

**FINANCIAL STATEMENTS OF
MALTA GOVERNMENT INVESTMENTS LIMITED
AS AGENT FOR THE GOVERNMENT OF MALTA**

31 December 2018

MALTA GOVERNMENT INVESTMENTS LIMITED AS
AGENT FOR THE GOVERNMENT OF MALTA
Annual Report and Financial Statements for the year ended 31 December 2018

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Malta Government Investments Limited are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss of the company for the year then ended. In preparing the financial statements, the Directors should:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business as a going concern;
- Account for income and charges relating to the accounting period on the accruals basis;
- Value separately the components of asset and liability items; and
- Report comparative figures corresponding to those of the preceding accounting period.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The Directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Malta Government Investments Limited for the year ended 31 December 2018 are included in the Annual Report 2018, which are filed with the Registrar of Companies.

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 as Agent for the Government of Malta (the "Agency"), set on pages 5 to 12, which comprise Accumulated Fund as at 31 December 2018, and the Investment Account 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 of the Agency for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the Basis of Preparation set out in Note 1 to the financial statements.

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 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.

Emphasis of Matter – Basis of Accounting and restriction on use

We draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements are prepared to present the activities carried out by Malta Government Investments Limited as agent for the Government of Malta. As a result, the financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of Malta Government Investments Limited and the Government of Malta and should not be used by parties other than Malta Government Investments Limited or the Government of Malta. Our opinion is not modified in respect of this matter.

Other Matter

Malta Government Investments Limited has prepared a separate set of financial statements for the year ended 31 December, 2018 in accordance with International Financial Reporting Standards as adopted by the EU and the Companies Act, Cap. 386 of the Laws of Malta on which we issued a separate auditor's report to the shareholders of Malta Government Investments Limited dated 24 June 2020.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements in accordance the accounting policies described in Note 1 to the financial statements, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MALTA GOVERNMENT INVESTMENTS LIMITED

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.
- 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 accordance with the Basis of Preparation set out in Note 1 to the financial statements.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*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

24 June 2020

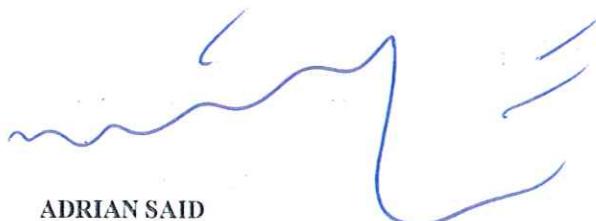
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Accumulated Fund

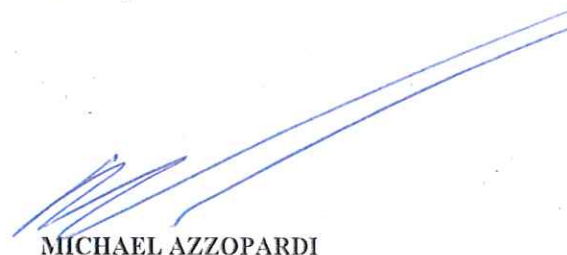
	Notes	2018 EUR	2017 EUR
ASSETS			
Investments held as agent for the Government of Malta			
Subsidiary undertakings	3	26,745,410	21,487,594
Associated undertakings	4	349,406	349,406
Other investments	5	1,016	1,016
		<u>27,095,832</u>	<u>21,838,016</u>
Other assets			
Other receivables	6	1,310,000	1,360,002
Other loans	7	14,527,503	11,974,353
		<u>15,837,503</u>	<u>13,334,355</u>
TOTAL ASSETS		<u><u>42,933,335</u></u>	<u><u>35,172,371</u></u>
LIABILITIES			
Payables	8	14,558,326	16,206,552
Provision for guarantees issued		349,407	349,407
Provision for uncalled share capital		822,600	822,600
		<u>15,730,333</u>	<u>17,378,559</u>
NET ASSETS		<u><u>27,203,002</u></u>	<u><u>17,793,812</u></u>
FUNDED BY:			
Government of Malta Capital Account	9	<u><u>27,203,002</u></u>	<u><u>17,793,812</u></u>

The notes on pages 7 to 12 are an integral part of these financial statements.

The financial statements on pages 5 to 12 have been authorised for issue by the Board of Directors on 24 June 2020 and were signed on its behalf by:



ADRIAN SAID
Chairman



MICHAEL AZZOPARDI
Director

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Investment Account

	2018 EUR	2017 EUR
Income attributable to Government		
Dividend income	2,909,998	1,860,806
Reimbursement of expenses - claims debt servicing	1,926,000	1,926,000
	<u>4,835,998</u>	<u>3,786,806</u>
Charges borne by Government		
Reimbursement of bank interest	342,949	375,123
Expenses in relation to subsidiary undertakings	247,258	94,800
Interest on loan from Malta Investment Management Company Limited	182,090	199,566
Provision for impairment of investment in subsidiaries	578,113	440,664
Provision for impairment of other receivables	-	486,074
	<u>1,350,410</u>	<u>1,596,227</u>
Profit for the year	<u><u>3,485,589</u></u>	<u><u>2,190,579</u></u>

The notes on pages 7 to 12 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

These financial statements reflect the investment activities carried out by Malta Government Investments Limited as agent for the Government of Malta.

Malta Government Investments Limited holds these investments as agent for the Government of Malta whereby any dividends, interests or profits arising on disposal of these investments are treated as attributable to Government. Similarly losses on disposal and provisions made to write down the investments to their underlying net asset values are also borne by Government. Accordingly, generally accepted accounting principles and practice are not considered to be appropriate for, and applicable to, the preparation of these financial statements in view of the substance of the activities which are being reported upon in these accounts. The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.2 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements have been prepared in euro which is the company's functional and presentation currency.

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 the investment account.

1.3 INVESTMENTS

Investments held as agent for the Government are made from funds emanating from the Government of Malta.

Investments are held on a long term basis and are analysed as follows:-

- i) Subsidiary undertakings - those in which an equity interest of over fifty per cent is held;
- ii) Associated undertakings - those in which an equity interest of not less than twenty per cent is held;
- iii) Other investments — those companies in which an equity interest of less than twenty per cent is held.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.3.1 Valuation of investments

Investments in subsidiary, associate and other undertakings are accounted for at the historical cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. The value of the undertakings is determined through reference to the underlying net asset value as disclosed by the latest audited or unaudited accounts. 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.

1.3.2 Investment income

The results of the investments held as agent for the Government of Malta, accrue to the Government and are reflected in these financial statements only to the extent of dividends receivable.

1.3.3 Profits or losses arising on disposal of investments

Profits or losses arising on disposal of investments held as agent for the Government of Malta are attributable to Government. These profits or losses, determined as the difference between the net disposal proceeds and the carrying amount, are charged or credited to the investment account.

1.4 LOANS AND OTHER RECEIVABLES

Loans and other receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

All financial assets are recognised when the Company as agent for the Government of Malta becomes a party to the contractual provisions of the instrument. The financial assets are initially at fair value plus transaction costs. After initial measurement loans and receivables are carried at historical cost less any allowance 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 the Investment Account. 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.

The financial assets are derecognized where:

- the rights to receive cash flows from the asset have expired;
- the company as agent for the Government has transferred its rights to receive cashflows from the asset.

1.5 BORROWINGS AND OTHER PAYABLES

Borrowings are recognised when the Agency becomes a party to the contractual provisions of the instrument. Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently these are measured at historical cost; with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the Investment Account.

The financial assets are derecognized when the obligation under the liability is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

1.6 PROVISIONS

Provisions are recognised when the Agency has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.7 CAPITAL ACCOUNT

The Capital Account is the residual interest in the assets of the entity after deducting all liabilities. It includes investments made by the Government of Malta, plus additions to those investments earned through accumulated profits and retained for future use, minus accumulated losses and distributions to the Government.

1.8 REVENUE RECOGNITION

The Income Attributable to Government comprises of dividend and interest income from investments held by the entity as agent for the Government of Malta and of a Government subvention authorised by the House of Representatives.

- (a) Interest income - interest income is recognised on all interest-bearing instruments using the effective interest method. It is recognised as it accrues.
- (b) Dividend income – dividend income is recognised when the right to receive payment is established.
- (c) Claim Debt servicing – this represents amounts allocated by the Ministry of Finance in the budget estimates and authorised by the House of Representatives. It is recognised in the Agency books upon receipt.

1.9 CHARGES BORNE BY GOVERNMENT

Charges borne by Government represent decreases in the economic benefits during the period in the form of outflows, depletion of assets or incurrence of liabilities. Expenses are recognised in the Investment Account on an accruals basis.

2. 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.

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NOTES TO THE FINANCIAL STATEMENTS

3. Investments in subsidiary undertakings	Equity
	€
Cost	
At 1 January 2017	17,882,473
Additions	4,985,000
At 31 December 2017	22,867,473
Provisions	
At 1 January 2017	(939,215)
Provision for impairment of investment in subsidiary	(440,664)
At 31 December 2017	(1,379,879)
Net book amount	
At 31 December 2017	21,487,594
Cost	
At 1 January 2018	22,867,473
Additions	5,835,929
At 31 December 2018	28,703,402
Provisions	
At 1 January 2018	(1,379,879)
Provision for impairment of investment in subsidiary	(578,113)
At 31 December 2018	(1,957,992)
Net book amount	
At 31 December 2018	26,745,410
4. Investments in associated undertakings	Equity
	€
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	1,455,858
Provisions	
At 1 January 2017, 31 December 2017 and 31 December 2018	1,106,452
Net book amount	
At 1 January 2017, 31 December 2017 and 31 December 2018	349,406

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NOTES TO THE FINANCIAL STATEMENTS

5. Other investments

	Equity €
Cost	
At 1 January 2017	1,249
At 31 December 2017	1,249
Provisions	
At 1 January 2017	(233)
At 31 December 2017	(233)
Net book amount	
At 31 December 2017	1,016
Cost	
At 1 January 2018	1,249
At 31 December 2018	1,249
Provisions	
At 1 January 2018	(233)
At 31 December 2018	(233)
Net book amount	
At 31 December 2018	1,016

6. Other receivables

	2018 €	2017 €
Accrued income	1,310,000	1,360,002

7. Other loans

	2018 €	2017 €
Loans granted to undertakings in which an investment is held in order for these undertakings to settle their creditors	15,000,765	12,470,909
Provisions	(473,262)	(496,556)
	<u>14,527,503</u>	<u>11,974,353</u>

Other loans are interest-free.

**MALTA GOVERNMENT INVESTMENTS LIMITED AS
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NOTES TO THE FINANCIAL STATEMENTS

8. Payables		
	2018	2017
	€	€
Amounts owed to Malta Government Investments Limited as principal	928,087	2,157,203
Amounts owed to Malta Investment Management Company Limited	13,167,360	13,615,271
Other payables and accruals	462,879	434,077
	<u>14,558,326</u>	<u>16,206,551</u>
9. Government of Malta – Capital Account		
	2018	2017
	€	€
Year ended 31 December:		
At the beginning of the year	17,793,812	16,966,861
Movements during the year:		
Amounts due from subsidiary undertaking	158,219	261,368
Increase in the issued share capital of a subsidiary	-	4,875,000
Loan receivable taken over by the Government of Malta	-	(6,499,996)
Adjustments to prior years' dividend income	(1,000,002)	-
Additional funding from Government	8,265,384	-
Returns to Government	(1,500,000)	-
	<u>5,923,601</u>	<u>(1,363,628)</u>
Profit for the year	3,485,589	2,190,579
At the end of the year	<u>27,203,002</u>	<u>17,793,812</u>

ACTIVITIES CARRIED OUT BY
MALTA GOVERNMENT INVESTMENTS LIMITED AS
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List of Investments - 31 December 2018

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List of investments

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**ACTIVITIES CARRIED OUT BY
MALTA GOVERNMENT INVESTMENTS LIMITED AS
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List of Investments - 31 December 2018**

Subsidiary undertakings

	Shares €	Provision €	Net €
In operation			
Casma Limited	1,165,849	-	1,165,849
Gozo Channel (Holding) Company Limited	8,799,671	-	8,799,671
Gozo Heliport Limited	46,587	(46,587)	-
Kordin Grain Terminal Company Limited	931,747	-	931,747
Malpro Limited	169	-	169
Malta Air Traffic Services Limited	9,999,998	-	9,999,998
Malta Government Technology Investments Limited	116,466	-	116,466
Malta Marketing Limited	1,162	-	1,162
National Orchestra Limited	1,162	-	1,162
Pitkalija Limited	2,999	-	2,999
The Grand Harbour Regeneration Corporation p.l.c	46,585	(46,585)	-
Wasteserv Malta Limited	46,587	(46,587)	-
Projects Malta Limited	699,999	(557,567)	142,432
Petromal Company Limited	5,000,000	-	5,000,000
Film Finance Malta Limited	999,999	(461,210)	538,789
Engineering Resources Limited	1	-	1
Enemalta p.l.c.	1	-	1
Housing Project Management Unit (H.P.M.U.) Limited	1,160	-	1,160
Commonwealth Trade Finance Facility Limited	10,000	-	10,000
Investment in Housing Maintenance and Embellishment	28,800	-	28,800
	27,898,942	(1,158,536)	26,740,406
In liquidation or having ceased operations			
Health Change Management Unit	4,999	-	4,999
Malta Super Yacht Services Limited	99,999	(99,999)	-
Malta Venture Capital p.l.c.	46,585	(46,585)	-
Sliema Point Company Limited	874	(873)	1
Kalaxlokk Company Limited	2	-	2
The Glorious Few Production Limited	2	-	2
Ricasoli Tank Cleaning Limited	651,999	(651,999)	-
	804,460	(799,456)	5,004
Total investments in subsidiary undertakings	28,703,402	(1,957,992)	26,745,410

**ACTIVITIES CARRIED OUT BY
MALTA GOVERNMENT INVESTMENTS LIMITED AS
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List of Investments - 31 December 2018**

Associated undertakings

	Shares €	Provision €	Net €
In operation			
Malta Dairy Products Limited	349,406	-	349,406
In liquidation or having ceased operations			
Cottonera Properties Limited	1,106,542	(1,106,542)	-
Total investments in associated undertakings	1,455,948	(1,106,542)	349,406

Other investments

	Shares €	Provision €	Net €
In operation			
Resource Support and Services Limited	2	-	2
Malta Investment Management Company Limited	5	-	5
MDD Manoel Island Company Limited	233	(233)	-
Mediterranean Offshore Bunkering Company Limited	2	-	2
Public Broadcasting Services Limited	2	-	2
MPG Energy Services Limited	2	-	2
KM Holdings Limited	2	-	2
Core Malta Education Solutions Limited	1,000	-	1,000
D3 Power Generation Company Limited	1	-	1
Total other investments	1,249	(233)	1,016