

RMGC Policies & Procedures

Policy #5: Related Parties

General.

1. It is RMGC policy to conform in all material respects with the requirements of IAS 24 (International Accounting Standard 24) – “the standard” – and Maltese law and GAAP.
2. RMGC recognises that the extensive requirements of the standard do not all apply to a sporting club and one that is itself a section of the MSC. Accordingly, an abbreviated version of the standard (attached) will be applied.

Definitions.

1. In order to make the standard relevant to the particular circumstances of RMGC, the following definitions will apply:

In respect of (a) on the attached summary, Appendix A ‘that person’ will include anyone who for any part of the financial year is or was:

- A member of the BOM
- The Club Captain, Lady Captain or Head of Junior Academy
- General Manager or Office Executive
- Any individual who is considered by BOM to exert substantial influence over the planning, directing, controlling and finances of the Club.

Procedure

1. The gathering of data and administration required to meet the standard are tasks that fall on the Office. A central register of identified related parties will be maintained by the Office which must be kept confidential except as required for disclosure to meet the *standard*. Any significant transaction or series of transactions which in total are significant must be authorised / approved by the BOM and must be minuted accordingly.
2. Reference is made to Clause 6.1.5 of the RMGC Constitution which reads as follows:

The members of the BOM must act in the best interests of the RMGC and its members. Any actual or potential conflict of interest between those of a member of the BOM and those of the RMGC must be brought to the attention of the other members of the BOM by that member. Such an interest would include, but is not limited to, any interest that that member may have in a contract or commercial transaction with the RMGC. The BOM must then decide on how such conflict will be dealt with in line with the RMGC’s Related Parties Policy.

The Office will implement a mechanism to identify instances where related party status exists in respect of members of the BOM. The BOM should advise the office accordingly as and when an interest is declared.

3. On an annual basis all members who fall within (a) on the attached summary, shall be asked to complete a declaration as per Appendix B that will establish whether they are or are not a related person for the purpose of this policy or whether an entity is a related party as described in (b) (iv).

Prepared by BOM: 22nd August 2013

Last reviewed and updated by BOM: 25th September 2018

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Appendix A IAS 24 Related Party Disclosures

This is an edited summary of the standard (which was most recently modified in January 2012) based on a version prepared by IFRS Foundation staff and another summary prepared by Deloitte. There is much loose terminology in the standard itself and one objective has been to make it more intelligible.

Overview

IAS 24 *Related Party Disclosures* requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel.

IAS 24 was reissued in November 2009 and applies to annual periods beginning on or after 1 January 2011. There was a further modification in January 2012

Objective of IAS 24

The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties, including commitments and guarantees.

Who are related parties?

A related party is a person, or a person who has a close member of that person's family, or an entity, that is related to (i.e. associated with) the RMGC (the 'reporting entity' in the words of the standard that is preparing its financial statements) in one of the following ways:

(a) A person or a close member of that person's family is related to RMGC if that person:

- (i) has control or joint control over RMGC;
- (ii) has significant influence over RMGC; or
- (iii) is a member of the key management of RMGC.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with RMGC and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner;
- (c) dependants of that person or that person's spouse or domestic partner;
- (d) parents; and
- (e) brothers or sisters.

(b) An entity is related to RMGC if any of the following conditions applies:

- (i) The entity and RMGC are members of the same 'group'
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member
- (iii) The entity is controlled or jointly controlled by a person identified in (a) above.
- (iv) A person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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The following are deemed not to be related: [IAS 24.11] – extract:

- RMGC and another entity simply because they have a director or key manager in common
- Providers of finance: to include CC scheme contributors, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence RMGC, simply by virtue of their normal dealings with RMGC (even though they may affect the freedom of action of RMGC or participate in its decision-making process)
- A single customer, supplier, franchiser, distributor, or general agent with whom RMGC transacts a significant volume of business merely by virtue of the resulting economic dependence.

What are related party transactions?

A related party transaction is a transfer of resources, services or obligations between a reporting entity (RMGC) and a related party, regardless of whether a price is charged. [IAS 24.9]

Related party transactions. If there have been transactions between RMGC and related parties, RMGC must disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. These disclosure would be made separately for each category of related parties and would include at a minimum: [IAS 24.18-19]

- the amount of the transactions
- the amount of outstanding balances, including commitments, their terms and conditions and guarantees
- provisions for doubtful debts related to the amount of outstanding balances
- any expense or offset recognised during the period in respect of bad or doubtful debts due from related parties.

Examples of the kinds of transactions that are disclosed if they are with a related party

- purchases or sales of goods
- purchases or sales of property and other assets
- rendering or receiving of services
- leases
- transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- provision of guarantees or collateral
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

A statement that related party transactions were made on terms equivalent to those that prevail in arm's length transactions should be made only if such terms can be substantiated. [IAS 24.21]

RMGC is exempt from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) the government where it has control, joint control or significant influence over RMGC; and (b) another entity that is a related party because the government has control, joint control or significant influence over both RMGC and the other entity.

Nevertheless, RMGC shall disclose the following about the transactions and related outstanding balances:

- (a) the nature of the government's relationship with RMGC (i.e. control, joint control or significant influence);

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(b) in sufficient detail to enable users of RMGC's financial statements to understand the effect of related party transactions on its financial statements:

- (i) the nature and amount of each individually significant transaction; and
- (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. [One would expect this to be a short comment on the lease and perhaps utility arrangements].

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Appendix B. Related Parties Declaration.

Current accounting standards require RMGC (the Club) members who are deemed to have influence over the activities and finances of the Club to declare whether or not they or parties related to them (as defined below) have undertaken any related party transactions with the Club during the calendar year 20.... You have been identified as such a related party and are therefore kindly requested to complete this declaration and return it to the Office as soon as possible.

1. Name of individual completing this declaration:
2. Position held at RMGC:
3. Have you or a party related to you undertaken any transactions with the Club during the year 20.. Please tick YES or NO.

If No, no further information is required. Please sign below and return to the Office.
If YES, please complete the information required below, sign and return to the Office.

4. Name of party undertaking transaction/s. If not yourself but someone related to you (individual or company as per a) or b) below), please state the name and relationship to you. (e.g. wife, company I own etc).
5. Description of transactions:
6. Value of transactions completed in 20???:
7. Balance outstanding as at December 31st 20???:
8. Any special terms of trade entered into with the Club:

Signature:

Date:.....

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A related party transaction is a transfer of resources, services, or obligations between a reporting entity (RMGC) and a related party, regardless of whether a price is charged. [IAS 24.9]

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of RMGC, directly or indirectly,

Examples of the kinds of transactions that are disclosed if they are with a related party

- purchases or sales of goods
- purchases or sales of property and other assets
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