

Company Registration Number: C10175

**MALTA GOVERNMENT  
INVESTMENTS LIMITED**

**Annual Report and Financial Statements**

**31 December 2019**

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**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

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**GENERAL INFORMATION**

**Registration**

Malta Government Investments Limited (the “Company”) is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the Laws of Malta. The company’s registration number is C 10175.

**Directors**

Mr. Michael Azzopardi  
Mr. Stanley Mifsud (resigned on 20 August 2020)  
Mr. Adrian Said  
Ms. Davina Sammut  
Mr. Christopher Vassallo (resigned on 20 August 2020)  
Ms. Fleur Anne Vella  
Ms. Amber-Marie Darmanin (appointed on 20 August 2020)  
Dr. Ryan Christopher Pace (appointed on 20 August 2020)

**Company Secretary**

Mr. Michael Azzopardi

**Registered Office**

Clock Tower,  
Level 1, Tigne Point  
Sliema  
MALTA

**Auditor**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
MALTA



Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751, Malta

Tel: +356 2134 2134  
Fax: +356 2133 0280  
ey.malta@mt.ey.com  
ey.com

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Malta Government Investments Limited

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Malta Government Investments Limited (the "Company"), set on pages 6 to 25, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of 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 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 other than our reporting on other legal and regulatory requirements.

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.

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Malta Government Investments Limited - continued

### **Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Malta Government Investments Limited – continued

### **Auditor's responsibilities for the audit of the financial statements – continued**

- 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**

*Matters on which we are required to report by the Companies Act*

We have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

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

*The partner in charge of the audit resulting in this independent auditor's report is  
Anthony Doublet for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

15 April 2021

**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

**Statement of financial position**

		As at 31 December	
	Notes	2019 €	2018 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	4	1,320,800	1,320,800
Equipment	5	736	-
Financial assets at fair value through profit and loss	6	6,008,227	5,857,418
Receivables	7	148,380	153,582
Total non-current assets		7,478,143	7,331,800
<b>Current assets</b>			
Receivables	7	1,556,479	2,866,609
Short-term deposits	8	149,035	187,703
Financial assets at fair value through profit and loss	6	-	547,277
Cash and cash equivalents	9	6,185,817	4,122,112
Current tax asset		104,734	103,484
Total current assets		7,996,065	7,827,185
Total assets		15,474,208	15,158,985
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	1,250,000	1,250,000
Retained earnings		1,424,556	2,065,100
Total equity		2,674,556	3,315,100
<b>Non-current liabilities</b>			
Deferred tax liability		132,080	132,080
Borrowings	11	7,334,309	8,358,248
Total non-current liabilities		7,466,389	8,490,328
<b>Current liabilities</b>			
Borrowings	11	1,277,025	1,233,513
Other payables	12	4,056,238	2,120,044
Total current liabilities		5,333,263	3,353,557
Total liabilities		12,799,652	11,843,885
<b>Total equity and liabilities</b>		<b>15,474,208</b>	<b>15,158,985</b>

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

The financial statements on pages 6 to 25 were authorised for issued by the board on 15 April 2021 and were signed on its behalf by:

  
**Adrian Said**  
**Chairman**

  
**Michael Azzopardi**  
**Director**

**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

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**Statement of comprehensive income**

		<b>For the year ended 31 December</b>	
	Notes	2019 €	2018 €
Investment income	14	<b>76,708</b>	308,223
Other finance income and similar income	15	<b>324,574</b>	393,940
Finance costs and similar charges	16	<b>(353,800)</b>	(354,792)
Fair value gain on investment property	4	-	922,009
Rental Income from investment property		<b>100,000</b>	300,000
Administrative expenses	13	<b>(729,431)</b>	(729,798)
Recharges of expenses		<b>146,249</b>	195,175
Loss from changes in fair value of financial assets	6	<b>(192,091)</b>	(1,243,722)
<b>Loss before tax</b>		<b>(627,791)</b>	(208,965)
Tax expense	17	<b>(12,753)</b>	(148,588)
<b>Loss for the year – total comprehensive loss</b>		<b>(640,544)</b>	(357,553)

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

**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

**Statement of changes in equity**

	Notes	Share Capital €	Retained earnings €	Total €
Balance at 1 January 2018		1,250,000	2,422,653	3,672,653
Comprehensive income:				
Loss for the year		-	(357,553)	(357,553)
Transactions with owners:				
Dividends		-	-	-
Balance at 31 December 2018		1,250,000	2,065,100	3,315,100
<b>Comprehensive income:</b>				
Loss for the year		-	(640,544)	(640,544)
<b>Transactions with owners:</b>				
Dividends		-	-	-
<b>Balance at 31 December 2019</b>		<b>1,250,000</b>	<b>1,424,556</b>	<b>2,674,556</b>

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

**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

**Statement of cash flows**

		<b>For the year ended 31 December</b>	
	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>€</b>	<b>€</b>
<b>Cash flows from operating activities</b>			
Cash from operations	20	2,766,822	820,743
Income from financial assets		76,708	308,223
Other finance income		324,574	393,940
Finance costs		(353,800)	(354,792)
Tax (paid)/refunded		(14,003)	122,709
Net cash from operating activities		<b>2,800,301</b>	<b>1,290,823</b>
<b>Cash flows from investing activities</b>			
Additions of financial assets at fair value through profit or loss	6	(915,969)	(331,881)
Proceeds from disposal of financial assets	6	1,120,347	457,711
Movement in short term deposits		38,668	21,083
Purchase of equipment	5	785	-
Net cash from investing activities		<b>243,831</b>	<b>146,913</b>
<b>Cash flows used in financing activities</b>			
Movement in bank borrowings	11	(980,427)	(948,226)
Net cash used in financing activities		<b>(980,427)</b>	<b>(948,226)</b>
Net movement in cash and cash equivalents		<b>2,063,705</b>	<b>489,510</b>
Cash and cash equivalents at beginning of year		<b>4,122,112</b>	<b>3,632,602</b>
Cash and cash equivalents at end of year	9	<b>6,185,817</b>	<b>4,122,112</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of significant accounting policies**

The principal accounting policies adopted 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.

**1.1 Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention, except for the revaluation of investment property which is measured in fair values.

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in the foreseeable future. As disclosed in Note 23, COVID-19 is not expected to have a significant impact on the going concern of the Company and its ability to continue operating for the foreseeable future.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 — Critical accounting estimates and judgements).

In terms of Section 173 of the Companies Act, 1995, the company is exempt from the obligation to prepare consolidated financial statements on the basis that, at its reporting date, the undertakings to be consolidated do not together exceed the limits set out in Section 185 of the said Act.

The principal function of the company is to hold investments as agent for the Government of Malta. The agency relationship which exists with the Government implies that although legal title to most of the investments is vested in the company, any dividends, interests or profits arising on disposal of these investments are treated as attributable to the Government. Similarly, any losses on disposal and provisions made to write down the investments to their underlying net asset values are also borne by Government. Consequently, these investments are not disclosed in the accounts of the company as such but in separate financial statements prepared to reflect the investment activities carried out by Malta Government Investments Limited as agent for the Government of Malta.

In view of the agency relationship described above, the investments held as agent for the Government of Malta are not taken into consideration in determining whether the limits set out in Section 185 of the Companies Act, 1995, referred to for the purposes of establishing whether the company is exempt from the preparation of consolidated financial statements, have been exceeded.

**a) Standards, interpretations and amendments to published standards effective in 2019.**

In 2019, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company'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 company's accounting policies.

**b) Standards, interpretations and amendments to published standards that are not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2020. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of significant accounting policies – continued**

**1.2 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company'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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement (statement of comprehensive income) within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement (statement of comprehensive income) within 'other income/(expense)'.

**1.3 Investment property**

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of significant accounting policies – continued**

**1.4 Financial assets**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

**1.5 Impairment of financial assets**

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

**1.6 Cash and cash equivalents**

Cash and cash equivalents are carried at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdraft. In the statement of financial position, the bank overdraft is included in borrowings in current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of significant accounting policies – continued**

**1.7 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**1.8 Other payables**

Other payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**1.9 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

**1.10 Offsetting financial instruments**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of significant accounting policies – continued**

**1.11 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**1.12 Revenue recognition**

The Company recognises revenue at the amount that reflects the consideration (transaction price) to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

*Rendering of Services*

The Company recognises revenue from the provision of services over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company.

*Interest income*

Interest income is recognised as the interest accrues, unless collectability is in doubt. Interest income is included in finance income in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Financial risk management**

**2.1 Financial risk factors**

The company's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

**(a) Cash flow and fair value interest rate risk**

The company's cash flow interest rate risk arises from cash and cash equivalents that are short term in nature. Notes 6, 8, 9 and 11 incorporate interest rate and maturity information with respect to the company's assets and liabilities. Up to the end of the reporting period, the company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

**(b) Price risk**

The company is exposed to price risk because of equity investments held by the company and classified as financial assets at fair value through profit or loss. The financial assets at fair value through profit or loss of the company represent equity instruments quoted on the Malta Stock Exchange and accordingly they are considered to be realisable.

**(c) Credit risk**

Assets bearing credit risk at the reporting date are analysed as follows:

	<b>2019</b>	2018
	€	€
<b>Financial assets</b>		
Financial assets at fair value through profit or loss	<b>2,293,556</b>	2,625,136
<b>Loans and receivables</b>		
Other receivables	<b>1,704,859</b>	3,020,191
Short term deposits	<b>149,035</b>	187,703
Cash at bank and in hand	<b>6,185,817</b>	4,122,112
Maximum exposure	<b>10,333,267</b>	9,955,142

The company's cash is placed with quality financial institutions. The company's credit risk in respect of investment in debt securities are externally rated A.

Credit risk in respect of receivables is limited since the company's principal receivables are subsidiary undertakings or undertakings in which investment is held by the company as agent for the Government of Malta.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

**(d) Liquidity risk**

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally other payables and borrowings. 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 company's obligations.

Management monitor liquidity risk and ensures that no additional financing facilities are expected to be required over the coming year. The company's liquidity risk is not deemed material in view of the company's committed borrowing facilities that it can access to meet liquidity needs.

**2.2 Capital risk management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the company may issue new shares or sell assets.

**2.3 Fair value estimation**

At 31 December 2019 and 2018, the carrying amounts of cash at bank, debtors, creditors and accrued expenses and short-term borrowings approximated their fair values due to the short-term maturity of these assets and liabilities. The fair values of long-term borrowings are not materially different from their carrying amounts.

The fair value of financial assets at fair value through profit or loss is based on quoted prices at the reporting date. IFRS 7 requires disclosures for financial instruments that are measured in the statement of financial position at fair value, of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets that are measured at fair value at 31 December.

	2019 €	2018 €
<b>Assets</b>		
Financial assets at fair value through profit or loss - Level 1	6,008,227	6,404,695
Investment Property – Level 3	1,320,800	1,320,800

**MALTA GOVERNMENT INVESTMENTS LIMITED**  
**Annual Report and Financial Statements for the year ended 31 December 2019**

**NOTES TO THE FINANCIAL STATEMENTS**

**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the 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.

**4. Investment property**

€

**At 1 January 2018**

Opening net book amount	402,952
Revaluation	922,009
Depreciation charge	(4,161)

<b>Closing net book amount</b>	<b>1,320,800</b>
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**Year ended 31 December 2019**

Opening net book amount	1,320,800
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<b>Closing net book amount</b>	<b>1,320,800</b>
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**At 31 December 2019 and 2018**

<b>Fair Value</b>	<b>1,320,800</b>
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<b>Net book amount</b>	<b>1,320,800</b>
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*Description of valuation techniques used and key inputs to valuation of lands and buildings and investment properties*

The fair value was determined reference to market prices based on database of valuations and sales of properties in the relevant area adjusted for the restrictions of use imposed by the permanent structure built on the property and future cashflows expected to be earned from the lease agreement. The property has been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 2.3.

	<b>Valuation technique</b>	<b>Significant Unobservable Inputs</b>	<b>Value</b>	<b>Narrative Sensitivity</b>
Investment Property	Asset Based	Price per Square metre	EUR1,300/sqm	The higher the price per sqm, the higher the fair value

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**5. Equipment**

	2019 €	2018 €
<b>Year ended 31 December</b>		
Opening net book amount	-	-
Additions	785	-
Depreciation for the year	(49)	-
<b>Closing net book value</b>	<b>736</b>	<b>-</b>

**6. Financial assets at fair value through profit or loss**

	2019 €	2018 €
<b>Year ended 31 December</b>		
Opening net book amount	6,404,695	7,774,247
Additions	915,969	331,881
Disposals	(1,120,346)	(457,711)
Loss from changes in fair value	(192,091)	(1,243,722)
<b>Closing net book amount</b>	<b>6,008,227</b>	<b>6,404,695</b>
<b>At 31 December</b>		
Cost	5,317,710	5,477,101
Fair value gains	690,517	927,594
<b>Net book value</b>	<b>6,008,227</b>	<b>6,404,695</b>

Financial assets at fair value through profit or loss, consisting of equity instruments and Malta Government Stocks quoted on the Malta Stock Exchange, are fair valued annually. The fair value of these investments is determined by reference to the Malta Stock Exchange quoted bid prices. Debt securities and funds quoted in foreign markets are also fair valued annually and their fair value is determined by reference to the quoted prices on foreign markets.

	2019 €	2018 €
<b>Analysed as follows:</b>		
Equity securities	3,448,536	3,540,437
Debt securities	2,293,556	2,625,136
Funds	266,135	239,122
	<b>6,008,227</b>	<b>6,404,695</b>

Weighted average effective interest rates:

	2019 %	2018 %
Debt securities	3.3%	4.0%

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**6. Financial assets at fair value through profit or loss — continued**

Maturity of debt securities:		
	<b>2019</b>	2018
	€	€
Less than one year	-	547,277
Between two and three years	<b>165,043</b>	165,150
Between four and five years	<b>435,450</b>	578,222
More than five years	<b>1,693,063</b>	1,334,487
	<b>2,293,556</b>	2,625,136

**7. Receivables**

	<b>2019</b>	2018
	€	€
Amounts owed by Government of Malta - M.G.I. L. as agent	-	928,087
Amounts owed by related parties - gross	<b>1,609,333</b>	1,609,333
Other receivables – gross	<b>171,997</b>	177,199
Less: expected credit losses	<b>(106,051)</b>	(106,051)
Net receivables	<b>1,675,279</b>	2,608,568
Accrued income and prepayments	<b>29,580</b>	411,623
	<b>1,704,859</b>	3,020,191

Presented as:

	<b>2019</b>	2018
	€	€
Non-current	<b>148,380</b>	153,582
Current	<b>1,556,479</b>	2,866,609
	<b>1,704,859</b>	3,020,191

Amounts owed by M. G. I. L. as agent for the Government of Malta are unsecured, interest-free and repayable on demand. Amounts owed by related parties; being undertakings in which the Company has invested as agent for the Government of Malta fall due within one year and are unsecured and interest-free.

Other receivables as at 31 December 2019 represent a loan advanced to the Ministry for Foreign Affairs. This loan is repayable through equal instalments over a period of 12 years with €23,617 due in the next 12 months. The loan bears interest at the rate of 4% per annum (2018: 4% per annum).

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**8. Short-term deposits**

The company's short-term deposits represent amounts held with brokers which mature within a period that varies from one month to one year from the end of the reporting period.

**9. Cash and cash equivalents**

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

	2019 €	2018 €
Cash at bank	6,185,817	4,122,112

Cash at bank include €32,917 (2018: €32,917) held on behalf of the Government of Malta in relation to the restructuring of an undertaking in which investment is held by the company as agent for the Government of Malta.

**10. Share capital**

	2019 €	2018 €
<b>Authorised share capital:</b>		
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000
<b>Issued and fully paid:</b>		
1,250,000 Ordinary shares of €1 each	1,250,000	1,250,000

**11. Borrowings**

	2019 €	2018 €
<b>Current</b>		
Bank loans	1,277,025	1,233,513
<b>Non-current</b>		
Bank loans	7,334,309	8,358,248
Total borrowings	8,611,334	9,591,761

The bank borrowings are subject to floating rates of interest and are secured by guarantees issued by the Government of Malta. All bank loans outstanding as at 31 December 2019 and 2018 are subject to interest rates which fluctuate with the bank's base rate.

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**11. Borrowings - continued**

The company has a banking facility in respect of the loan of €10,255,865 (2018: €11,236,291).

Weighted average effective interest rates as at the reporting date:

	<b>2019</b>	2018
	%	%
Bank loans	<b>3.4%</b>	3.4%

The following are the contracted undiscounted cash flows of the company's bank loan analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the maturity date:

	<b>2019</b>	2018
	€	€
Within 1 year	<b>1,623,135</b>	1,623,135
Between 1 and 2 years	<b>1,298,508</b>	1,298,508
Between 2 and 5 years	<b>6,492,540</b>	6,492,540
Over 5 years	<b>387,809</b>	1,682,086
	<b>9,801,992</b>	11,096,269
Carrying amount	<b>8,611,334</b>	9,591,761

**12. Other payables**

	<b>2019</b>	2018
	€	€
<b>Current</b>		
Amounts owed to Government of Malta - M.G.I. L. as agent	<b>2,230,616</b>	-
Amounts owed to a related party	<b>1,365,389</b>	1,890,874
Accruals	<b>416,236</b>	229,170
Other payables	<b>43,997</b>	-
	<b>4,056,238</b>	2,120,044

Amounts owed to M. G. I. L. as agent for the Government of Malta are unsecured, interest-free and repayable on demand.

Amounts owed to a related party are unsecured, interest free and repayable on demand.

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**13. Expenses by nature**

	2019	2018
	€	€
Auditor's remuneration	6,000	6,000
Directors' fees and emoluments (Note 18)	120,231	119,221
Depreciation of investment property (Note 4)	-	4,161
Depreciation of equipment (Note 5)	49	-
Recharge of wages and salaries	192,700	228,504
Legal and professional fees	269,345	289,843
Insurance (i.)	30,292	28,461
Postage and telecommunication	6,436	-
Other expenses	104,378	53,608
Total administrative expenses	<u>729,431</u>	<u>729,798</u>

i. Insurance expense includes indemnity insurance in respect of the directors of the company.

**14. Investment income**

	2019	2018
	€	€
Income from financial assets at fair value through profit or loss:		
- Dividends receivable	-	203,420
- Interest receivable	83,551	108,840
Investment transaction costs	(8,400)	(7,905)
Gain on disposal of financial assets	1,557	3,868
	<u>76,708</u>	<u>308,223</u>

**15. Other finance income and similar income**

	2019	2018
	€	€
Bank finance income	5,065	24,720
Bank interest recoverable	319,509	369,220
	<u>324,574</u>	<u>393,940</u>

**16. Finance costs and similar charges**

	2019	2018
	€	€
Finance costs on bank loans and overdraft	308,657	342,949
Other finance charges	45,143	11,843
	<u>353,800</u>	<u>354,792</u>

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<b>17. Tax expense</b>		
	<b>2019</b>	2018
	€	€
Current tax expense	<b>12,753</b>	16,508
Deferred tax expense	-	132,080
	<b>12,753</b>	<b>148,588</b>

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	<b>2019</b>	2018
	€	€
Loss before tax	<b>(627,791)</b>	(208,966)
Tax for the year at 35%	<b>(219,727)</b>	(73,138)
Tax effect of:		
- Income subject to reduced rates of tax	<b>(22,342)</b>	(243,012)
- Unrealised fair value movements	<b>67,232</b>	435,303
- Unrecognized deferred tax asset	<b>187,590</b>	23,927
- Expenses not deductible for tax purposes	-	5,508
Tax expense	<b>12,753</b>	<b>148,588</b>

**18. Directors' emoluments**

	<b>2019</b>	2018
	€	€
Fees, emoluments and allowances	<b>120,231</b>	119,221

**19. Dividends**

No dividends were distributed during the year ended 31 December 2019 (2018: None).

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**NOTES TO THE FINANCIAL STATEMENTS**

**20. Cash from operations**

Reconciliation of profit before tax to cash from operations:

	2019	2018
	€	€
Loss before tax	(627,791)	(208,965)
<b>Adjustment for:</b>		
Depreciation of investment property (Note 4)	-	4,161
Depreciation of equipment (Note 5)	49	-
Investment income	(76,708)	(308,223)
Other finance income and similar income	(324,574)	(393,940)
Finance costs and similar charges	353,800	354,792
Loss from changes in fair value of financial assets	192,091	1,243,722
Gain from changes in fair value of investment property	-	(922,009)
<b>Changes in working capital:</b>		
Receivables	1,315,332	598,295
Payables	1,934,623	452,910
Cash from operations	<u>2,766,822</u>	<u>820,743</u>

**21. Related party transactions**

The company's shares are wholly owned by the Government of Malta. The Government of Malta provides considerable ongoing support to the company, particularly in terms of providing capital to finance the company's activities. In addition, as disclosed in Note 11 to these financial statements, the Government of Malta acts as a guarantor on the bank loans taken out by the company.

Due to common ultimate shareholding, the directors also consider Malta Investment Management Company Limited and other Government owned entities as being related parties. The balances due from/to the related party are included in Notes 7 and 12 to these financial statements.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 18.

**22. Statutory information**

Malta Government Investments Limited is a limited liability company and is incorporated in Malta.

**NOTES TO THE FINANCIAL STATEMENTS**

**23. Subsequent events**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world as most businesses were being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

These events had a severe impact on the investment portfolio of the company and as at 31 December 2020 the fair value of the investment portfolio has decreased significantly. The Company's stockbrokers have repositioned the investment portfolio to mitigate this effect. The valuation of investment property is not expected to be significantly impacted by COVID-19 due to the long-term lease of the property and the restrictions on its use.

From an operational perspective, investment income and dividends earned from the investment portfolio comprise a main income stream for the company. This includes the dividend income the company earns from its current direct equity holding of 2,797,022 Ordinary Shares in Bank of Valletta plc which is accounted for on a receipt basis.

By virtue of announcement No. 385 the Bank announced its decision to keep the initial proposal for distribution of the dividend in respect of the year ended 31 December 2019, but to make the actual payment conditional to the reassessment of the situation once, as stated by the ECB in its recommendation of the 27 March 2020, the uncertainties caused by COVID-19 disappear, the earliest of which would be October 2020.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. However, considering that the company is wholly owned by the Government of Malta and that the Government of Malta provides considerable ongoing support to the company, particularly in terms of providing capital to finance the company's activities and acts as a guarantor on the bank loans taken out by the company, the company is expected to continue operating as going concern for the foreseeable future.