



MDIA

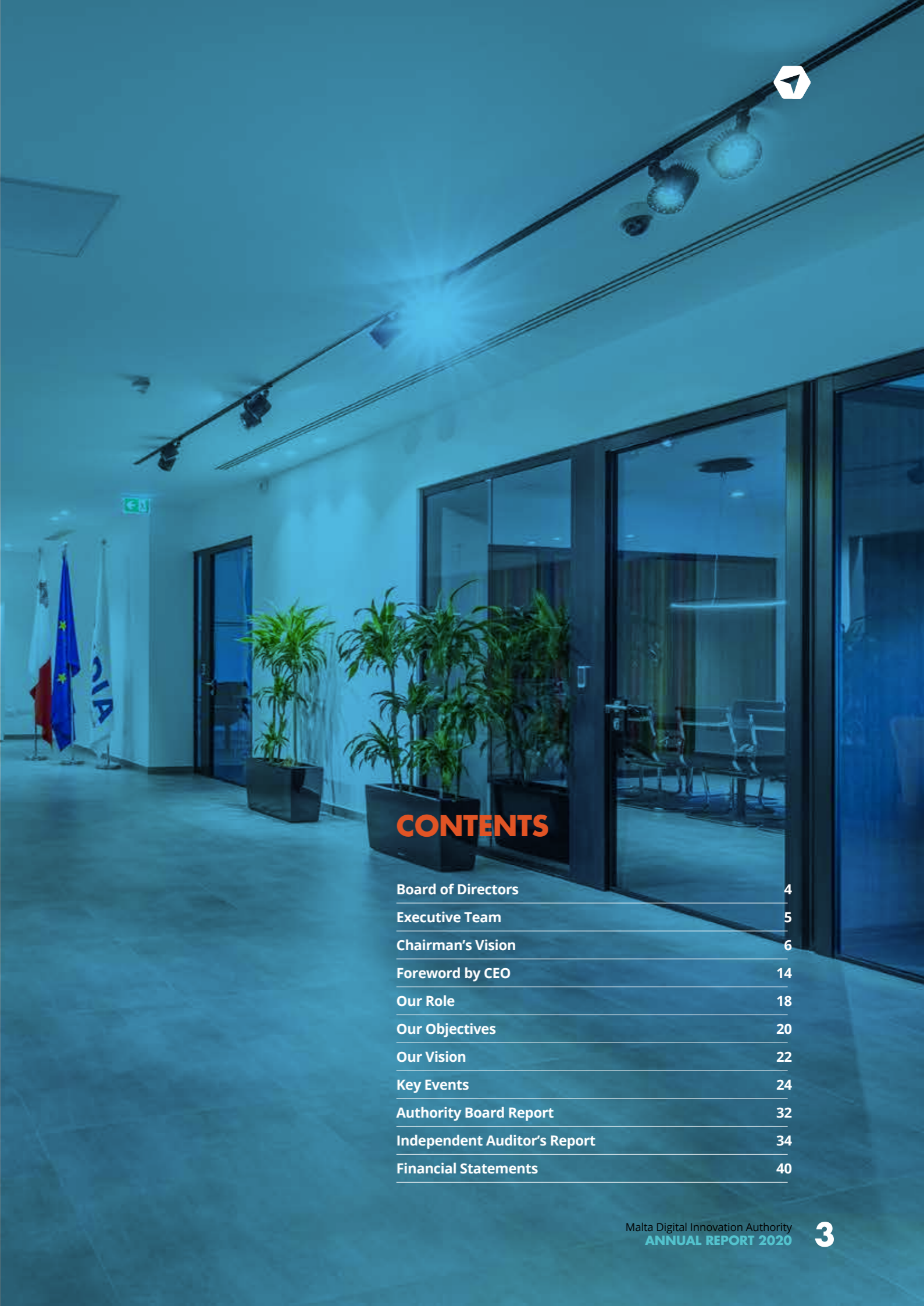
Malta Digital Innovation Authority

Annual Report
2020



MDIA is the primary Authority responsible for promoting governmental policies that promote Malta as the centre for excellence for technological innovation, while setting and enforcing standards that ensure compliance with any other international obligations. The Authority seeks to protect and support users and also encourages all types of innovations, by allowing for flexibility when it comes to the certification of Innovative Technology Arrangements.





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Board of Directors



From left to right:

Karl Parnis *(appointed on 01/11/20)*
 Nathaniel Falzon
 Patrizia Busuttil
 Sandro Micallef
 Ramona Attard *(appointed on 01/11/20)*
 Joshua Ellul *(Chairman)*
 Omar Vella
 Lara Boffa
 Nigel Vella
 Bernard Charles Gauci *(absent) (appointed on 01/11/20)*

Charmaine Tanti Camilleri *(resigned on 31/10/20)*
 Loui Mercieca *(resigned on 31/10/20)*
 Douglas Aquilina *(resigned on 31/10/20)*

Executive Team



Stephen McCarthy
 Chief Executive Officer

Omar Debono
 Chief Operations Officer

Trevor Sammut
 Chief Regulatory Officer

Efrem Borg
 Chief Technology Officer



MDIA

Malta Digital Innovation Authority



CHAIRMAN'S VISION - DR JOSHUA ELLUL

The setup of the Malta Digital Innovation Authority was guided by a future where digital technology becomes an integral part of life – perhaps even a present. Where such technologies are not just enabling for better efficiency but are deemed to be safety-critical – in which, if such systems operate incorrectly, substantial damage or losses could occur.



Malta, through the MDIA, was the first country to put in place a national technology assurance framework – both concerning technology in general and particularly concerning Distributed Ledger Technology. With the ever-evolving, fast nature of technology, being a first of its kind means that MDIA must have the foresight to be guided by future expectations without ignoring the lessons learnt from the past.

The Past, 2019

A Technology Assurance Framework for Blockchain, DLT and Smart Contracts

Within its first year of operation, the MDIA put into place a regulatory framework to help raise the levels of assurances within Blockchain, Distributed Ledger Technology (DLT) and Smart Contract based Innovative Technology Arrangements (ITAs).

The initial direction was to establish an adequate framework required to provide such technology assurances for the Virtual Financial Asset (VFA) regime overseen by the Malta Financial Services Authority (MFSA). Malta, through the MDIA, was the first country to put in place a national technology assurance framework – both concerning technology in general and particularly concerning DLT.

Within a year of its inception, the MDIA had already approved several systems auditors appropriate to service demands at the time. In a field where even simple code can contain software bugs, which can potentially result in millions of euros worth of cryptocurrency being lost, having the right technology assurances in place helps raise consumer protection, operator reputation and market integrity.

While other jurisdictions are now following suit, the MDIA (and Malta) have proven to be leaders and potentially ahead of their time when adopting and advocating the need for technology assurances. Indeed, the certification framework put in place may have been deemed to be onerous, albeit it was (and still is) proportionate to the activity for which it sought to provide technology assurances.

MDIA's vision back then was to ensure that the assurance framework remained proportionate and flexible to the demands of the sector, particularly those prone to higher-risk activities.

“While other jurisdictions are now following suit, the MDIA (and Malta) have proven to be leaders and potentially ahead of their time when adopting and advocating the need for technology assurances.”



Looking back at 2020

Preparation for supporting start-ups, other technologies and sectors

In its second year, whilst dealing with the new reality and challenges which COVID-19 brought about, the MDIA worked behind the scenes towards widening the scope of its regulatory framework in order to:

- (i) help start-ups to attain recognition of technology assurance processes – to support them in attracting consumers and investors;
- (ii) widening the technology assurance framework to include Artificial Intelligence (AI); *and*
- (iii) widening the framework's scope to support other sectors (beyond VFAs) by including safety-critical systems within its remit. Besides this preparatory work to enable for the expansion of the framework (to take place in 2021), the MDIA also focused on ensuring that certification processes in place are adequate. Being the first entity of its type to date meant no case studies from other comparable authorities existed, so a hands-on approach was necessary as work progressed.

Therefore, the authority closely monitored the initial system audit and certification processes as progress was made.

After that, we worked towards streamlining and vetting procedures to ensure that they will sustain and adequately oversee the regulatory framework once widened to include start-ups, other technologies and sectors. Yet again, at this point, the MDIA was leading the technology-regulatory space - driven by its foresight to provide adequate levels of technology assurances for AI-based systems.

2021

The immediate future

Built on the foundations laid in the previous year (2020), this year (2021) will see the MDIA's regulatory framework widening. As envisaged whilst being set up, the MDIA will soon be launching a technology-focused sandbox allowing for start-ups and smaller entities to operate within it. This aims to provide adequate and proportionate levels of assurances to stakeholders whilst allowing for entities to grow within the sandbox with the aim of an eventual exit from the sandbox once having attained full compliance with an appropriate technology assurance framework.

The MDIA aims to support and promote start-ups and smaller operations in their journey towards scaling up through the sandbox. The MDIA technology-focused sandbox is, yet again, a world-first (not to be confused with a financial regulatory sandbox). While other jurisdictions are only just beginning to catch up on technology assurance requirements, MDIA is to launch the world's first technology-focused sandbox. Meanwhile, the EU, through its Digital Finance Package, has initiated work towards the direction of providing technology assurances – proposed within the Digital Operational Resilience Act (DORA). As the EU works towards harmonisation, being ahead of its time, the MDIA will be able to quickly react given the broad spectrum of regulatory tools it has developed and are at its disposal.

The groundwork laid in 2020 towards AI regulation will, as from 2021, enable the successful inclusion of AI within the regulatory framework. Once again, it is only now that other jurisdictions are announcing such efforts. Indeed, there are different ways to regulate the space - from hard regulation to allowing for market and self-regulation. The EU has now proposed a way forward regarding AI regulation and indeed, the MDIA will work towards harmonisation. However, the MDIA will stand behind the core

While other jurisdictions are only just beginning to catch up on technology assurance requirements, MDIA is poised to launch the world's first technology-focused sandbox.

principles that have driven it thus far – technology is to be embraced, supported, and promoted whilst proportionate levels of regulation should be applied where necessary in an appropriate manner - without stifling creativity and innovation. MDIA's regulatory framework has found the right balance between supporting innovation and appropriate regulation, which involves only mandating technology regulation when used in safety-critical sectors, other sectors or activities governed by different laws or rules, or where associated risks are deemed necessary. Otherwise, technology should be allowed freedom, fostering the right environment for innovation to spur. The MDIA will continue to be a guiding voice to support Malta and the EU in asserting their leadership in this field.

The MDIA is not only about regulation – though it is its primary function as an authority. Having put in place the required regulatory structures, in 2021, the MDIA with the Ministry for the Economy and Industry will launch initiatives to support: (i) the uptake of blockchain technology within the public sector to promote good governance and transparency; and (ii) local AI academic research advancements. It is only by continuously embracing and advancing state-of-the-art technologies that Malta can become a leader. Therefore the MDIA will wholeheartedly support such initiatives to keep Malta at the forefront of innovative technologies and pertinent regulations.



Digital technology is becoming an ever pervasive and critical tool within various industries and sectors – and therefore the MDIA and its technology assurance framework will become ever more important.”

Longer term directions

Beyond the immediate future in 2021 and my tenure as Chairperson, I am confident that the MDIA will continue to monitor the innovative and emerging technology space to ensure that its framework remains top-notch. The authority will also ensure that it can help support the positive take up and promotion of innovative technologies to keep Malta at the forefront of advancements and regulation in the field. For this reason, the MDIA has been investigating mechanisms to support the local startup ecosystem – initiatives that I hope to see bear fruit in a few years.

Digital technology is becoming an ever-pervasive and critical tool within various industries – and therefore, the role of MDIA and its technology assurance framework will assume an ever more critical role. Therefore, beyond ensuring that the regulatory framework keeps up to date with EU and global harmonisation directions, evolving and new emerging technologies – and continues to ensure that the authority and regulatory framework stand by the rigour it deserves – the MDIA must work towards supporting Malta’s embracing of emerging technologies while reducing unjustified regulatory burdens.

The following are future avenues that merit serious investigation:

- 1** providing various lower levels of assurances with lower associated costs (e.g. maintaining a public ledger of technology registration);
- 2** investigate innovative solutions towards reducing regulatory burdens (both associated with MDIA’s remit as well as other regulators’) through automated compliance systems and decentralisation (e.g.use of DLT); and
- 3** solutions for regulating decentralised organisations



Without a doubt, this is a very exciting time for us. The demand for cybersecurity certification is on the increase and is gaining significant traction across the European Union.

STEPHEN MCCARTHY, CEO

FOREWORD BY CEO - STEPHEN MCCARTHY

This year has taught us that all drivers of innovative technology in our country must work in synergy and go beyond merely embracing such technologies to becoming its promoters.

We have long emphasized that we should not stifle innovation, and this is to be addressed from a legal perspective through the simplification and streamlining of existing regulatory processes - and this is an area we will be focusing on over the coming months, possibly even through changes in relevant legislation.

We must provide support for start-ups developing innovative technology. Start-ups are an essential part of our ecosystem, and we must be courageous enough to take calculated risks in assisting them. We have all learned that with innovative technology, there is no such thing as certainty when it comes to technology assurances. Still, we must have the controls in place to ensure the robustness and dependability of systems and the regulatory tools to handle their failure. Again, we must ensure that such controls are not a barrier to entry for start-ups.

Another lesson we have learned is that following the assurances framework the Authority created for Distributed Ledger Technologies, such as blockchain and smart contracts, we should widen our efforts to address other innovative technology arrangements. Following various consultations and an amendment to the law forecasted to pass through Parliament in 2021, MDIA is widening its remit to certify a broader range of technologies and types of systems, including Artificial Intelligence, cybersecurity, and critical systems.

Without a doubt, this is a very exciting time for us. The demand for cybersecurity certification is on the increase and is gaining significant traction across the European Union.

Artificial Intelligence is similarly gaining momentum, and its broad deployment across industries raises questions of whether and how it ought to be regulated. And society is becoming ever more dependent on critical systems, which may adversely affect the public, ranging from the health sector to transport. How to regulate such technologies and features or types of systems is a challenge we face.

MDIA's work related to Artificial Intelligence was not limited only to the certification programme. In October 2019, then Parliamentary Secretary for Financial Services, Digital Economy and Innovation Silvio Schembri had launched Malta's National AI Strategy.



Consisting of several goals to be achieved in the coming years and with the ultimate vision of turning Malta into the ultimate AI launchpad by 2030, the Strategy takes a proactive approach and is built upon three strategic pillars, namely:

- 1) investment, start-ups and innovation,
- 2) public sector adoption and
- 3) private sector adoption.

Each of these pillars draws on three strategic enablers:

- 1** Education and workforce
- 2** Ethical & legal
- 3** Ecosystem infrastructure

MDIA has been entrusted with the responsibility of overseeing the implementation of this Strategy. Despite issues arising due to the COVID-19 pandemic, the Authority made great strides in this aspect. In 2020, we launched a €100,000 AI Scholarship Fund. Individuals had the opportunity to strengthen their studies by researching the applicability of AI in various sectors at the Master level. In 2021, we plan to continue with this scholarship scheme.

Meanwhile, we have also worked on six pilot projects as part of the National AI Strategy. Each of these projects is expected to have a profound and positive impact across a large segment of society and will play a key role in raising awareness of the tangible benefits that AI can deliver to our society and business community.

Looking back, 2020 was when MDIA started the discussions with the respective business owners and monitoring, which will ultimately lead to the deployment of such pilot projects. Subsequently, it will be determined the viability of a wider roll-out of each project at scale. These will address traffic management, education, healthcare, customer service, tourism, and better utilities.

MDIA was involved in various exercises which will ultimately be fruitful for the foundation of Malta's Digital Strategy, which sets out the Government's vision on how it intends to maintain its momentum as a global digital leader and a champion of emerging technologies. The aim is to continue building on the initiatives already undertaken so that digital technologies will become a key tool to enhance public services delivery.

The MDIA's role in the consultation as part of the build-up towards such Strategy is crucial since the input gathered from its process over the past two years offers solutions for key challenges faced by the citizens and the business community.

Another significant milestone established was the MDIA's teamwork with other public authorities. As the competent Authority entrusted with the certification of technologies, we've held talks with the Malta Financial Services Authority (MFSA), the Malta Gaming Authority (MGA), and the Ministry of Health. As we move towards a digital society increasingly dependent on technologies, it was critical to have the proper assurances in place concerning the many technologies used in our day-to-day lives. The discussions with various public stakeholders have helped foster improved understanding at the government level, particularly by assisting the entities concerned to adopt a better approach when dealing with technologies, both within their day-to-day operations and where the acquisition of a license is in question.

Whereas our certification programme is concerned, we have made progress in establishing better cooperation between the MDIA and the other public authorities. The MDIA remains committed to ensuring trust in emerging technologies, and the journey keeps proving the significance of our mandate.

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The Malta Digital Innovation Authority, established in 2018 through the MDIA Act, is the primary authority that is endowed with the responsibility of the certification of technology. This function is exercised on emerging technologies, currently including Distributed Ledger Technologies and Artificial Intelligence. The certification of such technologies is permitted through the ITAS Act.

MDIA has set up a unique regulatory framework for innovative technology aimed at providing user and investor assurances through strictly regulated systems auditing. The framework, initially designed for blockchain and DLT-based, has since been widened to address technology risks in AI and other critical systems. Over the past year, MDIA has also been designated by ENISA as the Cybersecurity Certification Authority in Malta.

The key behind MDIA certification of innovative technologies lies in independent third-party technological audits against well-defined control objectives in order to ensure quality and dependability of the underlying technology. MDIA-approved Systems Auditors are key players in this process, with their role being that of technically assessing solutions seeking official recognition. MDIA defined control objectives against which the technologies are audited range from cybersecurity to business continuity, from functional code reviews to structured change management.

Regulating technology without stifling it, is a major challenge, but MDIA is continually seeking ways of widening the scope of its certification, from more specialised certification needs to tiered assurances approaches, and support for technology assessment appropriately designed for startups.

Our Objectives

Following its establishment in 2018, MDIA set out the following objectives and policies under the law enacted by Parliament, thus highlighting its purpose and direction:

1 To protect users of innovative technology arrangements, including consumers and the general public and to ensure standards are set that meet their legitimate expectations and protect them against misuse.

2 To harmonise practices and to facilitate the adoption of standards, on innovative technology arrangements in Malta, to be in line with international norms, standards, rules and / or laws, particularly those of the European Union.

3 To promote transparency and auditability in the use of innovative technology arrangements, and any application, software, or derivative-product from it or intrinsically part of or connected to it.

4 To promote, and if required enforce, ethical and legitimate criteria in the design and use of innovative technology arrangements and any application, software or derivative product from it or intrinsically part of or connected to it, as well as to ensure the quality of services and security therein.

5 To support the prevention of money laundering, terrorist financing and the commission of any other crime in or through the use of innovative technology arrangements, through collaborations with other regulatory bodies and competent authorities with the same responsibility of preventing money laundering and the financing of terrorism and crime in general.

6 The Authority shall endeavour to promote the development of innovative technology in as comprehensive a manner and for as many uses as possible, to achieve its benefits in as many economic and social sectors as possible, including, but not limited to, in financial services, health and education, voluntary organisations, public administration and transport.

7 To promote government policies that favour the deployment within the public administration, of innovative technology arrangements, by the Government where necessary or appropriate.

8 To foster, promote and facilitate the advancement and utilisation of innovative technology arrangements and their design and uses.

9 To assist the competent Data Protection Authorities in safeguarding the data protection rights of data subjects and assist other competent authorities in the protection of vulnerable persons and the promotion of fair competition and consumer choice.

10 To promote ease of accessibility to the facilities provided by publicly available innovative technology arrangements and the recognition and implementation of the right of exit, withdrawal or termination of participation from any arrangement in the use of innovative technology arrangements.

11 To promote legal certainty in the application of laws, in a national and cross-border context, and the development of appropriate legal principles for the practical application of the law to innovative technology arrangements.

12 The Authority shall also encourage the development of regulatory processes about innovative technology arrangements to support all competent national authorities regulating different sectors to administer better the laws entrusted to their administration for the public benefit.

13 To safeguard, maintain and protect the reputation of Malta in the use of innovative technology arrangements.

14 To promote education on ethical standards and legitimate exploitation of innovative technology arrangements.



VISION

OUR

Being the only competent Maltese Authority in certifying emerging technology with solid expertise, MDIA is in an ideal situation where it has overarching visibility on anything related to its remit. Committed to offering assurances and trust in technology, the Authority remains at the forefront of international technology regulation so that the Maltese jurisdiction remains a pioneer in this sector.

As a global pioneer in the field of a regulatory framework for emerging technologies and thanks to the legal standing granted to it by the ITAS Act, the MDIA proposed a widening of its remit, enabling it to certify emerging technologies. This proposal was a natural step forward for the organisation since it had already been entrusted with DLT systems and Smart Contracts certification.

Following Legal Notice 389 of 2020, work started on forming an assessment framework that targets technology assurance in various forms of emerging technologies, including present ones. The idea behind this is to establish Control Objectives designed for a wide array of technologies. Hence, these will help the Systems Auditors know the criteria they must assess when carrying out their works. The idea is not to have a one-size-fits-all approach but rather a tailor-made system that targets the technology under review accordingly and appropriately.

Furthermore, in line with its objectives, MDIA will continue in overseeing digital strategies and technology policies. The Authority will undertake these duties primarily to help maintain and strengthen Malta's reputation by using innovative technology arrangements. Subsequently, the Authority is committed to further harmonisation of practices while adopting quality standards in line with international norms and legislations. The ultimate goal is for MDIA to promote innovative technology in as many uses as possible so that the most comprehensive array of economic and social sectors of society can enjoy the benefits.



KEY EVENTS

2020 proved to be an unprecedented year, as the world did its utmost to grapple with the repercussions of the Covid-19 pandemic. Following health-related restrictions imposed by the local authorities, most of MDIA's operations were done remotely. Due to the nature of the Authority's work, this transition proved to be very smooth. MDIA's work plans continued as scheduled, while new work initiatives were also introduced.

Here are the highlights marking the Authority's 2020 work calendar:

1

MDIA Award for Innovative Technologies in Response to COVID-19

On 6th April 2020, MDIA launched an award to encourage the fast deployment of innovative technology to address the COVID-19 societal challenge and which can also be used in similar future scenarios. This award was triggered by the fact that the Coronavirus caught the world off-guard, rendering it unable to stop the spread due to a lack of global countermeasures being in place. The immediacy of the threat meant that the response deployed needed to be fast to be effective. A total of 23 applications were submitted, which were evaluated by a team of experts on the following criteria:

- (1) Impact of technology,
- (2) Success of Technology Outreach,
- (3) Sustainability, and
- (4) Quality of innovation.

The winners were announced on 15th June 2020.

The first prize was awarded to the Department of Electronic Systems Engineering at the University of Malta to create a very effective device that helps to improve the safety of medical professionals, saves lives, and cuts down on operational costs. This department designed and built a prototype piece of equipment that uses short-wavelength Ultraviolet Germicidal Irradiation (UVGI) and the concomitant generation of Ozone gas. In just a few minutes, this device could substantially reduce the viral bio-burden of up to 9 disposable face respirators concurrently so that medical personnel could re-use them safely and efficiently. Once delivered, the equipment will include interlocks that will prevent accidental exposure of staff to UVGI, which is associated with severe eye and skin damage.

The second prize was awarded to Invent3D Ltd, which 3D printed and urgent manufactured PAPR respirator adapters, retrofitting unusable PAPR systems with modern filtration systems while simultaneously improving airflow. Furthermore, ear savers were also developed to relieve the ears of surgical mask wearers and develop hand sanitiser holders to stop the thefts occurring in hospitals. The goal of this project was always to have a final, medically approved design. The nature of 3D printing meant that once plans were approved, they were instantly put into production without extra lead time or extra tooling costs.



2

MDIA Relocation to New Premises

The idea of finding a permanent base for a thriving and expanding entity like the MDIA had been long in the pipeline. After relocating from one office to another during the first few months in operation, an excellent spot was found for an MDIA base in Mriehel - an expanding business and industrial district located right in the centre of Malta.

The works on the new building started in 2019. Due to the COVID-19 pandemic, progress was initially tricky, yet despite the challenges, the new offices were completed on time and inaugurated in July of 2020. The building - called 'Twenty20' Business Centre - was still in shell form when we took it over; this enabled MDIA to draft the plans according to its needs. Spread over two floors, the new MDIA office layout plan meets the organisation's needs today and for the foreseeable future.

Currently, MDIA occupies Level 2 and Level 3 of the building, together with one of the underground parking levels, which provides ample parking space for employees and visitors.

Level 2's layout features two main areas: the Chief Regulatory and the Chief Technology Officers' offices, along with a Meeting Room. The second floor provides space for workstations dedicated to all the personnel falling under the remit of both Chief Officers. There are also other facilities, including a large canteen, archives room and a large open area.

Level 3 is for the Operations side of the Authority; it consists of a reception area next to the Chief Executive Officer's office and his PA's office. There are also several workstations for the entity's HR, Accounts, Procurement and Communications teams. This floor features a sizable Board Room, meeting room, media room, and a kitchenette.

"Malta can only reach its ambitious aim in the digital sphere by having a top qualified human resources pool, particularly in the AI field."

3

Artificial Intelligence (AI) Scholarships Fund

The National AI Strategy implementation, which the MDIA oversees, consists of over 70 action plans to transform Malta into the ultimate AI launchpad. One of these plans is scholarships for students to undertake postgraduate studies in AI (Masters/PhD level) at the University of Malta.

Launched in July 2020 with a fund of €100,000, the first of these scholarships were part of the Maltese Government's national budget measures to help strengthen Malta's resources in the digital space. Indeed, the Government's vision is for the Maltese economy to go through a digital transformation, become a leader in the digital space and take all the opportunities that such a digital transformation can offer.

Malta can only reach its ambitious aim in the digital sphere by having a top qualified human resources pool, particularly in the AI field. Artificial Intelligence will help Malta expand its already robust product and further enhance its citizens' living standards.

PARLIAMENTARY SECRETARIAT FOR FINANCIAL SERVICES AND DIGITAL ECONOMY

€100,000
AI SCHOLARSHIPS FUND

INVESTING IN FUTURE GENERATIONS

L-Università ta' Malta MDIA Malta Digital Innovation Authority

#ekonomijadigitali



5

Education Campaign

Another initiative that was taken by MDIA late in 2020 was an educational campaign focused on Blockchain and Artificial Intelligence (AI). This work formed part of another Budget Measure established for the MDIA in creating an educational campaign related to AI. The targeted students were those aged between 10 and 11 years.

There were two different sessions prepared: the first one targeting Blockchain and the second one targeting AI. Due to the ongoing pandemic, the training sessions ran using Microsoft Teams. Since the participating schools were adopting a bubble system, for the Blockchain session the students were physically present in class, while the AI session was followed from their home. In both scenarios, the sessions progressed flawlessly.

Some 400 students were involved in all. Three out of the five participating schools followed the training sessions live, while the others followed a recorded version of the sessions. Although the respective national budget measure was exhausted, such educational sessions are now an integral part of the MDIA's remit. The Authority intends to continue with such training initiatives, possibly targeting older students.



4

Widening of Remit



The MDIA's original remit was created by the Innovative Technology Arrangements and Services (ITAS) Act, and catered solely for Distributed Ledger Technology (DLT), Blockchain and Smart Contracts. As the Authority understood further that other forms of emerging technologies were being adopted and earmarked to impact society, it suggested revisions be made to the ITAS Act to cater to this scenario.

By making use of articles 20(2)(a) and (f) of the ITAS Act, Legal Notice 389 of 2020 was published in October 2020. Following these developments in its raison d'etre, the MDIA is now empowered to certify software and other architectures. The Authority's new remit is broad and is not limited to technologies used in the context of DLT, smart contracts (and related applications), or similar arrangements used or meant to be used as a stand-alone or as part of solutions in sectors and areas deemed to be of a risky or critical nature. The same goes for systems where their failure or misuse could, amongst other things, result in loss of life, grave prejudice to the well-being and rights of natural persons, significant asset loss or damage and considerable damage to the environment.

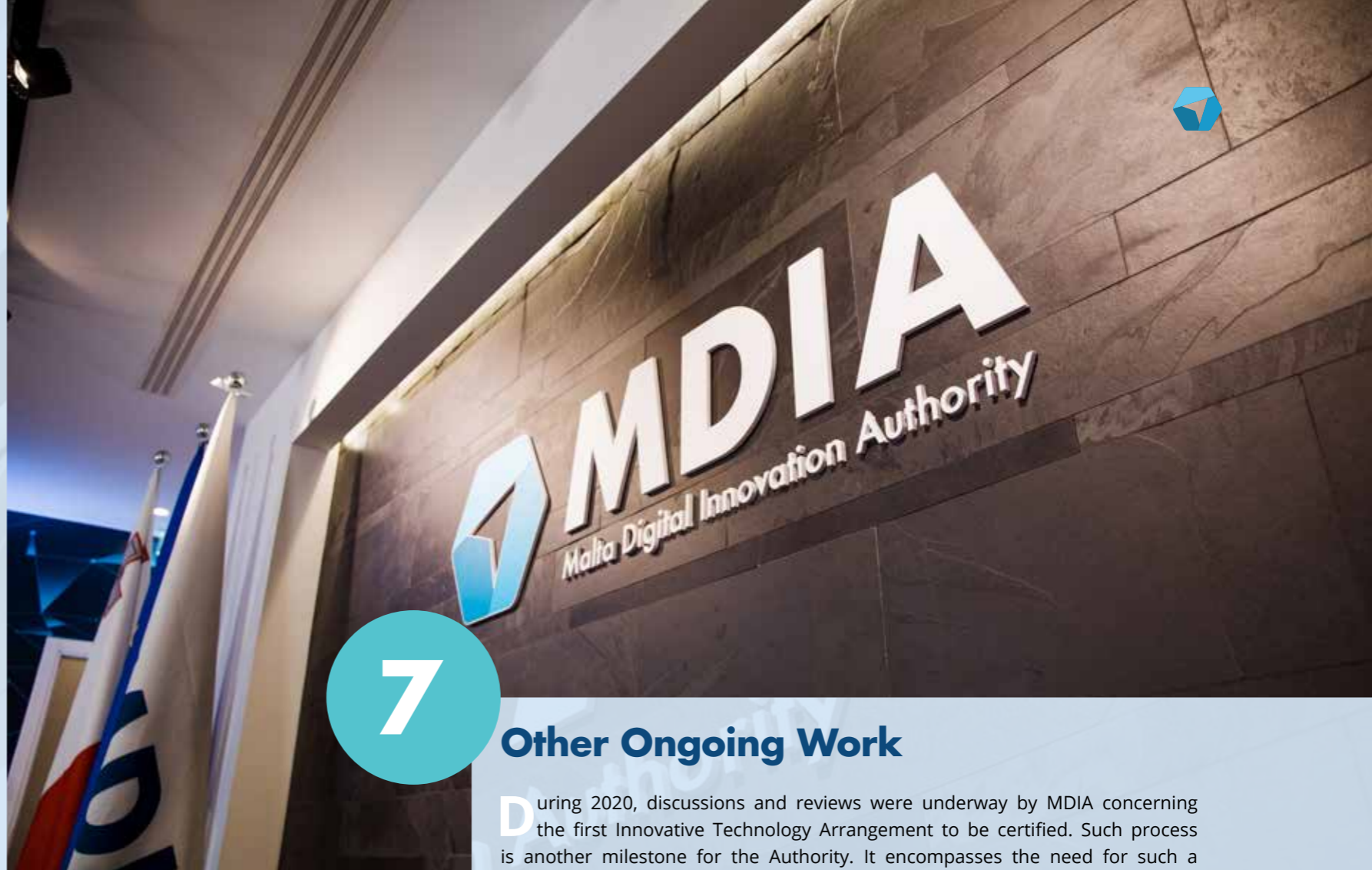
6

Oversight of National AI Strategy

The MDIA worked on other fronts related to the AI Strategy launched back in 2019. There were mainly six pilot projects, each expected to have a profound and positive impact across a large section of society. These projects are part of Malta's commitment to adopting AI to help reach the UN's Sustainable Development Goals (SDGs).

In 2020, the MDIA established a contact point for each of the six business owners spearheading these pilot projects. The proposed projects were reviewed and approved. As part of this process, quarterly meetings were held with the respective entities to discuss their progress. Eventually, by the end of the year, the Authority had gathered the invoices required for the projects' funding for 2020.

MDIA also established a framework agreement with the University of Malta to be able to fund other future projects between both entities. Apart from the AI Scholarships Fund, three research projects were earmarked to benefit from funding through the MDIA as part of its National AI Strategy. These projects focused on how AI can be used as an assistive tool in education, the upgrade of tools that process Maltese text, and training aimed at having a strong speech processing system of the Maltese language.



7

Other Ongoing Work

During 2020, discussions and reviews were underway by MDIA concerning the first Innovative Technology Arrangement to be certified. Such process is another milestone for the Authority. It encompasses the need for such a certification programme and the government's commitment to mandating that any technological system adopted in the public sector would first need MDIA's certification.

Another front was the Technology Assurance Sandbox, which will allow start-ups or smaller players to embark on a soft-start program, leading to full certification, easing costs and alleviating pressures in the initial phases of the start-up. Through such a program, MDIA will be providing additional technological assurances to end-users and investors of critical systems and beyond, who shall benefit from increased solution reliability and overall peace of mind. The vision is to build towards dependable systems, with certification now being recognised as a stamp of approval.

Concurrently, another national budget measure concerns the Digital Innovation Hub. MDIA is actively researching and discussing ways to implement this hub, including possible links with European Union initiatives. Various options are being considered to develop the best possible solutions, all aimed at fostering digital innovation while helping all related stakeholders.

Given the ongoing pandemic, most international conferences and events were cancelled, postponed, or held remotely. In the latter's case, the MDIA started representing Malta in the 'Ad hoc Committee on Artificial Intelligence' (CAHAI). This is a pan-European gathering of experts who examine the feasibility and potential elements based on broad multi-stakeholder consultations of a legal framework for developing, designing, and applying Artificial Intelligence. CAHAI endeavours are driven by the Council of Europe's standards on human rights, democracy and the rule of law.



Authority Board Report

The members of the Authority Board present their report, together with the audited financial statements of the Authority, for the year ended 31 December 2020.

Authority

The following persons have served on the Board of the Authority during the period under review:

Chairperson

Dr. Joshua Ellul

Members

Ms. Lara Boffa

Mr. Nathaniel Falzon

Mr. Nigel Vella

Mr. Omar Vella

Mr. Sandro Micallef

Ms. Patrizia Busuttil

Ms. Charmaine Tanti Camilleri (*resigned on: 31 October 2020*)

Mr. Loui Mercieca (*resigned on: 31 October 2020*)

Mr. Bernard Charles Gauci (*appointed on: 1 November 2020*)

Mr. Karl Parnis (*appointed on: 1 November 2020*)

Dr. Ramona Attard (*appointed on: 1 November 2020*)

Dr. Douglas Aquilina (*resigned on: 31 October 2020*)

Principal activity

The Malta Digital Innovation Authority (MDIA) is a public corporate body with responsibility to exercise a supervisory and regulatory functions in the field of innovative technology arrangements and innovative technology services as may from time to time be assigned to the Authority by any special law. The Authority was setup through the enactment of the Malta Digital Innovation Authority Act in 2018. The Malta Digital Innovation Authority reports to the Minister responsible for digital innovation and the Authority's statutory audit financial statements are to be tabled in Maltese Parliament as per Article 20 (4) of the said Act.

Review of business development and financial position

The financial position of the Authority as at 31 December 2020 is disclosed on page 38, while the results for the year under review are disclosed on page 39.

Since early 2020, the world is experiencing an unprecedented crises caused by the COVID-19 pandemic. The Authority considers the effects of the COVID-19 outbreak as the only relevant event arising during the reporting date. The uncertainty surrounding the duration of this situation is making the way towards recovery unclear.

The crisis has not resulted in the temporary cessation in the Authority's activities. The overall impact of COVID-19 on the Authority is therefore expected to be relatively contained in the context of the Authority's financial resources and accordingly the Authority Board considers it to be appropriate to prepare these financial statements on a going concern basis.

Future developments

No changes are envisaged in operations during the forthcoming year.

Statement of responsibilities of the Authority

The Authority's responsibility is to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union which give a true and fair view of the state of affairs of the Authority at the end of each financial year and of the gain or loss for the year then ended. In preparing the financial statements, the Authority:

- Selects suitable accounting policies and apply them consistently
- Makes judgements and estimates that are reasonable and prudent; and
- Prepares the financial statements on a going concern basis, unless it is appropriate to presume that the Authority will not continue in business

The Authority is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

The Authority is also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Authority is responsible to ensure that it establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Auditor

The auditor, Mr. Charles Scerri, has intimated his willingness to continue in office. A resolution proposing his re-appointment will be put before the members during the Malta Digital Innovation Authority Board Meeting of the month of April 2020.

**Approved by Authority's representatives on 16 March 2021
and signed on its behalf by**

Dr. Joshua Ellul
Chairperson



Independent Auditor's Report

To the Members of the Malta Digital Innovation Authority
Report on the audit of the financial statements

Opinion

In my opinion:

- Malta Digital Innovation Authority's financial statements (the "financial statements") give a true and fair view of the Authority's financial position as at 31 December 2020, and of the Authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Malta Digital Innovation Authority Act.

What I have audited

Malta Digital Innovation Authority's financial statements, set out on pages 38 to 52, comprise:

- the Statement of financial position as at 31 December 2020;
- the Income statement for the Authority;
- the Statement of changes in equity;
- the Statement of cash flows; and
- the Notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to my audit of the financial statements in Malta. I have fulfilled my other ethical responsibilities in accordance with these Codes.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, including the authority board's report.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the board's report, I considered whether the authority board's report includes the disclosures required by the Malta Digital Innovation Authority Act.

Based on the work I have performed, in my opinion:

- the information given in the authority board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the authority board's report has been prepared in accordance with the Malta Digital Innovation Authority Act.

In addition, in light of the knowledge and understanding of the authority and its environment obtained in the course of the audit, I am required to report if I have identified material misstatements in the authority board's report and other information. I have nothing to report in this regard.

Responsibilities of the representatives of the Authority and those charged with governance for the financial statements

The representatives of the Authority are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Malta Digital Innovation Authority Act, and for such internal control as the representatives determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether to due to fraud or error.

In preparing the financial statements the representatives are responsible for assessing the authority'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 authority board either intend to liquidate the authority or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the authority's financial reporting process.



Auditor's responsibility for the audit of the financial statements

My objectives is 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the authority board.
- Conclude on the appropriateness of the authority board's 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 Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the authority's trade, customers and suppliers, and the disruption to its business and the overall economy.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

I communicate with the authority board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also have responsibilities under the Malta Digital Innovation Authority Act to report to you if, in my opinion:

- Adequate accounting records have not been kept, or that returns adequate for my audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- I have not received all the information and explanations I require for the audit.

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

Charles Scerri
Certified Public Accountant
The Penthouse, Carolina Court, Giuseppe Cali Street, Ta' Xbiex XBX 1425
16 March 2021



Statement of financial position

As at 31 December

	Notes	2020	2019
ASSETS		€	€
Non-current assets			
Property, plant and equipment	3	1,922,998	632,968
Current assets			
Trade and other receivables	4	169,359	171,948
Cash and cash equivalents	5	299,542	412,451
		468,901	584,399
Total assets		2,391,899	1,217,367
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		371,592	404,615
Liabilities			
Non-Current liabilities			
Trade and other payables	6	1,850,952	693,333
Current liabilities			
Trade and other payables	6	169,355	119,419
Total equity and liabilities		2,391,899	1,217,367

The financial statements on pages 38 to 52 were approved by the Authority's representatives and signed on its behalf on 16 March 2021.

Dr. Joshua Ellul

Income Statement

Year ended 31 December

	Note	2020	2019
		€	€
Revenue	8	1,740,206	1,637,800
Direct costs		(25,266)	(40,930)
Operating profit		1,714,940	1,596,870
Administrative expenses	9	(1,747,963)	(1,488,328)
(Deficit)/surplus for the year		(33,023)	108,542



Statement of changes in equity

Year ended 31 December

	Accumulated fund
	€
At 1 January 2020	404,615
Deficit for the year	(33,023)
At 31 December 2020	<u>371,592</u>
At 1 January 2019	296,073
Surplus for the year	108,542
At 31 December 2019	<u>404,615</u>

Statement of cash flows

Year ended 31 December

	Note	2020	2019
		€	€
Cash flow from operating activities			
(Deficit)/surplus for the year		(33,023)	108,542
Adjustments for:			
Depreciation		195,588	53,731
Movements in working capital for:			
Trade and other receivables		2,589	(117,203)
Trade and other payables		1,207,556	702,040
Net cash inflow generated from operating activities		1,372,710	747,110
Cash flow from investing activities			
Acquisition of property, plant and equipment		(1,485,619)	(671,091)
Net cash outflow used in investing activities		(1,485,619)	(671,091)
Movement in cash and cash equivalents		(112,909)	76,019
Cash and cash equivalents at the beginning of the year		412,451	336,432
Cash and cash equivalents at the end of the year	5	299,542	412,451



Notes to the financial statements

1 Basis of preparation

1.1 Statement of compliance

In view of the current situation brought about by the COVID-19 pandemic, the authority has planned well, and staff was able to work remotely instantly. On this basis, the authority board have assessed that the authority is expected to have the necessary funds to finance its operations and commitments towards employees, creditors and banks. Accordingly, the board continues to adopt the going concern basis in preparing the authority's financial statements and considers that there are no material uncertainties which may cast doubt about the ability of the authority to continue operating as a going concern.

These financial statements have been prepared and presented in accordance with the provisions of the International Financial Reporting Standards as adopted by the EU (IFRSs) with the requirements of the Malta Digital Innovation Authority Act.

Standards, interpretations and amendments to published standards during the current financial year

During the current financial year, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Authority's accounting policies.

Standards, interpretations and amendments to published standards that are not yet adopted

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 Authority. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Authority's board members are of the opinion that, there are no requirements that will have a possible significant impact on the Authority's financial statements in the period of initial application.

1.2 Basis of measurement

The financial statements are prepared under the historical cost basis. The accounting policies set out below have been applied consistently to all years presented in these financial statements.

1.3 Functional and presentation currency

The financial statements are presented in Euro, which is the Authority's functional currency.

Transactions in foreign currencies are translated to the functional currency of the Authority at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognised in profit or loss.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

2.1 Financial assets, financial liabilities and equity

A financial asset or a financial liability is recognised on the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Authority after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

2.2 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.3 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.



2.4 Trade and other payables

Trade payables are obligations to pay for goods or 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 no longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.6 Impairment

The carrying amounts of the Authority's assets are reviewed at each end of reporting year to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease in accordance with the applicable Section in IFRS.

The carrying amounts of the Authority's assets are also reviewed at each end of reporting year to determine whether there is any indication that an impairment loss recognised in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase in accordance with the applicable Section in IFRS.

2.7 Property, plant and equipment

Recognition and measurement

Property, plant and equipment, are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the

asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Income, during the financial year in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned having regard to their residual value. The annual rates used for this purpose, which are applied consistently, are:

	%
Computer equipment	25
Brand & Website Development	20
Land and improvements	6.67
Mechanical and Electrical	6.67
Air-conditioning and Ventilation	16.67
Computer software	25
Furniture, Fixtures and Fittings	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gains or losses arising on the disposal or retirement of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income within the other income or administrative and other expenses.

2.8 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Authority's contractual rights to the cash flows from the financial assets expire or if the Authority transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Authority commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Authority's obligations specified in the contract expire or are discharged or cancelled.



2.9 Reserves

The accumulated fund includes all current and prior period retained surpluses and deficits.

2.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable by the Authority for services provided. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Authority and these can be measured reliably.

- The following specific recognition criteria must also be met before revenue is recognised:
- The Authority has transferred to the buyer the significant risks and rewards of ownership of the services provided. This is generally when the customer has approved the services that have been provided;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Authority; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from government subvention is recognised on an accrual basis.

- Government grants are not recognised until there is a reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received.
- Government grants are recognised in the statement of comprehensive income on a systematic basis over the years in which the entity recognises as expenses the related costs for which the grants are intended to compensate.
- Government grants related to assets are presented in the statement of financial position by setting up the grant as deferred income and is recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset.
- Government grants that are receivable as compensation for expenses or losses already incurred or for the purposes of giving immediate financial support to the entity with no future related costs are recognised in the statement of comprehensive income in the year in which they become receivable.

2.11 Going concern

The financial statements have been prepared on the going concern basis, which assume that the Authority will continue in operational existence for the foreseeable future. With reference to the Malta Digital Innovation Authority Act, Part 5 article 13 sub-article 3, the Authority shall be paid by Government out of the Consolidated Fund such sums as Parliament may from time to time authorise to be appropriated to meet the costs of specified works to be continued or otherwise carried out by the Authority.

3 Property, plant and equipment

	€ Land & Improvements	€ Mechanical & Electrical	€ Air Conditioning & Ventilation	€ Computer & Electronic Equipment	€ Computer Software	€ Furniture, Fixtures & Fittings	€ Brand & Website Development	€ Total
Cost								
As at								
1 January 2020	644,306	-	-	28,889	6,787	4,558	6,902	691,442
Additions	650,142	319,783	153,855	17,676	3,241	340,922	-	1,485,619
Reallocation	(313,543)	115,596	84,017	-	-	113,930	-	-
As at 31								
December 2020	980,905	435,379	237,872	6,565	10,028	459,410	6,902	2,177,061
Depreciation								
As at								
1 January 2020	42,975	-	-	10,584	1,697	456	2,762	58,474
Charge for the period	65,426	29,040	39,654	11,641	2,507	45,941	1,380	195,589
Reallocation	(20,913)	7,710	5,604	-	-	7,599	-	-
As at 31								
December 2020	87,488	36,750	45,258	22,225	4,204	53,996	4,142	254,063
Net Value								
As at 31.12.20	893,417	398,629	192,614	24,340	5,824	405,414	2,760	1,922,998
As at 01.01.20	601,331	-	-	18,305	5,090	4,102	4,140	632,968



4 Trade and other receivables

	2020	2019
	€	€
Trade receivables	-	7,500
Other receivables	71,483	70,633
Prepayments	97,876	93,815
	169,359	171,948

The Authority does not have any credit terms with its trade receivables.

The age of trade receivables is as follows:

	2020	2019
	€	€
More than 1 month	-	-
More than 1 month but not more than 3 months	-	-
More than 3 month but not more than 6 months	-	7,500
	-	7,500

5 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2020	2019
	€	€
Cash in hand	143	500
Cash at bank	299,399	411,951
	299,542	412,451

6 Trade and other payables

	2020	2019
	€	€
Non-current liabilities		
Deferred income from Government grants	1,850,952	693,333
Current liabilities		
Trade payables	5,945	57,599
Accruals	21,029	8,486
Deferred income from Government grants	142,381	53,334
	169,355	119,419

Short term financial liabilities are carried at their nominal value which is considered a reasonable approximation fair value.

7 Deferred income

	2020	2019
	€	€
Government grants		
At 1 January	746,667	-
Additions	1,400,000	800,000
Amounts transferred to income and expenditure account	(153,333)	(53,333)
At 31 December	1,993,334	746,667
	2020	2019
	€	€
Comprising		
Current deferred income	142,381	53,334
Non-current deferred income		
Between 2 and 5 years	569,523	213,333
After more than 5 years	1,281,429	480,000
	1,850,952	693,333

This refers to government grants with respect to improvements to premises which are deferred over the assets' useful lives.



8 Revenue

	2020	2019
	€	€
Government subvention:		
Direct: paid to MDIA	1,693,333	1,453,333
Own operations: Systems Auditor Registration Fee	18,000	136,750
Other income – recharges of expenses	28,873	47,717
	1,740,206	1,637,800

9 Administrative expenses

	2020	2019
	€	€
Salaries and social security costs	709,137	486,087
Audit fee	2,500	2,500
Legal fees	86,374	72,072
Professional fees	137,814	147,288
Travelling and marketing expenses	8,168	74,892
Rent	237,697	153,882
Transport	16,039	19,797
Depreciation	195,589	53,731
Information services	113,105	383,350
Contractual services	173,335	52,434
Repair and maintenance	8,778	2,042
Training	1,877	600
Materials and supplies	3,303	2,513
Water and electricity	23,818	9,511
Office general expenses	20,930	22,428
Hospitality	9,032	4,608
Finance expenses	467	593
	1,747,963	1,488,328

10 Salaries and social security costs

	2020	2019
	€	€
Wages and salaries	518,466	360,140
Social security costs	190,671	125,947
	709,137	486,087

The average number of persons employed during the year was 14 (2019: 12).

11 Taxation

With reference to the Malta Digital Innovation Authority Act, Part 5 article 13 sub-article 3, Government subventions are deemed to be exempt from any liability for the payment of income tax and duty on documents. Hence no taxation was recognised in these financial statements given the Authority's main source of income is from Government subventions.

12 Related party transactions

Malta Digital Innovation Authority is an autonomous public institution enacted by the Malta Digital Innovation Authority Act. The Authority is the regulator for functions in the field of innovative technology arrangements and innovative technology services in Malta. In accordance with article 20 (4) of the Malta Digital Innovation Authority Act, audited financial statements shall be tabled in Parliament by Authority's line Minister.

The income recognised for the year under review relating to subventions received from the Government of Malta are disclosed in note 8.

13 Financial risk management

The Authority is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Authority's risk management is coordinated by the Board members and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial risk.

Foreign currency risk

The Authority is not significantly exposed to foreign currency risk since most of its transactions are carried out in Euro.

Interest risk

The Authority is not exposed to interest risk on its payables since these are all interest free.

Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting year.

The Authority's Board members consider that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Authority's financial assets is secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise of trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Authority's obligations when they become due.

The Authority ensures a steady and healthy cash flow through persistent chasing up debtors on a weekly basis to ensure that target inflows are received monthly. Targets are set by the management, who monitors cash flow regularly together with the accountant.

The Authority's financial liabilities at the reporting date under review are all short term and their contractual maturities fall within one year.

14 Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.



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