

Brincat Anna at Parlament-MT

From: Vella Matthew at MEYR
Sent: Tuesday, 07 May 2024 08:21
To: 'Darren Carabott'
Cc: Brincat Anna at Parlament-MT; Muscat Alexander at Parlament-MT
Subject: RE: Re: Informazzjoni mitluba mill-Kumitat Permanenti dwar il-Kontijiet Pubbliċi SportMalta - Audited FS as at end of Dec 2020.pdf; SportMalta - Audited FS as at end of Dec 2018.pdf; SportMalta Annual Report and Financial Statements 2021 - Signed.pdf; SportMalta - Audited FS as at end of Dec 2019.pdf; SportMalta - Financial Statements as at end of 2022.pdf
Attachments:

Hon Dr Carabott,

Jekk jogħġbok sib mehmuż ir-Rapporti Finanzjarji Awditjati ta' SportMalta għall-aħħar 5 snin, kif mitlub.

Tislijiet,

Matthew Vella
Permanent Secretary
Office of the Permanent Secretary



MINISTRY FOR EDUCATION, SPORT, YOUTH, RESEARCH AND
INNOVATION

t +356 25981234 e matthew.a.vella@gov.mt
www.gov.mt | www.publicservice.gov.mt

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Great Siege Road,
Floriana, MALTA

From: Darren Carabott <darren@darrencarabott.mt>
Sent: Tuesday, April 30, 2024 4:43 PM
To: Vella Matthew at MEYR <matthew.a.vella@gov.mt>
Cc: Brincat Anna at Parlament-MT <anna.brincat@parlament.mt>; Muscat Alexander at Parlament-MT <alexander.muscat@parlament.mt>
Subject: Re: Re: Informazzjoni mitluba mill-Kumitat Permanenti dwar il-Kontijiet Pubbliċi

CAUTION: This email originated from OUTSIDE the Government Email Infrastructure. DO NOT CLICK LINKS or OPEN attachments unless you recognise the sender and know the content is safe.

Sur Vella,

Grazzi tar-risposta immedjata tiegħek. Ftit tal-ħin ilu għadna kif aġġornajna l-Kumitat għal nhar it-Tlieta 7 ta' Mejju - għaldaqstant, m'għandnix problema li nestendu iż-żmien għar-risposta, madanakollu nitolbok biex l-informazzjoni tasal sa nofsinhar ta' nhar it-Tlieta 7 ta' Mejju sabiex tiġi diskussa fil-laqgħa li jmiss tal-Kumitat Parlamentari.

Tislijiet,

Darren

Dr Darren Carabott
LL.B. (Hons.), M.Adv. (Melit.), LL.M. (UPEACE, UNICRI)

Membru Parlamentari

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On Tue, 30 Apr 2024 at 16:08, Vella Matthew at MEYR <matthew.a.vella@gov.mt> wrote:

Għażiża Sra Brincat,

Il-Ministeru għall-Edukazzjoni, l-Isport, iż-Żgħażaġġ, ir-Riċerka u l-Innovazzjoni qed jagħmel talba għall-estensjoni sabiex il-lista tkun ipprezentata sa nhar l-Erbgħa 8 ta' Mejju.

Grazzi bil-quddiem ta' din il-kunsiderazzjoni.

Tislijiet,

Matthew Vella
Permanent Secretary
Office of the Permanent Secretary



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Great Siege Road,
Floriana, MALTA

From: Brincat Anna at Parlament-MT <anna.brincat@parlament.mt>
Sent: Tuesday, April 30, 2024 3:48 PM
To: Vella Matthew at MEYR <matthew.a.vella@gov.mt>
Cc: Darren Carabott <carabottdarren@gmail.com>; Muscat Alexander at Parlament-MT <alexander.muscat@parlament.mt>
Subject: Re: Informazzjoni mitluba mill-Kumitat Permanenti dwar il-Kontijiet Pubbliċi

Is-Sur Mettew Vella

Segretarju Permanenti

Ministeru għall-Edukazzjoni, l-Ispport, iż-Żgħażaġġ, ir-Riċerka u l-Innovazzjoni

Ippermetteli ninfurmak li fil-laqgħa tal-Kumitat Permanenti dwar il-Kontijiet Pubbliċi, li saret aktar kmieni llum wara nofsinhar, il-Kumitat talab li l-Ministeru għall-Edukazzjoni, l-Ispport, iż-Żgħażaġġ, ir-Riċerka u l-Innovazzjoni jipprovdi lista ta' rapporti li għandhom x'jaqsmu man-nefqa fl-isport f'dawn l-aħħar ħames snin u li gew imqiegħda fuq il-Mejda tal-Kamra.

Din il-lista għandha tiġi pprovdata sa nhar il-Ġimgħa 3 ta' Mejju 2024.

Nirringrazzjak u nselli għalik

Anna Brincat

Clerk to the Public Accounts Committee

Standing Committee for the Environment, Climate Change and Development Planning

National Audit Office Accounts Committee

t: +356 25596308 e: anna.brincat@parlament.mt | www.parlament.mt

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HOUSE OF REPRESENTATIVES
PARLIAMENT OF MALTA
FREEDOM SQUARE, VALLETTA, MALTA

SportMalta

Annual Report and Financial Statements

For the Year Ended 31 December 2018

SportMalta

For the Year Ended 31 December 2018

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SportMalta

Directors' Report and Statement of Directors

For the Year Ended 31 December 2018

The board of directors present their report together with the audited financial statements of SportMalta ("the Entity") for the year ended 31 December 2018.

Principal Activities

The Entity's principal activity continues to be that of developing and implementing policies and strategies in order to promote sports in Malta.

Review of Business Development and State of Affairs

The income for the year under review amounted to €13,553,236 (2017: €11,295,747). The Entity's results for the year are set out on page 6 and shows a deficit of income over expenditure, after interest, of €(53,338) (2017 : deficit €(457,013)).

Events after balance sheet date

No significant events have occurred after the balance sheet date which require mention in this report.

Future Developments

The board of directors intend to continue to operate in line with the current business plan.

Board of Directors

The board of directors have been appointed by the Minister and will be eligible for re-appointment on the expiration of their term of office.

Dr. Luciano Busuttil - Chairman

Mr. Jesmond Abela - Vice Chairman

Mr. Joe Cassar - Secretary

Mr. Keith Bartolo - Director

Mr. Alfred G. Cachia - Director

Mr. Julian Pace Bonello - Director

Ms. Anna Calleja - Director

Ms. Charlene Attard - Director

Mr. Mark Marlow - Director

Mr. Keith Perry - Director (appointed on 17 October 2018)

SportMalta

Directors' Report and Statement of Directors (continued)

For the Year Ended 31 December 2018

Chief Executive Officer

Mr. Mark Cutajar (resigned on 16th October 2017 and re-appointed on 1 April 2018)

Dr. Christian Bonett (appointed on 17th October 2017 and resigned on 31 March 2018)

Bankers

APS Bank Limited
Bank of Valletta p.l.c.
HSBC Bank (Malta) p.l.c.

Statement of directors' responsibilities for the financial statements

The directors are required by the Sports Act to prepare financial statements that give a true and fair view of the state of affairs of the Entity as at the end of each reporting period and of the income and expenditure for the year then ended in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Entity will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Entity and to enable them to ensure that the financial statements comply with the Sports Act enacted in Malta. They are also responsible for safeguarding the assets of the Entity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management are responsible to ensure that the Entity establishes and maintains internal controls to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

SportMalta

Directors' Report and Statement of Directors (continued)

For the Year Ended 31 December 2018

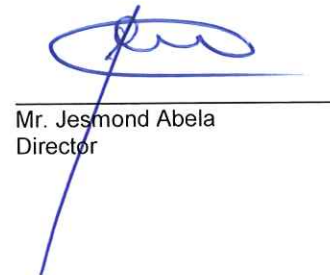
Auditors

PKF Malta Limited, , have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 06 March 2020 and signed on its behalf by:



Dr. Luciano Busuttil
Director



Mr. Jesmond Abela
Director

Registered Address:
Cottonera Sports Complex
Cottonera Avenue,
Cospicua,
Malta

Independent Auditors Report
To the members of SportMalta
Report on the Audit of the Financial Statements
Qualified Opinion

We have audited the accompanying financial statements of SportMalta set out on pages 6 to 25 which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in accumulated fund 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2018, and its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements have been prepared in accordance with the requirements of the Sports act, Chapter 455.

Basis for Qualified Opinion

The outstanding balance of deferred income liability for the year ending 31 December 2014 (included in note 15.) is subject to confirmation and reconciliation. The consequential adjustments, if any, arising out of this is not quantifiable.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity 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 qualified 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 the other information and we do not express any form of assurance conclusion thereon. 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.

Based on the work we have performed, in our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the Entity 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 and other information. We have nothing to report in this regard.

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 the requirements of the Sports Act, Chapter 455, 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Independent Auditors Report (continued)**To the members of SportMalta****Report on the Financial Statements****Auditors' Responsibilities for the Audit of the Financial Statements**

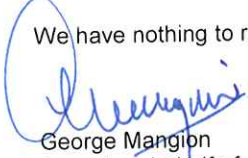
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 auditor's report. However, future events or conditions may cause the Entity 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.

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.

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



George Mangion
for and on behalf of
PKF Malta Limited
Certified Public Accountants and Registered Auditors

06 March 2020

SportMalta

Statement of Comprehensive Income

For the Year Ended 31 December 2018

		<u>2018</u>	<u>2017</u>
	Note	€	€
Revenue	4.	7,105,432	6,567,711
Income from Government and EU grants	5.	4,609,434	3,801,185
Other income	6.	1,838,370	926,851
Gross income		13,553,236	11,295,747
Direct operating costs and administration expenses		(13,608,966)	(11,754,956)
(Deficit) of income over expenditure before interest	8.	(55,730)	(459,209)
Finance Income	7.	2,392	2,196
(Deficit) before tax		(53,338)	(457,013)
Taxation		-	-
(Deficit) for the year - total comprehensive income		(53,338)	(457,013)

The notes on pages 10 to 25 form an integral part of these financial statements.

SportMalta


Statement of Financial Position

As at 31 December 2018

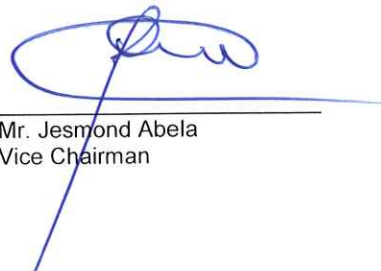
	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	10.	10,668,836	6,290,470
Total non-current assets		10,668,836	6,290,470
Current assets			
Trade and other receivables	11.	1,767,268	2,364,924
Cash and cash equivalents	12.	8,180,809	6,840,530
Total current assets		9,948,077	9,205,454
TOTAL ASSETS		20,616,913	15,495,924
EQUITY AND LIABILITIES			
Equity			
Accumulated Fund	13.	4,261,362	4,314,700
Total equity		4,261,362	4,314,700
Liabilities			
Non-current liabilities			
Trade and other payables	14.	11,277,677	6,796,497
Total non-current liabilities		11,277,677	6,796,497
Current liabilities			
Trade and other payables	14.	5,077,874	4,384,727
Total current liabilities		5,077,874	4,384,727
Total liabilities		16,355,551	11,181,224
TOTAL EQUITY AND LIABILITIES		20,616,913	15,495,924

The notes on pages 10 to 25 form an integral part of these financial statements.

These financial statements on pages 6 to 25 were approved by the Board of Directors on 06 March 2020, and were signed on its behalf by:



Dr. Luciano Busuttill
Chairman



Mr. Jesmond Abela
Vice Chairman

SportMalta

Statement of Changes in Accumulated Fund

For the Year Ended 31 December 2018

2018

	Accumulated Fund	Total
	€	€
Balance as at 01 January 2018	4,314,700	4,314,700
Deficit for the year - total comprehensive income	(53,338)	(53,338)
Balance as at 31 December 2018	4,261,362	4,261,362

2017

	Accumulated Fund	Total
	€	€
Balance as at 01 January 2017	4,771,713	4,771,713
Deficit for the year - total comprehensive income	(457,013)	(457,013)
Balance as at 31 December 2017	4,314,700	4,314,700

The notes on pages 10 to 25 form an integral part of these financial statements.

SportMalta**Statement of Cash Flows****For the Year Ended 31 December 2018**

		2018	2017
	Note	€	€
Cash from operating activities:			
(Deficit) of income over expenditure		(53,338)	(457,013)
Depreciation	10.	1,381,882	661,516
Provision for doubtful debts		178,860	(80,597)
Deferred income	6.	(1,838,370)	(926,851)
		(330,966)	(802,945)
Deficit from operations			
Movement in trade and other receivables		418,795	(1,098,087)
Movement in trade and other payables		604,775	905,785
		692,604	(995,247)
Net cash flows from/(used in) operating activities			
 Cash flows from investing activities:			
Payments to acquire property, plant and equipment	10.	(5,760,248)	(2,250,011)
		(5,760,248)	(2,250,011)
Net cash flows used in investing activities			
 Cash flows from financing activities:			
Proceeds from capital vote		6,407,923	3,744,000
		6,407,923	3,744,000
Net cash flows from financing activities			
 Net cash from in cash and cash equivalents		1,340,279	498,742
Cash and cash equivalents at beginning of year		6,840,530	6,341,788
		8,180,809	6,840,530
Cash and cash equivalents at end of year	12.	8,180,809	6,840,530

The notes on pages 10 to 25 form an integral part of these financial statements.

SportMalta

Notes to the Financial Statements

For the Year Ended 31 December 2018

1. Corporate Information

SportMalta ("the Entity") is a Government entity, the principal activities of which are to develop and implement policies and strategies in order to promote sports in Malta. The Entity was set up by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

2. Basis of Preparation

a. Statement of compliance

The financial statements have been prepared and presented in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and comply with the Sports Act.

b. Basis of measurement

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

c. Functional and presentation currency

The financial statements are presented in euro (€), which is the Entity's functional currency.

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

d. Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the European Union requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Entity's accounting policies. Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

e. Changes in accounting policies and disclosures

i. Standards, interpretations and amendments to published standards as endorsed by the EU and effective in the current year

In 2018, the Entity adopted new standards, amendments and interpretations to existing standards that are mandatory for the Entity's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Entity's accounting policies.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

2. Basis of Preparation (continued)

e. Changes in accounting policies and disclosures (continued)

-IFRS 9 - 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective for accounting periods commencing on or after 1 January 2018. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39. Notwithstanding this change in recognising impairment, the Entity qualifies for the simplifications afforded in IFRS 9 in recognising impairment losses, by estimating the expected credit loss using a provisions matrix. An assessment was carried out to evaluate the expected losses over a period of time and the impact of such adoption has been reflected in the results for 2018.

-IFRS 15 - (Amendments) - Revenue from contracts with customers (effective for annual reporting periods beginning on or after 1 January 2018)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard requires that variable considerations be estimated, and that estimate is recognised in the statement of comprehensive income as the performance obligation is satisfied. After taking cognisance of the nature of the Entity's revenue, the effects of the introduction of IFRS 15 have not resulted in any changes to the Entity's revenue recognition model and have not had material effect on the Entity's financial statements.

-IFRIC 22 - Foreign currency transactions and advance consideration (effective for annual reporting periods beginning on or after 1 January 2018)

-IFRS 2 (Amendments) - Classification and measurement of share-based payment transactions (effective for annual reporting periods beginning on or after 1 January 2018)

-IFRS 4 (Amendments) - Applying IFRS + 'Financial Instruments' with IFRS4 'Insurance Contracts' (effective for annual reporting periods beginning on or after 1 January 2018)

-IAS40 (Amendments) - Transfers of investment property (effective for annual reporting periods beginning on or after 1 January 2018)

-Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual reporting periods beginning on or after 1 January 2018)

ii. Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting year and which the Entity has not early adopted, but plans to adopt upon their effective date. The Entity is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

2. Basis of Preparation (continued)

e. Changes in accounting policies and disclosures (continued)

- IFRS 16 - Leases (effective for annual reporting periods beginning on or after 1 January 2019). This standard introduces a comprehensive model for identification of lease arrangement and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019. At this stage, the Entity is still in the process of assessing and evaluating the impact of IFRS 16.

- IFRIC 23 - Uncertainty over Income Tax Treatments (effective for annual reporting periods beginning on or after 1 January 2019)

- IFRS 9 (Amendments) - Prepayment Features with Negative Compensation (effective for annual reporting periods beginning on or after 1 January 2019)

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

- IFRS 17 - Insurance Contracts (effective for annual reporting periods on or after 1 January 2021)

- IAS 28 (Amendments) - Long-Term Interests in Associates and Joint Ventures (effective for annual reporting periods beginning on or after 1 January 2019)

- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual reporting periods beginning on or after 1 January 2019)

- IAS 19 (Amendments) - Plan Amendment, Curtailment or Settlement (effective for annual reporting periods beginning on or after 1 January 2019)

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)

- IFRS 3 (Amendments) - Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)

- IAS 1 and IAS 8 (Amendments) - Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)

The Entity is still assessing the effect of these changes on the financial statements.

3. Significant Accounting Policies

a. Going concern

The financial statements has been prepared on the going concern basis which assumes that the Government of Malta will continue to provide the subvention to the Entity in accordance with the Sports Act in order to continue with the performance of its functions.

3. Significant Accounting Policies (continued)

b. Property, plant and equipment

i. Value method

Property, plant and equipment are initially measured at cost and subsequently carried at cost less depreciation. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Expenditure is charged to the asset's carrying amount:

- When the expenditure is made from capital vote grant on premises that are directly operated by Sport Malta or,
- When the expenditure is made from the revenue grant and it is probable that due to the transaction, future economic benefits will flow to the enterprise and the asset is separately identifiable and saleable.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represents the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the statement of comprehensive income in the period of de-recognition.

ii. Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to the statement of comprehensive income so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight line method, on the following basis:

Building Construction	2%
Building Improvements	10%
Furniture, Fixtures and Fittings	15%
Motor vehicles	20%
Equipment (including Computer Software)	20%

c. Trade and other receivables

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

IFRS 9 Financial Instruments - impairment of financial assets.

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

3. Significant Accounting Policies (continued)

c. Trade and other receivables (continued)

Impairment

From 1 January 2018, the impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Entity applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Accounting policy applied until 31 December 2017

A provision for impairment of trade and other receivables is established when there is objective evidence that the Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

e. Leases

i. General

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

ii. Finance leases

At the commencement of the lease term, assets held under finance leases, and the corresponding liabilities, are recognised in the statement of financial position of the Entity at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent to initial recognition, capitalised leased assets are tested for impairment in accordance with the Entity's accounting policy on impairment and are fully depreciated in accordance with the Entity's accounting policy on plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the Entity will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Entity's accounting policy on borrowing costs.

3. Significant Accounting Policies (continued)

f. Provisions

Provisions are recognised when the Entity has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

g. Trade and other payables

Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

h. Impairment Non-financial assets

The carrying amount of the Entity's non-financial assets, reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Entity and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

3. Significant Accounting Policies (continued)

i. Revenue recognition (continued)

i. Rendering of services

Revenue from provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

ii. Rental income

Rental income is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

iii. Notional income

Notional income is measured as the difference between the market value of the service being provided or the use of the facilities, and the actual charge to the sports organisations, when the Entity charges at discounted rates.

Notional income included in the statement of comprehensive income as revenue and a corresponding expense in the year in which the service or the use of the facility is provided to the sports organisation.

j. Government and EU grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that SportMalta will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government and EU grants relating to property, plant and equipment are included as deferred grants and treated as a component of Accumulated Funds. Grants are credited to the Statement of Comprehensive Income on a straight-line basis over the expected useful lives of the related assets. Government grants in respect of capital expenditure and operating expenditure from the capital vote incurred by Sport Malta on behalf of other organisations, are taken to the Statement of Comprehensive Income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event. Government grants in respect of operating expenditure from the capital vote are taken to the statement of comprehensive income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event. Government grants of a revenue nature are recognised when approved in the annual government budget.

k. Taxation

As per Article 34 of the Sports Act, Sport Malta is exempt from any liability for the payment of any tax on income, from customs duty and from any duty on documents and transfers.

l. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Board, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

3. Significant Accounting Policies (continued)

m. Financial risk management

The Entity's activities potentially expose it to the following financial risks: credit risk and liquidity risk. The exposures to risk and the way risks arise, together with the Entity's objectives, policies and process for managing and measuring these risks are disclosed in more detail below.

i. Credit risk

Financial assets which potentially subject the Entity to concentrations of credit risk consist principally of cash at bank and credit exposure to customers. The Entity banks only with local financial institutions with high quality standing or rating.

The Entity has no concentration of credit risk that could materially impact the sustainability of its operations. However, the failure of specific large customers could have a material impact on the Entity's results. The Entity's policy is to recognise impairment losses on all trade receivables exceeding one year except in instances where the entity has reasons to believe that an amount will be fully recoverable.

The movement in the allowances for impairment in respect of trade receivables, amounts owned by related parties and ground rents receivable during the year was as follows:

	Trade receivables (incl. related parties)	Ground rent receivables	Total
	€	€	€
31 December 2018			
Opening balance	1,709,310	170,681	1,879,991
Additions and repayments	(1,261,067)	113,611	(1,147,456)
Net movement in provisions for impairment	(98,083)	(80,778)	(178,861)
Closing balance	350,160	203,514	553,674

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

3. Significant Accounting Policies (continued)

m. Financial risk management (continued)

i. Credit risk (continued)

	Trade receivables (incl. related parties)	Ground rent receivables	Total
	€	€	€
31 December 2017			
Opening balance	570,018	145,611	715,629
Additions and repayments	1,062,144	22,621	1,084,765
Net movement in provisions for impairment	77,148	2,449	79,597
Closing balance	<u>1,709,310</u>	<u>170,681</u>	<u>1,879,991</u>

ii. Liquidity risk

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

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate facilities are in place for the coming year.

4. Revenue

	2018	2017
	€	€
Revenue from provision of services	1,267,237	1,029,256
Rental income	573,890	523,989
Notional Income	5,264,305	5,014,466
Total	<u>7,105,432</u>	<u>6,567,711</u>

5. Income from government and EU grants

	2018	2017
	€	€
Government grants relating to costs	4,484,955	3,615,000
EU grants	124,479	186,185
Total	<u>4,609,434</u>	<u>3,801,185</u>

The EU grants received during the year under review consisted mainly of the following:

- (i) EWOS 2018 amounting to €115,200
- (ii) ESSD amounting to €709
- (iii) T2MIS amounting to €1,435
- (iv) Onside project amounting to €4,165

SportMalta**Notes to the Financial Statements (continued)****For the Year Ended 31 December 2018****6. Other income**

	<u>2018</u>	<u>2017</u>
	€	€
Release of deferred income - grants (refer to note 15.)	1,838,370	926,851
Total	<u><u>1,838,370</u></u>	<u><u>926,851</u></u>

7. Finance Income

	<u>2018</u>	<u>2017</u>
	€	€
Interest receivable	2,392	2,196
Total	<u><u>2,392</u></u>	<u><u>2,196</u></u>

8. Deficit of income over expenditure before interest**a. Auditors' remuneration**

Total remuneration paid to the Entity's auditors during the year for the audit of the Entity's financial statements amounted to:

	<u>2018</u>	<u>2017</u>
	€	€
Audit Fees	3,980	3,700
Tax advisory services	-	-
Other non-audit services	1,450	1,160
Total	<u><u>5,430</u></u>	<u><u>4,860</u></u>

b. Deficit of income over expenditure before interest

Deficit of income over expenditure on ordinary activities is stated after charging the following:

	<u>2018</u>	<u>2017</u>
	€	€
Auditors remuneration	3,980	3,700
Directors' honoraria	40,922	37,903
Depreciation	1,381,882	661,516
Total	<u><u>1,426,784</u></u>	<u><u>703,119</u></u>

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

9. Wages and Salaries

a. Wages and salaries

Payroll costs for the year comprise of the following:

	2018	2017
	€	€
Salaries and Wages	1,597,923	1,463,386
Employer's Share of Social Security Contributions	116,199	105,461
Total	1,714,122	1,568,847

b. Average number of employees

The average number of persons employed by the Entity during the year was as follows:

	2018	2017
Administrative personnel	25	24
Sports facilities personnel	55	47
Total	80	71

10. Property, plant and equipment

December 31, 2018

	Buildings	Furniture, Fixtures and Fittings	Motor vehicles	Equipment	Total
	€	€	€	€	€
Cost					
Opening balance	5,800,866	1,559,317	60,548	3,164,567	10,585,298
Additions	4,579,339	118,125	-	1,062,784	5,760,248
Balance at 31 December 2018	10,380,205	1,677,442	60,548	4,227,351	16,345,546
Depreciation and impairment losses					
Opening balance	(1,778,716)	(969,450)	(59,504)	(1,487,158)	(4,294,828)
Depreciation	(624,150)	(170,459)	(1,044)	(586,229)	(1,381,882)
Balance at 31 December 2018	(2,402,866)	(1,139,909)	(60,548)	(2,073,387)	(5,676,710)
Carrying amount					
At 01 January 2018	4,022,150	589,867	1,044	1,677,409	6,290,470
At 31 December 2018	7,977,339	537,533	-	2,153,964	10,668,836

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

10. Property, plant and equipment (continued)

December 31, 2017	Furniture, Fixtures and				Total
	Buildings	Fittings	Motor vehicles	Equipment	
	€	€	€	€	€
Cost					
Opening balance	5,188,672	1,504,571	60,548	1,581,496	8,335,287
Additions	612,194	54,746	-	1,583,071	2,250,011
Balance at 31 December 2017	5,800,866	1,559,317	60,548	3,164,567	10,585,298
Depreciation and impairment losses					
Opening balance	(1,437,283)	(783,600)	(59,504)	(1,352,925)	(3,633,312)
Depreciation	(341,433)	(185,850)	-	(134,233)	(661,516)
Balance at 31 December 2017	(1,778,716)	(969,450)	(59,504)	(1,487,158)	(4,294,828)
Carrying amount					
At 01 January 2017	3,751,389	720,971	1,044	228,571	4,701,975
At 31 December 2017	4,022,150	589,867	1,044	1,677,409	6,290,470

11. Trade and other receivables

	2018	2017
	€	€
Trade receivables (i)	190,420	1,605,690
Amounts owned by related parties (ii)	159,740	103,620
Ground rents receivable (i)	203,514	170,681
Accrued government grants receivable	227,481	227,481
Accrued rental income from facilities	-	(15,187)
Prepayments	3,542	5,020
VAT refundable	818,439	106,647
Other receivables (i)	164,132	160,972
Total	1,767,268	2,364,924

(i) An amount receivable as at year ending 2017, relating to Transport Malta amounting to €1,151,887 in connection with the Shooting Range Tenders was refunded during 2018. This amount related to the tenders which were to be issued by the Transport Malta Authority on behalf of SportMalta. This project did not materialise. The Entity's exposure to credit risk and impairment losses relating to trade receivables, amounts owed by related parties and ground rents receivables are disclosed in note m. Trade receivables are inclusive of €398,644 provision for doubtful debts (2017: €300,561). Ground rent receivable are inclusive of €441,926 provision for bad debts (2017: €361,148).

(ii) The amounts owed by related parties are unsecured and interest free.

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

12. Cash and cash equivalents

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

	2018	2017
	€	€
Cash at bank and in hand	6,249,531	5,084,094
Short-term investments - term deposits held at bank	86,923	85,618
Sports fund (i)	1,844,355	1,670,818
Total cash and cash equivalents in the statement of cash flows	8,180,809	6,840,530

(i) As mandated by Section 19(3) of the Sports Act 2002, the Sports fund can be utilised for the purpose of development and maintenance of sports facilities unless the Minister authorises otherwise.

13. Accumulated Fund

The accumulated fund represents accumulated retained surplus.

14. Trade and other payables

	2018	2017
	€	€
Falling due within one year		
Trade payables	194,141	559,881
Amount owed to related parties	67,050	73,960
Other Trade Creditors	212,423	-
Commitments to finance development of sports facilities	3,152,696	2,076,886
Deferred income - fixed assets purchase contribution (i)	1,000,958	912,586
Capital creditors	51,985	43,782
Accruals	138,984	314,206
Deferred income - other	196,902	399,857
Other payables	62,735	3,569
Total	5,077,874	4,384,727
	2018	2017
	€	€
Falling due after one year		
Deferred income - fixed assets purchase contribution (i)	11,277,677	6,796,497
Total	11,277,677	6,796,497

(i) This amount represents monies received/receivable to finance capital expenditure from funds received from the capital vote, and shall be recognised as income over the useful life of the asset.

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

15. Deferred income - grants

	2018	2017
	€	€
Balance at the beginning of the year	7,709,082	4,891,933
Received	6,407,923	3,744,000
Release of deferred income - grants	(1,838,370)	(926,851)
	<u>12,278,635</u>	<u>7,709,082</u>
Short-term deferred income	1,000,958	912,586
Long-term deferred income	11,277,677	6,796,497
Long-term deferred income matures as follows:		
Between 1 and 2 years	982,393	715,005
Between 2 and 5 years	2,501,929	1,786,923
After 5 years	7,793,355	4,294,569
	<u>11,277,677</u>	<u>6,796,497</u>

16. Related Party Disclosures

a. Ultimate controlling party

The Government of Malta is the major and ultimate controlling party of SportMalta as governed by the Sport Act.

b. Key management personnel

The chairman and the board of directors are considered to be key management personnel. Included in 'Direct Operating and Administrative Costs' are honoraria paid to the chairman and board of directors amounting to €40,922 (2017: €37,903).

Related party transactions were made in terms equivalent to those that prevail in arm's length transactions.

The amount payable from a related party director included within 'Trade Payables' in note 14. amounted to Nil (2017: €298). In addition the Entity had, during the year under review, entered into business transactions with the following Government entities.

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

16. Related Party Disclosures (continued)

c. Related party with controlling interest

	2018	2017
	€	€
Ministry of Education and Employment:		
Government contributions	10,892,879	7,359,000
Reimbursement of seconded employees	121,324	100,139
Other reimbursements	91,976	35,762
MEDE's share in SportMalta programmes	1,988	30,008
	<u>11,108,167</u>	<u>7,524,909</u>

At year end the balance due from the Ministry of Education and Employment amounted to €27,517 (2017: €1,298) whilst the balance owed to the Ministry of Education and Employment was Nil (2017: Nil).

d. Related party without controlling interest

	Transaction value		Balance	
	for the year ended		outstanding	
	2018	2017	2018	2017
	€	€	€	€
Arms Ltd	432,347	335,269	52,199	49,815
Enemalta Corporation - Provision of Services	32,689	87,498	9,652	20,224
Director General Customs	-	131	146	146
Department of Information	-	322	-	80
Controller of Customs	-	123	-	(165)
Planning Authority	1,065	12,953	50	2,500
Police Commissioner	-	3,447	-	1,360
Transport Malta	-	-	(35)	-
Local Councils	262	-	(702)	-
MITA	24,027	-	1,262	-
Office of Prime Minister	158	-	158	-
University of Malta	42,652	-	2,195	-
National Sports Schools	8,173	-	(6,078)	-
Ministry of Gozo	36,891	-	(20,727)	-
MCAST	804	-	(804)	-
Inst for the Public Services	4,959	-	372	-
Department for Elderly&Community	-	-	298	-
	<u>584,027</u>	<u>439,743</u>	<u>37,986</u>	<u>73,960</u>

SportMalta

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

17. Capital and other commitments

Commitments for capital expenditure, financing of programmes and assistance to sports organisations as at the date of approval of these financial statements not provided for in these financial statements are as follows:

	2018	2017
	€	€
Authorised but not contracted:		
Capital Expenditure	807,110	41,253
Financing Programmes	-	189,453
Assistance to Sports Organisations	1,351,170	1,097,662
	<u>2,158,280</u>	<u>1,328,368</u>
Contracted but not provided for:		
Capital Expenditure	687,145	68,551
Assistance to Sports Organisations	971,350	453,767
	<u>1,658,495</u>	<u>522,318</u>

18. Contingent Liabilities

As at 31 December 2018, the Entity presently had a number of court cases pending against it, for which no provision has been made in the financial statements. This is because the proceedings are still at an early stage and the potential financial impact and probable outcome of these claims has either not yet been quantified or the outcome for the cases is still uncertain. Uncertainty of such cases will only be resolved once the court cases are concluded.

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.

SportMalta**For the Year Ended 31 December 2018****Detailed Statement of Comprehensive Income****Appendix I**

	2018	2017
	€	€
Gross Income		
Revenue	7,105,432	6,567,711
Income from Government and EU grants	4,609,434	3,801,185
Other income	1,838,370	926,851
	13,553,236	11,295,747
Direct operating costs and administration expenses		
Advertising and marketing	48,226	8,409
Auditors remuneration	3,980	3,700
Bad debts	46,356	85,869
Cleaning expenses	45,145	37,511
Computer expenses	7,467	8,954
Professional fees	181,982	64,062
Depreciation	1,381,882	661,516
Directors' honoraria	40,922	37,903
Water and electricity	416,289	263,684
Regatta	72,317	57,794
Insurance	15,776	14,963
Health and safety	68,221	54,312
Motor vehicle expenses	11,298	9,680
Printing and stationery	12,929	14,728
Increase/(decrease) in provision for doubtful debts	178,860	(80,597)
Repairs and maintenance	97,577	62,794
Salaries and wages	1,714,122	1,568,847
Security services	57,261	66
Training and staff welfare	10,475	10,075
Travel and international affiliation	27,509	23,117
General expenses	3,044	3,613
Licenses and permits	4,785	14,936
Hospitality	1,713	3,708
Other Services	189	-
Sports educational programmes	1,316,230	1,144,685
Telecommunication expenses	11,076	15,871
European School Sport Day	2,362	-
Assistance to sports organisations - Appendix II	7,668,626	7,554,367
Utilities and maintenance	80,095	52,837
Sport Malta Awards	64,549	45,585
Bank interest and charges	17,703	11,967
	13,608,966	11,754,956
(Deficit) of income before interest	(55,730)	(459,209)

SportMalta**For the Year Ended 31 December 2018****Assistance to Sports Organisations Scheme****Appendix II**

	2018	2017
	€	€
Education Assistance (Eda)	2,423	10,000
Investment in Educational Institutions	-	30,000
Equipment Assistance (EA)	50,678	47,955
Facility Improvement Assistance (FIA)	918,558	1,079,242
Facility Maintenance Assistance (FMA)	-	1,475
International Participation Foreign Assistance (IPFA)	242,966	251,492
International Participation Local Assistance (IPLA)	47,780	22,350
Malta Olympic Committee	624,500	524,000
Sports Tourism Scheme	386,645	300,000
Venue Assistance (VA)	5,150,988	4,902,379
Youth Development Assistance (YDA)	-	20,000
Assigned Workers	34,034	60,086
Other Assistance	781,713	186,698
Flexi-training scheme/ 20/20 scheme	30,214	95,388
Reversal of assistance not claimed	(605,667)	-
Gozo	1,044	6,168
Capital Expenditure Scheme	-	11,412
Athlete Development Scheme	-	2,000
Special Sports leave	2,750	3,722
Total	7,668,626	7,554,367

SportMalta

For the Year Ended 31 December 2018

Sports Fund Memorandum

Appendix III

	2018	2017
	€	€
Sports fund balance brought forward	1,670,854	1,404,032
Inflows for the year		
Ground rents receivable	173,501	266,696
Bank interest receivable	-	108
	<u>173,501</u>	<u>266,804</u>
Outflows for the year		
Assistance to sports organisations	-	-
Bank charges	-	18
Sports fund balance carried forward	<u>1,844,355</u>	<u>1,670,854</u>

SportMalta

For the Year Ended 31 December 2018

Capital Vote

Appendix IV

	Capital Vote Committed	Amount Receivable brought forward	Amount Received	Amount receivable carried forward
	€	€	€	€
Value of Capital Vote 2005	900,801	-	-	-
Value of Capital Vote 2006	1,354,175	44,272	-	44,272
Value of Capital Vote 2007	53,656	-	-	-
Value of Capital Vote 2008	306,927	-	-	-
Value of Capital Vote 2009	1,336,921	169,468	-	169,468
Value of Capital Vote 2011	229,397	-	-	-
Sports Facilities Capital Vote	122,433	-	-	-
Sports Facilities Capital Vote	6,433	-	-	-
Sports Facilities Capital Vote	10,744	-	-	-
Value of Capital Vote 2012	1,496,822	-	-	-
Sports Activities Capital Vote	28,202	28,202	-	28,202
Value of Capital Vote 2013	800,000	-	-	-
Value of Capital Vote 2014	313,011	-	313,011	-
Value of Capital Vote 2015	1,349,998	-	1,349,998	-
ERDF 339 2015	975,776	-	975,776	-
Value of Capital Vote 2016	479,605	-	479,605	-
Value of Capital Vote 2017	3,744,000	-	3,744,000	-
Value of Capital Vote 2018	5,500,000	-	6,407,924	-
	<u>19,008,901</u>	<u>241,942</u>	<u>13,270,314</u>	<u>241,942</u>

2005 Capital Vote Number: 7035	€931,749 (revised to €900,801)
2006 Capital Vote Number: 7035	€931,749
2006 Supplementary Funding: 7035	€465,875 (revised to €422,426)
2007 Capital Vote Number: 7035	€465,875 (revised to €53,656)
2008 Capital Vote Number: 7035	€1,452,000 (revised to €306,927)
2009 Capital Vote Number: 7035	€1,336,921
2010 Capital Vote Number: 7035	€229,958 (revised to Nil)
2011 Capital Vote Number: 7035	€1,000,000 (revised to €229,397)
Sports Facilities Capital Vote Number: 8256	€122,433
Sports Activities Capital Vote Number: 8467	€6,433
Retention of Monies Capital Vote Number: 8598	€10,744
2012 Capital Vote Number: 7035	€1,000,000 (revised to €1,496,822)
Sports Activities Capital Vote Number: 8467	€13,327 (revised to €28,202)
2013 Capital Vote Number: 7035	€800,000
2014 Capital Vote Number: 7035	€470,000 (revised to €313,011)
2015 Capital Vote Number: 7035	€470,000 (revised to €1,349,998)
2016 Capital Vote Number: 7035	€479,605

SportMalta

For the Year Ended 31 December 2018

Capital Vote

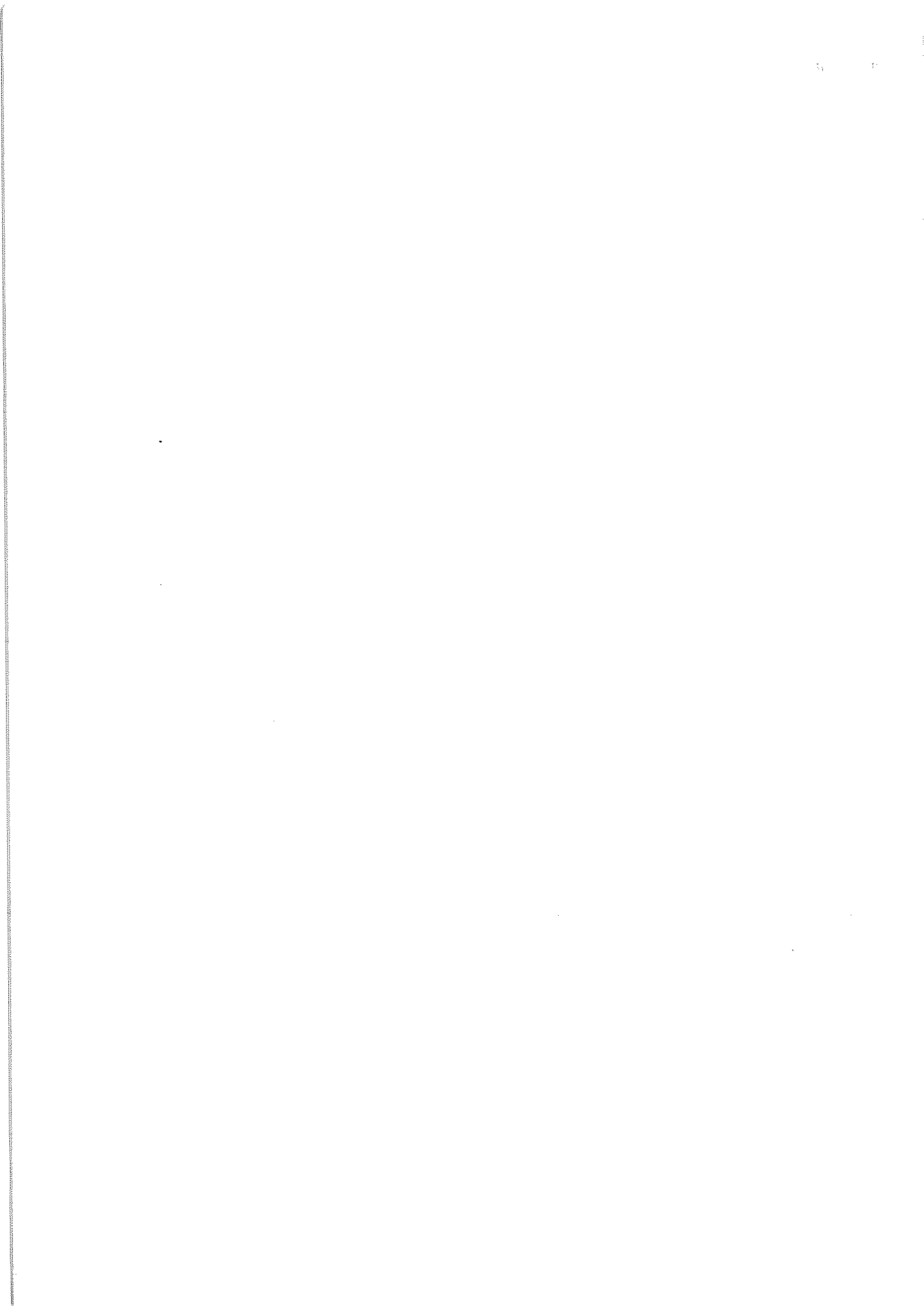
Appendix IV

2017 Capital Vote Number: 7035	€3,744,000
2018 Capital Vote Number: 7407	€4,810,758
2018 Capital Vote Number: 7408	€597,166
2018 Capital Vote Number: 7035	€1,000,000

SPORTMALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019





SPORTMALTA
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

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SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS

The board of directors present their report together with the audited financial statements of SportMalta ("The Entity") for the year ended 31 December 2019.

Principal activity of SportMalta

The Entity's principal activity continues to be that of developing and implementing policies and strategies in order to promote sports in Malta. is a body corporate having a distinct legal personality and vested with regulatory powers established by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

Review of the Performance of the Agency

The financial results for the year under review disclose total income generated of € 12,350,712 (2018: restated income of € 12,257,445).

Results

The results for the year are as shown in the statement of comprehensive income on page 5 and show a deficit of income over expenditure after interest of € (195,071) (2018: restated deficit of € (44,265)).

Future Developments

The board of directors intend to continue to operate in line with the current business plan.

Board of Directors

The Board of Directors have been appointed by the Minister and will be re-eligible for re-appointment on their expiration of their term of office.

Dr. Luciano Busuttil – Chairman
Mr. Jesmond Abela – Vice Chairman
Mr. Joe Cassar – Secretary
Ms. Gianella Bugeja Persiano (appointed on 6 April 2020)
Mr. Keith Bartolo – Director
Mr. Alfred G. Cachia – Director
Mr. Julian Pace Bonello – Director
Ms. Anna Calleja – Director
Ms. Charlene Attard – Director
Mr. Mark Marlow – Director
Mr. Keith Perry – Director (terminated on 6 April 2020)

Statement of Directors' Responsibilities

The Board of Directors is required by the Sports Act to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Entity at the end of the financial period and of the surplus or deficit for that period.

SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS (Continued)

In preparing the financial statements, the Board of Directors is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the European Union (EU);
- selecting appropriate accounting policies and then applying them consistently;
- making judgments and accounting estimates that are prudent and reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless this is inappropriate to presume that the Entity will continue in business as a going concern.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Entity and to enable them to ensure that the financial statements comply with the Financial Administration and Audit Act. The Board of Directors is also responsible for safeguarding the assets of the Entity, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible to ensure that the Entity establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible to establish a control environment and maintain policies and procedures to assist in achieving the objective and ensuring, as far as possible, the orderly and efficient conduct of the Entity's business. This responsibility includes establishing and maintaining controls pertaining to the Entity's objective of preparing financial statements and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management consider the risk that the financial statements may be materially misstated as a result of fraud.

The Board of Directors has the overall responsibility for establishing and maintaining a framework of good corporate governance, including risk management systems and internal control to safeguard the Entity's assets.

Financial Reporting Framework

The Board of Directors has resolved to prepare the financial statements of the Entity for the year ended 31 December 2019 prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta.

SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS (Continued)

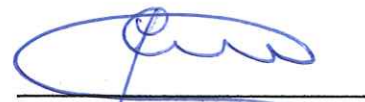
Auditors

Parker Randall Turner, Certified Public Accountant and Registered Auditors, have intimated their willingness to continue in office as auditors of the Agency

Approved by the Board of Directors on 30 June 2020 and signed on its behalf by:



Dr. Luciano Busuttill
Chairman



Mr. Jesmond Abela
Vice Chairman

Registered Office:
Cottonera Sports Complex,
Cottonera Avenue,
Cospicua
Malta

SPORTMALTA

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 €	2018 €
REVENUE			
Income from Government and EU grants	5	5,987,507	5,809,641
Other income	6 7	4,619,634 1,743,571	4,609,434 1,838,370
		<u>12,350,712</u>	<u>12,257,445</u>
Direct operating costs and administrative expenses	8	(12,550,743)	(12,304,102)
(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE INTEREST			
Finance income	10	(200,031) 4,960	(46,657) 2,392
(DEFICIT) FOR THE YEAR BEFORE TAXATION		<u>(195,071)</u>	<u>(44,265)</u>
Taxation	11	-	-
(DEFICIT) FOR THE YEAR AFTER TAXATION		<u>€ (195,071)</u>	<u>€ (44,265)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the financial year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>€ (195,071)</u>	<u>€ (44,265)</u>

The note on pages 8 to 31 are an integral part of these financial statements.


SPORTMALTA

STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,579,883	10,668,836
Current Assets			
Trade and other receivables	13	2,385,034	2,088,065
Cash and cash equivalents	14	7,362,998	8,180,809
		<u>9,748,032</u>	<u>10,268,874</u>
TOTAL ASSETS		<u>€ 21,327,915</u>	<u>€ 20,937,710</u>
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated fund	15	5,175,010	5,370,081
Non-current liabilities			
Trade and other payables	17	12,399,480	11,277,677
Finance lease obligation	16	1,897	-
		<u>12,401,377</u>	<u>11,277,677</u>
Current Liabilities			
Trade and other payables	17	3,736,524	4,289,952
Finance lease obligation	16	15,004	-
		<u>3,751,528</u>	<u>4,289,952</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 21,327,915</u>	<u>€ 20,937,710</u>

The notes on pages 8 to 31 are an integral part of the financial statements. These Financial Statements on pages 4 to 31 were approved by the Board of Directors on 30 June 2020.


 Dr. Luciano Busuttil
 Chairman


 Mr. Jesmond Abela
 Vice Chairman

SPORTMALTA

STATEMENT OF CHANGES IN EQUITY

At 31 December 2019

	Accumulated Fund €	Total €
At 31 December 2017	4,314,700	4,314,700
Prior-year adjustment - note 26 (i) (ii)	1,099,646	1,099,646
At 31 December 2017 – restated	<u>5,414,346</u>	<u>5,414,346</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2018		
Total comprehensive income the year	(53,338)	(53,338)
Prior- year adjustment - note 26 (iii) (iv) (v)	9,073	9,073
Total comprehensive income for the year – restated	<u>(44,265)</u>	<u>(44,265)</u>
At 31 December 2018 – restated	5,370,081	5,370,081
FINANCIAL YEAR ENDED 31 DECEMBER 2019		
Total comprehensive income for the year	(195,071)	(195,071)
At 31 December 2019	<u>€ 5,175,010</u>	<u>€ 5,175,010</u>

The note on pages 8 to 31 are an integral part of these financial statements.

SPORTMALTA

STATEMENT OF CASHFLOWS

For the year ended 31 December 2019

	Notes	2019 €	2018 €
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/ generated from operations	19 (a)	(1,430,842)	707,915
Interest received		4,960	2,392
Interest paid		(18,136)	(17,703)
		<hr/>	<hr/>
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES		(1,444,018)	692,604
		<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	19 (b)	(2,177,174)	(5,760,248)
Payments towards finance lease obligations		(19,078)	-
		<hr/>	<hr/>
NET CASH (OUTFLOW) INVESTING ACTIVITIES		(2,196,252)	(5,760,248)
		<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital vote		2,822,459	6,407,923
		<hr/>	<hr/>
Net movement in Cash and Cash Equivalents		(817,811)	1,340,279
Cash and Cash Equivalents at the beginning of year	19	8,180,809	6,840,530
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	€ 7,362,998	€ 8,180,809
		<hr/>	<hr/>

The note on pages 8 to 31 are an integral part of these financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. CORPORATE INFORMATION

SportMalta ("the Entity") is a Government entity, the principal activities of which are to develop and implement policies and strategies in order to promote sports in Malta. The Entity was set up by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

2. BASIS OF PREPARATION

The Entity's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and comply with the Sports Act.

The Entity's financial statements have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards, amendments and interpretations to existing standards

3.1.1 New and amended standards adopted by the Entity

The Entity has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Entity recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than twelve months from the date of initial application.

The new Standard has been applied using the modified retrospective approach. For contracts in place at the date of initial application, the Entity has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Entity has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Entity has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1.1 New and amended standards adopted by the Agency (cont'd)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Entity has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

The impact of the adoption of this standard and the new accounting policies are disclosed in Note 3 below.

The other standards did not have any impact on the Entity's accounting policies and did not require any adjustments to the Entity's financial performance and position.

3.1.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Entity

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Entity.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Entity's financial statements.

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Government of Malta will continue to provide the subvention to the Entity in accordance with Sports Act in order to continue with the performance of its functions.

3.4 Property, plant and equipment

i. Value method

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably stated at cost less accumulated depreciation and any accumulated impairment losses. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Expenditure is charged to the asset's carrying:

- When the expenditure is made from capital vote grant on premises that are directly operated by SportMalta or;
- When the expenditure is made from the revenue grant and it is probably that due to the transaction, future economic benefits will flow to the enterprise and the asset is separately identifiable and saleable.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying property, plant and equipment are capitalised as part of its cost. A qualifying property, plant and equipment is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalised while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit and loss in the period of derecognition. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

ii. Depreciation

Depreciation commences in the year when the depreciable assets are available for use and is charged to profit and loss so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

	%
Building Construction	2
Building Improvements	10
Furniture, Fixtures and fittings	15
Motor vehicles	20
Equipment (include Computer Software)	20

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Depreciation continues until the asset is derecognised. Depreciation charge is recognised within 'administrative expenses' in the statement of comprehensive income.

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.6 Financial instruments

A financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Entity's contractual rights to the cash flows from the financial assets expire or if the Entity transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets or liabilities are offset, and the net amount presented on the statement of financial position, when the Entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments(cont'd)

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

(a) Trade and other receivables

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

IFRS 9 Financial Instruments – impairment of financial assets

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

Impairment

From 1 January 2018, the impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Entity applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Entity if longer). If not, they are presented as non-current liabilities.

3.7 Impairment

All assets are tested for impairment at each statement of financial position date, the carrying amount of assets, including cash generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if such indication or objective evidence exists, the recoverable amount of the assets is estimated.

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Impairment (cont'd)

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on that statement of financial position. These are carried in the statement of financial position at face value.

3.9 Related parties

Related parties are those persons or bodies of persons having relationships with the Entity as defined in IAS 24. During the year under review, the Entity's related party that exercises a significant control was the Ministry for Education and Employment.

3.10 Government and EU Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and that SportMalta will comply with the attaching conditions. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government and EU grants relating to the property, plant and equipment, are included as deferred grants and treated as component of Accumulated Funds. Grants are credited to the Statement of Comprehensive Income on a straight-line basis over the expected useful life of the related assets.

Government grants in respect of capital expenditure and operating expenditure from the capital vote incurred by SportMalta on behalf of other organisations, are taken to the Statement of Comprehensive Income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event.

Government grants in respect of operating expenditure from the capital vote are taken to the statement of comprehensive income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event.

Government grants of a revenue nature are recognised when approved in the annual government budget.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Revenue and expenditure recognition

Revenue is measured by reference to the fair value of consideration received or receivable of services provided in the normal course of business net of discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Entity and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Rental income

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

(iii) Notional income

Notional income is measured as the difference between the market value of the service being provided or the use of the facilities, and the actual charge to the sports organisations, when the Entity charges at discounted rates.

Notional income included in the statement of comprehensive income as revenue and a corresponding expense in the year in which the service or the use of the facility is provided to the sports organisation.

3.12 Taxation

As per Article 34 of the Sports Act, SportMalta is exempt from any liability for the payment of any tax on income, from customs duty and from any duty on documents and transfers.

3.13 Administrative and operating expenses

Administrative and operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

3.14 Finance leases

As explained in note 3.1 above, the Entity has changed its accounting policy for leases where the Entity is the lessee. The new policy is described below and the impact of the change is described note 4.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Finance leases (cont'd)

Accounting policy as from 1 January 2019

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

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

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

Accounting policy as at 31 December 2018

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Significant judgement in applying accounting policies

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Chief Executive Officer, the accounting estimates and judgements made in course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their descriptions as critical in terms of the requirements of IAS 1 (revised).

3.16 Provisions

Provisions are recognised when present obligations resulting from a past event will probably lead to an outflow of economic resources from the Entity and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are numerous similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the obligations' class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. CHANGES IN ACCOUNTING POLICY

As indicated in note 3.1 above, the Entity has adopted IFRS 16 Leases retrospectively, applying the modified approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 3.14.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

4. CHANGES IN ACCOUNTING POLICY (cont'd)

On adoption of IFRS 16, the Entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was determined after taking due consideration of similar transactions in the market and this was established to approximate a rate of 4% per annum.

(i) *Practical expedients applied*

In applying IFRS 16 for the first time, the Entity has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019; and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Entity has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Entity relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) *Measurement of liabilities*

	€
Operating lease commitments as at 1 January 2019	36,531
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>35,323</u>

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for motor vehicles and furniture leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

4. CHANGES IN ACCOUNTING POLICY (cont'd)

(iv) *Adjustments recognised in the balance sheet on 1 January 2019*

The change in accounting policy affected the following balance sheet items on 1 January 2019:

- right-of- use assets (cost) - increase by € 35,323
- lease liabilities - increase by € 35,323

There is no net impact on retained earnings on 1 January 2019.

5. REVENUE

	2019 €	2018 €
Revenue from provision of services	1,241,628	1,158,451
Rental income	412,459	449,928
Notional income	4,333,420	4,201,262
	<u>€ 5,987,507</u>	<u>€ 5,809,641</u>

6. INCOME FROM GOVERNMENT AND EU GRANTS

	2019 €	2018 €
Government grants relating to costs	4,484,745	4,484,955
EU Grants	134,889	124,479
	<u>€ 4,619,634</u>	<u>€ 4,609,434</u>

7. OTHER INCOME

	2019 €	2018 €
Release of deferred income-grants (refer to note 18)	1,661,240	1,838,370
Decrease in provision for bad debts	78,477	-
Other income	3,854	-
	<u>€ 1,743,571</u>	<u>€ 1,838,370</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

8. EXPENSES BY NATURE

	2019 €	2018 €
Employee benefit expense	3,367,711	2,832,583
Depreciation of property, plant and equipment	1,333,914	1,381,882
Directors' honoraria	40,426	40,922
Assistance to sport organisations	5,435,262	6,363,762
Bad debts	-	46,356
Audit remuneration	5,166	3,980
Increase in provision for doubtful debts	1,652	178,860
Other expenses	2,347,820	1,438,054
Finance costs	18,792	17,703

€ 12,550,743 € 12,304,102

9. EMPLOYEE BENEFIT EXPENSE

	2019 €	2018 €
Wages and salaries	3,173,807	2,676,448
Social security costs	193,904	156,135

€ 3,367,711 € 2,832,583

The Average number of full-time equivalents employed
by the Entity during the year:

140 127

10. DEFICIT OF INCOME OVER EXPENDITURE

	2019 €	2018 €
Deficit of income over expenditure on ordinary activities is stated after charging:		
Total remuneration payable to the external audits of the Entity		
The audit of the financial statements	5,166	3,980
Other non-assurance services	-	1,450

€ 5,166 € 4,530

11. TAXATION

The Entity is exempt from any liability for the payment of tax on income

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings €	Asset Under Construction €	Furniture & Fittings €	Motor Vehicles €	Equipment €	Total €
COST						
At 1 January 2019	10,380,205	51,423	1,677,442	60,548	4,227,351	16,396,969
Additions	1,491,763	267,056	139,065	-	311,754	2,209,638
Adjustment on transition to IFRS 16	-	-	18,965	16,358	-	35,323
At 31 December 2019	11,871,968	318,479	1,835,472	76,906	4,539,105	18,641,930
DEPRECIATION						
At 1 January 2019	2,454,289	-	1,139,909	60,548	2,073,387	5,728,133
Charge for the year	490,866	-	200,038	11,956	631,054	1,333,914
At 31 December 2019	2,945,155	-	1,339,947	72,504	2,704,441	7,062,057
NET BOOK VALUE						
At 31 December 2019	8,926,813	318,479	495,525	4,402	1,834,664	11,579,883
COST						
At 1 January 2018	5,800,866	-	1,559,317	60,548	3,164,567	10,585,298
Additions	4,579,339	51,423	118,125	-	1,062,784	5,811,671
At 31 December 2018	10,380,205	51,423	1,677,442	60,548	4,227,351	16,396,969
DEPRECIATION						
At 1 January 2018	1,830,139	-	969,450	59,504	1,487,158	4,346,251
Charge for the year	624,150	-	170,459	1,044	586,229	1,381,882
At 31 December 2018	2,454,289	-	1,139,909	60,548	2,073,387	5,728,133
NET BOOK VALUE						
At 31 December 2018	7,925,916	51,423	537,533	-	2,153,964	10,668,836

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	€	€
Trade receivables (note a)	216,013	190,420
Other receivables (note b)	164,132	164,132
Amounts due from related parties (note c)	101,391	159,740
Ground rents receivable (note a)	357,503	203,514
Payments in advance	104,837	-
VAT refundable	260,380	818,439
Deferred expenses	922,296	320,797
Accrued government grants receivable	227,481	227,481
Prepayments and accrued income	31,001	3,542
Financial assets (note a)	€ 2,385,034	€ 2,088,065

Notes:

- (a) The Entity's exposure to credit risk and impairment losses relating to trade receivables, amounts owed by related parties and ground rent receivables are disclosed in note 23. Trade receivables are inclusive of € 345,301 provision for doubtful debts (2018: € 398,644). Ground rent receivable is inclusive of € 416,792 provision for bad debts (2018: € 441,926).
- (b) Other receivables include an amount of € 147,094 in relation to advance payments affected to the Lands Authority pertaining to Marsa Sports Village Project.
- (c) Amounts due from related party are unsecured, interest free and repayable on demand.

14. CASH AND CASH EQUIVALENTS

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

	2019	2018
	€	€
Cash at bank and in hand	5,775,884	6,249,531
Short-term investments-term deposits held at bank	86,927	86,923
Sports fund (note)	1,500,187	1,844,355
	€ 7,362,988	€ 8,180,809

Note:

As mandated by Section 19(3) of the Sports Act 2002, the Sports fund can be utilized for the purpose of development and maintenance of sports facilities unless the Minister authorises otherwise.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

15. ACCUMULATED FUND

Accumulated fund represents accumulated profit or losses.

16. LEASE LIABILITIES

This note provides information for leases where the Entity is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019 €	2018 €
Right-of-use-assets		
Motor Vehicles	16,358	-
Furniture, fixtures and fittings	18,965	-
	<hr/>	<hr/>
	35,323	-
Less: Depreciation on Right-of-use assets	(21,438)	-
	<hr/>	<hr/>
	€ 13,885	€ -
Lease liabilities		
Current	15,004	-
Non-current	1,897	-
	<hr/>	<hr/>
	€ 16,901	€ -
	<hr/>	<hr/>

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge for Right-of-use-assets:

Motor Vehicles	11,956	-
Furniture, fixtures and fittings	9,482	-
	<hr/>	<hr/>
	€ 21,438	€ -
	<hr/>	<hr/>
Interest expenses (included in finance cost)	€ 656	€ -
	<hr/>	<hr/>
Expenses relating to leases short-term leases (included in administrative expenses)	€ 28,418	€ -
	<hr/>	<hr/>

Total cash outflow for leases, including operating leases in 2019 was € 47,496.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

17. TRADE AND OTHER PAYABLES

	2019 €	2018 €
Falling due after more than one year		
Deferred income –fixed assets purchase contribution (note 18)	12,399,480	11,277,677
Current		
Trade payables	844,672	406,564
Amount owed to related parties	90,090	67,050
Capital creditors	84,449	51,985
Commitments to finance development of sports facilities	1,093,796	2,132,026
Deferred income -fixed assets purchase contribution (note 18)	1,040,374	1,000,958
Deferred income	422,447	429,650
Accruals	147,071	138,984
Financial current liabilities	3,722,899	4,227,217
National insurance payable	13,625	62,735
	<u>€ 3,736,524</u>	<u>€ 4,289,952</u>

This amount represents monies received/ receivable to finance capital expenditure from funds received from the capital vote, and shall be recognised as income over the useful life of the asset.

18. DEFERRED INCOME – GRANTS

	2019 €	2018 €
Balance at the beginning of the year	12,278,635	7,709,082
Received	2,822,459	6,407,923
Release of deferred income – grants	(1,661,240)	(1,838,370)
	<u>13,439,854</u>	<u>12,278,635</u>
Short-term deferred income	1,040,374	1,000,958
Long-term deferred income	12,399,480	11,277,677
Long-term deferred income matures as follows:		
Between 1 and 2 years	978,491	982,393
Between 2 and 5 years	2,439,477	2,501,929
After 5 years	8,981,512	7,793,355
	<u>12,399,480</u>	<u>11,277,677</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

19. NOTES TO THE CASH FLOW STATEMENT

(a) Cash (used in)/ generated from operations

	2019 €	2018 €
Deficit of income over expenditure	(195,071)	(44,265)
Adjustments for:		
Depreciation of property, plant and equipment	1,333,914	1,381,882
Movement in provision for doubtful debts	(78,477)	178,860
Deferred income	(1,661,240)	(1,838,370)
Finance cost	18,792	17,703
Finance income	(4,960)	(2,392)
(Loss) before working capital changes	<u>(587,042)</u>	<u>(306,582)</u>
Movement in trade and other receivables	(218,492)	335,789
Movement in trade and other payables	(625,308)	678,708
Cash (used in)/ generated from operations	<u>€ (1,430,842)</u>	<u>€ 707,915</u>

(b) Plant and equipment

During the year under review the entity purchased plant and equipment to the value of € 2,209,638. Capital creditors at year end amounted to € 84,449 (2018: 51,985). The difference of € 2,177,174 was paid for in cash and cash equivalents.

20. CAPITAL AND OTHER COMMITMENTS

Commitments for capital expenditure. Financing of programmes and assistance to sports organisations as at the date of approval of these financial statements not provided for in these financial statements are as follows:

	2019 €	2018 €
Authorised but not contracted for:		
Capital and other expenditure	13,736,990	807,110
Assistance to Sports Organisations	150,000	1,351,170
	<u>€ 13,886,990</u>	<u>€ 2,158,280</u>
Contracted but not provided for:		
Capital and other expenditure	220,441	687,145
Assistance to Sports Organisations	3,984,021	971,350
	<u>€ 4,204,462</u>	<u>€ 1,658,495</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

21. CONTINGENT LIABILITIES

	2019	2018
	€	€
Guarantees in the course of business	3,500	-
Pending court cases (note a)	383,333	-
Balances under dispute (note b)	449,119	-
	<u>€ 835,952</u>	<u>€ -</u>

Notes:

- (a) As at 31 December 2019, the entity presently had a number of court cases pending against it, for which no provision has been made in the financial statements. This is because the probable outcome of these claims is still uncertain. Uncertainty of such cases will only be resolved once the court cases are concluded.
- (b) The Entity has outstanding balances due to Bonnici Bros Ltd of € 449,119, including VAT, which are still under dispute. The disputes have emanated in relation to variations arising on the contract of the Shooting Range Project.

22. RELATED PARTY DISCLOSURES

(a) Ultimate controlling party

The Government of Malta is the major and ultimate controlling party of SportMalta as governed by the Sport Act.

(b) Key management personnel

The chairman and board of directors are considered to be key management personnel. Included in 'Direct Operating and Administrative Costs' are honoraria paid to the chairman and board of directors amounting to € 40,426 (2018: € 40,922).

(c) Related party with controlling interest

	2019	2018
	€	€
Ministry of Education and Employment:		
Government contributions	7,307,450	10,892,879
Reimbursement of seconded employees	124,200	121,324
Other reimbursements	33,209	91,976
MEDE's share in SportMalta programmes	30,240	1,988
	<u>7,495,099</u>	<u>11,108,167</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

22. RELATED PARTY DISCLOSURES (cont'd)

(c) Related party with controlling interest (cont'd)

At year end the balance due from the Ministry of Education and Employment amounted to € 1,298 (2018: € 27,517) whilst the balance owed to the Ministry of Education and Employments was NIL.

(d) Related party without controlling interest

	Transactions		Balances	
	2019 €	2018 €	2019 €	2018 €
Arms Ltd	463,015	432,347	88,516	52,199
Enemalta Corporation – Provision of services	80,000	32,689	41,777	9,652
Director General Customs Planning Authority	-	-	146	146
Transport Malta	-	1,065	50	50
Local Councils	-	-	-	(35)
MITA	-	262	-	(702)
Office of Prime Minister	25,448	24,027	255	1,262
University of Malta	-	158	-	158
National Sports Schools	56,009	42,652	22,834	2,195
Ministry of Gozo	-	8,173	-	(6,078)
MCAST	-	36,891	-	(20,727)
Inst for the Public Services	-	804	-	(804)
Department for Elderly & Community	-	4,959	-	372
	-	-	-	298
	<u>624,472</u>	<u>584,027</u>	<u>153,578</u>	<u>37,986</u>

23. FINANCIAL RISK MANAGEMENT

At 31 December 2019 and 2018 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

23.1 Financial risk factors

The Entity's activities expose it to market risk, credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Entity's risk management is coordinated by the Board of Directors, with the assistance of the Chief Executive Officer and the management team, and focuses on actively securing the Entity's short to medium term cash flow by minimising exposure to financial risks.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FINANCIAL RISK MANAGEMENT (cont'd)

The exposure to risk and the way risks arise, together with the Entity's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

23.1.1 Market risk

(i) Foreign exchange risk

Foreign currency transactions arise when the Entity buys or sells goods whose price is denominated in a foreign currency, or when it settles liabilities, denominated in a foreign currency. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates, and management's reaction to material movements thereto.

(ii) Interest rate risk

The Entity has no significant interest-bearing assets other than cash and cash equivalents (Note 15), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Entity to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

23.1.2 Credit Risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Entity's receivables and bank balances.

The Entity continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Entity's policy is to deal with only creditworthy counterparties. The Entity has no concentration of credit risk that could materially impact the sustainability of its operations. However, the failure of specific large customers could have a material impact on the Entity's results. The Entity's policy is to recognise impairment losses on all trade receivables exceeding one year except in instances where the entity has reasons to believe that an amount will be fully recoverable.

The movement in the allowances for impairment of trade receivables, amounts by related parties and ground rent receivable during the year was as follows:

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.1.4 Summary of financial assets and liabilities by category

	Trade receivables (incl. related parties) €	Ground rent receivables €	Total €
Opening balance	448,243	284,292	732,535
Additions and repayments	(160,593)	37,229	(123,364)
Net movement in provisions for impairment	35,368	(25,135)	10,233
	<u>323,018</u>	<u>296,386</u>	<u>619,404</u>

The Entity's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2019 €	2018 €
Trade and other receivables	13	2,385,034	2,088,065
Cash and cash equivalents	14	7,362,998	8,180,809
Total financial assets		<u>€ 9,748,032</u>	<u>€ 10,268,874</u>

Neither of the Entity's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

23.1.3 Liquidity risk

The Entity is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which principally comprise trade and other payables (Note 17 to the financial statements). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate funds to meet the Entity's obligations when they become due.

The Entity manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on daily basis. The Entity's liquidity is deemed to be sufficient in view of an excess of financial assets.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.1.4 Summary of financial assets and liabilities by category

The carrying amounts of the Entity's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2019	2018
	€	€
Current Assets		
Financial assets:		
Trade and other receivables	2,385,034	2,088,065
Cash and Cash Equivalents	7,362,998	8,180,809
	<hr/>	<hr/>
Total financial assets	€ 9,748,032	€ 10,268,874
	<hr/>	<hr/>
Current Liabilities		
Financial liabilities:		
Trade payables	844,672	406,564
Amount owed to related parties	90,090	67,050
Capital creditors	84,449	51,985
Commitments to finance development of sports facilities	1,093,796	2,132,026
Deferred income -fixed assets purchase contribution	1,040,374	1,000,958
Deferred income	422,447	394,902
Accruals	147,071	138,984
	<hr/>	<hr/>
Financial current liabilities	€ 3,722,899	€ 4,192,469
	<hr/>	<hr/>

23.2 Capital Risk Management

The Entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital.

The primary objective of the Entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations. The capital structure of the Entity consists of cash and cash equivalents as disclosed in Note 14 and items presented within accumulated fund in the statement of financial position.

There were no changes in the Entity's approach to capital management during the year.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

24. FAIR VALUE ESTIMATION

At 31 December 2019, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period time between the origination of the instruments and their expected realisation.

25. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements that have been authorised for issue.

26. PRIOR-YEAR ADJUSTMENTS

Prior-year adjustments of € 1,018,719 were reflected against retained earnings as follows:

Opening Retained earnings

- i. Opening retained earnings have been restated to reverse overstated Commitments to finance development of sports facilities, pertaining to 2014 to 2017, and amounting to € 861,855. The corresponding adjustment was reflected against trade and other payables, by a net decrease of € 861,855, as disclosed in note 17 to the financial statements.
- ii. Opening retained earnings have been restated to reverse expenditure of € 237,791 pertaining to 'Assistance to sport organisations'. The corresponding adjustment was affected against Deferred Expenses in Trade and Other Receivables in note 13 to the financial statements.

The combined effect of the above two adjustments necessitated a net increase in retained earnings of € 1,099,646.

Retained earnings - 2018

- iii. In previous year, Commitments to finance development of sport facilities have been overstated by € 158,815. A prior year adjustment was reflected to reverse the said expenditure from the retained earnings, with corresponding decrease against trade and other payables, as disclosed in note 17 to the financial statements
- iv. Deferred income in the Statement of Financial Position as at 31 December 2018 has been understated by € 232,748 pertaining to Programmes carried out the Entity. Consequently, an adjustment was reflected to decrease retained earnings by € 232,748 with the corresponding adjustment being reflected against deferred income included within trade and other payables, as disclosed in note 17 to the financial statements.
- v. Expenditure of € 83,006 have been reversed from Assistance to sport organisations in Statement of Comprehensive Income and have been classified as Deferred Expenses in Trade and Other Receivables in note 13 to the financial statements. Consequently, retained earnings for 2018 have increased by the same amount.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

26. PRIOR-YEAR ADJUSTMENTS (cont'd)

The combined effect of the above three adjustments necessitated a net increase in retained earnings of € 9,073.

Reinstatement - 2018

- vi. Notional income included within Revenue in the Statement of Comprehensive Income for the year ended 31 December 2018 was overstated by € 1,063,043. An adjustment was reflected to reinstate Revenue, with the corresponding adjustment being reflected against Assistance to sport organisations included with Direct operating and Administrative expenses. No impact has resulted on retained earnings, since the effect of this prior-year reinstatement is neutral on the deficit of the Entity.

SPORTMALTA

INDEPENDENT AUDITORS' REPORT

To the members of SportMalta - Report on the Audit of the Financial Statements.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of SportMalta, set out on pages 3 to 31, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements show a true and fair view of the financial position of the Entity as at 31 December 2019 and of its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Sports Act, Chapter 455.

Basis for Qualified Opinion

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

The deferred income liability in note 18 to the financial statements amounting to € 13,439,854 could not be confirmed as to its accuracy and veracity. The consequential adjustments, resulting out of this, could not be quantified, and no alternative audit procedures could be carried out at year end.

Other Information

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

Based on the work we have performed, in our opinion the information given in the Board of Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Sports Act, Chapter 455. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the financial reporting process.

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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 Entity's ability to continue as a going concern.

SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

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

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 auditor's report. However, future events or conditions may cause the Agency 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.

We communicate with the Board of 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


Other matters on which we are required to report by exception

We also have responsibilities 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.
- Certain disclosures of Board of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

The principal authorised to sign on behalf of Parker Randall Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Mr. Arthur Douglas Turner – Partner
On behalf of Parker Randall Turner

"Parker Randall Turner"
13, Curate Fenech Street
Birzebbugia BBG 2032
Malta

30 June 2020

SPORTMALTA

Schedule II

DETAILED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 €	2018 €
DIRECT OPERATING COSTS AND ADMINISTRATIVE EXPENSES		
Advertising and marketing	37,706	48,226
Assistance to sport organisations – Schedule III	5,510,615	6,363,762
Auditors' remuneration	5,166	3,980
Bad debts	-	46,356
Cleaning expenses	53,140	45,145
Computer expenses	10,380	7,467
Community projects	595,103	8,339
Depreciation	1,333,914	1,381,882
Directors' honoraria	40,426	40,922
European Week of Sport	87,990	143,992
European School Sports Day	7,421	2,362
General expenses	40,567	3,044
Health and safety	57,225	68,221
Hospitality	-	1,713
Increase in provision for doubtful debts	1,652	178,860
Insurance	22,181	15,776
Licences and permits	9,778	4,785
Motor vehicle expenses	16,833	11,298
Other services	740	189
Printing and postages	14,207	12,929
Professional and legal fees	280,525	181,982
Regatta	79,262	72,317
Repairs and maintenance	116,054	97,577
Security services	60,725	57,261
Sport educational programmes	79,010	45,438
SportMalta awards	67,028	64,549
Telecommunication expenses	15,738	11,076
Training and staff welfare	27,386	10,475
Travel and international affiliation	28,902	27,509
Utilities and maintenance	150,676	80,095
Wages and salaries	3,367,711	2,832,583
Water and electricity	413,890	416,289
- to page 36	<u>12,531,951</u>	<u>12,286,399</u>
FINANCE COSTS		
Bank interest and charges	18,136	17,703
Interest payable	656	-
- to page 36	<u>18,792</u>	<u>17,703</u>

SPORTMALTA

Schedule III

ASSISTANCES TO SPORTS ORGANISATIONS SCHEME
 For the year ended 31 December 2019

	2019 €	2018 €
Education Assistance (Eda)	-	2,423
Equipment Assistance (EA)	32,015	50,678
Elite Development Scheme	33,020	-
Facility Improvement Assistance (FIA)	114,033	918,558
International Participation Foreign Assistance (IPFA)	229,685	242,966
International Participation Local Assistance (IPLA)	5,000	47,780
Malta Olympic Committee	378,961	624,500
Sports Tourism Committee	231,480	386,645
Venue Assistance (VA)	4,222,733	4,087,945
Youth Development Assistance (YDA)	21,455	-
Assigned Workers	35,348	34,034
Other Assistances	188,202	176,046
Flexi-training scheme	17,449	30,214
Reversal of assistances not claimed	-	(241,821)
Gozo	1,234	1,044
Special Sports Leave	-	2,750
- to page 37	<u>5,510,615</u>	<u>6,363,762</u>

SPORTMALTA**Schedule IV****SPORTS FUND MEMORANDUM**

For the year ended 31 December 2019

	2019 €	2018 €
Sports fund balance brought forward	1,844,355	1,670,854
Inflows for the year		
Ground rents receivable	155,828	173,501
Bank interest receivable	4	-
	<u>2,000,187</u>	<u>173,501</u>
Outflows for the year		
Transfer to another bank account	(500,000)	-
Sports fund balance carried forward	<u>€ 1,500,187</u>	<u>€ 1,844,355</u>

SPORTMALTA

Schedule V

CAPITAL VOTE

For the year ended 31 December 2019

	Capital Vote Committed	Amount receivable brought forward	Amount received	Amount receivable carried forward
	€	€	€	€
Value of Capital Vote 2005	900,801	-	900,801	-
Value of Capital Vote 2006	1,354,175	44,272	1,309,903	44,272
Value of Capital Vote 2007	53,656	-	53,656	-
Value of Capital Vote 2008	306,927	-	306,927	-
Value of Capital Vote 2009	1,336,921	169,468	1,167,453	169,468
Value of Capital Vote 2011	229,397	-	229,397	-
Sports Facilities Capital Vote	122,433	-	122,433	-
Sports Facilities Capital Vote	6,433	-	6,433	-
Sports Facilities Capital Vote	10,744	-	10,744	-
Value of Capital Vote 2012	1,496,822	-	1,496,822	-
Sports Activities Capital Vote	28,202	28,202	-	28,202
Value of Capital Vote 2013	800,000	-	800,000	-
Value of Capital Vote 2014	313,011	-	313,011	-
Value of Capital Vote 2015	1,349,998	-	1,349,998	-
ERDF 339 2015	975,776	-	975,776	-
Value of Capital Vote 2016	479,605	-	479,605	-
Value of Capital Vote 2017	3,744,000	-	3,744,000	-
Value of Capital Vote 2018	5,500,000	-	6,407,924	-
Value of Capital Vote 2019	2,822,454	-	2,822,454	-
	<u>21,831,355</u>	<u>241,942</u>	<u>22,497,337</u>	<u>241,942</u>

SPORTMALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020



SPORTMALTA
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS

The board of directors present their report together with the audited financial statements of SportMalta ("The Entity") for the year ended 31 December 2020.

Principal activity of SportMalta

The Entity's principal activity continues to be that of developing and implementing policies and strategies in order to promote sports in Malta. It is a body corporate having a distinct legal personality and vested with regulatory powers established by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

Review of the Performance of the Agency

The financial results for the year under review disclose total revenue of € 11,002,356 (2019: restated revenue of € 12,350,712). The provision of services have decreased during 2020 because of the COVID-19 situation resulting in decreased provision of sport facilities. This left an impact on the Entity's performance and it led the Entity to register an increase in deficit for the year.

Results

The results for the year are as shown in the statement of comprehensive income on page 4 show a deficit of income over expenditure after interest of € (1,839,591) (2019: restated deficit of € (221,146)).

Future Developments

The board of directors intend to continue to operate in line with the current business plan.

Board of Directors

The Board of Directors have been appointed by the Minister and will be re-eligible for re-appointment on their expiration of their term of office.

Dr. Luciano Busuttil – Chairman
Mr. Jesmond Abela – Vice Chairman
Mr. Joe Cassar – Secretary
Ms. Gianella Bugeja Persiano (appointed on 6 April 2020)
Mr. Keith Bartolo – Director
Mr. Alfred G. Cachia – Director
Mr. Julian Pace Bonello – Director
Ms. Anna Calleja – Director
Ms. Charlene Attard – Director
Mr. Mark Marlow – Director
Mr. Keith Perry – Director (terminated on 6 April 2020)

SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS (Continued)

Statement of Directors' Responsibilities

The Board of Directors is required by the Sports Act to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Entity at the end of the financial period and of the surplus or deficit for that period.

In preparing the financial statements, the Board of Directors is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the European Union (EU);
- selecting appropriate accounting policies and then applying them consistently;
- making judgments and accounting estimates that are prudent and reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless this is inappropriate to presume that the Entity will continue in business as a going concern.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Entity and to enable them to ensure that the financial statements comply with the Financial Administration and Audit Act. The Board of Directors is also responsible for safeguarding the assets of the Entity, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible to ensure that the Entity establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible to establish a control environment and maintain policies and procedures to assist in achieving the objective and ensuring, as far as possible, the orderly and efficient conduct of the Entity's business. This responsibility includes establishing and maintaining controls pertaining to the Entity's objective of preparing financial statements and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management consider the risk that the financial statements may be materially misstated as a result of fraud.

The Board of Directors has the overall responsibility for establishing and maintaining a framework of good corporate governance, including risk management systems and internal control to safeguard the Entity's assets.

Financial Reporting Framework

The Board of Directors has resolved to prepare the financial statements of the Entity for the year ended 31 December 2020 prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta.

SPORTMALTA

REPORT OF THE BOARD OF DIRECTORS (Continued)


Auditors

Parker Randall Turner, Certified Public Accountant and Registered Auditors, have intimated their willingness to continue in office as auditors of the Agency

Approved by the Board of Directors on 30 April 2021 and signed on its behalf by:



Dr. Luciano Busuttil
Chairman



Mr. Jesmond Abela
Vice Chairman

Registered Office:
Cottonera Sports Complex,
Cottonera Avenue,
Cospicua
Malta

SPORTMALTA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 €	2019 €
REVENUE	4	5,287,544	5,987,507
Income from Government and EU grants	5	4,270,527	4,619,634
Other income	6	1,444,285	1,743,571
		<u>11,002,356</u>	<u>12,350,712</u>
Direct operating costs and administrative expenses	7	(12,843,513)	(12,576,818)
(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE INTEREST	9	(1,841,157)	(226,106)
Finance income		1,566	4,960
(DEFICIT) FOR THE YEAR BEFORE TAXATION		<u>(1,839,591)</u>	<u>(221,146)</u>
Taxation	10	-	-
(DEFICIT) FOR THE YEAR AFTER TAXATION		<u>€ (1,839,591)</u>	<u>€ (221,146)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the financial year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>€ (1,839,591)</u>	<u>€ (221,146)</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA

STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	Notes	€	€
ASSETS			
Non-current assets			
Property, plant and equipment	11	10,834,077	11,213,464
Current Assets			
Trade and other receivables	12	1,571,336	2,157,553
Cash and cash equivalents	13	6,045,456	7,362,998
		<u>7,616,792</u>	<u>9,520,551</u>
TOTAL ASSETS		<u>€ 18,450,869</u>	<u>€ 20,734,015</u>
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated fund	14	2,823,166	4,662,757
Non-current liabilities			
Trade and other payables	16	11,788,631	12,399,480
Finance lease obligation	15	-	1,897
		<u>11,788,631</u>	<u>12,401,377</u>
Current Liabilities			
Trade and other payables	16	3,837,175	3,654,877
Finance lease obligation	15	1,897	15,004
		<u>3,839,072</u>	<u>3,669,881</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 18,450,869</u>	<u>€ 20,734,015</u>

The notes on pages 8 to 30 are an integral part of the financial statements. These Financial Statements on pages 4 to 30 were approved by the Board of Directors on 30 April 2021.



Dr. Luciano Busuttil
Chairman



Mr. Jesmond Abela
Vice Chairman

SPORTMALTA

STATEMENT OF CHANGES IN EQUITY

At 31 December 2020

	Accumulated Fund €	Total €
At 31 December 2018	5,370,081	5,370,081
Prior-year adjustment - note 26 (i) (ii) (iii)	(486,178)	(486,178)
At 31 December 2018 – restated	<u>4,883,903</u>	<u>4,883,903</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2019		
Total comprehensive income for the year	(195,071)	(195,071)
Prior-year adjustment - note 26 (iv)	(26,075)	(26,075)
At 31 December 2019	<u>4,662,757</u>	<u>4,662,757</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2020		
Total comprehensive income for the year	(1,839,591)	(1,839,591)
At 31 December 2020	<u>€ 2,823,166</u>	<u>€ 2,823,166</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA

STATEMENT OF CASHFLOWS

For the year ended 31 December 2020

	Notes	2020 €	2019 €
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) operations	18 (a)	(1,426,924)	(1,458,408)
Interest received		1,566	4,960
Interest paid		(16,789)	(18,136)
NET CASH (USED IN) OPERATING ACTIVITIES		<u>(1,442,147)</u>	<u>(1,471,584)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	18 (b)	(875,686)	(2,149,608)
Payments towards finance lease obligations		(15,004)	(19,078)
NET CASH (OUTFLOW) INVESTING ACTIVITIES		<u>(890,690)</u>	<u>(2,168,686)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital vote		1,015,295	2,822,459
Net movement in Cash and Cash Equivalents		<u>(1,317,542)</u>	<u>(817,811)</u>
Cash and Cash Equivalents at the beginning of year	13	7,362,998	8,180,809
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	<u>€ 6,045,456</u>	<u>€ 7,362,998</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

SportMalta ("the Entity") is a Government entity, the principal activities of which are to develop and implement policies and strategies in order to promote sports in Malta. The Entity was set up by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

2. BASIS OF PREPARATION

The Entity's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and comply with the Sports Act.

The Entity's financial statements have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards, amendments and interpretations to existing standards

3.1.1 New and amended standards adopted by the Entity

During 2020, the Agency adopted a number of interpretations and amendments to standards in the financial statements. These changes did not have a significant impact on the Agency's accounting policies and on the financial performance and financial position.

Standards adopted during the year ended 31 December 2020

No new standards were adopted during the year.

3.1.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Entity

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Entity.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Entity's financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

3.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Government of Malta will continue to provide the subvention to the Entity in accordance with Sports Act in order to continue with the performance of its functions.

3.4 Property, plant and equipment

i. Value method

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably stated at cost less accumulated depreciation and any accumulated impairment losses. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Expenditure is charged to the asset's carrying:

- When the expenditure is made from capital vote grant on premises that are directly operated by SportMalta or;
- When the expenditure is made from the revenue grant and it is probably that due to the transaction, future economic benefits will flow to the enterprise and the asset is separately identifiable and saleable.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying property, plant and equipment are capitalised as part of its cost. A qualifying property, plant and equipment is an asset that necessarily takes a substantial period of time to get ready for its intended use.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

i. Value method (cont'd)

Borrowing costs are capitalised while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit and loss in the period of derecognition. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

ii. Depreciation

Depreciation commences in the year when the depreciable assets are available for use and is charged to profit and loss so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

	%
Building Construction	2
Building Improvements	10
Furniture, Fixtures and fittings	15
Motor vehicles	20
Equipment (include Computer Software)	20

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Depreciation continues until the asset is derecognised. Depreciation charge is recognised within 'administrative expenses' in the statement of comprehensive income.

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of non-financial assets (cont'd)

The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.6 Financial instruments

A financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Entity's contractual rights to the cash flows from the financial assets expire or if the Entity transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets or liabilities are offset, and the net amount presented on the statement of financial position, when the Entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

(a) Trade and other receivables

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

IFRS 9 Financial Instruments – impairment of financial assets

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

Impairment

From 1 January 2018, the impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Entity applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

(b) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Entity if longer). If not, they are presented as non-current liabilities.

3.7 Impairment

All assets are tested for impairment at each statement of financial position date, the carrying amount of assets, including cash generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if such indication or objective evidence exists, the recoverable amount of the assets is estimated.

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

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on that statement of financial position. These are carried in the statement of financial position at face value.

3.9 Related parties

Related parties are those persons or bodies of persons having relationships with the Entity as defined in IAS 24. During the year under review, the Entity's related party that exercises a significant control was the Ministry for Education and Employment.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Government and EU Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and that SportMalta will comply with the attaching conditions. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government and EU grants relating to the property, plant and equipment, are included as deferred grants and treated as component of Accumulated Funds. Grants are credited to the Statement of Comprehensive Income on a straight-line basis over the expected useful life of the related assets.

Government grants in respect of capital expenditure and operating expenditure from the capital vote incurred by SportMalta on behalf of other organisations, are taken to the Statement of Comprehensive Income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event.

Government grants in respect of operating expenditure from the capital cote are taken to the statement of comprehensive income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event.

Government grants of a revenue nature are recognised when approved in the annual government budget.

3.11 Revenue and expenditure recognition

Revenue is measured by reference to the fair value of consideration received or receivable of services provided in the normal course of business net of discounts, were applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Entity and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from provision of services is recognised in the period in which the services are rendered. For practical purposes, when services are performed by an indeterminate number of acts over a specified period unless there is evidence that some other method better represents the stage of completion.

(ii) Rental income

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Revenue and expenditure recognition (cont'd)

(iii) Notional income

Notional income is measured as the difference between the market value of the service being provided or the use of the facilities, and the actual charge to the sports organisations, when the Entity charges at discounted rates.

Notional income included in the statement of comprehensive income as revenue and a corresponding expense in the year in which the service or the use of the facility is provided to the sports organisation.

3.12 Taxation

As per Article 34 of the Sports Act, SportMalta is exempt from any liability for the payment of any tax on income, from customs duty and from any duty on documents and transfers.

3.13 Administrative and operating expenses

Administrative and operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

3.14 Finance leases

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Agency.

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

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

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Finance leases (cont'd)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

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

3.15 Significant judgement in applying accounting policies

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Chief Executive Officer, the accounting estimates and judgements made in course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their descriptions as critical in terms of the requirements of IAS 1 (revised).

3.16 Provisions

Provisions are recognised when present obligations resulting from a past event will probably lead to an outflow of economic resources from the Entity and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Provisions (cont'd)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are numerous similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the obligations' class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. REVENUE

	2020 €	2019 €
Revenue from provision of services	721,540	1,241,628
Rental income	350,988	412,459
Notional income	4,215,016	4,333,420
	<u>€ 5,287,544</u>	<u>€ 5,987,507</u>

5. INCOME FROM GOVERNMENT AND EU GRANTS

	2020 €	2019 €
Government grants relating to costs	4,098,163	4,484,745
EU Grants	172,364	134,889
	<u>€ 4,270,527</u>	<u>€ 4,619,634</u>

6. OTHER INCOME

	2020 €	2019 €
Release of deferred income-grants (refer to note 17)	1,122,190	1,661,240
Decrease in provision for bad debts	255,922	78,477
Other income	66,173	3,854
	<u>€ 1,444,285</u>	<u>€ 1,743,571</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

7. EXPENSES BY NATURE

	2020 €	2019 €
Employee benefit expense	2,948,490	3,367,711
Depreciation of property, plant and equipment	1,349,171	1,332,423
Directors' honoraria	39,811	40,426
Assistance to sport organisations	6,808,505	5,435,262
Bad debts and write offs	36,618	-
Audit remuneration	5,166	5,166
Increase in provision for doubtful debts	-	1,652
Other expenses	1,599,512	2,347,820
Finance costs	16,789	18,792
Irrecoverable VAT	39,451	27,566
	<u>€ 12,843,513</u>	<u>€ 12,576,818</u>

8. EMPLOYEE BENEFIT EXPENSE

	2020 €	2019 €
Wages and salaries	2,782,987	3,173,807
Social security costs	165,503	193,904
	<u>€ 2,948,490</u>	<u>€ 3,367,711</u>

The Average number of full-time equivalents employed by the Entity during the year:

	2020	2019
	132	140

9. DEFICIT OF INCOME OVER EXPENDITURE

	2020 €	2019 €
Deficit of income over expenditure on ordinary activities is stated after charging:		
Total remuneration payable to the external audits of the Entity		
The audit of the financial statements	€ 5,166	€ 5,166
	<u>€ 5,166</u>	<u>€ 5,166</u>

10. TAXATION

The Entity is exempt from any liability for the payment of tax on income

SPORTMALTA**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings €	Asset Under Construction €	Furniture & Fittings €	Motor Vehicles €	Equipment €	Total €
COST						
At 1 January 2020	11,367,632	318,479	1,776,961	69,966	4,447,063	17,980,101
Additions	202,430	471,351	139,372	-	156,631	969,784
At 31 December 2020	<u>11,570,062</u>	<u>789,830</u>	<u>1,916,333</u>	<u>69,966</u>	<u>4,603,694</u>	<u>18,949,885</u>
DEPRECIATION						
At 1 January 2020	2,788,395	-	1,295,920	65,564	2,616,758	6,766,637
Charge for the year	493,780	-	210,685	4,402	640,304	1,349,171
At 31 December 2020	<u>3,282,175</u>	<u>-</u>	<u>1,506,605</u>	<u>69,966</u>	<u>3,257,062</u>	<u>8,115,808</u>
NET BOOK VALUE						
At 31 December 2020	<u>8,287,887</u>	<u>789,830</u>	<u>409,728</u>	<u>-</u>	<u>1,346,632</u>	<u>10,834,077</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings €	Asset Under Construction €	Furniture & Fittings €	Motor Vehicles €	Equipment €	Total €
COST						
At 1 January 2019	10,380,205	51,423	1,677,442	60,548	4,227,351	16,396,969
Prior year reinstatement	(482,128)	-	(54,727)	(6,940)	(90,468)	(634,263)
At 1 January 2019 – Reinstated	9,898,077	51,423	1,622,715	53,608	4,136,883	15,762,706
Additions	1,491,763	267,056	139,065	-	311,754	2,209,638
Adjustment on transition to IFRS 16	-	-	18,965	16,358	-	35,323
Prior year reinstatement	(22,208)	-	(3,784)	-	(1,574)	(27,566)
At 31 December 2019 – Reinstated	11,367,632	318,479	1,776,961	69,966	4,447,063	17,980,101
DEPRECIATION						
At 1 January 2019	2,454,289	-	1,139,909	60,548	2,073,387	5,728,133
Prior year reinstatement	(156,152)	-	(43,459)	(6,940)	(87,368)	(293,919)
At 1 January 2019 – Reinstated	2,298,137	-	1,096,450	53,608	1,986,019	5,434,214
Charge for the year	490,866	-	200,038	11,956	631,054	1,333,914
Prior year reinstatement	(608)	-	(568)	-	(315)	(1,491)
At 31 December 2019 – Reinstated	2,788,395	-	1,295,920	65,564	2,616,758	6,766,637
NET BOOK VALUE						
At 31 December 2019 – Reinstated	8,579,237	318,479	481,041	4,402	1,830,305	11,213,464

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	€	€
Trade receivables (note a)	243,322	216,013
Other receivables (note b)	164,132	164,132
Amounts due from related parties (note c)	16,372	101,391
Ground rents receivable (note a)	232,051	357,503
Payments in advance	9,392	104,837
VAT refundable	241,560	260,380
Deferred expenses	446,337	922,296
Accrued income	212,477	25,300
Prepayments	5,693	5,701
Financial assets	€ 1,571,336	€ 2,157,553

Notes:

- (a) The Entity's exposure to credit risk and impairment losses relating to trade receivables, amounts owed by related parties and ground rent receivables are disclosed in note 23. Trade receivables are inclusive of € 197,476 provision for doubtful debts (2019: € 345,301). Ground rent receivable is inclusive of € 308,695 provision for bad debts (2019: € 416,792).
- (b) Other receivables include an amount of € 147,094 in relation to advance payments affected to the Lands Authority pertaining to Marsa Sports Village Project.
- (c) Amounts due from related party are unsecured, interest free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

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

	2020	2019
	€	€
Cash at bank and in hand (note a)	4,298,039	5,775,884
Short-term investments-term deposits held at bank	87,589	86,927
Sports fund (note b)	1,659,828	1,500,187
	€ 6,045,456	€ 7,362,998

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

13. CASH AND CASH EQUIVALENTS (cont'd)

Notes:

- (a) Within bank balances there is an amount of € 638,796 which is held by the Court pending a settlement between a capital creditor on works performed to the Entity.
- (b) As mandated by Section 19(3) of the Sports Act 2002, the Sports fund can be utilized for the purpose of development and maintenance of sports facilities unless the Minister authorises otherwise.

14. ACCUMULATED FUND

Accumulated fund represents accumulated profit or losses.

15. LEASE LIABILITIES

This note provides information for leases where the Entity is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020 €	2019 €
Right-of-use-assets		
Motor Vehicles	16,358	16,358
Furniture, fixtures and fittings	18,965	18,965
	<hr/> 35,323	<hr/> 35,323
Less: Depreciation on Right-of-use assets	(35,323)	(21,438)
	<hr/> € -	<hr/> € 13,885
Lease liabilities		
Current	1,897	15,004
Non-current	-	1,897
	<hr/> € 1,897	<hr/> € 16,901

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15. LEASE LIABILITIES (cont'd)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020 €	2019 €
Depreciation charge for Right-of-use-assets:		
Motor Vehicles	16,358	11,956
Furniture, fixtures and fittings	18,965	9,482
	<u>€ 35,323</u>	<u>€ 21,438</u>
Interest expenses (included in finance cost)	€ 478	€ 656
Expenses relating to short-term leases (included in administrative expenses)	<u>€ 12,402</u>	<u>€ 28,418</u>

Total cash outflow for leases, including operating leases in 2020 was € 27,884 (2019 : € 47,496).

16. TRADE AND OTHER PAYABLES

	2020 €	2019 €
Falling due after more than one year		
Deferred income – capital grants (note 17)	11,788,631	12,399,480
Current		
Trade payables	618,047	844,672
Amount owed to related parties	57,144	90,090
Capital creditors	178,547	84,449
Payments in advance	43,962	-
Commitments to sports facilities	436,419	1,012,149
Deferred income - capital grants (note 17)	1,735,510	1,040,374
Deferred income	543,138	422,447
Accruals	217,487	147,071
Financial current liabilities	<u>3,830,254</u>	<u>3,641,252</u>
National insurance payable	6,921	13,625
	<u>€ 3,837,175</u>	<u>€ 3,654,877</u>

This amount represents monies received/ receivable to finance capital expenditure from funds received from the capital vote, and shall be recognised as income over the useful life of the asset.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

17. DEFERRED INCOME – CAPITAL GRANTS

	2020 €	2019 €
Balance at the beginning of the year	13,439,854	12,278,635
Received	1,206,477	2,822,459
Release of deferred income – grants	(1,122,190)	(1,661,240)
Total deferred income	<u>13,524,141</u>	<u>13,439,854</u>
Less: short-term deferred income	(1,735,510)	(1,040,374)
Long-term deferred income	<u>11,788,631</u>	<u>12,399,480</u>
Long-term deferred income matures as follows:		
Between 1 and 2 years	919,296	978,491
Between 2 and 5 years	1,498,520	2,439,477
After 5 years	9,370,815	8,981,512
	<u>11,788,631</u>	<u>12,399,480</u>

18. NOTES TO THE CASH FLOW STATEMENT

(a) Cash (used in) operations

	2020 €	2019 €
Deficit of income over expenditure	(1,839,591)	(221,146)
Adjustments for:		
Depreciation of property, plant and equipment	1,349,171	1,332,423
Movement in provision for doubtful debts	(255,921)	(78,477)
Release of deferred income - grant	(1,122,190)	(1,661,240)
Finance cost	16,789	18,792
Finance income	(1,566)	(4,960)
(Loss) before working capital changes	<u>(1,853,308)</u>	<u>(614,608)</u>
Movement in trade and other receivables	1,033,320	(218,492)
Movement in trade and other payables	(606,936)	(625,308)
Cash (used in) operations	<u>€ (1,426,924)</u>	<u>€ (1,458,408)</u>

(b) Plant and equipment

During the year under review the entity purchased plant and equipment to the value of € 969,784. Net increase in capital creditors amounted to € 94,098 and the difference of € 875,686 was paid for in cash and cash equivalents.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

19. CAPITAL AND OTHER COMMITMENTS

Commitments for capital expenditure. Financing of programmes and assistance to sports organisations as at the date of approval of these financial statements not provided for in these financial statements are as follows:

	2020	2019
	€	€
Authorised but not contracted for:		
Capital and other expenditure	24,723,500	13,736,990
Assistance to Sports Organisations	-	150,000
	<u>€ 24,723,500</u>	<u>€ 13,886,990</u>
Contracted but not provided for:		
Capital and other expenditure (note)	16,403,310	220,441
Assistance to Sports Organisations	2,684,554	3,984,021
	<u>€ 19,087,864</u>	<u>€ 4,204,462</u>

Note:

Capital and other expenditure includes the 'Cottonera Olympic Size Indoor Pool' to the value of € 14,543,404 which is intended to be completed by 2023. The cost will be spread over a three year period.

20. CONTINGENT LIABILITIES

	2020	2019
	€	€
Guarantees in the course of business	3,500	3,500
Pending court cases (note a)	380,333	383,333
Balances under dispute (note b)	779,856	449,119
	<u>€ 1,163,689</u>	<u>€ 835,952</u>

Notes:

(a) As at 31 December 2020, the entity presently had a number of court cases pending against it, for which no provision has been made in the financial statements. This is because the probable outcome of these claims is still uncertain. Uncertainty of such cases will only be resolved once the court cases are concluded.

(c) Within balances under dispute, the Entity has outstanding balances due to Bonnici Bros Ltd of € 638,796, including VAT, which are still under dispute. The disputes have emanated in relation to variations arising on the contract of the Shooting Range Project. A garnishee order is in place to the same amount as disclosed under note 13 to the financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21. COMPARATIVE FIGURES

Comparative figures under note 12 to the financial statements have been changed to comply with this year's presentation of balances.

22. RELATED PARTY DISCLOSURES

(a) Ultimate controlling party

The Government of Malta is the major and ultimate controlling party of SportMalta as governed by the Sport Act.

(b) Key management personnel

The chairman and board of directors are considered to be key management personnel. Included in 'Direct Operating and Administrative Costs' are honoraria paid to the chairman and board of directors amounting to € 39,811 (2019: € 40,426).

(c) Related party with controlling interest

	2020	2019
	€	€
Ministry of Education and Employment:		
Government contributions	5,278,766	7,307,450
Reimbursement of seconded employees	94,786	124,200
Other reimbursements	-	33,209
MEDE's share in SportMalta programmes	28,030	30,240
	<u>5,401,582</u>	<u>7,495,099</u>

At year end the balance due to the Ministry of Education and Employment amounted to € 34,796 (2019: € (1,298)) whilst the balance owed to the Ministry of Education and Employment was NIL.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

22. RELATED PARTY DISCLOSURES (cont'd)

(d) Related party without controlling interest

	Transactions		Balances	
	2020	2019	2020	2019
	€	€	€	€
Arms Ltd	335,243	463,015	42,723	88,516
Enemalta Corporation – Provision of services	81,250	80,000	-	41,777
Director General Customs	-	-	-	146
Director General – Tisbiih Malta	344	-	323	-
Planning Authority	-	-	50	50
MITA	22,153	25,448	839	255
University of Malta	53,525	56,009	8,431	22,834
Police Department	11,563	-	4,778	-
	<u>504,078</u>	<u>624,472</u>	<u>57,144</u>	<u>153,578</u>

23. FINANCIAL RISK MANAGEMENT

At 31 December 2020 and 2019 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

23.1 Financial risk factors

The Entity's activities expose it to market risk, credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Entity's risk management is coordinated by the Board of Directors, with the assistance of the Chief Executive Officer and the management team, and focuses on actively securing the Entity's short to medium term cash flow by minimising exposure to financial risks.

The exposure to risk and the way risks arise, together with the Entity's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.1.1 Market risk

(i) Foreign exchange risk

Foreign currency transactions arise when the Entity buys or sells goods whose price is denominated in a foreign currency, or when it settles liabilities, denominated in a foreign currency. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates, and management's reaction to material movements thereto.

(ii) Interest rate risk

The Entity has no significant interest-bearing assets other than cash and cash equivalents (Note 15), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Entity to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

23.1.2 Credit Risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Entity's receivables and bank balances.

The Entity continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. During the year the Entity has scrutinised its debtors balances and also entered into agreements with long defaulting trade receivables. The Entity is monitoring this closely to ensure that the credit risk is mitigated by taking the necessary measures for the collection of trade receivables. A number of agreements were formulated for the amounts due. The Entity is monitoring trade receivables very closely since if specific large customers do not honour their commitment this could have a material impact on the Entity's results. The Entity's policy is to recognise impairment losses on all trade receivables exceeding one year except in instances where the entity has reasons to believe that an amount will be fully recoverable.

The movement in the allowances for impairment of trade receivables, amounts by related parties and ground rent receivable during the year was as follows:

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.1.4 Summary of financial assets and liabilities by category

	Trade receivables (incl. related parties) €	Ground rent receivables €	Total €
Opening balance	317,404	357,503	674,907
Additions and repayments	(205,535)	(233,549)	(439,084)
Net movement in provisions for impairment	147,825	108,097	255,922
	<u>259,694</u>	<u>232,051</u>	<u>491,745</u>

The Entity's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2020 €	2019 €
Trade and other receivables	12	1,571,336	2,157,553
Cash and cash equivalents	13	6,045,456	7,362,998
Total financial assets		<u>€ 7,616,792</u>	<u>€ 9,520,551</u>

Neither of the Entity's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

23.1.3 Liquidity risk

The Entity is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which principally comprise trade and other payables (Note 16 to the financial statements). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate funds to meet the Entity's obligations when they become due. During the year the entity had to set aside funds in relation to disputed creditors balances into specific bank accounts to the value of € 638,796.

The Entity manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on daily basis. The Entity's liquidity is deemed to be sufficient in view of an excess of financial assets.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

23. FINANCIAL RISK MANAGEMENT (cont'd)

23.1.4 Summary of financial assets and liabilities by category

The carrying amounts of the Entity's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2020	2019
	€	€
Current Assets		
Financial assets:		
Trade and other receivables	1,571,336	2,157,553
Cash and Cash Equivalents	6,045,456	7,362,998
	<hr/>	<hr/>
Total financial assets	€ 7,616,792	€ 9,520,551
	<hr/>	<hr/>
Current Liabilities		
Financial liabilities:		
Trade payables	618,047	844,672
Amount owed to related parties	57,144	90,090
Capital creditors	178,547	84,449
Payments in advance	43,962	-
Commitments to sports facilities	436,419	1,012,149
Deferred income – capital grants	1,735,510	1,040,374
Deferred income	543,138	422,447
Accruals	217,487	147,071
	<hr/>	<hr/>
Financial current liabilities	€ 3,830,254	€ 3,641,252
	<hr/>	<hr/>

23.2 Capital Risk Management

The Entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital.

The primary objective of the Entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations. The capital structure of the Entity consists of cash and cash equivalents as disclosed in Note 13 and items presented within accumulated fund in the statement of financial position.

There were no changes in the Entity's approach to capital management during the year.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

24. FAIR VALUE ESTIMATION

At 31 December 2020, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period time between the origination of the instruments and their expected realisation.

25. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements that have been authorised for issue.

26. PRIOR-YEAR ADJUSTMENTS

Prior-year adjustments of € 512,253 were reflected against retained earnings as follows:

Opening Retained earnings

- i. Opening retained earnings have been restated to reverse overstated Commitments to finance development of sports facilities, pertaining to 2018, and amounting to € 81,647. The corresponding adjustment was reflected against trade and other payables, by a net decrease of € 81,647, as disclosed in note 16 to the financial statements.
- ii. Opening retained earnings have been restated to reverse overstated income from Government Capital Votes, pertaining up to 2014, amounting to € 227,481. The corresponding adjustment was reflected against trade and other receivables, by a net decrease of € 227,481, as disclosed in note 12 to the financial statements.
- iii. The Entity during the year have re-instated the net fixed assets, with the irrecoverable VAT capitalized in previous years. The correspondence adjustment necessitated a reinstatement of the fixed assets balances, with corresponding adjustments to depreciation charge brought forward and retained earnings with an amount of € 340,344. No tax effect resulted for this adjustment, since the entity is exempt entity under the Income Tax Management Act.

The combined effect of the above three adjustments necessitated a net decrease in retained earnings of € 486,178.

Retained earnings - 2019

- iv. Similarly, the Entity during the year have re-instated the net fixed assets, with the irrecoverable VAT capitalized in 2019. The correspondence adjustment necessitated a reinstatement of the fixed assets balances, with corresponding adjustments to depreciation charge brought forward and retained earnings with an amount of € 26,075. No tax effect resulted for this adjustment, since the entity is exempt entity under the Income Tax Management Act.

SPORTMALTA

INDEPENDENT AUDITORS' REPORT

To the members of SportMalta - Report on the Audit of the Financial Statements.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of SportMalta, set out on pages 3 to 30, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements show a true and fair view of the financial position of the Entity as at 31 December 2020 and of its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Sports Act, Chapter 455.

Basis for Qualified Opinion

The deferred income liability in note 17 to the financial statements amounting to € 13,524,141 could not be confirmed as to its accuracy and veracity. The consequential adjustments, resulting out of this, could not be quantified, and no alternative audit procedures could be carried out at year end.

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' report on pages 1 and 3 (but does not include the financial statements and our auditors' report thereon). 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.

Based on the work we have performed, in our opinion the information given in the Board of Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

Other Information (continued)

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

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Sports Act, Chapter 455. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the financial reporting process.

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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

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

- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 Entity'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 auditor's report. However, future events or conditions may cause the Agency 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.

We communicate with the Board of 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

Other matters on which we are required to report by exception

We also have responsibilities 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.
- Certain disclosures of Board of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.


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

SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

Report on Other Legal and Regulatory Requirements

The principal authorised to sign on behalf of Parker Randall Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Mr. Arthur Douglas Turner – Partner
On behalf of Parker Randall Turner

“Parker Randall Turner”
13, Curate Fenech Street
Birzebbugia BBG 2032
Malta

30 April 2021

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

SPORTMALTA**Schedule I****DETAILED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	Pages	2020 €	2019 €
GROSS INCOME			
Revenue		5,287,544	5,987,507
Income from Government and EU Grants		4,270,527	4,619,634
Other income		1,444,285	1,743,571
		<u>11,002,356</u>	<u>12,350,712</u>
EXPENSES			
Direct operating and administrative expenses	37	12,826,724	12,558,026
Finance costs	37	16,789	18,792
		<u>12,843,513</u>	<u>12,576,818</u>
(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE INTEREST		<u>(1,841,157)</u>	<u>(226,106)</u>
Finance income		1,566	4,960
(DEFICIT) FOR THE YEAR		<u>€ (1,839,591)</u>	<u>€ (221,146)</u>

This Schedule does not form part of the audited financial statements.

SPORTMALTA**Schedule II****DETAILED STATEMENT OF COMPREHENSIVE INCOME (continued)**

For the year ended 31 December 2020

	2020	2019
	€	€
DIRECT OPERATING COSTS AND ADMINISTRATIVE EXPENSES		
Advertising and marketing	6,901	37,706
Assistance to sport organisations – Schedule III	6,828,505	5,510,615
Auditors' remuneration	5,166	5,166
Bad debts and write offs	36,618	-
Cleaning expenses	43,728	53,140
Computer expenses	26,519	10,380
Community projects	110,460	595,103
Depreciation	1,349,171	1,332,423
Directors' honoraria	39,811	40,426
European Week of Sport	136,213	87,990
European School Sports Day	43	7,421
General expenses and consumables	101,968	73,580
Health and safety	58,695	24,212
Hospitality	1,346	-
Increase in provision for doubtful debts	-	1,652
Insurance	32,481	22,181
Irrecoverable VAT	39,451	27,566
Licences and permits	8,913	9,778
Motor vehicle expenses	22,378	16,833
Other services	36	740
Printing and postages	11,992	14,207
Professional and legal fees	179,361	280,525
Regatta	32,465	79,262
Repairs and maintenance	140,670	116,054
Security services	66,272	60,725
Sport educational programmes	13,023	79,010
SportMalta awards	65,060	67,028
Telecommunication expenses	19,140	15,738
Training and staff welfare	31,333	27,386
Travel and international affiliation	2,710	28,902
Utilities and maintenance	152,754	150,676
Wages and salaries	2,948,490	3,367,711
Water and electricity	315,051	413,890
- to page 36	<u>12,826,724</u>	<u>12,558,026</u>
FINANCE COSTS		
Bank interest and charges	16,311	18,136
Interest payable	478	656
- to page 36	<u>16,789</u>	<u>18,792</u>

SPORTMALTA**Schedule III****ASSISTANCES TO SPORTS ORGANISATIONS SCHEME**

For the year ended 31 December 2020

	2020 €	2019 €
Athlete Development Assistance	15,000	33,020
Education Assistance	20,000	-
Equipment Assistance	83,907	32,015
Facility Improvement Assistance	110,069	114,033
International Participation Foreign Assistance	77,493	229,685
International Participation Local Assistance	-	5,000
Malta Olympic Committee	623,140	378,961
Sports Tourism Scheme	106,271	231,480
Venue Assistance	243,553	405,717
Lands Assistance	3,927,789	3,817,015
Youth Development Assistance	3,000	21,455
Assigned Workers	59,821	35,348
Assistance agreements with Sport Organisations	287,676	-
Adhoc Assistances – Coaching fee for GSSE 2023	52,000	-
Other Adhoc Assistances	276,929	188,202
Capital project – Venue for GSSE2023	654,817	-
Flexi-training scheme	22,952	17,449
Gozo Scheme	2,291	1,235
Special sports leave	1,495	-
Assistance Covid-19 Use of Facility Scheme	110,740	-
Assistance Covid-19 Ground Rent Scheme	149,562	-
- to page 37	<u>6,828,505</u>	<u>5,510,615</u>

SPORTMALTA**Schedule IV****SPORTS FUND MEMORANDUM**

For the year ended 31 December 2020

	2020 €	2019 €
Sports fund balance brought forward	1,500,187	1,844,355
Inflows for the year		
COVID-19 Assistance	149,562	-
Ground rents received	364,573	155,828
Bank interest received	-	4
	<u>2,014,322</u>	<u>2,000,187</u>
Outflows for the year		
Payments for Capital Projects	354,475	500,000
Bank charges	19	-
	<u>354,494</u>	<u>500,000</u>
Sports fund balance carried forward	<u>€ 1,659,828</u>	<u>€ 1,500,187</u>

SPORTMALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021



SPORTMALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

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REPORT OF THE BOARD OF DIRECTORS

The board of directors present their report together with the audited financial statements of SportMalta ("The Entity") for the year ended 31 December 2021.

Principal activity of SportMalta

The Entity's principal activity continues to be that of developing and implementing policies and strategies in order to promote sports in Malta. It is a body corporate having a distinct legal personality and vested with regulatory powers established by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

Review of the Performance of the Agency

The financial results for the year under review disclose total revenue of € 12,209,049 (2020: restated revenue of € 11,069,647). The provision of services kept in line to previous year.

Results

The results for the year are as shown in the statement of comprehensive income on page 4 show a deficit of income over expenditure after interest of € (1,181,255) (2020: restated deficit of € (1,772,300)).

Future Developments

The board of directors intend to continue to operate in line with the current business plan.

Board of Directors

The Board of Directors have been appointed by the Minister and will be re-eligible for re-appointment on their expiration of their term of office.

Dr. Luciano Busuttil – Chairman (Resigned on 6/06/2022)
Dr. Andrew Decelis – Chairman (Appointed on 12/07/2022)
Mr. Jesmond Abela – Vice Chairman (Terminated on 6/06/2022)
Mr. Matthew Pisani – Vice Chairman (Appointed on 12/07/2022)
Mr. Joseph Cassar – Secretary
Ms. Charlene Attard – Director (Resigned on 30/11/2021)
Mr. Keith Bartolo – Director
Mr. Mark Marlow – Director
Ms. Anna Calleja – Director
Mr. Alfred Cachia – Director
Mr. Julian Pace Bonello – Director
Ms. Gianella Bugeja Persiano – Director
Dr. Alexandra Mizzi – Director (Appointed on 12/07/2022)
Dr. Andrew Decelis – Director (Appointed on 30/11/2021 and terminated on 6/6/2022)

The Board of Directors were terminated on 6 June 2022 and were reappointed on 12 July 2022.

REPORT OF THE BOARD OF DIRECTORS (Continued)

Statement of Directors' Responsibilities

The Board of Directors is required by the Sports Act to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Entity at the end of the financial period and of the surplus or deficit for that period.

In preparing the financial statements, the Board of Directors is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards, as adopted by the European Union (EU);
- selecting appropriate accounting policies and then applying them consistently;
- making judgments and accounting estimates that are prudent and reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless this is inappropriate to presume that the Entity will continue in business as a going concern.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Entity and to enable them to ensure that the financial statements comply with the Financial Administration and Audit Act. The Board of Directors is also responsible for safeguarding the assets of the Entity, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible to ensure that the Entity establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible to establish a control environment and maintain policies and procedures to assist in achieving the objective and ensuring, as far as possible, the orderly and efficient conduct of the Entity's business. This responsibility includes establishing and maintaining controls pertaining to the Entity's objective of preparing financial statements and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management consider the risk that the financial statements may be materially misstated as a result of fraud.

The Board of Directors has the overall responsibility for establishing and maintaining a framework of good corporate governance, including risk management systems and internal control to safeguard the Entity's assets.

Financial Reporting Framework

The Board of Directors has resolved to prepare the financial statements of the Entity for the year ended 31 December 2021 prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta.

ORTMALTA

REPORT OF THE BOARD OF DIRECTORS (Continued)

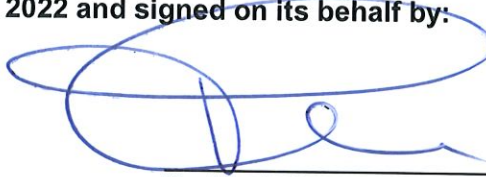
Auditors

Parker Russell Turner, Certified Public Accountant and Registered Auditors, have intimated their willingness to continue in office as auditors of the Agency

Approved by the Board of Directors on 7 September 2022 and signed on its behalf by:



Dr. Andrew Decelis
Chairman



Mr. Mark Cutajar
Chief Executive Officer

Registered Office:
Cottonera Sports Complex,
Cottonera Avenue,
Cospicua
Malta

SPORTMALTA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 €	2020 €
REVENUE	4	5,616,114	5,287,544
Income from Government and EU grants	5	4,930,975	4,270,527
Other income	6	1,661,960	1,551,576
		<u>12,209,049</u>	<u>11,069,647</u>
Direct operating costs and administrative expenses	7	(13,391,818)	(12,843,513)
(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE INTEREST	9	(1,182,769)	(1,773,866)
Finance income		1,514	1,566
(DEFICIT) FOR THE YEAR BEFORE TAXATION		<u>(1,181,255)</u>	<u>(1,772,300)</u>
Taxation	10	-	-
(DEFICIT) FOR THE YEAR AFTER TAXATION		<u>€ (1,181,255)</u>	<u>€ (1,772,300)</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

ASSETS	Notes	2021 €	2020 €
Non-current assets			
Property, plant and equipment	11	13,055,754	10,834,077
Current Assets			
Receivables	12	3,366,615	1,571,336
Cash and cash equivalents	13	8,461,770	6,045,456
		<u>11,828,385</u>	<u>7,616,792</u>
TOTAL ASSETS		<u>€ 24,884,139</u>	<u>€ 18,450,869</u>
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated fund	14	3,293,267	4,474,522
Non-current liabilities			
Payables	16	14,982,494	10,766,544
Finance lease obligation	15	8,857	-
		<u>14,991,351</u>	<u>10,766,544</u>
Current Liabilities			
Trade and other payables	16	6,597,624	3,207,906
Finance lease obligation	15	1,897	1,897
		<u>6,599,521</u>	<u>3,209,803</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 24,884,139</u>	<u>€ 18,450,869</u>

The notes on pages 8 to 30 are an integral part of the financial statements. These Financial Statements on pages 4 to 30 were approved by the Board of Directors on 7 September 2022.



Dr. Andrew Decelis
Chairman



Mr. Mark Cutajar
Chief Executive Officer

SPORTMALTA

STATEMENT OF CHANGES IN EQUITY

At 31 December 2021

	Accumulated Fund €	Total €
At 31 December 2019	4,662,757	4,662,757
Prior-year reinstatement - note 25	1,584,065	1,584,065
At 31 December 2019 – restated	<u>6,246,822</u>	<u>6,246,822</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2020		
Total comprehensive income for the year	(1,839,591)	(1,839,591)
Prior-year reinstatement - note 25	67,291	67,291
At 31 December 2020	<u>4,474,522</u>	<u>4,474,522</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2021		
Total comprehensive income for the year	(1,181,255)	(1,181,255)
At 31 December 2021	<u>€ 3,293,267</u>	<u>€ 3,293,267</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA**STATEMENT OF CASHFLOWS**

For the year ended 31 December 2021

	Notes	2021 €	2020 €
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) operations	18 (a)	(989,211)	(2,564,496)
Interest received		1,514	1,566
Interest paid		(15,196)	(16,789)
NET CASH (USED IN) OPERATING ACTIVITIES		<u>(1,002,893)</u>	<u>(2,579,719)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	18 (b)	(3,036,692)	(875,686)
Payments towards finance lease obligations		(8,752)	(15,004)
NET CASH (OUTFLOW) INVESTING ACTIVITIES		<u>(3,045,444)</u>	<u>(890,690)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital vote		6,464,651	2,152,867
Net movement in Cash and Cash Equivalents		<u>2,416,314</u>	<u>(1,317,542)</u>
Cash and Cash Equivalents at the beginning of year	13	6,045,456	7,362,998
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	<u>€ 8,461,770</u>	<u>€ 6,045,456</u>

The note on pages 8 to 30 are an integral part of these financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. BACKGROUND INFORMATION

SportMalta ("the Entity") is a Government entity, the principal activities of which are to develop and implement policies and strategies in order to promote sports in Malta. The Entity was set up by the Sports Act, Chapter 455 of the Laws of Malta which came into force on 27 January 2003.

2. BASIS OF PREPARATION

The Entity's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and comply with the Sports Act.

The Entity's financial statements have been prepared under the historical cost convention.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Standards, amendments and interpretations to existing standards

3.1.1 New and amended standards adopted by the Entity

During 2020, the Agency adopted a number of interpretations and amendments to standards in the financial statements. These changes did not have a significant impact on the Agency's accounting policies and on the financial performance and financial position.

Standards adopted during the year ended 31 December 2021

No new standards were adopted during the year.

3.1.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Entity

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Entity.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Entity's financial statements.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

3.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Government of Malta will continue to provide the subvention to the Entity in accordance with Sports Act in order to continue with the performance of its functions.

3.4 Property, plant and equipment

i. Valuation method

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably stated at cost less accumulated depreciation and any accumulated impairment losses. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Expenditure is charged to the asset's carrying:

- When the expenditure is made from capital vote grant on premises that are directly operated by SportMalta or;
- When the expenditure is made from the revenue grant and it is probably that due to the transaction, future economic benefits will flow to the enterprise and the asset is separately identifiable and saleable.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying property, plant and equipment are capitalised as part of its cost. A qualifying property, plant and equipment is an asset that necessarily takes a substantial period of time to get ready for its intended use.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

i. Valuation method (cont'd)

Borrowing costs are capitalised while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit and loss in the period of derecognition. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

ii. Depreciation

Depreciation commences in the year when the depreciable assets are available for use and is charged to profit and loss so as to write off the cost less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

	%
Building Construction	2
Building Improvements	10
Furniture, Fixtures and fittings	15
Motor vehicles	20
Equipment (include Computer Software)	20

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Depreciation continues until the asset is derecognised. Depreciation charge is recognised within 'administrative expenses' in the statement of comprehensive income.

iii. Assets under construction

Assets under construction in respect of capital project are valued at material cost used for construction, labour cost and other direct expenses. No depreciation is provided for until the assets are brought into use.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.6 Financial instruments

A financial assets and financial liabilities are recognised when the Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Entity's contractual rights to the cash flows from the financial assets expire or if the Entity transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets or liabilities are offset, and the net amount presented on the statement of financial position, when the Entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

(a) Receivables

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Impairment

From 1 January 2018, the impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the entity applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Entity if longer). If not, they are presented as non-current liabilities.

3.7 Impairment

All assets are tested for impairment at each financial statement position date, the carrying amount of assets, including cash generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if such indication or objective evidence exists, the recoverable amount of the assets is estimated.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on that statement of financial position. These are carried in the statement of financial position at face value.

3.9 Related parties

Related parties are those persons or bodies of persons having relationships with the Entity as defined in IAS 24. During the year under review, the Entity's related party that exercises a significant control was the Ministry of Sport, Youth, Research and Innovation.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Government and EU Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and that SportMalta will comply with the attaching conditions. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government and EU grants relating to the property, plant and equipment, are included as deferred grants and treated as component of Accumulated Funds. Grants are credited to the Statement of Comprehensive Income on a straight-line basis over the expected useful life of the related assets.

Government grants in respect of capital expenditure and operating expenditure from the capital vote incurred by SportMalta on behalf of other organisations, are taken to the Statement of Comprehensive Income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event. Government grants which are not expensed to income are deferred in the statement of financial position with corresponding deferred expenses.

Government grants in respect of operating expenditure from the capital vote are taken to the statement of comprehensive income and recognised both as income and corresponding expenditure in the year when the commitments or expense becomes an obligating event.

Government grants of a revenue nature are recognised when approved in the annual government budget.

3.11 Revenue and expenditure recognition

Revenue is measured by reference to the fair value of consideration received or receivable of services provided in the normal course of business net of discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Entity and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from provision of services is recognised in the period in which the services are rendered.

(ii) Rental income

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Revenue and expenditure recognition (cont'd)

(iii) Notional income

Notional income is measured as the difference between the market value of the service being provided or the use of the facilities, and the actual charge to the sports organisations, when the Entity charges these at discounted rates.

Notional income is included in the statement of comprehensive income as revenue with a corresponding expense in the year in which the service or the use of the facility is provided to the sports organisation.

3.12 Taxation

As per Article 34 of the Sports Act, SportMalta is exempt from any liability for the payment of any tax on income, from customs duty and from any duty on documents and transfers.

3.13 Administrative and operating expenses

Administrative and operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

3.14 Finance leases

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Agency.

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

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

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

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Finance leases (cont'd)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

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

3.15 Significant judgement in applying accounting policies

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Chief Executive Officer, the accounting estimates and judgements made in course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their descriptions as critical in terms of the requirements of IAS 1 (revised).

3.16 Provisions

Provisions are recognised when present obligations resulting from a past event will probably lead to an outflow of economic resources from the Entity and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Provisions (cont'd)

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are numerous similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the obligations' class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. REVENUE

	2021 €	2020 €
Revenue from provision of services	711,543	721,540
Rental income	376,827	350,988
Notional income	4,527,744	4,215,016
	<u>€ 5,616,114</u>	<u>€ 5,287,544</u>

5. INCOME FROM GOVERNMENT AND EU GRANTS

	2021 €	2020 €
Government grants relating to costs	4,489,736	4,098,163
EU grants	151,910	172,364
Funds from public administrators	289,329	-
	<u>€ 4,930,975</u>	<u>€ 4,270,527</u>

6. OTHER INCOME

	2021 €	2020 €
Release of deferred income-grants (refer to note 17)	1,659,768	1,189,481
Decrease in provision for bad debts	-	255,922
Other income	2,192	66,173
	<u>€ 1,661,960</u>	<u>€ 1,511,576</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

7. DIRECT OPERATING COSTS AND ADMINISTRATIVE EXPENSES

	2021	2020
	€	€
Employee benefit expense	3,209,005	2,948,490
Depreciation of property, plant and equipment	1,183,203	1,349,171
Directors' honoraria	40,232	39,811
Assistance to sport organisations	6,828,684	6,808,505
Bad debts and write offs	85,874	36,618
Audit remuneration	5,250	5,166
Increase in provision for doubtful debts	4,611	-
Other expenses	1,829,022	1,599,512
Finance costs	15,196	16,789
Irrecoverable VAT	190,741	39,451
	<u>€ 13,391,818</u>	<u>€ 12,843,513</u>

8. EMPLOYEE BENEFIT EXPENSE

	2021	2020
	€	€
Wages and salaries	3,019,147	2,782,987
Social security costs	189,858	165,503
	<u>€ 3,209,005</u>	<u>€ 2,948,490</u>

The Average number of full-time equivalents employed by the Entity during the year:

192	140
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9. DEFICIT OF INCOME OVER EXPENDITURE

	2021	2020
Deficit of income over expenditure on ordinary activities is stated after charging:		
Total remuneration payable to the external auditors to audit the financial statements of the entity	€ 5,250	€ 5,166
	<u>€ 5,250</u>	<u>€ 5,166</u>

10. TAXATION

The Entity is exempt from any liability for the payment of tax on income

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings €	Asset Under Construction €	Furniture & Fittings €	Motor Vehicles €	Equipment €	Total €
COST						
At 1 January 2021	11,570,062	789,830	1,916,333	69,966	4,603,694	18,949,885
Additions	196,549	3,007,792	83,741	17,609	99,189	3,404,880
Reclassification	70,665	(70,665)	-	-	-	-
At 31 December 2021	11,837,276	3,726,957	2,000,074	87,575	4,702,883	22,354,765
DEPRECIATION						
At 1 January 2021	3,282,175	-	1,506,605	69,966	3,257,062	8,115,808
Charge for the year	355,138	-	177,043	8,804	642,218	1,183,203
At 31 December 2021	3,637,313	-	1,683,648	78,770	3,899,280	9,299,011
NET BOOK VALUE						
At 31 December 2021	8,199,963	3,726,957	316,426	8,805	803,603	13,055,754

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings €	Asset Under Construction €	Furniture & Fittings €	Motor Vehicles €	Equipment €	Total €
COST						
At 1 January 2020	11,367,632	318,479	1,776,961	69,966	4,447,063	17,980,101
Additions	202,430	471,351	139,372	-	156,631	969,784
At 31 December 2020	<u>11,570,062</u>	<u>789,830</u>	<u>1,916,333</u>	<u>69,966</u>	<u>4,603,694</u>	<u>18,949,885</u>
DEPRECIATION						
At 1 January 2020	2,788,395	-	1,295,920	65,564	2,616,758	6,766,637
Charge for the year	493,780	-	210,685	4,402	640,304	1,349,171
At 31 December 2020	<u>3,282,175</u>	<u>-</u>	<u>1,506,605</u>	<u>69,966</u>	<u>3,257,062</u>	<u>8,115,808</u>
NET BOOK VALUE						
At 31 December 2020	<u>8,287,887</u>	<u>789,830</u>	<u>409,728</u>	<u>-</u>	<u>1,346,632</u>	<u>10,834,077</u>

The cost of fully depreciated assets still in use as at year end amounted to € 4,222,232 on which depreciation otherwise chargeable would have amounted to € 584,408.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	€	€
Receivables (note a)	238,757	243,322
Other receivables (note b)	148,002	164,132
Amounts due from related parties (note c)	17,725	16,372
Ground rents receivable (note a)	199,228	232,051
Payments in advance	-	9,392
VAT refundable	733,286	241,560
Deferred expenses	1,569,154	446,337
Accrued income	421,797	212,477
Prepayments	38,666	5,693
Financial assets	€ 3,366,615	€ 1,571,336

Notes:

- (a) The Entity's exposure to credit risk and impairment losses relating to trade receivables, amounts owed by related parties and ground rent receivables are disclosed in note 23. Trade receivables are inclusive of € 109,489 provision for doubtful debts (2020: € 197,476). Ground rent receivable is inclusive of € 401,293 provision for bad debts (2020: € 308,695).
- (b) Other receivables include an amount of € 147,094 in relation to advance payments affected to the Lands Authority pertaining to Marsa Sports Village Project.
- (c) Amounts due from related party are unsecured, interest free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

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

	2021	2020
	€	€
Operational funds	2,292,239	1,750,498
Capital funds (note a)	4,688,394	2,547,541
Short-term investments-term deposits held at bank	88,033	87,589
Sports fund (note b)	1,393,104	1,659,828
	€ 8,461,770	€ 6,045,456

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

13. CASH AND CASH EQUIVALENTS (cont'd)

Notes:

- (a) Within bank balances there is an amount of € 660,104 which is held by the Court pending a settlement between a capital creditor on works performed to the Entity.
- (b) As mandated by Section 19(3) of the Sports Act 2002, the Sports fund can be utilized for the purpose of development and maintenance of sports facilities unless the Minister authorises otherwise.

14. ACCUMULATED FUND

Accumulated fund represents accumulated profit or losses taking into account prior year reserves as presented in the statement of changes in equity on page 6.

15. LEASE LIABILITIES

This note provides information for leases where the Entity is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
	€	€
Right-of-use-assets		
Motor Vehicles	33,967	16,358
Furniture, fixtures and fittings	18,965	18,965
	<u>52,932</u>	<u>35,323</u>
Less: Depreciation on Right-of-use assets	(44,127)	(35,323)
	<u>€ 8,805</u>	<u>€ -</u>
Lease liabilities		
Current	1,897	1,897
Non-current	8,857	-
	<u>€ 10,754</u>	<u>€ 1,897</u>

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

15. LEASE LIABILITIES (cont'd)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
	€	€
Depreciation charge for Right-of-use-assets:		
Motor Vehicles	25,162	16,358
Furniture, fixtures and fittings	18,965	18,965
	<u>€ 44,127</u>	<u>€ 35,323</u>
Interest expenses (included in finance cost)	€ 610	€ 478
Expenses relating to short-term leases (included in administrative expenses)	<u>€ 19,095</u>	<u>€ 12,402</u>

Total cash outflow for leases, including operating leases in 2021 was € 28,457 (2020 : € 27,884).

16. PAYABLES

	2021	2020
	€	€
Falling due after more than one year		
Deferred income – capital grants (note 17)	14,982,494	10,766,544
Current		
Payables	416,936	618,047
Amount owed to related parties	87,207	57,144
Capital creditors	529,126	178,547
Payments in advance	-	43,962
Commitments to sports facilities	1,569,154	436,419
Deferred income - capital grants (note 17)	1,695,174	1,106,241
Deferred income	1,718,528	543,138
Accruals	328,042	217,487
Financial current liabilities	<u>6,344,167</u>	<u>3,200,985</u>
National insurance payable	253,457	6,921
	<u>€ 6,597,624</u>	<u>€ 3,207,906</u>

This amount represents monies received/ receivable to finance capital expenditure from funds received from the capital vote, and shall be recognised as income over the useful life of the asset.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

17. DEFERRED INCOME – CAPITAL GRANTS

	2021 €	2020 €
Balance at the beginning of the year	11,872,785	10,909,399
Received	6,464,651	2,152,867
Release of deferred income – grants	(1,659,768)	(1,189,481)
Total deferred income	<u>16,677,668</u>	<u>11,872,785</u>
Less: short-term deferred income	(1,695,174)	(1,106,241)
Long-term deferred income	<u>14,982,494</u>	<u>10,766,544</u>
Long-term deferred income matures as follows:		
Between 1 and 2 years	445,981	630,745
Between 2 and 5 years	1,002,294	1,391,472
After 5 years	13,534,219	8,744,327
	<u>14,982,494</u>	<u>10,766,544</u>

18. NOTES TO THE CASH FLOW STATEMENT

(a) Cash (used in) operations

	2021 €	2020 €
Deficit of income over expenditure	(1,181,255)	(1,772,300)
Adjustments for:		
Depreciation of property, plant and equipment	1,183,203	1,349,171
Movement in provision for doubtful debts	4,611	(255,921)
Release of deferred income - grant	(1,659,768)	(1,189,481)
Finance cost	15,196	16,789
Finance income	(1,514)	(1,566)
(Loss) before working capital changes	<u>(1,639,527)</u>	<u>(1,853,308)</u>
Movement in trade and other receivables	(1,799,890)	1,033,320
Movement in trade and other payables	2,450,206	(1,744,508)
Cash (used in) operations	<u>€ (989,211)</u>	<u>€ (2,564,496)</u>

(b) Plant and equipment

During the year under review the entity purchased plant and equipment to the value of € 3,387,271. Net increase in capital creditors amounted to € 350,579 and the difference of € 3,036,692 was paid for in cash and cash equivalents.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

19. CAPITAL AND OTHER COMMITMENTS

Commitments for capital expenditure. Financing of programmes and assistance to sports organisations as at the date of approval of these financial statements not provided for in these financial statements are as follows:

	2021 €	2020 €
Authorised but not contracted for:		
Capital and other expenditure	27,807,000	21,184,000
Assistance to Sports Organisations	3,139,217	3,539,500
	<u>€ 30,946,217</u>	<u>€ 24,723,500</u>
Contracted but not provided for:		
Capital and other expenditure (note)	27,600,566	16,403,310
Assistance to Sports Organisations	2,614,707	2,684,554
	<u>€ 30,215,273</u>	<u>€ 19,087,864</u>

Note:

Capital and other expenditure includes the 'Cottonera Olympic Size Indoor Pool', 'Marsa Gymnastics Centre' and 'Netball Buildings' to the value of € 11,856,182, € 4,347,361 and € 7,929,954 respectively which are intended to be completed by 2023. The cost will be spread over the remaining two year period.

20. CONTINGENT LIABILITIES

	2021 €	2020 €
Guarantees in the course of business	3,500	3,500
Pending court cases (note a)	350,000	380,333
Balances under dispute (note b)	741,674	779,856
	<u>€ 1,095,174</u>	<u>€ 1,163,689</u>

Notes:

(a) As at 31 December 2021, the entity presently had a number of court cases pending against it, for which no provision has been made in the financial statements. This is because the probable outcome of these claims is still uncertain. Uncertainty of such cases will only be resolved once the court cases are concluded.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

20. CONTINGENT LIABILITIES (continued)

- (b) Within balances under dispute, the Entity has outstanding balances in relation to variations of € 660,104, including VAT, which are still under dispute. A garnishee order is in place to the same amount as disclosed under note 13 to the financial statements.

21. RELATED PARTY DISCLOSURES

(a) Ultimate controlling party

The Government of Malta is the major and ultimate controlling party of SportMalta as governed by the Sport Act.

(b) Key management personnel

The chairman and board of directors are considered to be key management personnel. Included in 'Direct Operating and Administrative Costs' are honoraria paid to the chairman and board of directors amounting to € 40,232 (2020: € 39,811).

(c) Related party with controlling interest

	2021	2020
	€	€
Ministry for Education, Sport, Youths, Research and Innovation:		
Government contributions	11,470,919	5,278,766
Reimbursement of seconded employees	87,371	94,786
MEYR's share in SportMalta programmes	3,025	28,030
	<u>11,561,315</u>	<u>5,401,582</u>

At year end the balance due from the Ministry for Education, Sport, Youths, Research and Innovation amounted to € 13,429 (2020: Nil) whilst the balance owed to the Ministry of Sport, Youth, Research and Innovation was Nil (2020: € 34,796).

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

21. RELATED PARTY DISCLOSURES (cont'd)

(d) Related party without controlling interest

	Transactions		Balances	
	2021	2020	2021	2020
	€	€	€	€
Arms Ltd	370,289	335,243	40,394	42,723
Enemalta Corporation – Provision of services	-	81,250	-	-
Director General – Tisbih Malta	243	344	90	323
Planning Authority	59,986	-	-	50
MITA	26,090	22,153	996	839
University of Malta	57,326	53,525	45,727	8,431
Police Department	7,906	11,563	-	4,778
	<u>521,840</u>	<u>504,078</u>	<u>87,207</u>	<u>57,144</u>

22. FINANCIAL RISK MANAGEMENT

At 31 December 2021 and 2020 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amounts.

22.1 Financial risk factors

The Entity's activities expose it to market risk, credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Entity's risk management is coordinated by the Board of Directors, with the assistance of the Chief Executive Officer and the management team, and focuses on actively securing the Entity's short to medium term cash flow by minimising exposure to financial risks.

The exposure to risk and the way risks arise, together with the Entity's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT (cont'd)

22.1.1 Market risk

(i) Foreign exchange risk

Foreign currency transactions arise when the Entity buys or sells goods whose price is denominated in a foreign currency, or when it settles liabilities, denominated in a foreign currency. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates, and management's reaction to material movements thereto.

(ii) Interest rate risk

The Entity has no significant interest-bearing assets other than cash and cash equivalents (Note 15), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Entity to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

22.1.2 Credit Risk

Credit risk is the risk of financial loss to the Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Entity's receivables and bank balances.

The Entity continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. During the year the Entity has scrutinised its debtors balances and also entered into agreements with long defaulting trade receivables. The Entity is monitoring this closely to ensure that the credit risk is mitigated by taking the necessary measures for the collection of trade receivables. A number of agreements were formulated for the amounts due. The Entity is monitoring trade receivables very closely since if specific large customers do not honour their commitment this could have a material impact on the Entity's results. The Entity's policy is to recognise impairment losses on all trade receivables exceeding one year except in instances where the entity has reasons to believe that an amount will be fully recoverable.

The movement in the allowances for impairment of trade receivables, amounts by related parties and ground rent receivable during the year was as follows:

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT (cont'd)

22.1.3 Summary of financial assets and liabilities by category

	Receivables (incl. related parties) €	Ground rent receivables €	Total €
Opening balance	259,694	232,051	491,745
Additions and repayments	(91,199)	59,775	(31,424)
Net movement in provisions for impairment	87,987	(92,598)	(4,611)
	<u>256,482</u>	<u>199,228</u>	<u>455,710</u>

The Entity's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2021 €	2020 €
Receivables	12	3,366,615	1,571,336
Cash and cash equivalents	13	8,461,770	6,045,456
Total financial assets		<u>€ 11,828,385</u>	<u>€ 7,616,792</u>

Neither of the Entity's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

22.1.4 Liquidity risk

The Entity is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which principally comprise trade and other payables (Note 16 to the financial statements). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate funds to meet the Entity's obligations when they become due. During the year the entity had to set aside funds in relation to disputed creditors balances into specific bank accounts to the value of € 660,104.

The Entity manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on daily basis. The Entity's liquidity is deemed to be sufficient in view of an excess of financial assets.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT (cont'd)

22.1.5 Summary of financial assets and liabilities by category

The carrying amounts of the Entity's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2021	2020
	€	€
Current Assets		
Financial assets:		
Trade and other receivables	3,366,615	1,571,336
Cash and Cash Equivalents	8,461,770	6,045,456
	<hr/>	<hr/>
Total financial assets	€ 11,828,385	€ 7,616,792
	<hr/>	<hr/>
Current Liabilities		
Financial liabilities:		
Trade payables	416,936	618,047
Amount owed to related parties	87,207	57,144
Capital creditors	529,126	178,547
Payments in advance	-	43,962
Commitments to sports facilities	1,569,154	436,419
Deferred income – capital grants	1,695,174	1,106,241
Deferred income	1,718,528	543,138
Accruals	328,042	217,487
	<hr/>	<hr/>
Financial current liabilities	€ 6,344,167	€ 3,200,985
	<hr/>	<hr/>

22.2 Capital Risk Management

The Entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital.

The primary objective of the Entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations. The capital structure of the Entity consists of cash and cash equivalents as disclosed in Note 13 and items presented within accumulated fund in the statement of financial position.

There were no changes in the Entity's approach to capital management during the year.

SPORTMALTA

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

23. FAIR VALUE ESTIMATION

At 31 December 2021, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period time between the origination of the instruments and their expected realisation.

24. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements that have been authorised for issue.

25. PRIOR-YEAR REINSTATEMENT

Prior-year reinstatement of € 1,651,356 were reflected against retained earnings as follows:

Opening Retained earnings

Opening retained earnings have been restated to adjust for understated release of deferred capital grants pertaining to years from 2005 to 2020, and amounting to € 1,651,356. The corresponding adjustment was reflected against trade and other payables as disclosed in notes 16 and 17 to the financial statements.

SPORTMALTA

INDEPENDENT AUDITORS' REPORT

To the members of SportMalta - Report on the Audit of the Financial Statements.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SportMalta, set out on pages 3 to 30, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements show a true and fair view of the financial position of the Entity as at 31 December 2021 and of its financial performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Sports Act, Chapter 455.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency 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 Board of Directors is responsible for the other information. The other information comprises the Board of Directors' report on pages 1 and 3 (but does not include the financial statements and our auditors' report thereon). 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.

Based on the work we have performed, in our opinion the information given in the Board of Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Sports Act, Chapter 455. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the Board of Directors is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the financial reporting process.

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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 Entity's ability to continue as a going concern.

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SPORTMALTA

INDEPENDENT AUDITORS' REPORT (Continued)

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

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 auditor's report. However, future events or conditions may cause the Agency 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.

We communicate with the Board of 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

Other matters on which we are required to report by exception

We also have responsibilities 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.
- Certain disclosures of Board of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

The principal authorised to sign on behalf of Parker Russell Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.



Mr. Arthur Douglas Turner – Partner
On behalf of Parker Russell Turner

"Parker Russell Turner"
13, Curate Fenech Street
Birzebbugia BBG 2032
Malta

9 September 2022

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

DETAILED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Pages	2021 €	2020 €
GROSS INCOME			
Revenue		5,616,114	5,287,544
Income from Government and EU Grants		4,930,975	4,270,527
Other income		1,661,960	1,511,576
		<u>12,209,049</u>	<u>11,069,647</u>
EXPENSES			
Direct operating and administrative expenses	37	13,376,622	12,826,724
Finance costs	37	15,196	16,789
		<u>13,391,818</u>	<u>12,843,513</u>
(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE INTEREST		<u>(1,182,769)</u>	<u>(1,773,866)</u>
Finance income		1,514	1,566
(DEFICIT) FOR THE YEAR		<u>€ (1,181,255)</u>	<u>€ (1,772,300)</u>

This Schedule does not form part of the audited financial statements.

SPORTMALTA**Schedule II****DETAILED STATEMENT OF COMPREHENSIVE INCOME (continued)**

For the year ended 31 December 2021

	2021	2020
	€	€
DIRECT OPERATING COSTS AND ADMINISTRATIVE EXPENSES		
Advertising and marketing	22,141	6,901
Assistance to sport organisations – Schedule III	6,828,684	6,828,505
Auditors' remuneration	5,250	5,166
Bad debts and write offs	85,874	36,618
Cleaning expenses	54,291	43,728
Computer expenses	29,381	26,519
Community projects	445,776	110,460
Depreciation	1,183,203	1,349,171
Directors' honoraria	40,232	39,811
European Week of Sport	147,745	136,213
European School Sports Day	-	43
General expenses and consumables	65,567	101,968
Health and safety	17,953	58,695
Hospitality	56	1,346
Increase in provision for doubtful debts	4,611	-
Insurance	26,404	32,481
Irrecoverable VAT	190,741	39,451
Licences and permits	10,489	8,913
Motor vehicle expenses	21,462	22,378
Other services	188	36
Printing and postages	22,535	11,992
Professional and legal fees	137,440	179,361
Regatta	26,274	32,465
Repairs and maintenance	131,936	140,670
Security services	71,950	66,272
Sport educational programmes	46,755	13,023
SportMalta awards	22,500	65,060
Telecommunication expenses	15,487	19,140
Training and staff welfare	24,598	31,333
Travel and international affiliation	3,836	2,710
Utilities and maintenance	154,456	152,754
Wages and salaries	3,209,005	2,948,490
Water and electricity	329,802	315,051
	<hr/>	<hr/>
- to page 35	13,376,622	12,826,724
	<hr/>	<hr/>
FINANCE COSTS		
Bank interest and charges	14,586	16,311
Interest payable	610	478
	<hr/>	<hr/>
- to page 35	15,196	16,789
	<hr/>	<hr/>

SPORTMALTA

Schedule III

ASSISTANCES TO SPORTS ORGANISATIONS SCHEME

For the year ended 31 December 2021

	2021	2020
	€	€
Athlete Development Assistance	-	15,000
Education Assistance	20,000	20,000
Equipment Assistance	71,540	83,907
Facility Improvement Assistance	50,533	110,069
International Participation Foreign Assistance	204,502	77,493
International Participation Local Assistance	14,328	-
Malta Olympic Committee	651,277	623,140
Sports Tourism Scheme	73,617	106,271
Notional Venue Assistance	296,667	243,553
Notional Lands Assistance	4,149,803	3,927,789
Youth Development Assistance	-	3,000
Assigned Workers	64,793	59,821
Assistance agreements with Sport Organisations	478,420	287,676
Adhoc Assistances – Coaching fee for GSSE 2023	-	52,000
GSSE 2023 Associations - by NDSF	289,329	-
Other Adhoc Assistances	126,418	276,929
Capital project – Venue for GSSE2023	279,578	654,817
Flexi-training scheme	45,728	22,952
Gozo Scheme	167	2,291
Special sports leave	-	1,495
National Team Sports Leave	1,640	-
Assistance Covid-19 Use of Facility Scheme	2,760	110,740
Assistance Covid-19 Ground Rent Scheme	7,584	149,562
	<u>6,828,684</u>	<u>6,828,505</u>
- to page 36		

SPORTMALTA**Schedule IV****SPORTS FUND MEMORANDUM**

For the year ended 31 December 2021

	2021 €	2020 €
Sports fund balance brought forward	1,659,828	1,500,187
Inflows for the year		
COVID-19 Assistance	7,584	149,562
Ground rents received	255,123	364,573
	<u>262,707</u>	<u>2,014,322</u>
Outflows for the year		
Payments for Capital Projects	527,724	354,475
Bank charges	1,365	19
Garnishee order charges	342	-
	<u>529,431</u>	<u>354,494</u>
Sports fund balance carried forward	<u>€ 1,393,104</u>	<u>€ 1,659,828</u>

SPORTMALTA

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2022



SPORTMALTA

Annual report and financial statements

For the year ended 31 December 2022

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Report of the Board of Directors

The Board of Directors present their report and the audited financial statements of SportMalta for the year ended 31 December 2022.

Board of Directors

The Board of Directors have been appointed by the Minister and will be re-eligible for re-appointment on their expiration of their term of office.

Chairperson

Dr. Luciano Busuttil (Resigned on 6 June 2022)

Dr. Andrew Decelis (Appointed on 12 July 2022 and resigned on 17 July 2023)

Hon. Omar Farrugia (Appointed on 6 November 2023)

Deputy Chairperson

Mr. Jesmond Abela (Terminated on 6 June 2022)

Mr. Matthew Pisani (Appointed on 12 July 2022)

Directors

Mr. Keith Bartolo

Mr. Mark Marlow

Ms. Anna Calleja

Mr. Alfred Cachia

Ms. Gianella Bugeja Persiano

Mr. Julian Pace Bonello

Dr. Alexandra Nivea Mizzi (Appointed on 12/07/2022)

Board Secretary

Mr. Joseph Cassar

Principal activity of the Entity

The Entity's principal activity continues to be that of developing and implementing policies and strategies in order to promote sports in Malta. It is a body corporate having a distinct legal personality and vested with regulatory powers established by the Sports Act, Chapter 455 of the Laws of Malta.

Review of the performance of the Entity

The financial position of the Company as at 31 December 2022 is disclosed on page 8 while the results for the year under review are disclosed on page 9.

Total revenue for the Entity during the year amounts to €15,007,700 (2021: €10,547,089). The Entity registered a surplus of €825,547 (2021: deficit of €1,181,255).

Post balance sheet events

No significant events having an effect on the financial results and position of the Entity have taken place after the end of the year.

Report of the Board of Directors - continued

Future developments

The Board of Directors expect that the activities of the Entity will remain consistent for the foreseeable future.

Statement of the Board of Directors' responsibilities

The Board of Directors is required to prepare financial statements which give a true and fair view of the state of affairs of the Entity as at the end of each financial year and of the surplus or deficit for that year.

In preparing the financial statements, the Board of Directors is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union (EU);
- selecting and applying appropriate accounting policies and then applying them consistently;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Entity will continue in business as a going concern.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Entity and to ensure that the financial statements comply with the Sports Act, Chapter 455. It is also responsible for safeguarding the assets of the Entity, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors, through the Entity's management, is responsible to ensure that the Entity establishes and maintains internal control to provide reasonable assurance with regards to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, together with the Board of Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective and ensuring, as far as possible, the orderly and efficient conduct of the Entity's business. This responsibility includes establishing and maintaining controls pertaining to the Entity's objective of preparing financial statements and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management consider the risk that the financial statements may be materially misstated as a result of fraud.

The Board of Directors have the overall responsibility for establishing and maintaining a framework of good corporate governance, including risk management systems and internal control to safeguard the Entity's assets.

Report of the Board of Directors – continued

Financial Reporting Framework

The Board of Directors has resolved to prepare the financial statements of the Entity for the year ended 31 December 2022 in accordance with the requirements of International Financial Reporting Standards ('IFRSs'), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the he Sports Act, Chapter 455 of the Laws of Malta.

Auditors

CSA Audit Ltd have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Board of Directors meeting.

Approved by the Deputy Chairperson on behalf of the Board of Directors and Chief Executive Officer on 1 December 2023 and signed by:



Mr. Matthew Pisani
Deputy Chairperson



Mr. Mark Cutajar
Chief Executive Officer

Registered office:

Cottonera Sports Complex,
Cottonera Avenue,
Cospicua,
Malta

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of SportMalta

Report on the audit of the financial statements

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements (the “financial statements”) of SportMalta (the “Entity”):

- Give a true and fair view of the financial position of the Entity as at 31 December 2022, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (‘IFRSs’); and
- Have been prepared in accordance with the requirements of the Sports Act, Chapter 455 of the laws of Malta.

What we have audited

The Entity’s financial statements, which comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for Qualified Opinion

During 2022, the Entity commenced an exercise to revise its VAT accounting method following meetings with the VAT department. As at the date of our report, this exercise was still in progress. We were unable to confirm or verify by alternative means the VAT receivable included in the Statement of Financial Position amounting to €2,486,361 as at 31 December 2022. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of VAT receivable, and the elements making up the Statements of Comprehensive Income, Changes in Equity and Cash Flows.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (‘IESBA Code’), together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of SportMalta

Other information

The Board of Directors is responsible for the other information. The other information comprises The Report to the Board of Directors and Appendices but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs and are properly prepared in accordance with the provisions of the Act and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether to due to fraud or error.

In preparing the financial statements the Board of Directors is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the financial reporting process.

Auditors' responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 Entity's internal control.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of SportMalta

Auditors' responsibility for the audit of the financial statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of 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 Entity'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 Entity 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.

We communicate with the Board of 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.

Other matter

The financial statements SportMalta for the year ended 31 December 2021, were audited by a predecessor auditor who expressed an unmodified opinion on 9 September 2022.

The Principal authorized to sign on behalf of CSA Audit Ltd on the audit resulting in this independent auditors' report is Norbert Bugeja.



CSA Audit Ltd
Registered Auditors

1 December 2023

Statement of financial position

	Note	As at 31 December	
		2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	6	21,728,732	13,055,754
Current assets			
Trade and other receivables	7	4,418,192	3,366,615
Cash at bank and in hand	8	9,113,269	8,461,770
Total current assets		13,531,461	11,828,385
Total assets		35,260,193	24,884,139
EQUITY AND LIABILITIES			
Equity			
Accumulated fund	9	4,118,814	3,293,267
Non-current liabilities			
Trade and other payables	10	24,939,506	15,409,135
Lease liability	11	1,870	8,857
Total non-current liabilities		24,941,376	15,417,992
Current liabilities			
Trade and other payables	10	6,198,106	6,170,983
Lease liability	11	1,897	1,897
Total current liabilities		6,200,003	6,172,880
Total liabilities		31,141,379	21,590,872
Total equity and liabilities		35,260,193	24,884,139

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 8 to 35 were authorised for issue by the Board of Directors on 1 December 2023 and were signed on its behalf by:



Mr. Matthew Pisani
Deputy Chairperson



Mr. Mark Cutajar
Chief Executive Officer

Statement of comprehensive income

	Note	Year ended 31 December	
		2022 €	2021 €
Revenue	12	6,147,312	5,616,114
Income from Government and EU grants	13	8,860,388	4,930,975
Total revenue		15,007,700	10,547,089
Direct operating costs and administrative expenses	15	(16,134,608)	(13,391,818)
Other income	14	1,950,977	1,661,960
Operating surplus / (deficit)		824,069	(1,182,769)
Finance income	17	1,478	1,514
Surplus / (deficit) for the year		825,547	(1,181,255)

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity

	Accumulated fund €	Total €
Financial year ended 31 December 2021		
Balance at 1 January 2021	4,474,522	4,474,522
Total comprehensive income		
Deficit for the year	(1,181,255)	(1,181,255)
Balance at 31 December 2021	3,293,267	3,293,267
Financial year ended 31 December 2022		
Balance at 1 January 2022	3,293,267	3,293,267
Total comprehensive income		
Surplus for the year	825,547	825,526
Balance at 31 December 2022	4,118,814	4,118,814

The accompanying notes are an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 December	
		2022 €	2021 €
Cash flows from operating activities			
Surplus / (Deficit) for the year		824,069	(1,182,769)
<i>Adjustments for:</i>			
Depreciation		1,075,428	1,183,203
Movement in impairment allowance		4,112	4,611
Release of deferred income - grant		(1,945,759)	(1,659,768)
Interest received		1,478	1,514
Deficit from operations		(40,672)	(1,653,209)
Working capital changes:			
Increase in trade and other receivables		(1,055,689)	(2,459,994)
Increase in trade and other payables		397,981	2,450,206
(Decrease) / increase in finance lease liability		(6,987)	8,857
Net cash used in from operating activities		(705,367)	(1,654,140)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(9,600,930)	(3,054,301)
Net cash used in investing activities		(9,600,930)	(3,054,301)
Cash flows from financing activities			
Proceeds from capital vote		10,957,796	6,464,651
Net cash generated from financing activities		10,957,796	6,464,651
Movements in cash and cash equivalents		651,499	1,756,210
Cash and cash equivalents at beginning of year		7,801,666	6,045,456
Cash and cash equivalents at end of year	8	8,453,165	7,801,666

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1 Basis of preparation

1.1 Basis of measurement and statement of compliance

These financial statements have been prepared and presented in accordance with the International Financial Reporting Standards, as adopted by the EU (IFRSs) and with the requirements of the Sports Act, Chapter 455.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Entity's accounting policies (Note 4 - Critical accounting estimates and judgements).

These financial statements have been prepared under the historical cost convention, These financial statements present information about the Entity as an individual undertaking.

1.2 Functional and presentation currency

The financial statements are presented in Euro, which is the Entity's functional currency.

1.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the Government of Malta will continue to provide subventions to the Entity in accordance with the Sports Act in order to allow the continuation of the Entity's functions.

2 Summary of significant accounting policies

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

2.1 Foreign currency translation

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and monetary liabilities denominated in foreign currencies at balance sheet date are translated at year end closing rates of exchange. Any exchange differences arising on the settlement of monetary assets and monetary liabilities, or on translating foreign denominated monetary assets and liabilities at the statement of financial position date at rates different from those at which they were previously translated, are recognised in profit or loss.

2 Summary of significant accounting policies - continued

2.2 Property, plant, and equipment

Recognition and measurement

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

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

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

Depreciation

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Assets under construction	-
Buildings and improvements	2 - 10
Furniture, fixtures and fittings	15
Motor vehicles	20
Software and equipment	20

Depreciation method, useful life and residual value

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

2 Summary of significant accounting policies - continued

2.2 Property, plant, and equipment - continued

Derecognition of property, plant and equipment

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 asset. Any gains or losses arising on the disposal or retirement of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss.

2.3 Financial instruments

2.3.1 Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2.3.2 Classification and subsequent measurement

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

(ii) Financial assets – Business model assessment

The Entity makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

2 Summary of significant accounting policies - continued

2.3 Financial instruments - continued

2.3.2 Classification and subsequent measurement - continued

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Entity's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Entity's continuing recognition of the assets.

(iii) *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Entity considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Entity considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Entity's claim to cash flows from specified assets (e.g. non-recourse features).

2 Summary of significant accounting policies - continued

2.3 Financial instruments - continued

2.3.2 Classification and subsequent measurement - continued

(iii) Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest - continued

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(iv) Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(v) Financial liabilities – Classification and subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2.3.3 Derecognition

(i) Financial assets

The Entity derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2 Summary of significant accounting policies - continued

2.3 Financial instruments - continued

2.3.3 Derecognition - continued

(i) Financial assets - continued

The Entity enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(ii) Financial liabilities

The Entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Entity also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.4 Impairment

2.4.1 Non-derivative financial assets

2.4.1.1 Financial instruments and contract assets

The Entity recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- contract assets

The Entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

2 Summary of significant accounting policies - continued

2.4 Impairment - continued

2.4.1 Non-derivative financial assets - continued

2.4.1.1 Financial instruments and contract assets - continued

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Entity's historical experience and informed credit assessment, that includes forward-looking information.

The Entity assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Entity considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Entity in full, without recourse by the Entity to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Entity is exposed to credit risk.

2.4.1.2 Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

2.4.1.3 Credit-impaired financial assets

At each reporting date, the Entity assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 Summary of significant accounting policies - continued

2.4 Impairment - continued

2.4.1 Non-derivative financial assets - continued

2.4.1.3 Credit-impaired financial assets - continued

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Entity on terms that the Entity would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

2.4.1.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2.4.1.5 Write-off

The gross carrying amount of a financial asset is written off when the Entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Entity has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Entity individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Entity expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Entity's procedures for recovery of amounts due.

2.4.2 Impairment of non-financial assets

Assets that are subject for depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

2.5 Cash and cash equivalents

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

2 Summary of significant accounting policies - continued

2.6 Leases

At inception of a contract, the Entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Entity allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Entity by the end of the lease term or the cost of the right-of-use asset reflects that the Entity will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Entity's incremental borrowing rate. Generally, the Entity uses its incremental borrowing rate as the discount rate.

The Entity determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Entity is reasonably certain to exercise, lease payments in an optional renewal period if the Entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Entity reasonably certain not to terminate early.

2 Summary of significant accounting policies - continued

2.6 Leases - continued

As a lessee - continued

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Entity's estimate of the amount expected to be payable under a residual value guarantee, if the Entity changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero. The Entity presents right-of-use assets that do not meet the definition of investment property in 'right-of-use asset' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Entity has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Entity acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Entity applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Entity applies IFRS 15 to allocate the consideration in the contract.

The Entity applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Entity further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Entity recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

2 Summary of significant accounting policies - continued

2.7 Government grants

Government grants are assistance by government, inter-governmental agencies and similar bodies whether local, national or international, in the form of cash or transfers of assets to the Company in return for past or future compliance with certain conditions relating to operating activities of the Entity. Government grants are recognised when there is reasonable assurance that the Entity will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute. Any grants relating to future periods are recognised as deferred income.

Government grants related to assets are presented in the statement of financial position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

Government grants of a revenue nature are recognised when approved in the annual government budget.

2.8 Taxation

As per article 34 of the Sports Act, SportMalta is exempt from any liability for the payment of any tax on income, from customs duty and from any duty on documents and transfers.

2.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Entity's activities. Revenue is recognised upon performance of services, and is stated net of sales tax, returns, rebates and discounts.

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

(a) Rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably.

(b) Rental income

Rental income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Rental income is recognised in profit or loss on a straight-line basis over the lease term.

(c) Notional income

Notional income is measured as the difference between the market value of the service being provided or the use of the facilities and the actual charge to the sports organisations, when the Entity charges these at discounted rates.

2 Summary of significant accounting policies - continued

2.9 Revenue recognition - continued

Notional income is included in the statement of comprehensive income as revenue with a corresponding expense in the year in which the service or the use of the facility is provided to the sports organisation.

2.10 Employee benefits

The Entity contributes towards the state pension in accordance with local legislation. The only obligation of the Entity is to make the required contributions. Costs are expensed in the period in which they are incurred.

3 Standards not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Entity has not early adopted the new or amended standards in preparing these financial statements.

3.1 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024.

Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

3.2 Other standards

The following new and amended standards are not expected to have a significant impact on the Entity's financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IAS12: International tax reform – Pilar Two model rules.

4 Critical accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

5 Financial risk management

The Entity is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Entity's risk management is coordinated by the Entity's management under the oversight of the Board of Directors and focuses on actively securing the Entity's short to medium term cash flows by minimising the exposure to financial risk.

(a) Market risk

(i) Cash flow Interest rate risk

The Entity is exposed to cash flow interest rate risk and this principally arises from cash and cash equivalents which were issued at variable rates. Management monitors the impact in market interest rates in respect of the cash equivalents. Based on this analysis, management considers the potential impact on surplus or deficit of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial and accordingly the level of interest rate risk is contained. The Entity's operating cash flows are substantively independent of changes in market interest rates.

(ii) Fair value Interest rate risk

The Entity is not exposed to fair value interest rate risk arising from fixed interest on financial instruments.

(iii) Currency risk

The Entity is not significantly exposed to currency risk since it has no significant financial assets or financial liabilities denominated in foreign currencies.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. Credit risk arises from cash and cash equivalents and trade and other receivables.

	Note	2022 €	2021 €
Trade and other receivables	7	624,780	603,712
Cash in bank and in hand	8	9,113,269	8,461,770
		9,738,049	9,065,482

5 Financial risk management - continued

(b) Credit risk - continued

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Entity does not hold any collateral as security in this respect. The amounts disclosed above in respect of trade and other receivables exclude advance payments to suppliers, indirect taxation and prepayments and accrued income.

(i) Cash and cash equivalents

The Entity's cash and cash equivalents are held with local financial institutions with high quality standing or rating and are settled on demand. Management considers the probability of default to be close to zero as the financial institution has a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

(ii) Trade receivables

The Entity assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Entity monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Entity's trade receivables, taking into account historical experience in collection of accounts receivable. The credit quality of the trade receivables, which are not impaired or past due financial assets, reflects the nature of these assets which are principally debts in respect of transactions with counterparties for whom there is no history of default. Management does not expect any losses from non-performance of these parties.

The Entity applies the IFRS 9 simplified approach to measure expected credit losses which uses lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Entity uses judgement in estimating the expected credit losses. Credit loss allowance include specific provisions against credit impaired individuals exposures with the amount of provisions being equivalent to the balances attributable to credit impaired receivables. Provisions for impairment of credit impaired balances with corporate customers related to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Entity does not hold collateral as security in respect of credit impaired assets. The movements in credit loss allowances of these receivables are disclosed separately in surplus or deficit.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Entity. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating surplus. Subsequent recoveries of amounts written off are credited against the same line item.

5 Financial risk management - continued

(b) Credit risk - continued

The credit risk on the amounts due from related parties is considered to be limited in view that these are dues from Government agencies.

(c) Liquidity risk

The Entity is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of the trade and other payables.

Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Entity's obligations when they become due. During the year the entity had set aside funds in relation to disputed creditor balances into specific bank accounts to the value of €660,104.

The Entity manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The Entity's liquidity is deemed to be sufficient in view of an excess of financial assets.

(d) Fair values

The carrying amounts of cash at bank, receivables and trade and other payables approximate their fair values in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

(e) Capital management

The Entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital.

The primary objective of the Entity's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its operations. The capital structure of the Entity consists of cash and cash equivalents as disclosed in note 8 and items presented within the accumulated fund in the statement of financial position.

There were no changes in the Entity's approach to capital management during the year.

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6 Property, plant and equipment

	Buildings and improvements €	Assets under construction €	Furniture, fixtures and fittings €	Motor vehicles €	Software and equipment €	Total €
Cost or valuation						
As at 1 January 2021	11,570,062	789,830	1,916,333	69,966	4,603,694	18,949,885
Additions	196,549	3,007,792	83,741	17,609	99,189	3,404,880
Reclassification	70,665	(70,665)	-	-	-	-
As at 31 December 2021	11,837,276	3,726,957	2,000,074	87,575	4,702,883	22,354,765
As at 1 January 2022	11,837,276	3,726,957	2,000,074	87,575	4,702,883	22,354,765
Additions	105,910	9,346,184	93,070	-	203,242	9,748,406
As at 31 December 2022	11,943,186	13,073,141	2,093,144	87,575	4,906,125	32,103,171
Depreciation						
As at 1 January 2021	3,282,175	-	1,506,605	69,966	3,257,062	8,115,808
Charge for the year	355,138	-	177,043	8,804	642,218	1,183,203
As at 31 December 2021	3,637,313	-	1,683,648	78,770	3,899,280	9,299,011

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6 Property, plant and equipment - continued

	Buildings and improvements €	Assets under construction €	Furniture, fixtures and fittings €	Motor vehicles €	Software and equipment €	Total €
Depreciation - continued						
As at 1 January 2022	3,637,313	-	1,683,648	78,770	3,899,280	9,299,011
Charge for the year	301,778	-	104,860	8,805	659,985	1,075,428
As at 31 December 2022	3,939,091	-	1,788,508	87,575	4,559,265	10,374,439
Net book value as at						
31 December 2022	8,004,095	13,073,141	304,636	-	346,860	21,728,732
31 December 2021	8,199,963	3,726,957	316,426	8,805	803,603	13,055,754
31 December 2020	8,287,887	789,830	409,728	-	1,346,632	10,834,077

7 Trade and other receivables

	2022	2021
	€	€
Trade receivables (i)	238,492	238,757
Amounts due from related parties (iv)	17,111	17,725
Other receivables (iii)	147,094	204,394
Ground rents receivable (ii)	222,083	199,228
Deferred expenses	988,940	1,569,154
VAT refundable	2,486,361	733,286
Prepayments and accrued income	318,111	460,463
	4,418,192	3,366,615

(i) Trade receivables are shown net of an impairment allowance amounting to €108,018 (2021: €109,489).

(ii) Ground rents receivable is inclusive of an impairment allowance amounting to €405,599 (2021: €401,293).

(iii) Other receivables of €147,094 (2021: €147,094) are in relation to advance payments affected to the Lands Authority pertaining to Marsa Sports Village Project.

(iv) Amounts due from related parties are unsecured, interest free and repayable on demand.

8 Cash at bank and in hand

	2022	2021
	€	€
Operational funds	2,086,030	2,292,239
Capital funds (i)	5,344,876	4,688,394
Term deposits held at bank	-	88,033
Sports fund (ii)	1,682,363	1,393,104
Cash at bank and in hand	9,113,269	8,461,770
Garnishee order (i)	(660,104)	(660,104)
Cash and cash equivalents	8,453,165	7,801,666

(i) Within bank balances there was an amount of €660,104 (2021: 660,104) which is held by the Court pending a settlement between a capital creditor on works performed to the Entity.

(ii) As mandated by Section 19(3) of the Sports Act 2002, the Sports fund can be utilised for the purpose of development and maintenance of sports facilities unless the Minister authorises otherwise.

9 Accumulated fund

Accumulated fund represents accumulated surplus or deficit taking into account prior year reserves as presented in the statement of changes in equity on page 10.

10 Trade and other payables

	2022 €	2021 €
Non-current		
Deferred income - capital grants (i)	24,939,506	15,409,135
Current		
Trade payables	701,517	416,936
Amounts due to related parties (ii)	246,722	87,207
Deferred income – capital grants (i)	750,199	1,268,534
Other payables	9,500	-
Capital creditors	676,602	529,126
Commitments to sports facilities	988,939	1,569,154
Indirect taxation	176,737	253,457
Accruals and deferred income	2,647,890	2,046,569
	6,198,106	6,170,983

(i) This amount represents amounts received / receivable to finance capital expenditure from funds received from the capital vote, and shall be recognised as income over the useful life of the asset.

(ii) Amounts due to related parties are unsecured, interest free and repayable on demand.

	2022 €	2021 €
Balance at the beginning of the year	16,677,668	11,872,785
Funds received	10,957,796	6,464,652
Release of deferred income (Note 14)	(1,945,759)	(1,659,768)
Total deferred income	25,689,705	16,677,669
Less: Current deferred income	(750,199)	(1,268,534)
Non-current deferred income	24,939,506	15,409,135
Maturity of non-current deferred income:		
Between 1 and 2 years	454,879	445,981
Between 2 and 5 years	1,035,530	1,002,294
After 5 years	23,449,097	13,960,860
	24,939,506	15,409,135

11 Lease liability

	2022	2021
	€	€
Current	1,897	1,897
Non-current	1,870	8,857
Lease liability	3,767	10,754

	2022	2021
	€	€
Less than one year	1,897	1,897
One to five years	1,870	8,857
Net lease liability	3,767	10,754

During the year, the Entity recognised interest expense on lease liability amounting to €431 (2021: €610).

The Entity discounted lease payments at the rate of 4%.

12 Revenue

Revenue is stated after deduction of sales rebates and indirect taxes.

	2022	2021
	€	€
Revenue from provision of services	1,058,635	711,543
Rental income	409,214	376,827
Notional income	4,679,463	4,527,744
	6,147,312	5,616,114

13 Income from Government and EU grants

	2022	2021
	€	€
Government grants relating to costs	7,394,923	4,489,736
EU grants	275,386	151,910
Funds from public administrators	1,190,079	289,329
	8,860,388	4,930,975

14 Other income

	2022	2021
	€	€
Release of deferred income (Note 10)	1,945,759	1,659,768
Miscellaneous income	5,218	2,192
	1,950,977	1,661,960

15 Direct operating costs and administrative expenses

The following expenses are included in administrative expenses:

	2022	2021
	€	€
Employee benefit expenses	3,552,524	3,209,005
Depreciation of property, plant and equipment	1,075,428	1,183,203
Directors' honoraria	47,726	40,232
Assistance to sport organisations	9,729,980	6,875,003
Bad debts and write offs	-	85,874
Audit remuneration	2,900	5,250
Increase in impairment allowance	4,111	4,611
Other expenses	1,704,559	1,782,703
Finance costs	17,057	15,196
Irrecoverable VAT	342	190,741
	16,134,608	13,391,818

16 Employee benefit expense

	2022	2021
	€	€
Directors' remuneration	47,726	40,232
Wages and salaries	3,347,868	3,021,729
Social security costs and maternity fund contribution	204,656	187,276
	3,600,250	3,249,238

The average number of persons employed (excluding directors) by the Entity during the year:

	2022	2021
Operating	108	93
Management	12	9
Administration	29	34
	149	136

17 Finance income

	2022	2021
	€	€
Bank interest received	1,478	1,514

18 Capital and other commitments

Commitments for capital expenditure, financing of programmes and assistance to sports organisations as at the date of approval of these financial statements not provided for in these financial statements are as follows:

	2022	2021
	€	€
Authorised but not contracted for:		
Capital and other expenditure	25,072,020	27,807,000
Assistances to Sports Organisations	425,000	3,129,217
	25,497,020	30,946,217
Contracted but not provided for:		
Capital and other expenditure (Note)	33,458,180	27,600,566
Assistances to Sports Organisations	3,614,838	2,614,707
	37,073,018	30,215,273

Note:

Capital and other expenditure includes the 'Cottonera Olympic Size Indoor Pool' and 'Marsa Gymnastics Centre' to the value of €6,883,295 and €3,373,108 respectively which are intended to be completed by 2023 and 'Netball Buildings' to the value of €7,855,451 which is intended to be completed in 2024. The cost will be spread over the next two-year period.

19 Contingencies

	2022	2021
	€	€
Guarantees in the course of business	3,500	3,500
Pending court cases (i)	350,000	350,000
Balances under dispute (ii)	973,040	741,674
	1,326,540	1,095,174

- (i) As at 31 December 2022, the Entity presently had a number of court cases pending against it, for which no provision has been made in the financial statements. This is because the probable outcome of these claims is still uncertain. Uncertainty of such cases will only be resolved once the court cases are concluded.
- (ii) Within balances under dispute, the Entity has outstanding balances in relation to variations of €660,104, including VAT, which are still under dispute. A garnishee order is in place to the same amount as disclosed under note 8 to the financial statements.

20 Related party disclosures

20.1 The Government of Malta is the major and ultimate controlling party of SportMalta as governed by the Sport Act.

20.2 Balances with related parties

The balances due from and by related parties are disclosed in notes 7 and 10 to these financial statements.

20.3 Transactions with related parties

During the year, the Entity had the following transactions with related parties:

Related parties with Government

	2022 €	2021 €
Ministry for Education, Sport, Youths, Research and Innovation		
Government contributions	19,141,752	11,470,919
Reimbursement of seconded employees	109,520	87,371
MEYR's share in SportMalta programmes	3,231	3,025
	19,254,233	11,561,315

At year end the balance due from the Ministry for Education, Sport, Youths, Research and Innovation amounted to €11,286 (2021: 13,429) whilst the balance owed to the Ministry for Education, Sport, Youths, Research and Innovation amounts to €Nil (2021: €Nil).

Related parties with other related parties

	Transactions		Balances	
	2022 €	2021 €	2022 €	2021 €
Arms Ltd	401,428	370,289	83,173	40,394
Controller of Customs	986	-	421	-
Director General – Tisbih Malta	-	243	-	90
Enemalta	159,459	-	91,372	-
Enemed	165,255	-	7,725	-
Grand Harbour Regeneration Corporation	19,370	-	12,877	-
MITA	30,873	26,090	7,556	996
Planning Authority	-	59,986	-	-
Police Department	17,880	7,906	8,237	-
University of Malta	92,128	57,326	35,361	45,727
	887,379	521,840	246,722	87,207

21 Comparative information

Certain comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

22 Other information

SportMalta is registered under the Sports Act Chapter 455 of the Laws of Malta. The registered office is Cottonera Sports Complex, Cottonera Avenue, Cospicua, Malta.

The appendices on the pages that follow do not form part of the financial statements

APPENDIX A

DETAILED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	€	€
GROSS INCOME		
Revenue	6,147,312	5,616,114
Income from Government and EU grants	8,860,388	4,930,975
Other income	1,950,977	1,661,960
	16,958,677	12,209,049
EXPENSES		
Direct operating costs and administrative expenses (Appendix B)	16,134,608	13,391,818
	16,134,608	13,391,818
Surplus / (deficit) for the year before interest	824,069	(1,182,769)
Finance income	1,478	1,514
Surplus / (deficit) for the year	825,547	(1,181,255)

APPENDIX B

DIRECT OPERATING COSTS AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2022	2021
	€	€
Advertising and marketing	28,821	22,141
Assistance to sport organisations (Appendix C)	9,519,475	6,828,684
Auditors' remuneration	4,808	5,250
Bad debts and write offs	-	85,874
Bank interest and charges	16,626	14,586
Cleaning expenses	75,136	54,291
Computer expenses	34,577	29,381
Community projects	74,536	445,776
Depreciation	1,075,428	1,183,203
Directors' honoraria	47,726	40,232
European Week of Sport	114,193	147,745
General expenses and consumables	97,945	65,567
GSSE 2023	154,280	-
Health and safety	15,513	17,953
Hospitality	1,425	56
Increase in provision for doubtful debts	4,111	4,611
Insurance	30,676	26,404
Interest payable	431	610
Irrecoverable VAT	342	190,741
Licences and permits	16,649	10,489
Malta Marathon	64,997	-
Motor vehicle expenses	17,951	21,462
Other services	2,410	188
Printing and postage	11,616	22,535
Professional and legal fees	65,200	137,440
Regatta	87,732	26,274
Repairs and maintenance	182,143	131,936
Security services	90,540	71,950
Sport educational programmes	56,814	46,755
SportMalta awards	72,587	22,500
Telecommunication expenses	15,024	15,487
Training and staff welfare	35,254	24,598
Travel and international affiliation	22,325	3,836
Utilities and maintenance	215,599	154,456
Wages and salaries	3,552,524	3,209,005
Water and electricity	329,194	329,802
	16,134,608	13,391,818

APPENDIX C

ASSISTANCES TO SPORTS ORGANISATIONS

	Year ended 31 December	
	2022	2021
	€	€
Education Assistance	10,000	20,000
Equipment Assistance	31,118	71,540
Facility Improvement Assistance	41,597	50,533
International Participation Foreign Assistance	637,843	204,502
International Participation Local Assistance	-	14,328
Malta Olympic Committee	679,553	651,277
Sports Tourism Scheme	156,412	73,617
Venue Assistance	327,855	296,667
Lands Assistance	4,263,527	4,149,803
Youth Development Assistance	-	-
Assigned Workers	61,822	64,791
Assistance agreements with Sport Organisations	557,425	478,420
Adhoc Assistances - Coaching Fees for GSSE 2023	-	-
NDSF - GSSE 2023 Associations	1,286,293	289,329
NDSF - MMF RaceTrack	144,817	-
Other Adhoc Assistances	174,446	126,418
Capital project – Venue for GSSE2023	180,373	279,578
Capital Project - Others	906,974	-
Flexi-training scheme	50,437	45,728
Gozo Scheme	3,989	167
Special sports leave	2,605	-
National Team Sports Leave	1,149	1,640
Assistance Covid-19 Use of Facility Scheme	-	2,760
Assistance Covid-19 Ground Rent Scheme	1,240	7,584
	9,519,475	6,828,684

APPENDIX D

SPORTS FUND MEMORANDUM

	Year ended 31 December	
	2022	2021
	€	€
Sports fund balance brought forward	1,393,104	1,659,828
Inflows for the year		
Covid-19 Assistance	-	7,584
Ground rents received	289,268	255,123
	286,268	262,707
Outflows for the year		
Payments for Capital Projects	-	527,724
Bank charges	9	1,365
Garnishee order charges	-	342
	9	529,431
Sports fund balance carried forward	1,682,363	1,393,104