Company Registration Number: C10175

MALTA GOVERNMENT INVESTMENTS LIMITED

Annual Report and Financial Statements

31 December 2017

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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 5 to 23, which comprise the statement of financial position as at 31 December 2017, 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 2017, 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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 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.

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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.

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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

11 June 2019

Statement of financial position

	Notes	2017 €	2016 €
		As at 31 December	
ASSETS			
Non-current assets			
Investment property	4	402,952	670,080
Investment in subsidiary	5	-	1,160
Financial assets at fair value through profit and loss	6	7,774,247	7,623,719
Total non-current assets		8,177,199	8,294,959
Current assets			
Receivables	7	3,757,699	5,688,465
Short-term deposits	8	208,786	229,027
Cash and cash equivalents	9	3,632,602	2,877,916
Current tax asset		242,701	205,632
Total current assets		7,841,788	9,001,040
Total assets		16,018,987	17,295,999
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1,250,000	1,250,000
Retained earnings		2,422,653	1,771,452
Total equity		3,672,653	3,021,452
Non-current liabilities			
Borrowings	11	9,346,712	10,155,837
Total non-current liabilities		9,346,712	10,155,837
Current liabilities			
Borrowings	11	1,193,275	1,298,508
Other payables	12	1,806,347	2,820,202
Total current liabilities		2,999,622	4,118,710
Total liabilities		12,346,334	14,274,547
Total equity and liabilities		16,018,987	17,295,999

The notes on pages 9 to 23 are an integral part of these financial statements.

The financial statements on pages 5 to 23 were authorised for issued by the board on 11 June 2019 and were signed on its behalf by:

Adrian Said
Chairman

Michael Azzopardi
Director

Statement of comprehensive income

	Notes	2017 €	2016 €
		For the year ended 31 December	
Investment income	14	205,683	371,278
Other finance income and similar income	15	413,286	407,636
Finance costs and similar charges	16	(388,037)	(407,438)
Other income		-	20,000
Gain on disposal of investment property	4	2,937,033	-
Impairment of investment in subsidiary	5	(1,160)	-
Administrative expenses	13	(647,782)	(408,307)
(Loss)/gain from changes in fair value of financial assets	6	(576,628)	328,710
Profit before tax		1,942,395	311,879
Tax expense	17	(291,194)	(18,709)
Profit for the year - total comprehensive income		1,651,201	293,170

The notes on pages 9 to 23 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share Capital €	Retained earnings €	Total €
Balance at 1 January 2016		1,250,000	3,858,611	5,108,611
Comprehensive income:				
Profit for the year		-	293,170	293,170
Transactions with owners:				
Dividends	19	-	(1,450,000)	(1,450,000)
Balance at 31 December 2016		1,250,000	1,771,452	3,021,452
Comprehensive income:				
Profit for the year		-	1,651,201	1,651,201
Transactions with owners:				
Dividends	19	-	(1,000,000)	(1,000,000)
Balance at 31 December 2017		**1,250,000**	**2,422,653**	**3,672,653**

The notes on pages 9 to 23 are an integral part of these financial statements.

Statement of cash flows

	Notes	2017 €	2016 €
		For the year ended 31 December	
Cash flows from operating activities			
Cash from operations	20	**302,096**	2,149,256
Income from financial assets		**205,683**	371,278
Other finance income		**413,286**	407,636
Finance costs		**(388,037)**	(407,638)
Tax paid		**(357,069)**	(225,386)
Net cash from operating activities		**175,959**	2,295,346
Cash flows from investing activities			
Additions of financial assets at fair value through profit or loss	6	**(779,129)**	(1,333,182)
Proceeds from disposal of financial assets	6	**51,973**	1,682,269
Movement in short term deposits		**20,241**	(107,662)
Proceeds from disposal of investment property	4	**3,200,000**	-
Net cash from investing activities		**2,493,085**	241,425
Cash flows used in financing activities			
Movement in bank borrowings	11	**(914,358)**	(883,372)
Dividends paid	19	**(1,000,000)**	(1,450,000)
Net cash used in financing activities		**(1,914,358)**	(2,333,372)
Net movement in cash and cash equivalents		**754,686**	203,399
Cash and cash equivalents at beginning of year		**2,877,916**	2,674,517
Cash and cash equivalents at end of year	9	**3,632,602**	2,877,916

The notes on pages 9 to 23 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.

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.

Standards, interpretations and amendments to published standards effective in 2017.

In 2017, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2017. 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.

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 2017. 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

Property held for long-term rental yields which is not occupied by the company is classified as investment property. Investment property principally comprises land and buildings. Investment property is treated as a long-term investment and is carried in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Maintenance expenses and repairs are recognised as an expense. Subsequent expenditure that increases the value of property is capitalised if it extends the useful life. The capitalised costs of buildings are depreciated over their estimated useful life, over 100 years at most.

If the recoverable amount of the assets falls below their carrying amount and the diminution in value is likely to be permanent, the carrying amount is reduced to the recoverable amount. Any impairment loss is recognised as an expense in the profit or loss. Realised gains and losses on the sale of investment property are credited or charged to the profit or loss.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property at the carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its carrying amount at the date of reclassification becomes its cost for accounting purposes or subsequent recording.

If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount at the date of reclassification becomes its cost for accounting purposes or subsequent recording.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies – continued

1.4 Investment in subsidiary

Investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified.

The results of the subsidiaries are reflected in these financial statements only to the extent of dividends receivable.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss.

1.5 Financial assets at fair value through profit or loss

Management determines the appropriate classification of its investments at initial recognition and re-evaluates such designation at every reporting date. The company classified its investments into financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is designated in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase and sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. The fair values of quoted investments are based on current bid prices. The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

On disposal, the difference between the net disposal proceeds and the carrying amount is included in the net profit or loss for the period.

1.6 Receivables

Receivables comprise amounts due from related parties for amounts advanced in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies – continued

1.6 Receivables – continued

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

NOTES TO THE FINANCIAL STATEMENTS

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

1.11 **Other financial instruments**

The company's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables originated by the company and are measured at cost i.e. the face value of these assets. All regular way transactions in assets classified in this category are accounted for using settlement date accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from collateral, discounted based on the interest rate at inception.

The company's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities"), and are measured at cost i.e. the face value of such instruments.

1.12 **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.

1.13 **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.

1.14 **Revenue recognition**

Income from financial fixed assets is included in the profit or loss when the shareholder's right to receive payment is established. Interest income is recognised as it accrues.

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:

	2017	2016
	€	€
Financial assets		
Financial assets at fair value through profit or loss	**3,030,526**	3,187,865
Loans and receivables		
Other receivables	**3,757,699**	5,562,814
Short term deposits	**208,786**	229,027
Cash at bank and in hand	**3,632,602**	2,877,916
Maximum exposure	**10,629,613**	11,857,622

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 2017 and 2016, 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.

	2017 €	2016 €
Assets		
Financial assets at fair value through profit or loss - Level 1	7,774,247	7,623,719

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 2016	
Cost	736,682
Accumulated depreciation	(62,439)
Net book amount	674,243
Year ended 31 December 2016	
Opening net book amount	674,243
Depreciation charge	(4,163)
Closing net book amount	670,080
At 31 December 2016	
Cost	736,682
Accumulated depreciation	(66,602)
Net book amount	670,080
Year ended 31 December 2017	
Opening net book amount	670,080
Disposal	(262,967)
Depreciation charge	(4,161)
Closing net book amount	**402,952**
At 31 December 2017	
Cost	473,715
Accumulated depreciation	(70,763)
Net book amount	**402,952**

The directors have assessed the value of this investment property, taking into account developments that occurred which impacted the property's open market value. During 2017, the company sold a plot of land for €3.2 million following a tender process. The company continues to own another parcel of land in the same location which is approximately twice the size of the disposed property.

NOTES TO THE FINANCIAL STATEMENTS

5. Investment in subsidiary

	2017 €	2016 €
Year ended 31 December		
Opening net book amount	**1,160**	1,160
Impairment of investment	**(1,160)**	-
Closing net book value	**-**	1,160
At 31 December		
Cost	**-**	1,160

The shares in the subsidiary at 31 December 2016 represented the following:

	Registered office	Class of shares held	Percentage of shares held
Malta Export Credit Insurance Company Limited Level	The Clock Tower 1, Tigné Point Sliema	Ordinary "A" Shares	99.9%

During the year ended 31 December 2017, the subsidiary was liquidated and no amount was recovered by the company upon its liquidation.

6. Financial assets at fair value through profit or loss

	2017 €	2016 €
Non-current		
Year ended 31 December		
Opening net book amount	**7,623,719**	7,644,096
Additions	**779,129**	1,333,182
Disposals	**(51,973)**	(1,682,269)
(Loss)/gain from changes in fair value	**(576,628)**	328,710
Closing net book amount	**7,774,247**	7,623,719
At 31 December		
Cost	**5,595,220**	4,864,114
Fair value gains	**2,179,269**	2,759,605
Net book value	**7,774,247**	7,623,719

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 quoted in foreign markets are also fair valued annually and their fair value is determined by reference to the quoted prices on foreign markets.

NOTES TO THE FINANCIAL STATEMENTS

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

	2017	2016
	€	€
Analysed as follows:		
Non-current		
Equity securities	4,743,721	4,435,854
Debt securities	3,030,526	3,187,865
	7,774,247	7,623,719

Weighted average effective interest rates:

	2017	2016
	%	%
Debt securities	4.0%	4.0

Maturity of non-current debt securities:

	2017	2016
	€	€
Within three years but more than one year	1,079,578	1,027,442
Between three and five years	539,649	536,550
More than five years	1,411,299	1,623,873
	3,030,526	3,187,865

7. Receivables

	2017	2016
	€	€
Amounts owed by Government of Malta - M.G.I. L. as agent	2,157,204	5,531,608
Amounts owed by related parties - gross	1,570,211	-
Other receivables – gross	83,675	198,459
Less: provision for impairment	(106,051)	(114,784)
Net receivables	1,547,835	83,675
Accrued income and prepayments	52,660	73,182
	3,757,699	5,688,465

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

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:

	2017	2016
	€	€
Cash at bank	**3,632,602**	2,877,916

Cash at bank include €32,917 (2016: €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

	2017	2016
	€	€
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

	2017	2016
	€	€
Current		
Bank loans	**1,193,275**	1,298,508
Non-current		
Bank loans	**9,346,712**	10,155,837
Total borrowings	**10,539,987**	11,454,345

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 2017 and 2016 are subject to interest rates which fluctuate with the bank's base rate.

NOTES TO THE FINANCIAL STATEMENTS

11. Borrowings - continued

The company has a banking facility in respect of the loan of €12,414,539 (2016: €15,000,000).

Weighted average effective interest rates as at the reporting date:

	2017 %	2016 %
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:

	2017 €	2016 €
Within 1 year	1,623,135	1,671,294
Between 1 and 2 years	1,298,508	1,627,145
Between 2 and 5 years	6,492,540	4,617,263
Over 5 years	2,973,923	5,304,462
	12,388,106	13,220,164
Carrying amount	10,539,987	11,454,345

12. Other payables

	2017 €	2016 €
Current		
Amounts owed to a related party	1,651,789	2,351,049
Accruals	154,558	469,153
	1,806,347	2,820,202

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

NOTES TO THE FINANCIAL STATEMENTS

13. Expenses by nature

	2017 €	2016 €
Auditor's remuneration	6,000	6,000
Directors' fees and emoluments (Note 18)	108,388	74,007
Management allowance	-	12,500
Depreciation of investment property (Note 4)	4,161	4,163
Provision for impairment of other receivables	(8,733)	-
Bad debts written off	167,404	-
Recharge of wages and salaries	228,504	216,004
Legal and professional fees	66,275	57,454
Insurance (i.)	20,105	10,952
Other expenses	55,678	27,227
Total administrative expenses	647,782	408,307

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

14. Investment income

	2017 €	2016 €
Income from financial assets at fair value through profit or loss:		
- Dividends receivable	91,539	234,790
- Interest receivable	118,273	124,468
Investment transaction costs	(4,720)	(4,360)
Gain on disposal of financial assets	591	16,380
	205,683	371,278

15. Other finance income and similar income

	2017 €	2016 €
Bank finance income	38,163	259
Bank interest recoverable	375,123	407,377
	413,286	407,636

16. Finance costs and similar charges

	2017 €	2016 €
Finance costs on bank loans and overdraft	375,123	407,377
Other finance charges	12,914	61
	388,037	407,438

NOTES TO THE FINANCIAL STATEMENTS

17. Tax expense

	2017	2016
	€	€
Current tax expense	291,194	18,709

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

	2017	2016
	€	€
Profit before tax	1,942,395	311,879
Tax on profit at 35%	679,838	109,158
Tax effect of:		
- Income subject to reduced rates of tax	(831,694)	(24,945)
- Unrealised fair value movements	201,820	(115,049)
- Unrecognized deferred tax	231,344	48,088
- Expenses not deductible for tax purposes	9,886	1,457
Tax expense	291,194	18,709

18. Directors' emoluments

	2017	2016
	€	€
Fees, emoluments and allowances	108,388	74,007

19. Dividends

	2017	2016
	€	€
Net dividend	1,000,000	1,450,000
Net dividend per share	0.80	1.16

NOTES TO THE FINANCIAL STATEMENTS

20. Cash from operations

Reconciliation of profit before tax to cash from operations:

	2017 €	2016 €
Profit before tax	1,942,395	311,879
Adjustment for:		
Reversal of provision for impairment of other receivable	(8,733)	-
Depreciation of investment property (Note 4)	4,161	4,163
Investment income	(205,683)	(371,278)
Other finance income and similar income	(413,286)	(407,636)
Finance costs and similar charges	388,037	407,438
Loss on disposal of subsidiary	1,160	-
Loss/(gain) from changes in fair value of financial assets	576,628	(328,710)
Gain on disposal of investment property	(2,937,033)	-
Changes in working capital:		
Receivables	1,968,305	2,064,729
Payables	(1,013,855)	468,671
Cash from operations	302,096	2,149,256

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

Management has evaluated subsequent events from 1 January 2018 to the date of the approval of these financial statements and there has been no material subsequent events requiring adjustment or disclosure in these financial statements.