.

Directors' Report (continued)**EU CO-FUNDED PROJECTS**

The works on the €10m **ERDF 05.016 – The Grand Master's Palace Regeneration Project**, proceeded steadily during 2021. The restoration works in the Piano Nobile corridors and *Uccelliera* are completed. Restoration works in the other areas, including the Casa del Monte, *Orangerie* and Armoury are also at an advanced stage. In the meantime, the works now moved into the finishes phase. Works have also progressed significantly on the elements forming part of the interpretation and display, as well as the audio-visuais. Works are due for completion in the first half of 2023.

The CT3029/19 civil works tender forming part of the **'The Malta Maritime Museum: local development through cultural heritage' are now completed**. These include the vaults in the silo area, which were reconstructed to what it was in 1842 and according to traditional methods, the replica of the 1842 staircase (instead of the 1990s staircase), the hanging steel structures in the large silo area, as well as the works in the internal courtyard, ancillary storage areas and boat restoration and storage facility (at two levels). Two doorways above the courtyard were reconstructed from photographic evidence in the museum archive. At second floor level over 82 laminated wooden beams were installed along with stone slabs (*xorok*). The deterioration in the original ceiling was so advanced that over 75% of the beams and stone slabs were replaced. This area was finished off with the laying of stone flooring, which re-constituted the floor space in existence in 1842. A number of EEA official visits were hosted at the museum. This culminated in an official three-day visit from the Stavanger Maritime Museum, which ended with a themed lunch dedicated to Malta-Norway connections through the ages.

As for the digitization aspect of the project, this is now an established department. All staff had been employed and engaged and all the main equipment procured, including the Collections Management System. The unit has offices both in Heritage Malta Head Office and at the museum on site.

Two bilateral visits between Malta and Norway were organised. Between 20 and 24 June, a delegation from Heritage Malta visited Stavanger in Norway where they met representatives from MUST - Museums Stavanger and the Stavanger Maritime Museum. Between 17 and 21 October the Norwegian team visited Malta as Heritage Malta guests. During these bilateral visits, apart from the opportunity to visit the museums and sites, a lot of discussion time was dedicated to the collections management system, digitisation techniques, and challenges related to audiences and visitor engagement. These networking and knowledge sharing opportunities were very useful and highly appreciated by both parties. Both sides agreed that efforts to continue this collaboration would be rewarding to all involved.

Directors' Report (continued)

Table 1: School visits statistics

Museum/Site	Number of Participants
Ghar Dalam	829
Hagar Qim Temples	1,708
Mnajdra Temples	864
Tarxien Temples	202
Inquisitor's Palace	801
Fort St Angelo	757
Malta Maritime Museum	-
National Museum of Archaeology	500
Fortress Building	-
MUZA	495
Palace Armoury	107
State Rooms	-
Fort St. Elmo	568
St Paul's Catacombs	93
National Museum of Natural History	1,290
Domus Romana	676
Gozo Folklore Museum	60
Ggantija Temples	744
Gozo Museums of Archaeology	205
Gozo Nature Museum	264
Ta Kola Windmill Gozo	238
The Old Prison Gozo	388
Small Sites	61
Total	10,850

Table 2: Admission statistics

Museum/Site	Paying visitors
Abbatija Tad Dejr	
Ghar Dalam Cave & Museum	27,526
Hagar Qim Temples	101,162
Mnajdra Temples	77,612
Malta Maritime Museum	-
Fort St Angelo	46,121
Inquisitor's Palace	31,084
Hal Saflieni Hypogeum	25,111
Tarxien Temples	42,873
Domus Romana	24,842
National Museum of Natural History	22,096
St Paul's Catacombs	99,250
National Museums of Archaeology	68,350
Fort St Elmo	95,276
Fortress Building	154
MUZA	30,308
Palace Armoury	13,849
Palace State Rooms	-
Ta' Hagrat Temple	2,658
Skorba Temples	2,307
Ta' Bistra Catacombs	318
Gran Castello History House	20,993
Gozo Museum of Archaeology	25,192
Gozo Nature Museum	17,983
Ta' Kola Windmill Gozo	17,601
Ggantija Temples	117,571
The Old Prison Gozo	34,197
Tas Silg	113
Valletta Underground	5,973
Borg in-Nadur	4,591
Total	955,111

Directors' Report (continued)

Table 3: Students Passport scheme statistics

Museum/Site	Number of Participants
Ghar Dalam	2,216
Hagar Qim Temples	1,612
Mnajdra Temples	1,521
Malta Maritime Museum	-
Fort St Angelo	1,359
Inquisitor's Palace	858
Cittadella	984
Tarxien Temples	678
Domus Romana	1,445
National Museum of Natural History	2,360
St Paul's Catacombs	1,075
National Museums of Archaeology	1,562
Fort St Elmo	1,181
Fortress Building	-
MUZA	1,117
Palace Armoury	369
Palace State Rooms	-
Ta' Hagra Temple	283
Skorba Temples	295
Ta' Bistra Catacombs	-
Gran Castello History House	1,078
Gozo Museum of Archaeology	1,395
Gozo Nature Museum	1,216
Ta' Kola Windmill Gozo	1,074
Ggantija Temples	2,061
The Old Prison Gozo	1,668
Borg in-Nadur	531
Total	27,938

Table 4: Senior Passport scheme statistics

Museum/Site	Number of Participants
Ghar Dalam Cave & Museum	437
Hagar Qim Temples	348
Mnajdra Temples	308
Malta Maritime Museum	-
Fort St Angelo	396
Inquisitor's Palace	279
Cittadella	335
Tarxien Temples	147
Domus Romana	365
National Museum of Natural History	480
St Paul's Catacombs	232
National Museums of Archaeology	464
Fort St Elmo	429
Fortress Building	-
MUZA	672
Palace Armoury	150
Palace State Rooms	-
Ta' Hagra Temple	46
Skorba Temples	35
Gran Castello History House	247
Gozo Museum of Archaeology	334
Gozo Nature Museum	228
Ta' Kola Windmill Gozo	279
Ggantija Temples	533
The Old Prison Gozo	377
Borg in-Nadur	135
Total	7,256

Directors' Report (continued)**Directors**

The following are the details of individuals who have served as Directors of the Agency during the year under review and up to date of authorisation of these financial statements:

Mr. Mario Cutajar - Chairman		appointed as Chairman on 13 June 2022
Mr. Anthony Scicluna - Deputy Chairman	-	resigned as Chairman on 12 June 2022 and appointed as Deputy Chairman on 13 June 2022
Dr. Graham Busuttil - Vice-Chairman	-	resigned on 12 June 2022
Ms. Antoinette Caruana	-	appointed on 13 June 2022
Mr. Jorge Grech	-	appointed on 13 June 2022
Mr. Charles Hili	-	appointed on 13 June 2022
Mr. Demi Agius	-	appointed on 28 July 2022
Prof. Joann Cassar		
Ms. Leanne Abela Grech		
Mr. Etienne Schembri	-	appointed on 03 October 2022
Mr. Ayrton Mifsud	-	resigned on 12 June 2022
Mr. Roderick Portelli	-	resigned on 12 June 2022
Dr. Gerald Montanaro Gauci	-	resigned on 12 June 2022
Mr. Stephen Sultana	-	resigned on 12 June 2022

In accordance with the Cultural Heritage Act, 2002, the Directors are appointed for such term and under such terms and conditions as the responsible Minister may deem proper, and they are eligible for re-appointment.

Secretary

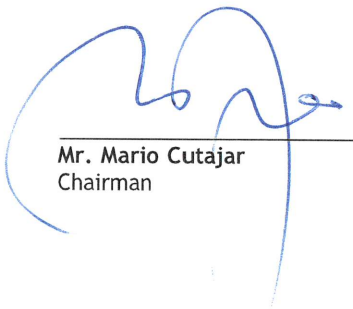
The following are the details of individual who has served as the Secretary to the Board of Directors:

Ms. Michelle Delceppo

Auditors

Capstone Assurance Ltd, Registered Auditors, have expressed their willingness to continue in office.

Approved by the Board on 26 April 2023.



Mr. Mario Cutajar
Chairman



Mr. Anthony Scicluna
Deputy Chairman

Registered address:

Heritage Malta Head Office,
Ex Royal Naval Hospital, Marine Street,
Kalkara, KRR 1524,
Malta

Statement of Directors' Responsibilities

The Directors' of the Agency are required by the Cultural Heritage Act, 2002 to prepare the annual financial statements which give a true and fair view of the state of affairs of the Group and the Agency at the end of each financial period and of its profit or loss for that period. In preparation of the annual financial statements, the Directors' are required to:

- Select and apply appropriate accounting policies;
- Make judgments and estimates that are reasonable and prudent;
- Comply with International Financial Reporting Standards as adopted by the EU; and
- Prepare the annual financial statements on a going concern basis unless it is inappropriate to presume that the Agency will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency and to enable them to ensure that the financial statements comply with the Cultural Heritage Act, 2002. The Directors are also responsible for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Agency are being properly safeguarded and that fraud and other irregularities will be prevented or detected.

The financial statements of Heritage Malta for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and may be available in soft copy on the Heritage Malta's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Agency's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Income and Expenditure Accounts

	Notes	Consolidated		Agency	
		2022 €	2021 €	2022 €	2021 €
Subvention from consolidated fund for recurrent expenditure	4	12,063,045	12,141,594	12,063,045	12,141,594
Income from operations	5	8,449,385	4,044,001	7,593,946	3,786,067
Funds available for recurrent expenditure		20,512,430	16,185,595	19,656,991	15,927,661
Staff costs	6	10,136,830	(9,767,208)	(9,893,215)	(9,688,617)
Other recurrent operational expenditure		(8,782,475)	(6,984,028)	(8,548,359)	(6,939,412)
Recurrent administrative expenditure		(374,564)	(665,056)	(226,985)	(617,379)
Finance costs	7	(129,470)	(97,952)	(129,470)	(97,952)
Finance income	7	-	1,416	-	1,416
Surplus/(deficit) before taxation	8	1,089,091	(1,327,233)	858,962	(1,414,283)
Taxation	9	(83,615)	(30,982)	-	-
Surplus/(deficit) for the financial year		1,005,476	(1,358,215)	858,962	(1,414,283)

There were no transactions to be reported as 'Other Comprehensive Income' during the year.

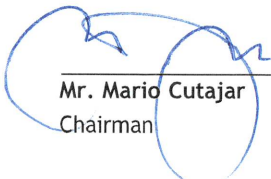
The notes on pages 17 to 41 form an integral part of these financial statements.

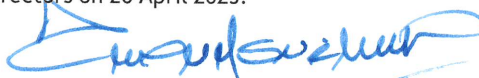
Statement of Financial Position

	Note	Consolidated		Agency	
		2022	2021	2022	2021
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	10	39,792,081	25,884,629	39,717,864	25,803,598
Intangible assets		30,817	-	30,817	-
Investment in subsidiary	11	-	-	4,959	4,959
Total non-current assets		39,822,898	25,884,629	39,753,640	25,808,557
Current assets					
Inventories	12	608,384	641,951	608,384	641,951
Trade and other receivables	13	1,068,029	2,062,506	863,869	1,951,613
Current tax receivable		1,486	1,486	-	-
Cash and cash equivalents	14	4,496,626	2,939,136	3,897,260	2,567,774
Total current assets		6,174,525	5,645,079	5,369,513	5,161,338
TOTAL ASSETS		45,997,423	31,529,708	45,123,153	30,969,895
RESERVES AND LIABILITIES					
Reserves					
Capital vote		28,634,610	18,758,615	28,634,610	18,758,615
Recurrent vote and operating activities		1,647,438	(277,774)	1,103,986	(675,012)
Total reserves		30,282,048	18,480,841	29,738,596	18,083,603
Liabilities					
Non-current liabilities					
Deferred income	16	9,272,827	6,560,219	9,272,827	6,560,219
Lease liability	17	686,478	919,819	686,478	919,819
Specific endowment funds	18	685,764	881,827	685,764	881,827
Total non-current liabilities		10,645,069	8,361,865	10,645,069	8,361,865
Current liabilities					
Lease liability	17	243,928	202,257	243,928	202,257
Provisions	19	586,992	1,187,294	586,992	1,187,294
Specific endowment funds	18	144,215	66,081	144,215	66,081
Current tax payable		31,443	5,619	-	-
Trade and other payables	20	4,063,728	3,225,751	3,764,353	3,068,795
Total current liabilities		5,070,306	4,687,002	4,739,488	4,524,427
Total liabilities		15,715,375	13,048,867	15,384,557	12,886,292
TOTAL EQUITY AND LIABILITIES		45,997,423	31,529,708	45,123,153	30,969,895

The notes on pages 17 to 41 are an integral part of these financial statements.

These financial statements on pages 13 to 41 were approved by the Board of Directors on 26 April 2023:


 Mr. Mario Cutajar
 Chairman


 Mr. Anthony Scicluna
 Deputy Chairman

Statement of Changes in Equity

	Capital vote	Recurrent vote and operating activities	Agency Accumulated fund
	€	€	€
Balance as at 01 January 2021	16,905,356	(70,281)	16,835,075
Deficit for the year	-	(1,414,283)	(1,414,283)
Capital subvention for the year (note 15)	2,662,811	-	2,662,811
Transfer of depreciation to capital vote	(809,552)	809,552	-
Balance as at 31 December 2021	18,758,615	(675,012)	18,083,603
Balance as at 01 January 2022	18,758,615	(675,012)	18,083,603
Surplus for the year	-	858,962	858,962
Capital subvention for the year (note 15)	10,796,031	-	10,796,031
Transfer of depreciation to capital vote	(920,036)	920,036	-
Balance as at 31 December 2022	28,634,610	1,103,986	29,738,596

	Capital vote	Recurrent vote and operating activities	Consolidated Accumulated fund
	€	€	€
Balance as at 01 January 2021	16,905,356	270,589	17,175,945
Deficit for the year	-	(1,358,215)	(1,358,215)
Capital subvention for the year (note 15)	2,662,811	-	2,662,811
Transfer of depreciation to capital vote	(809,552)	809,552	-
Balance as at 31 December 2021	18,758,615	(277,774)	18,480,841
Balance as at 01 January 2022	18,758,615	(277,774)	18,480,841
Surplus for the year	-	1,005,476	1,005,476
Capital subvention for the year (note 15)	10,796,031	-	10,796,031
Transfer of depreciation to capital vote	(920,036)	920,036	-
Balance as at 31 December 2022	28,634,610	1,647,438	30,282,048

The notes on pages 17 to 41 form an integral part of these financial statements.

Statement of Cash Flows

	Note	Consolidated		Agency	
		2022	2021	2022	2021
		€	€	€	€
Cash flows from operating activities:					
Surplus/(deficit) for the year before taxation		1,089,091	(1,327,233)	858,962	(1,414,283)
Adjustments for:					
Depreciation		1,496,170	1,353,063	1,473,791	1,340,316
Amortisation		10,272	-	10,272	-
Interest income		-	(1,416)	-	(1,416)
Interest expense		59,728	53,344	59,728	53,344
Provisions		(600,302)	70,000	(600,302)	70,000
Surplus from operations		2,054,959	147,758	1,802,451	47,961
Change in inventories		33,567	21,446	33,567	21,446
Change in trade and other receivables		994,477	1,194,396	1,087,744	1,156,736
Change in trade and other payables		837,977	(2,213,459)	695,558	(2,205,207)
Income tax paid		(58,091)	(41,195)	-	-
Net cash flows from/(used in) operating activities		3,862,889	(891,054)	3,619,320	(979,064)
Cash flows from investing activities:					
Additions to property, plant and equipment		(15,403,622)	(5,135,757)	(15,388,057)	(5,062,823)
Additions to intangible assets		(41,089)	-	(41,089)	-
Interests received		-	1,416	-	1,416
Acquisition of subsidiary		-	(1,200)	-	-
Net cash flows used in investing activities		(15,444,711)	(5,135,541)	(15,429,146)	(5,061,407)
Cash flows from financing activities:					
Capital subvention from government		10,796,031	2,662,940	10,796,031	2,662,940
Specific endowment funds		(117,929)	(40,667)	(117,929)	(40,667)
Lease liability repayments		(251,398)	(380,490)	(251,398)	(380,490)
ERDF/EEA and Norway grants		2,712,608	2,063,218	2,712,608	2,063,218
Net cash flows from financing activities		13,139,312	4,305,001	13,139,312	4,305,001
Net cash from/(used in) during the year		1,557,490	(1,721,594)	1,329,486	(1,735,470)
Cash and cash equivalents at beginning of year		2,939,136	4,660,730	2,567,774	4,303,244
Cash and cash equivalents at end of year	14	4,496,626	2,939,136	3,897,260	2,567,774

The notes on pages 17 to 41 form an integral part of these financial statements.

Notes to the Financial Statements**1 General information**

Heritage Malta is the national agency of the Government of Malta. It was set up in 2002 under the provisions of the Cultural Heritage Act, 2002 and entrusted with the management of national museums and heritage sites and their collections in Malta and Gozo - including seven UNESCO World Heritage sites. The Agency is responsible for ensuring that those elements of cultural heritage entrusted to it are protected and made accessible to the public as well as conserving and restoring cultural property within its portfolio. It also provides training in conservation, education, research and consultation. It strives to create public awareness through displays, exhibition, thematic events, public relations and other initiatives.

2 Basis of preparation**2.1 Basis of measurement**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

2.2 Statement of compliance

The financial statements of the Agency and the consolidated financial statements of the Group have been prepared and presented in accordance with the requirements of the International Financial Reporting Standards as adopted by the EU and Cultural Heritage Act, 2002.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Euro (€), which is the Agency's and the Group's functional currency.

2.4 Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.4.1 Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Notes 19, 21: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 3.10: measurement of expected credit losses (ECL) allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate;

2.5 Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Notes to the Financial Statements (continued)

2 Basis of preparation (continued)

2.5 Standards, interpretations and amendments to published standards effective in (continued)

2.5.1 Amendments to IFRS 3 - Reference to the conceptual framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

2.5.2 Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

2.5.3 Amendments to IAS 37 Onerous Contracts - Cost of fulfilling a contract

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2.5.4 Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year.

IFRS 1 First-time adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

Notes to the Financial Statements (continued)

2 Basis of preparation (continued)

2.6 Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

- Amendments to IAS 1 - Classification of liabilities as current or non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies
- Amendments to IAS 8 - Definition of accounting estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3 Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Agency and entities controlled by the Agency (its subsidiaries) made up to 31 December 2022 each year. Control is achieved when the Agency:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Agency reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Agency has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Agency considers all relevant facts and circumstances in assessing whether or not the Agency's voting rights in an investee are sufficient to give it power, including:

- The size of the Agency's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Agency, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Agency has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Agency obtains control over the subsidiary and ceases when the Agency loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Agency gains control until the date when the Agency ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Agency's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Agency are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Agency's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Agency and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Agency's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Agency's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Agency loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Agency had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Agency, liabilities incurred by the Agency to the former owners of the acquiree and the equity interest issued by the Agency in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Agency entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below)
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Agency in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.2 Business combinations (continued)**

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Agency's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Agency reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.3 Revenue recognition

Revenue arises mainly from its principal activities which are the management of national museums, heritage sites and their collections in Malta and Gozo, to promote and support conservation, restoration, administration, marketing, presentation or study of any particular part of cultural heritage, to organise and conduct training programmes and to hire out venues for corporate entertainment.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with customer
2. Identifying the performance obligation
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into transactions with parties for the admission fees, sales of merchandise, sales of Heraldic Arms through the Office of the Chief Herald of Malta, rental of venues, organisation of events such as dinners and corporate events inclusive of food and beverage as required and also sale of food and beverage items from its various sites. The performance obligation is identified in each service provided to the customer and is satisfied upon completion of the service being promised or goods delivered. The price is agreed with the customer prior to initiation of the service and is allocated to the performance obligation accordingly. Prices are based on established amounts for such services. Transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is generally recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

3.3.1 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.4 Property, plant and equipment

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

Infrastructural improvements	20 years
Plant and equipment	3-10 years
Computer, hardware and office equipment	4-8 years
Furniture and fixtures	8-10 years
Ticketing system	6 years
Motor vehicle	4 years

Plant and equipment, computer, hardware and office equipment, furniture and fixtures, ticketing system and motor vehicles are grouped under 'Other property, plant and equipment' line in note 10.

'Heritage Assets' and 'Land and Buildings' are not depreciated. They are stated at cost less provisions for impairment.

'Construction in progress' comprise of infrastructural improvements that are not yet completed. Depreciation on these assets will commence once assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.6 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment and a credit risk adjustment based on bond yields.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.6 Leases (continued)**

The right-of-use assets are included within 'Property, Plant and Equipment' line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.8 Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in notes. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

3.9 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.10 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.10 Financial assets (continued)

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3.10.1 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.10 Financial assets (continued)****3.10.1 Amortised cost and effective interest method (continued)**

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improved so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income – interest income' line item.

3.10.2 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 1-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.10.3 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forwardlooking information that is available without undue cost or effort. Forwardlooking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant thinktanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.10 Financial assets (continued)**

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.10.4 Credit-impaired financial assets

A financial asset is creditimpaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is creditimpaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3.10.5 Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.10 Financial assets (continued)**

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.10.6 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forwardlooking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forwardlooking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3.10.7 Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.10.8 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.10 Financial assets (continued)****3.10.8 Derecognition of financial assets (continued)**

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.11 Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

3.11.1 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.11.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: the carrying amount of the liability before the modification; and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Notes to the Financial Statements (continued)**3 Significant accounting policies (continued)****3.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimate to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Government Grants

Amounts advanced by local Government for recurrent expenditure are made in the form of subventions from the consolidated fund in accordance with Section 20 of the Cultural Heritage Act, 2002. Amounts are recognised in profit or loss on a systematic basis over the periods in which the Agency recognises as expenses the related costs for which the grants are intended to compensate.

Amounts advanced by local Government towards capital expenditure are made in the form of subventions from the consolidated fund in accordance with Section 22 of the Cultural Heritage Act, 2002. Amounts are accounted upon receipt within Capital Vote reserve. At the end of each reporting period, amount equivalent to annual depreciation charge on funded assets is reclassified from Capital Vote to Recurrent Vote reserves.

Grants advanced from European Regional Development Fund (ERDF) and European Economic Area and Norway (EEA and Norway) are not recognised until there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received.

ERDF and EEA and Norway grants/funds are recognised in profit or loss on a systematic basis over the periods in which the Agency recognises as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the Agency should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3.14 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.14 Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4 Subvention from consolidated fund for recurrent expenditure

	Consolidated and Agency	
	2022	2021
	€	€
Subvention received from consolidated fund	11,000,000	11,381,496
Amounts received in kind by way of expenses paid by Government on behalf of the Agency	134,951	172,233
EEA and Norway grants	230,397	99,626
Other subventions	697,697	488,239
	12,063,045	12,141,594

5 Income from operations

As stated in pages 1 and 2 of the financial statements, the income from operations was mainly derived from entrance fees and other ancillary services, and is stated net of discounts allowed.

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Income from operations	8,449,385	4,044,001	7,593,946	3,786,067

Notes to the Financial Statements (continued)

6 Wages and salaries

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Wages and salaries paid by Government on behalf of Agency (note 4)	134,951	172,233	134,951	172,233
Wages and salaries	9,279,522	8,899,560	9,279,522	8,899,559
Social security costs	722,357	695,415	722,357	695,415
	10,136,830	9,767,208	10,136,830	9,767,207
Wages and salaries recharged to subsidiary undertaking	-	-	(207,639)	(78,590)
Wages and salaries recharged to sub-subsidary undertaking	-	-	(35,976)	-
	10,136,830	9,767,208	9,893,215	9,688,617

6.1 Average number of employees

The average number of persons employed by the Agency and the Group during the year was as follows:

	Consolidated and Agency	
	2022	2021
	No.	No.
Operations and administration	375	364

7 Finance income and finance costs

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Finance income				
Bank interest receivable	-	1,416	-	1,416
Finance costs				
Bank interest and charges	69,742	44,608	69,742	44,608
Lease liability interests	59,728	53,344	59,728	53,344
	129,470	97,952	129,470	97,952

Notes to the Financial Statements (continued)

8 Deficit before taxation

Deficit before taxation is stated after charging the following:

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Depreciation of property, plant and equipment	1,496,169	1,353,064	1,473,791	1,340,316
Directors' remuneration	101,333	95,030	65,733	75,030
Key management personnel compensation	257,441	279,844	257,441	279,844
Audit fee	5,068	5,068	5,068	5,068

9 Taxation

9.1 Income tax expense

	Consolidated	
	2022	2021
	€	€
Current taxation expense	83,615	30,982

9.2 Tax reconciliation

Heritage Malta is exempt from any liability for the payment of income tax as per Section 11 of the Cultural Heritage Act, 2002. Income tax is chargeable on taxable income of the subsidiary Heritage Malta Services Limited and sub-subsidiary DigiArc Limited, at the normal tax rates applicable under the Income Tax Act, Cap 123.

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the rate applicable to profits as follows:

	Consolidated	
	2022	2021
	€	€
Surplus/(deficit) for the year	1,089,091	(1,327,233)
Tax at 35%	381,182	(464,532)
Tax effect of:		
Expenses disallowed for tax purposes	291	-
Depreciation charges not deductible by way of capital allowances in determining taxable income	2,778	514
(Surplus)/deficit of Heritage Malta exempt from tax as per Section 11 of the Cultural Heritage Act, 2002	(300,636)	494,998
	83,615	30,980

10 Property, plant and equipment

	Consolidated						Total
	Construction in progress	Land and buildings	Other property, plant and equipment	Heritage assets	Righ-of-use asset improvements	€	
€	€	€	€	€	€	€	
Cost							
Opening balance	2,861,547	5,113,827	10,483,872	3,334,531	723,111	9,959,810	32,476,698
Additions	1,965,600	231,178	1,324,084	673,930	1,178,907	940,965	6,314,664
Disposals	-	-	-	-	(303,086)	-	(303,086)
Balance at 31 December 2021	4,827,147	5,345,005	11,807,956	4,008,461	1,598,932	10,900,775	38,488,276
Accumulated depreciation and impairment losses							
Opening balance	-	-	(7,675,652)	-	(325,030)	(3,401,445)	(11,402,127)
Disposals	-	-	-	-	151,543	-	151,543
Depreciation	-	-	(642,327)	-	(219,934)	(490,802)	(1,353,063)
Balance at 31 December 2021	-	-	(8,317,979)	-	(393,421)	(3,892,247)	(12,603,647)
Carrying amount at 31 December 2021	4,827,147	5,345,005	3,489,977	4,008,461	1,205,511	7,008,528	25,884,629
Cost							
Opening balance	4,827,147	5,345,005	11,807,956	4,008,461	1,598,932	10,900,775	38,488,276
Additions	13,664,158	8,000	896,476	272,823	-	562,164	15,403,621
Balance at 31 December 2022	18,491,305	5,353,005	12,704,432	4,281,284	1,598,932	11,462,939	53,891,897
Accumulated depreciation and impairment losses							
Opening balance	-	-	(8,317,979)	-	(393,421)	(3,892,247)	(12,603,647)
Depreciation	-	-	(778,789)	-	(196,176)	(521,204)	(1,496,169)
Balance at 31 December 2022	-	-	(9,096,768)	-	(589,597)	(4,413,451)	(14,099,816)
Carrying amount as at 31 December 2022	18,491,305	5,353,005	3,607,664	4,281,284	1,009,335	7,049,488	39,792,081

10 Property, plant and equipment (continued)

	Agency						Total €
	Construction in progress €	Land and buildings €	Other property, plant and equipment €	Heritage assets €	Right-of-use asset €	Infrastructural improvements €	
Cost							
Opening balance	2,861,547	5,113,827	10,448,369	3,334,531	723,111	9,959,811	32,441,196
Additions	1,965,600	231,178	1,251,150	673,930	1,178,907	940,965	6,241,730
Disposals	-	-	-	-	(303,086)	-	(303,086)
Balance at 31 December 2021	4,827,147	5,345,005	11,699,519	4,008,461	1,598,932	10,900,776	38,379,840
Depreciation and impairment losses							
Opening balance	-	-	(7,660,994)	-	(325,030)	(3,401,445)	(11,387,469)
Disposals	-	-	-	-	151,543	-	151,543
Depreciation	-	-	(629,580)	-	(219,934)	(490,802)	(1,340,316)
Carrying amount as at 31 December 2021	4,827,147	5,345,005	3,408,945	4,008,461	1,205,511	7,008,529	25,803,598
Cost							
Opening balance	4,827,147	5,345,005	11,699,519	4,008,461	1,598,932	10,900,776	38,379,840
Additions	13,664,158	8,000	880,912	272,823	-	562,164	15,388,057
Balance at 31 December 2022	18,491,305	5,353,005	12,580,431	4,281,284	1,598,932	11,462,940	53,767,897
Depreciation and impairment losses							
Opening balance	-	-	(8,290,574)	-	(393,421)	(3,892,247)	(12,576,242)
Depreciation	-	-	(756,411)	-	(196,176)	(521,204)	(1,473,791)
Carrying amount as at 31 December 2022	18,491,305	5,353,005	3,533,446	4,281,284	1,009,335	7,049,489	39,717,864

Notes to the Financial Statements (continued)

11 Investment in subsidiary

	2022	Agency 2021
	€	€
As at 1 January and 31 December	4,959	4,959

The Agency has an unquoted investments in:

Name	Registered Address	%	2022	Agency 2021
			€	€
Heritage Malta Services Limited	Heritage Malta Head Office, Ex Royal Naval Hospital, Marine Street, Kalkara, KKR 1524, Malta	100	4,959	4,959

On 02 December 2021 the Agency incorporated new wholly owned sub-subsidiary DigiArc Limited (C 100261).

12 Inventories

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Gift shop inventory for sale	523,800	554,694	523,800	554,694
Consumables	84,584	87,257	84,584	87,257
	608,384	641,951	608,384	641,951

13 Trade and other receivables

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Trade receivables	747,198	442,415	317,744	175,377
Allowance for doubtful debts	(76,945)	(78,820)	(72,915)	(74,790)
Prepayments	118,964	1,584,327	115,632	1,583,127
Deferred expenses	253,773	94,838	253,773	94,838
Amounts due from related parties	-	-	225,080	153,621
Other receivables	25,039	19,746	24,555	19,440
	1,068,029	2,062,506	863,869	1,951,613

Notes to the Financial Statements (continued)

14 Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement are as follows:

	Consolidated		Agency	
	2022	2021	2022	2021
	€	€	€	€
Cash on hand	16,983	15,212	16,483	14,912
Cash at bank	4,479,643	2,923,924	3,880,777	2,552,862
Total cash and cash equivalents	4,496,626	2,939,136	3,897,260	2,567,774

15 Subvention from consolidated fund for capital expenditure

	Consolidated and Agency	
	2022	2021
	€	€
Subvention received from consolidated fund in respect to improvements at museums and historical sites, and restoration work.	10,796,031	2,662,811

16 Deferred income

	Consolidated and Agency	
	2022	2021
	€	€
Deferred income	9,272,827	6,560,219

Deferred income relates to funding received from European Regional Development Fund (ERDF) for Grand Masters' Palace Regeneration Project and European Economic Area and Norway (EEA) funding received for Malta Maritime Museum Project.

17 Lease liabilities

	Consolidated and Agency	
	2022	2021
	€	€
Non-current		
Lease liability	686,478	919,819
Current		
Lease liability	243,928	202,257

Notes to the Financial Statements (continued)

19 Provisions

	Consolidated 2022	and Agency 2021
	€	€
As at 1 January	1,187,294	1,117,294
Additional provisions	-	70,000
Provisions utilised	(233,124)	-
Unused provisions reversed	(367,178)	-
	586,992	1,187,294

During the reporting period the Agency reached out-of-court settlement with two suppliers for the amount of €233,124. As a result, unused provision amounting to €367,178 was reversed.

Heritage Malta remains in dispute with one contractor emanating from a disagreement on contract variations. The Agency initiated mediation process, however at the authorisation date of these financial statements it is still in process. The Board of Directors retain a provision of 50% of total claim, however the exact timing towards resolution and amounts remain uncertain.

20 Trade and other payables

	Consolidated 2022	2021	Agency 2022	2021
	€	€	€	€
Trade payables	1,910,581	1,285,374	1,768,440	1,267,648
Accruals	1,211,634	1,336,610	1,199,646	1,335,010
Indirect taxation and social security	788,387	477,642	774,104	465,537
Deferred income	114,555	106,411	-	-
Other payables	38,571	19,714	22,163	600
	4,063,728	3,225,751	3,764,353	3,068,795

21 Contingent liabilities and assets

Heritage Malta is in dispute with a third party in respect of a claim it filed against the third party amounting to €120,000. This case was put on hold pending a counter-claim made by the third party in Court and also because of pending arbitration proceedings instituted by the third party. The case was decided by the Court in favour of the Agency but was still under appeal. During 2017, Heritage Malta was successful in the proceedings relating to the counter-claim since it won the Court appeal as well as the arbitration proceedings instituted by the third party. As a result at 31 December 2022, the Agency is still pursuing its own claim against the third party for €120,000.

Heritage Malta has a case of arbitration against it by a building contractor for works done on one of the sites managed by the Agency. Heritage Malta is disputing liability amounting to €200,410. A counter claim has been filed by the Agency and consequently no provision has been made in these financial statements. As at 31 December 2022, all proceedings have been concluded and awaiting decision.

22 Commitments

Heritage Malta has committed itself to execute infrastructural works to Heritage sites as funded by third parties. The relative funds so committed are disclosed as specific endowment funds in note 18.

Notes to the Financial Statements (continued)**23 Related parties**

Subsidiary Heritage Malta Services Limited and sub-subsidiary DigiArc Limited are considered by the Directors to be a related party since companies are ultimately owned by Heritage Malta. Trading transactions between these companies would typically include service charges and other such items which are normally encountered in a Group context.

The Agency is owned and controlled by the Government of Malta. In the ordinary course of its operations, the Agency carried out business with the Government of Malta, government departments, public sector corporations and other entities owned or controlled by the Government. Therefore, Government, all entities that are Government controlled and those which fall within the Government administration structure are considered by the board members to be related parties. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

23.1 Related party transactions

Recurrent and capital government subventions are disclosed in notes 4 and 15.

Key management personnel and Directors' fees are disclosed in notes 6 and 8.

23.2 Related party balances

The following are the balances with related parties as at 31 December:

	Agency	
	2022	2021
	€	€
Amounts due from subsidiary	190,843	153,621
Amounts due from sub-subsidiary	34,237	-
	<u>225,080</u>	<u>153,621</u>

Amounts due from related parties comprise of trade receivables which are unsecured, interest free and repayable within standard credit terms.

Notes to the Financial Statements (continued)

24 Financial risk management

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

The most significant financial risks to which the Group and the Agency is exposed to are described below.

Credit risk

Financial assets which potentially subject the group to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst other is considered indicators of no reasonable expectation of recovery.

The Group assesses the credit quality of its customer by taking into account its financial standing, past experience and other factors and continuously monitors defaults of its counterparties.

The Group's maximum exposure to credit risk in respect of loans and receivables, other financial assets and cash amounts to €5,564,655 (2021: €5,001,642).

Currency risk

Foreign currency transactions when the Group sells and buys goods or services and acquires or disposes assets whose price is denominated in a foreign currency. The Group's transactions are mainly carried out in euro, thus foreign currency risk is negligible.

Interest rate risk

The Group is not exposed to interest rate risk as the Group has no significant interest bearing financial assets and liabilities.

Liquidity risk

The Group's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise of trade and other payables and lease liability. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Group's obligations when they become due.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The Group's equity as disclosed in the statements of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities, the capital level as at the end of the reporting period is deemed to be adequate by the directors.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Independent Auditor's Report

To the Directors of Heritage Malta

Report on the Audit of the Financial Statements

Opinion

We have audited the individual financial statements of Heritage Malta (the Agency) and the consolidated financial statements of the Agency and its subsidiaries (together, the Group), set out on pages 13 - 41, which comprise the statement of financial position as at 31 December 2022, and the income and expenditure accounts, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Agency and of the Group as at 31 December 2022, and of the Agency's and of the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRSs) and have been properly prepared in accordance with the requirements of the Cultural Heritage Act, 2002 (Chapter 445 of the Laws of Malta) (the Act).

Basis for Opinion

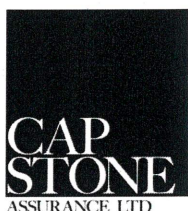
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency and the Group in accordance 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 Information

The Directors are responsible for the other information. The other information comprises the Directors' report. Our opinion on the financial statements does not cover this information, including the Directors' report and the Statement of Directors' Responsibilities. However, the other information does not include the individual and consolidated financial statements and our auditors' 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 Agency and the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

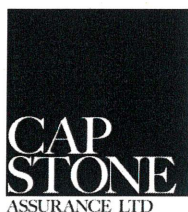


Independent Auditor's Report (continued)

Responsibilities of the Directors

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Agency's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.



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 Agency's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Agency's and the Group'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 Agency or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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E info@capstonegroup.com.mt www.capstonegroup.com.mt

Registered in Malta C57993. Director Kris Baron FCCA, FIA, CISA, CPA.

Independent Auditor's Report (continued)

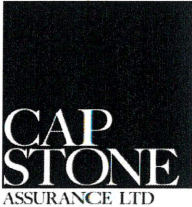
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Under the Cultural Heritage Act, 2002 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

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



A handwritten signature in blue ink, appearing to read "Kris Baron", written over a horizontal line.

Kris Baron
for and on behalf of
Capstone Assurance Ltd
Registered Auditors

26 April 2023

HERITAGE MALTA
For the Year Ended 31 December 2022

Schedules

These schedules do not form part of the financial statements.

Income analysis

	Agency	
	2022	2021
	€	€
Entrance fees	6,045,328	2,875,215
Amounts received from specific endowment funds	368,515	151,316
Publications and merchandise	617,117	324,537
Membership fees	20,434	12,905
Events	2,891	520
Other income	539,661	421,574
	7,593,946	3,786,067

Income and expenditure accounts

	Agency	
	2022	2021
	€	€
Subvention from consolidated fund for recurrent expenditure	12,063,045	12,141,594
Income from operations	7,593,946	3,786,067
Funds available for recurrent expenditure	19,656,991	15,927,661
Staff costs	(9,893,215)	(9,688,617)
Other recurrent operational expenditure	(8,548,359)	(6,939,412)
Recurrent administrative expenditure	(226,985)	(617,379)
Surplus/(deficit) on recurrent expenditure before interest	988,432	(1,317,747)
Finance costs	(129,470)	(97,952)
Finance income	-	1,416
Surplus/(deficit) for the year	858,962	(1,414,283)

HERITAGE MALTA
For the Year Ended 31 December 2022

Schedules

Expenditure analysis

	Agency	
	2022	2021
	€	€
Direct operational costs		
Amortisation	10,272	-
Cleaning	670,034	392,892
Cost of audio guides usage	49,895	17,821
Depreciation	1,473,791	1,340,316
Exhibitions and events	203,943	191,424
Hospitality and accommodation	84,928	36,514
Insurance premium	22,615	11,142
Leasing/hire services	61,255	136,973
Libraries	9,228	2,418
Other	-	5,384
Outsourced services	227,542	181,705
PR and marketing	196,214	138,247
Publications	368,696	187,043
Rent	155,738	361,693
Repairs and maintenance	730,699	669,069
Restorations	176,037	119,831
Revenue sharing costs	363,041	206,499
Security services	3,081,834	2,440,706
Staff costs and specialised services	127,042	121,565
Staff training	41,027	28,322
Telecommunications	9,659	4,653
Ticketing expense	118,352	114,740
Water and electricity	366,517	230,455
	8,548,359	6,939,412
Staff costs		
Salaries and wages	9,893,215	9,688,617
Administrative expenses		
Audit fees	5,068	5,068
Bad debts written off	3,750	-
Decrease in doubtful debts allowance	(1,875)	(2,494)
Digitisation	33,631	43,123
IT and telecommunication services	188,270	118,951
Licences	16,805	-
Manufacturing costs	37,439	46,920
Other	7,315	13,154
Printing, postage and stationery	44,492	21,954
Professional fees	77,201	90,552
Project costs	25,282	-
Provisions	(500,302)	70,000
Subscriptions	30,599	11,450
Sundry expenses	39,582	31,570
Transport and expenses	219,728	167,131
	226,985	617,379

Schedules

Museums and sites

Domus Romana – Rabat Malta
Gran Castello Historic House - Cittadella – Gozo
Ggantija Temples – Xaghra – Gozo
Ghar Dalam and Museum – Birzebbuga – Malta
Gozo Museum of Archaeology – Cittadella – Gozo
Gozo Nature Museum – Cittadella – Gozo
Hagar Qim Temples – Qrendi – Malta
Hypogeum – Paola – Malta
Inquisitor's Palace – Vittoriosa – Malta
Malta Maritime Museum – Vittoriosa – Malta
Mnajdra Temples – Qrendi – Malta
National Museum of Archaeology – Valletta – Malta
Auberge D'Italie – MUZA – Valletta – Malta
National Museum of Natural History – Rabat – Malta
Fort St.Elmo – Valletta – Malta
Old Prison – Cittadella – Gozo
Palace Armoury – Valletta – Malta
Palace State Rooms – Valletta – Malta
Skorba Temples – Mgarr – Malta
St Paul's Catacombs – Rabat – Malta
Ta' Bistra Catacombs – Rabat – Malta
Ta' Hagrat Temples – Mgarr – Malta
Ta' Kola Windmill – Xaghra – Malta
Ta' Mintna Catacombs – Qrendi – Malta
Tarxien Temples – Tarxien – Malta
Borg in – Nadur – Birzebbugia – Malta
Fort St. Angelo – Birgu – Malta
Ghar ta' Ghejzu – Xaghra – Gozo
Hagra ta' Sansuna – Xaghra – Gozo
San Pawl Milqi – Burmarrad – Malta
Tal- Pilar Church – Valletta – Malta
Tas- Silg – Marsaxlokk – Malta
Xaghra Stone Circle – Xaghra – Gozo
Abbatija tad- Dejr – Rabat – Malta
Fort Delimara – Marsaxlokk – Malta
Foxugasse – Marsalforn – Malta
Ghajn Tuffieha Roman Baths – Malta
Salina Catacombs – Naxxar – Malta
Bigli Ex Naval Hospital – Kalkara – Malta
Kordin Temples – Paola – Malta
Fortress Builders – Valletta – Malta
Ras ir-Raheb – Rabat – Malta
Villa Frere – Pietà – Malta
Ta' Kaccatura Roman Villa – Birzebbugia – Malta
WWI Pill Box – Birzebbugia – Malta
Valletta Underground Shelters – Valletta – Malta
Bidnija Olive Grove – Bidnija – Malta
Main Guard – Valletta – Malta
Underwater Cultural Heritage sites
National Monuments