

Company Registration Number: C 10175

**MALTA GOVERNMENT
INVESTMENTS LIMITED**

Annual Report and Financial Statements

31 December 2021

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MALTA GOVERNMENT INVESTMENTS LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

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	(resigned on 20 October 2021)
Mr. Adrian Said	(resigned on 12 December 2022)
Ms. Davina Sammut	(resigned on 10 January 2023)
Ms. Fleur Anne Vella	(resigned on 10 January 2023)
Ms. Amber-Marie Darmanin	(resigned on 10 January 2023)
Dr. Ryan Christopher Pace	
Mr. Ryan Azzopardi	(resigned on 10 January 2023)
Mr. Miguel Borg	(appointed on 10 January 2023 and resigned on 21 December 2023)
Dr. Lauren Ellul	(appointed on 10 January 2023)
Mr. Joseph Farrugia	(appointed on 4 July 2023)
Mr. Ronald Mizzi	(appointed on 10 January 2023)
Mr. Jesmond Mugliett	(appointed on 10 January 2023)
Mr. Andre Psaila	(appointed on 10 January 2023)

Company Secretary

Mr. Ryan Azzopardi	(appointed on 17 December 2021 and resigned on 10 January 2023)
Mr. Michael Azzopardi	(resigned on 17 December 2021)
Mr. Mark Camilleri	(appointed on 10 January 2023)

Registered Office

Clock Tower,
Level 1, Tigne Point
Sliema
MALTA

Auditor

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
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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 24, which comprise the statement of financial position as at 31 December 2021, 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 2021, 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 Christopher Portelli for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

4 March 2024

MALTA GOVERNMENT INVESTMENTS LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

Statement of financial position

	Notes	As at 31 December	
		2021 €	2020 €
ASSETS			
Non-current assets			
Investment property	4	1,600,200	1,600,200
Equipment	5	1,100	540
Financial assets at fair value through profit and loss	6	7,402,021	6,037,602
Receivables	7	140,011	156,003
Total non-current assets		9,143,332	7,794,345
Current assets			
Receivables	7	971,535	1,506,901
Short-term deposits	8	320,035	103,650
Financial assets at fair value through profit and loss	6	-	17,581
Cash and cash equivalents	9	16,533,988	6,507,355
Current tax asset		78,375	105,984
Total current assets		17,903,933	8,241,471
Total assets		27,047,265	16,035,816
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,250,000	1,250,000
Retained earnings		414,070	909,763
Total equity		1,664,070	2,159,763
Non-current liabilities			
Deferred tax liability		160,020	160,020
Borrowings	11	6,156,890	6,276,391
Total non-current liabilities		6,316,910	6,436,411
Current liabilities			
Borrowings	11	1,326,025	1,321,052
Other payables	12	17,740,260	6,118,590
Total current liabilities		19,066,285	7,439,642
Total liabilities		25,383,195	13,876,053
Total equity and liabilities		27,047,265	16,035,816

The notes on pages 10 to 24 are an integral part of these financial statements.

The financial statements on pages 6 to 24 were authorised for issued by the board on 4 March 2024 and were signed on its behalf by:

Ronald Mizzi
Chairman

Andre Psaila
Director



MALTA GOVERNMENT INVESTMENTS LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

Statement of comprehensive income

	Notes	For the year ended 31 December	
		2021 €	2020 €
Income			
Investment income	14	36,514	37,220
Other finance income and similar income	15	270,470	289,226
Rental Income from investment property		100,000	100,000
Fair value gain on investment property	4	-	279,400
Gains from changes in fair value of financial assets	6	1,197	-
		408,181	705,846
Expenses			
Finance costs and similar charges	16	(263,617)	(278,718)
Administrative expenses	13	(707,064)	(756,716)
Recharges of expenses	13	70,530	67,529
Loss from changes in fair value of financial assets	6	-	(214,435)
		(900,151)	(1,182,340)
Loss before tax		(491,970)	(476,494)
Tax expense	17	(3,723)	(38,299)
Loss for the year – total comprehensive loss		(495,693)	(514,793)

The notes on pages 10 to 24 are an integral part of these financial statements.

MALTA GOVERNMENT INVESTMENTS LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

Statement of changes in equity

	Notes	Share Capital €	Retained earnings €	Total €
Balance at 1 January 2020		1,250,000	1,424,556	2,674,556
Comprehensive income:				
Loss for the year			(514,793)	(514,793)
Balance at 31 December 2020		1,250,000	909,763	2,159,763
Comprehensive income:				
Loss for the year			(495,693)	(495,693)
Balance at 31 December 2021		1,250,000	414,070	1,664,070

The notes on pages 10 to 24 are an integral part of these financial statements.

MALTA GOVERNMENT INVESTMENTS LIMITED
Annual Report and Financial Statements for the year ended 31 December 2021

Statement of cash flows

For the year ended 31 December

	Notes €	2021 €	2020
Cash flows from operating activities			
Cash from operations	20	11,631,986	1,504,843
Income from financial assets		37,747	37,220
Other finance income		270,470	289,226
Finance costs		(263,617)	(278,718)
Tax refunded / (paid)		27,609	(1,250)
Net cash from operating activities		11,704,195	1,551,321
Cash flows from investing activities			
Additions of financial assets at fair value through profit or loss	6	(3,706,306)	(2,042,129)
Proceeds from disposal of financial assets	6	2,360,665	1,780,738
Movement in short term deposits		(216,385)	45,499
Purchase of equipment	5	(1,008)	-
Net cash used in investing activities		(1,563,034)	(215,892)
Cash flows used in financing activities			
Movement in bank borrowings	11	(114,528)	(1,013,891)
Net cash used in financing activities		(114,528)	(1,013,891)
Net movement in cash and cash equivalents		10,026,633	321,538
Cash and cash equivalents at beginning of year		6,507,355	6,185,817
Cash and cash equivalents at end of year	9	16,533,988	6,507,355

The notes on pages 10 to 24 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.

As at 31 December 2021, the Company's current liabilities exceeded current assets by EUR 1,162,352. Current liabilities as at year end include amounts owed to a related party of EUR 1,365,390. The Company is in receipt of a letter from the related party, whereby it commits not to demand payment of amounts due to it unless the financial position of the Company permits so. Consequently, these financial statements have been prepared on a going concern basis which assumes that the Company will continue in 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).

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 included in the supplementary statements reflecting 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 current year.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2021. The adoption of these standards or interpretations did not have a material impact on the financial statements or performance of the Company.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company.

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)
- IFRS 17 Insurance Contracts (issued on 18 May 2017)
- Proposed amendments to IFRS 16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021 (issued by IASB on 11 February 2021)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020)

c) Standards, interpretations and amendments issued but not yet endorsed by the European Union

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
- Amendments to IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);
 - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
 - Non-current Liabilities with Covenants (issued on 31 October 2022)

The changes resulting from these standards are not expected to have a material effect on the financial statements of the Company.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies – continued

1.8 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.

1.9 Offsetting financial instruments

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

1.10 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.

1.11 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:

	2021	2020
	€	€
Financial assets		
Debt securities at fair value through profit or loss	1,889,978	1,965,132
Loans and receivables		
Other receivables	1,111,546	1,662,904
Short term deposits	320,035	103,650
Cash at bank and in hand	16,533,988	6,507,355
Maximum exposure	19,855,547	10,239,041

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

1. 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 2021 and 2010, 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.

	2021 €	2020 €
Assets		
Financial assets at fair value through profit or loss - Level 1	7,402,021	6,055,183
Investment Property – Level 3	1,600,200	1,600,200

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 2020	
Opening net book amount	1,320,800
Revaluation	279,400
Closing net book amount	1,600,200
Year ended 31 December 2021	
Opening net book amount	1,600,200
Revaluation	-
Closing net book amount	1,600,200
At 31 December 2021	
Fair Value	1,600,200
Net book amount	1,600,200

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.

	Valuation technique	Significant Unobservable Inputs	Value	Narrative Sensitivity
Investment Property		Price per Square metre	EUR1,575/sqm	The higher the price per sqm, the higher the fair value

MALTA GOVERNMENT INVESTMENTS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

5. Equipment	2021	2020
	€	€
Year ended 31 December		
Opening net book amount	540	736
Additions	1,008	-
Depreciation for the year	(448)	(196)
Closing net book value	1,100	540
6. Financial assets at fair value through profit or loss	2021	2020
	€	€
Year ended 31 December		
Opening net book amount	6,055,183	6,008,227
Additions	3,706,306	2,042,129
Disposals	(2,360,665)	(1,780,738)
Loss from changes in fair value	1,197	(214,435)
Closing net book amount	7,402,021	6,055,183
At 31 December		
Cost	7,574,184	6,174,492
Fair value losses	(172,163)	(119,309)
Net book value	7,402,021	6,055,183

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.

	2021	2020
	€	€
Analysed as follows:		
Equity securities	5,147,840	4,011,343
Debt securities	1,889,978	1,965,132
Funds	364,203	78,708
	7,402,021	6,055,183
Weighted average effective interest rates:		2020
		%
Debt securities	3.1%	2.4%

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NOTES TO THE FINANCIAL STATEMENTS

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

Maturity of debt securities:

	2021 €	2020 €
Less than one year	-	17,581
Between two and three years	29,693	136,937
Between four and five years	704,991	567,104
More than five years	1,155,294	1,243,510
	1,889,978	1,965,132

7. Receivables

	2021 €	2020 €
Amounts owed by related parties - gross	1,004,870	1,554,870
Other receivables – gross	163,628	179,620
Less: expected credit losses	(106,051)	(106,051)
Net receivables	1,062,447	1,628,439
Accrued income and prepayments	49,099	34,465
	1,111,546	1,662,904

Presented as:

	2021 €	2020 €
Non-current	140,011	156,003
Current	971,535	1,506,901
	1,111,546	1,662,904

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 2021 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 (2020: 4% per annum).

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NOTES TO THE FINANCIAL STATEMENTS

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:

	2021 €	2020 €
Cash at bank	16,533,988	6,507,355

As at 31 December 2021 cash at bank includes an amount of EUR 10 million received from Government which was subsequently transferred to Petromal (Holdings) Company Limited.

10. Share capital

	2021 €	2020 €
Authorised share capital:		
2,500,000 Ordinary shares of €1 each	2,500,000	2,500,000
Issued and fully paid:		
1,250,000 Ordinary shares of €1 each	1,250,000	1,250,000

11. Borrowings

	2021 €	2020 €
Current		
Bank loans	1,326,025	1,321,052
Non-current		
Bank loans	6,156,890	6,276,391
Total borrowings	7,482,915	7,597,443

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 2021 and 2020 are subject to interest rates which fluctuate with the bank's base rate.

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NOTES TO THE FINANCIAL STATEMENTS

11. Borrowings - continued

The company has a banking facility in respect of the loan of €10,606,283 (2020: €9,241,973).

Weighted average effective interest rates as at the reporting date:

	2021	2020
		%
Bank loans	3.4%	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:

	2021	2020
	€	€
Within 1 year	1,623,135	1,623,135
Between 1 and 2 years	1,298,508	1,298,508
Between 2 and 5 years	3,895,524	3,895,524
Over 5 years	1,548,623	1,691,950
	8,365,790	8,509,117
Carrying amount	7,482,915	7,597,443

12. Other payables

	2021	2020
	€	€
Current		
Amounts owed to Government of Malta - M.G.I. L. as agent	16,089,848	4,472,419
Amounts owed to a related party	1,365,390	1,365,389
Accruals	270,211	255,101
Other payables	14,811	25,681
	17,740,260	6,118,590

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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NOTES TO THE FINANCIAL STATEMENTS

13. Expenses by nature

	2021	2020
	€	€
Auditor's remuneration	6,100	6,000
Directors' fees and emoluments (Note 18)	141,309	141,985
Depreciation of equipment (Note 5)	448	196
Wages and salaries	224,140	222,558
Legal and professional fees	205,895	205,941
Insurance (i.)	57,229	52,169
Postage and telecommunication	6,602	7,136
Other expenses	65,341	120,731
	<hr/>	<hr/>
Total administrative expenses before recharges	707,064	756,716
Total Recharges to M.G.I. L. as agent for the Government of Malta	70,530	67,529
	<hr/>	<hr/>
Total administrative expenses after recharges	636,534	689,187

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

14. Investment income

	2021	2020
	€	€
Income from financial assets at fair value through profit or loss:		
- Dividends receivable	-	-
- Interest receivable	75,695	64,919
Investment transaction costs	(39,181)	(27,699)
	<hr/>	<hr/>
	36,514	37,220

15. Other finance income and similar income

	2021	2020
	€	€
Bank finance income	-	202
Bank interest recoverable	270,470	289,024
	<hr/>	<hr/>
	270,470	289,226

16. Finance costs and similar charges

	2021	2020
	€	€
Finance costs on bank loans and overdraft	261,823	275,807
Other finance charges	1,794	2,911
	<hr/>	<hr/>
	263,617	278,718

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NOTES TO THE FINANCIAL STATEMENTS

17. Tax expense		
	2021	2020
	€	€
Current tax expense	3,723	10,359
Deferred tax expense on revaluation of investment property	-	27,940
	<u>3,723</u>	<u>38,299</u>

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

	2021	2020
	€	€
Loss before tax	(491,970)	(476,494)
Tax for the year at 35%	(172,190)	(166,773)
Tax effect of:		
- Income subject to reduced rates of tax	(4,000)	(17,178)
- Unrealised fair value movements	1,470	(8,548)
- Unrecognized deferred tax asset	162,955	191,001
- Expenses not deductible for tax purposes	15,488	11,857
- deferred tax on revaluation of investment property	-	27,940
Tax expense	<u>3,723</u>	<u>38,299</u>
18. Directors' emoluments		
	2021	2020
	€	€
Fees, emoluments and allowances	141,309	141,985

19. Dividends

No dividends were distributed during the year ended 31 December 2021 (2020: None).

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NOTES TO THE FINANCIAL STATEMENTS

20. Cash from operations

Reconciliation of profit before tax to cash from operations:

	2021	2020
	€	€
Loss before tax	(491,970)	(476,494)
Adjustment for:		
Depreciation of equipment (Note 5)	448	196
Investment income	(36,514)	(37,220)
Other finance income and similar income	(269,237)	(289,226)
Finance costs and similar charges	263,617	278,718
Loss from changes in fair value of financial assets	33,387	214,435
Gain from changes in fair value of investment property	-	(279,400)
Changes in working capital:		
Receivables	535,366	49,578
Payables	11,596,889	2,044,256
Cash from operations	<u>11,631,986</u>	<u>1,504,843</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.

23. Subsequent events

By virtue of an agreement that was entered into on the 10 March 2022, Malta Government Investments Limited (MGI) granted the right and licence to the Ministry for the Economy and Industry to use the Intellectual Property Rights in connection with the granting of the National Lottery Concession and during the 10-year term of the said National Lottery Concession. This IP licence will run for a period of ten years commencing from the 5 July 2022 against a licence fee payment to MGI by way of royalties of €700,000 (excluding any taxes payable) per annum as from 30 June 2022.

During 2021 the Government contributed €20 million to increase its investment held by the Company on behalf of Government in Petromal (Holdings) Company Limited. €10 million of these were transferred to Petromal (Holdings) Company Limited in December 2021 with the remaining €10 million currently in cash and cash equivalents transferred in May 2022 when the capital of Petromal (Holdings) Company Limited was effectively increased.