

THE MALTA
BUSINESS REGISTRY'S

ANNUAL
REPORT

20
20



MBR | MALTA
BUSINESS
REGISTRY

THEME

'Coastal Towers of the Maltese Islands' is the theme of the MBR's Annual Report 2020 to reflect the organisation's shift from a passive to more active supervisory role in 2020. With this being a key element of our work in 2020, the MBR represents itself as a tower watching over incoming and existing activities by consolidating our screening procedures and legislative frameworks to maintain an accurate business register.



ST. AGATHA'S TOWER (THE RED TOWER)



TRIQ IL-WISGĦA TOWER



WARDIJA TOWER



GĦALLIES TOWER



MADLIENA TOWER



DWEJRA TOWER



MĠARR IX-XINI TOWER



QALET MARKU TOWER




GĦAJN TUFFIEĦA TOWER



LIPPIJA TOWER



WARDIJA TOWER



“IT’S NOT
WHAT THE
VISION IS;
IT’S WHAT
THE VISION
DOES”

ROBERT FRITZ

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foreword

by **Hon Silvio Schembri**

MINISTER FOR THE ECONOMY AND INDUSTRY

In a short period, the COVID-19 pandemic has changed the way entities, authorities and companies operate. It has pressured governments across the globe to take immediate action and establish a healthy (albeit exceptionally fine) balance between the economy and public health. Most of all, though, the pandemic has changed our *modus operandi*.

Past investments, which led to our institutions' very enhancement by equipping them with adequate resources, have proven to be fruitful at such a pivotal moment. Notwithstanding the adverse ramifications, the pandemic has also provided ample time to reflect and strategise - for it is at times like these that one must re-innovate and re-think ways of doing things to maintain one's relevance.

During a challenging year, the Malta Business Registry further mobilised itself by taking concrete actions to nurture its due diligence procedures, while taking on board MONEYVAL's recommendations, complemented by its unwavering core value, that of safeguarding the reputation of the Maltese jurisdiction.

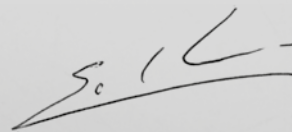
The MBR's Five-Year Strategic Plan paves the way towards bolstering good governance and enhancing the organisation's due diligence methods and core values, which strongly complement the Maltese Government's economic strategy. Moreover, to lessen unnecessary bureaucratic procedures, the MBR will address the demand for an enhanced holistic register by maintaining its Register, complemented by the proposed introduction of a Business Register to ensure that accurate data is constantly stored and used as a single source for current and future submissions. All economic operators will have the opportunity to link to various other governmental entities, a system that interlinks all services offered by Government to businesses and the self-employed. Hence, over the next five years, the MBR will seek to make changes, mostly requiring legislative adaptation, which will deter and act against those who persist in misusing the Register.

The Strategic Plan also highlights a global perspective by internationalising the MBR's purposes by aligning with international developments. Here, I commend the MBR's proactivity in implementing legislative changes that enable Malta to retain its competitive edge in various industrial sectors, particularly aviation.

During a challenging year, the Malta Business Registry further mobilised itself by taking concrete actions to nurture its due diligence procedures, while taking on board MONEYVAL's recommendations, complemented by its unwavering core value, that of safeguarding the reputation of the Maltese jurisdiction. This annual report sheds light on the MBR's impeccable work in addressing money laundering by executing

its powers to ensure a more accurate Register, particularly the information on beneficial owners as per MONEYVAL's recommendations. This resulted in 12,376 companies being struck off the Register - companies that failed to file annual reports and accounts or to provide official ownership information as required. This was a long-overdue process that was greatly intensified during 2020 in a valiant bid to meet the set standards to address and prevent money laundering - actions and stances that elevate the Maltese jurisdiction's integrity and that shall continue to be pursued.

Looking ahead, I must quote *The Economist* in saying that governments worldwide must adapt to the new 'coronormal' by identifying long-term measures that fuse the economy, health and society. This is the road that the MBR has already successfully paved by incorporating a blockchain-based technology system that enhances transparency and efficiency for clients and a mindset that enables it to stay ahead of the game and, ultimately, lends our jurisdiction a competitive edge in attracting new businesses that generate an economy for the benefit of all.



Hon Silvio Schembri
MINISTER FOR THE ECONOMY AND INDUSTRY



foreword

by **Mr Joseph Farrugia**

CHIEF EXECUTIVE OFFICER (CEO)

To be forewarned is to be forearmed.

This tenet has set the tone for what has been an exceedingly challenging year - one which found the Malta Business Registry ("MBR") strengthening its workforce and existing procedures, as well as adapting to an unprecedented scenario which, due to the COVID-19 pandemic, has severely impacted the world. 2020 was a year in which normality was brutally interrupted, but on the upside, it provided businesses, entities and authorities with enough time to sit down, think and re-strategise. It stands to reason that economists and international experts continue to urge everyone to implement long-term sustainable measures that enable the adaptation and adoption of what is being described as 'the new normal'.

Against all odds, the MBR has constantly remained present to provide its services to its clients through enhanced digital systems and work protocols. Despite the perception of a somewhat bleak future, the MBR did not baulk from launching its Five-Year Strategic Plan, which is trailblazing towards a modern, fully digital industry, offering fast, efficient services to companies and, crucially, easy access to searchers. The #ahead2025 Strategic Plan is based on four main pillars: Internationalisation, Information & Communication Technology, Changing Purposes, and Knowledge & Learning. And every

aspect is bolstered by a perpetual transformation mindset because, as we all know, the only constant in life is change.

The MBR's Strategy complements the work it has carried out so far, including the increase in staff by 97 employees by 2020 to ensure the MBR has an adequate workforce; regular training sessions given by anti-money laundering experts; and, endowment of adequate legal powers to ensure that the Registry holds accurate information and an up-to-date Register.

The MBR is the initial stepping-stone international businesses and investors must familiarise themselves with when choosing Malta as their home. This poses greater responsibility for the Registrar to safeguard the Maltese jurisdiction's reputation on an international level. Given the intensive fight in addressing money laundering and the financing of terrorism, I am pleased to state that the MBR has stepped up its due diligence procedures by endowing itself with the power to take concrete actions that prove the seriousness and credibility of the entity in question - from asking for additional documentation for verification purposes and applying sanctions when necessary to conducting onsite inspections, increasing administrative penalties and enhancing the enforcement of penalties.


As per MONEYVAL's recommendations, which have been strongly abided to, this resulted in over 12,000 companies being struck off the Register having failed to file their annual returns and accounts for several years or having

failed to disclose their beneficial owners to the Registrar.

While the MBR retains its commitment to providing a better experience to its customers, it must be emphasised that digitalisation is the way forward. Keeping up with accelerated technological advancements is key to retaining our relevancy and efficiency. Thus, we shall be launching our blockchain-based system in the coming months, through which all the MBR's services

shall be provided.

On a final note, I must acknowledge that at the heart of every successful stride lies a well-trained and dedicated workforce. Their efforts, dedication and contributions lent the MBR valuable agility to adapt to the year's challenging circumstances, notably our switch to teleworking. The MBR is now better equipped to continue safeguarding the excellent reputation of the Maltese jurisdiction, pursue its services amid trying circumstances and, lastly, mobilise itself to determine where it wants to go - towards a digitalised future and providing a high-level experience to all its clients.



Mr Joseph Farrugia
CHIEF EXECUTIVE OFFICER (CEO)



foreword

by **Mr Kenneth Brincat**

CHIEF OPERATIONS OFFICER (COO)

2020 was anything but normal. The COVID-19 pandemic has changed our lives in the most fundamental ways: how we live, how we work, how we connect with others and the world around us. Some of these changes will be temporary, while others are likely to be long-lasting.

Given the past year, the MBR has certainly faced several challenges posed by the health crisis. Ensuring a smooth continuation of business required a rapid rethink and practical responses. Thanks to the contingency plans in place, a modern office infrastructure (including video conferencing facilities) and the dedication and flexibility of the MBR's staff, we have navigated the challenges very well. We are immensely proud of how quickly our people adapted to these unforeseen circumstances and succeeded in continuing to help our clients.

Having said that, despite the pandemic, we left no stone unturned. As much as 2020 was about change and adapting to 'the new normal', we remained focused on executing our long-term growth strategies. In fact, one of the important highlights for the MBR in 2020 was the launch of our Strategic Plan titled #ahead2025, which paves the road ahead for the MBR. The Strategic Plan further safeguards the Maltese jurisdiction's reputation by strengthening good governance and enhancing the MBR's due diligence practices and core

values, which firmly complement the Maltese Government's economic strategy. #ahead2025 represents a transformative journey supported by an elaborate action programme focused on combatting economic crime through analysis and intelligence, building a high-performance culture and investing in technological development.

To ensure the Strategic Plan does not become a forgotten document on a shelf or computer, we set up Task Groups for each strategy. The aim is for each Task Group to assist in establishing and implementing the MBR's strategic objectives. We also believe that through bottom-up participation of this kind, the Strategic Plan will continue developing and evolving.

Firmly in line with its strategy, the MBR will continue investing in its people and technology, looking into new potential partnerships to harness synergy within the corporate sector. To turn this vision into reality, in 2021 we will see further developments in our organisational transformation plan, and we will lay the foundations for legislative reforms. We will also ensure that we integrate positive changes within our services, culture and way of working to give us a firm foundation on which to build.

Together, these activities are the start of our journey towards becoming a brilliantly transformed Registry. In so doing, maintaining high levels of compliance is essential so as to ensure that our Register is populated with up-to-date data - for it is one of the MBR's principle missions to hold information about companies that is correct and fully up to date.

To this end, in this Annual Report we have adopted the theme of Coastal Towers of the Maltese Islands for the illustrations used in order to reflect the MBR's main focus in 2020 to represent itself as a tower watching over incoming activities by consolidating our due diligence procedures and legislative frameworks to maintain a clean Register.

I invite you to delve into this Annual Report to fully understand the MBR's intensive work in the legislative and compliance areas.

As an organisation, we would like to express our gratitude to all our staff for their remarkable hard work and dedication during a challenging 2020. Our team immediately responded with great flexibility, organisational talent and adaptability. Without their exceptional performance, the Registry would not have been able to function as smoothly as it did. Our thanks also extends to all our stakeholders, clients and partners for the trust they place in us.

I hope you join me in recognising everyone involved in the outstanding work represented in this report. It illustrates how we are advancing our Vision "to be recognised globally as an excellent Business Registry offering top-quality services to the corporate and business sectors locally and internationally, in compliance with local legislation and international standards" - this year and every year to come.



Mr Kenneth Brincat
CHIEF OPERATIONS OFFICER (COO)

FUNCTIONS AND RESPONSIBILITIES

The Malta Business Registry (MBR), established under Subsidiary Legislation 595.27, is a governmental agency tasked with functioning as a public registry for commercial partnerships and legal entities and executing its operations and duties relating to the registration of new commercial partnerships and legal entities. In addition, the MBR also registers notifications regarding registered commercial partnerships, using their financial statements and annual returns and issuing various certifications.

The MBR's functions include:

- **Maintaining BO Register**
- **Registering documents related to Commercial Partnerships, Foundations and Associations.**
- **Issuing certified documentation, such as certificates of good standing.**
- **Reserving company names.**
- **Collecting registration and other fees.**
- **Publishing important notices.**

The MBR also has supporting units, including the:

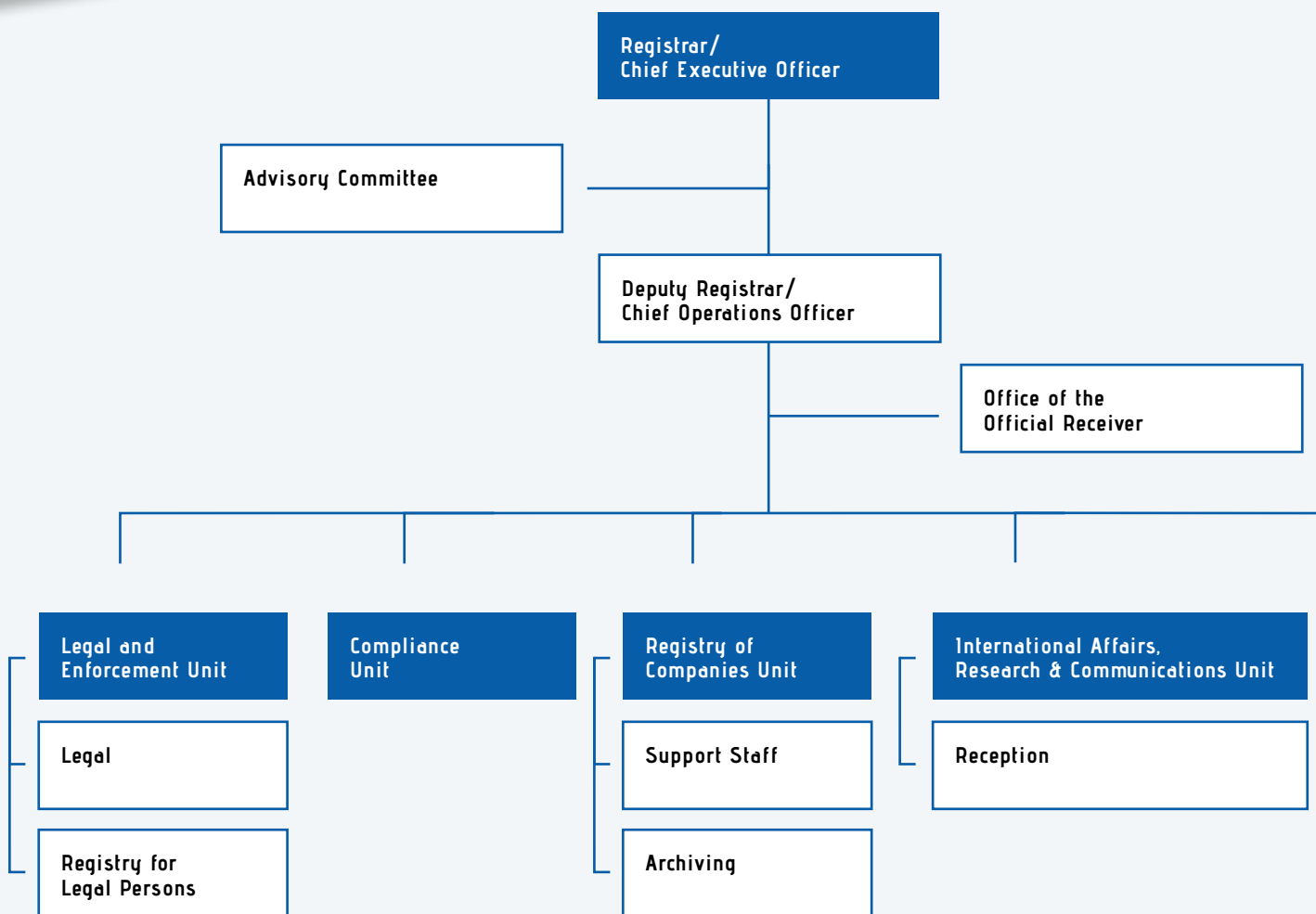
- Legal and Enforcement Unit, which is in charge of applying European Union (EU) directives and amendments to the Companies Act, representing and defending the Registrar of Companies in Court and enforcing penalties;
- Compliance Unit, which is in charge of ensuring the compliance of all commercial partnerships with the Companies Act and conducting onsite investigations;
- International Affairs, Research and Communications Unit, which is in charge of organising events and promotions, carrying out research studies and coordinating international relations;
- Human Resources and Development Unit, which is instrumental in providing labour law compliance, recruiting, staff training and development, record keeping, performance management and employee relations;
- Finance and Administration Unit, which is in charge of internal affairs for employees and finance matters; and
- IT department, which oversees areas including cloud infrastructure and service management, information systems security, governance, and planning and supervising the execution of the MBR's blockchain project.

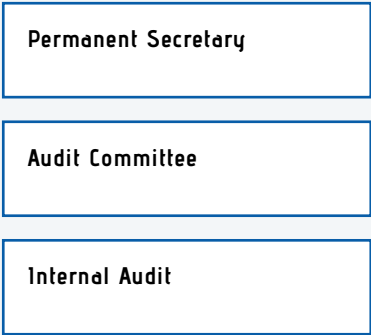


In addition, the MBR also houses the Office of the Official Receiver.

The MBR is constantly adapting to new laws and directives that aim to ensure that entities registered within the Registry maintain a strict level of compliance. This is reflected in the way the MBR applies its zero-tolerance policy to entities that stray from applying measures that reduce non-compliant functions. This usually translates into the Registry imposing and collecting penalties issued by its Compliance Unit.

ORGANISATIONAL STRUCTURE



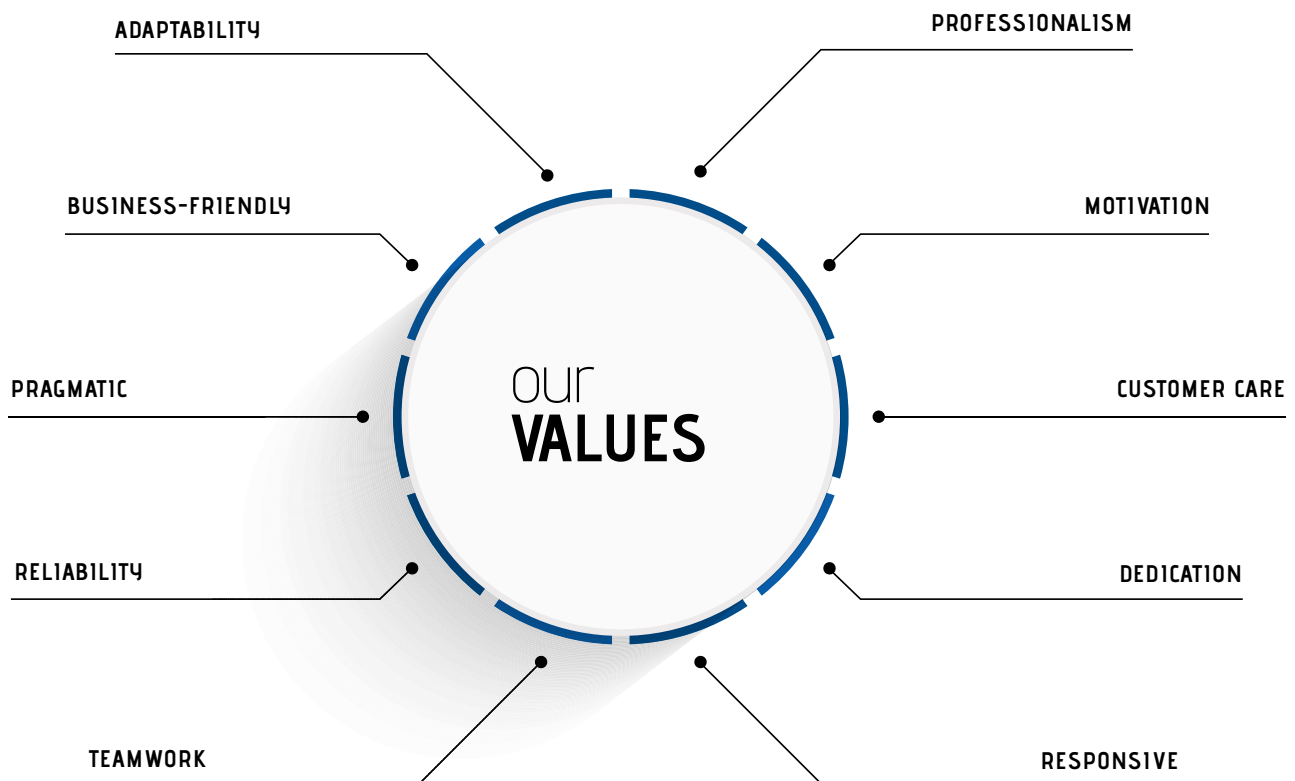


MISSION

To provide our customers with the best possible service - expeditiously, impartially and cost effectively, using state-of-the-art facilities to incorporate companies and to register and inspect company documents.

To provide stakeholders with adequate, accurate and easily accessible registers, undertaking effective enforcement, to maintain Malta's global reputation as a jurisdiction of choice.

To ensure that the legislative frameworks that govern businesses are efficient, kept up to date with international standards, responsive, user and investor-friendly and also to have the right legislative tools for combatting crime, money laundering and the financing of terrorism.



VISION

To be Malta's national Business Registry recognised globally as an excellent Business Registry offering quality services to the corporate and business sectors locally and internationally, in compliance with local legislation and international standards.

VALUES

PROFESSIONALISM

To act with integrity, consistency, transparency, impartiality, confidentiality and accuracy by demonstrating our deep understanding of the relevant legislation and processes.

MOTIVATION

To motivate our staff to achieve organisational objectives by adopting appropriate human resource management strategies, making our workplace one which recognises talent, develops skills and abilities, rewards performance, upholds integrity, promotes merit and fosters equality.

CUSTOMER CARE

To care for and respect our customers by listening to them and taking into account their needs and expectations when shaping the types and quality of service we deliver.

DEDICATION

To care for and provide a quality service and effective enforcement through dedicated people of a high calibre working together as a team.

RESPONSIVE

To embrace change by remaining receptive to new ideas, technologies and work practices so as to enhance the level and quality of our services and facilities. To monitor international developments and trends so that we can benefit from opportunities that arise.

TEAMWORK

To highly motivate our employees to deliver high quality services by giving learning opportunities to develop their careers and contribute towards the success of the team.

RELIABILITY

To ensure the Registry's services and systems are available during office hours and on-line services are available uninterruptedly 24/7.

PRAGMATIC

To be proportionate, adopting risk-based approaches within a suited risk appetite to meet the MBR's strategic objectives and in Malta's interests.

BUSINESS-FRIENDLY

To be open to the use of new technologies and working with the business sector to expand our activities for the benefit of the business community. To encourage and to be receptive to constructive feedback.

ADAPTABILITY

To be prepared to take on new services and to be willing and able to listen to suggestions and act accordingly.

Main Organs within the Malta Business Registry

1. ADVISORY COMMITTEE
2. EXECUTIVE COMMITTEE
3. BOARD OF MANAGEMENT
4. AUDIT COMMITTEE

1.

ADVISORY COMMITTEE

The Advisory Committee provides support and assistance to the Registrar by giving opinions on initiatives related to legislation and advising the Registrar on strategic decisions accordingly. Furthermore, this Committee contributes proactively to identifying policy priorities and to establish relevant programmes and strategies. It assists the Registrar in the preparation and evaluation of activities in the field of company law and other laws strictly related to the functions of the MBR and facilitates cooperation between the different stakeholders such as practitioners and other national government authorities.

2.

EXECUTIVE COMMITTEE

The strategic development and delivery of the MBR is vested in the Executive Committee chaired by the Registrar (Chief Executive Officer) and composed of the Deputy Registrar (Chief Operations Officer), the Official Receiver, and the Chief Legal Officer. The Executive Committee has governance responsibilities in order to ensure that the MBR is able to govern effectively through development and periodic revision of governance policies and procedures.

Executive Committee



< **Mr Joseph Farrugia**

REGISTRAR / CHIEF EXECUTIVE OFFICER

Mr Kenneth Brincat >

CHIEF OPERATIONS OFFICER / DEPUTY REGISTRAR



< **Dr Kevan Azzopardi**

OFFICIAL RECEIVER



Dr Geraldine A. Spiteri Lucas >

CHIEF OF THE LEGAL AND ENFORCEMENT UNIT



3.

BOARD OF MANAGEMENT

Responsibility for the routine management and finances, business development, ancillary services and co-ordination of the MBR's administrative affairs is vested in the Board of Management. This is composed of the Chief Operations Officer who chairs the Board, the Chief Legal Officer, the Head of Finance and Administration and the Head of Human Resources and Development. The Chief Executive Officer is an ex-officio member of this Board.

Board of Management



< **Mr Joseph Farrugia**
REGISTRAR / CHIEF EXECUTIVE OFFICER



Mr Kenneth Brincat >
CHIEF OPERATIONS OFFICER / DEPUTY REGISTRAR



< **Dr Geraldine A. Spiteri Lucas**
CHIEF OF THE LEGAL AND ENFORCEMENT UNIT



Ms Annalise Zammit >
HEAD OF THE FINANCE AND ADMINISTRATION UNIT



< **Mr George Spiteri**
HEAD OF THE HUMAN RESOURCES
AND DEVELOPMENT UNIT



4.

AUDIT COMMITTEE

The Audit Committee established within the Malta Business Registry reports to the Office of the Permanent Secretary responsible for the economy and industry. This Committee has supervisory responsibilities relative to the internal governance, internal controls, risk management, and internal audit function of the MBR. While acting independently, the Audit Committee is informed on the executed trends and standards within the MBR's operations by the Head of the Internal Audit Unit.



Strategic Plan 2020-2025

It has been two years since the MBR was established. We have come a long way in a relatively short time, and therefore planning the Registry's roadmap for the five years to come was a natural next step.

The financial sector is a very dynamic one, which drives us - as a public sector institution - to adapt to change in a structured manner. Consequently, the MBR's role has grown beyond being a Business Registry. For this reason, creating our Strategic Plan was an opportune moment in which to reassess our existing approaches that affect the strategies of other organisations and the corporate sector.

The MBR's Strategic Plan is an instrument to be understood as a roadmap for stakeholders and employees. It is a starting point that identifies specific targets for the MBR to strive for and achieve. Yet, it also contains a process - its middle part - which is the hard bit because it involves implementing and evaluating all the elements that could both support or hinder the MBR from getting to where it wants to be.

The Strategic Plan outlines six corporate-level and business-level strategies proposed for implementation during the next five years. Its rollout will introduce new systems, make changes where needed and, above all, add value to both customers and employees of the MBR. The corporate-level goals will be achieved by executing the following strategies:

- Communication and Branding
- Risk Management
- Data Privacy and Protection
- European and International Cooperation
- Information and Communication
- Research and Community Innovation



All the while, the MBR's business strategies will renew the Registry's focus on satisfying its customers and offering excellent services that meet their needs, while simultaneously introducing new services and possible new streams of revenue.

To achieve this, the MBR will pay close attention to its business-level strategies that target customer experience by updating its procedures and policies according to clients' needs and implementing the technological changes needed to accomplish this. The MBR's business-level objectives will be reached by implementing the following strategies:

- Customer-Centric
- Service Excellence
- Employee-Centric
- Continuous Professional Development
- Recruitment and Retention
- Diversity and Inclusion
- Leadership Enhancement

While this Strategic Plan presents what is currently considered the best way forward, it is by no means the only way. Such strategic objectives must continue to fit in with the Registry's culture, resources and style, as well as consolidate our management's confidence in making consistent and effective decisions.

Releasing the MBR's Strategic Plan was just the start of a journey of commitment and contribution to an ongoing and functional strategic-planning process with strong leadership and support from the top down. What's more, through participation from the bottom up and from other stakeholders, the Strategic Plan will continue developing and evolving. In fact, Task Groups for each strategy have been formed to lay out the tasks that the MBR needs to complete to accomplish the strategic goals established in the Strategic Plan. The Task Groups are also breaking the process into actionable assignments based on a specific timeline, outlining all the steps needed to achieve our strategic goals and help us reach our targets efficiently.

In 2021, the Task Groups will review their respective strategies carefully, highlighting elements of the Strategic Plan that might be especially risky or challenging. Furthermore, each Task Group will identify parts of the plan that might be unrealistic or excessive in terms of time or money required. The aim is to ensure that such risks are documented and planned for when implementation of the Strategic Plan begins.

By the end of 2021, the Task Groups are expected to have developed tasks concerning their respective strategic goals identified in the plan and which will be implemented in the years to come. The last phase of the plan will then involve monitoring the MBR's progress towards completing the identified tasks using the scheduled timetable contained in the Strategic Plan.

By using the Strategic Plan in its operations, the MBR will be in a better position to meet its Vision "to be Malta's national Business Registry, recognised globally as an excellent Business Registry offering top-quality services to the corporate and business sectors locally and internationally, in compliance with local legislation and international standards".

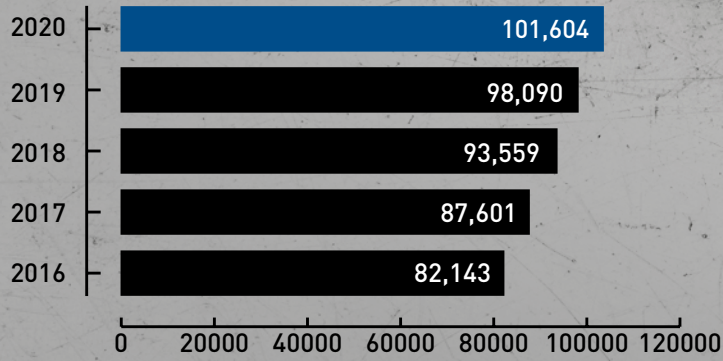
Registry of Companies' Targets and Performance Report for **2020**

Ensuring a Reliable Registry

The Registry of Companies can be described as the heart of the MBR. Housing the sectors that are responsible for the registration of new companies, the Registry of Companies is responsible for:

- Registering new commercial partnerships;
- Registering documents related to commercial partnerships;
- Issuing certified documentation, including certificates of good standing;
- Reserving company names;
- Collecting registration and other fees;
- Publishing notices; and
- Imposing and collecting penalties.

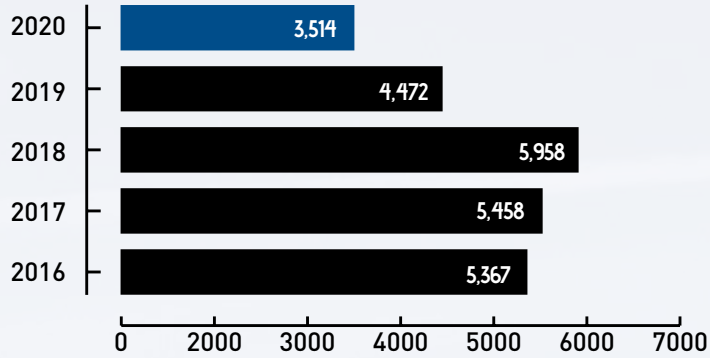
TOTAL COMPANY REGISTRATIONS



TOTAL COMPANY REGISTRATIONS

	2016	2017	2018	2019	2020
C	78,765	84,039	89,762	94,008	97,404
EEIG	40	42	43	46	46
OC	1,072	1,122	1,211	1,300	1,340
P	1,641	1,713	1,795	1,914	1,952
P COMM	180	212	239	275	297
SE	7	9	10	12	14
SV	438	464	499	535	551
TOTAL	82,143	87,601	93,559	98,090	101,604

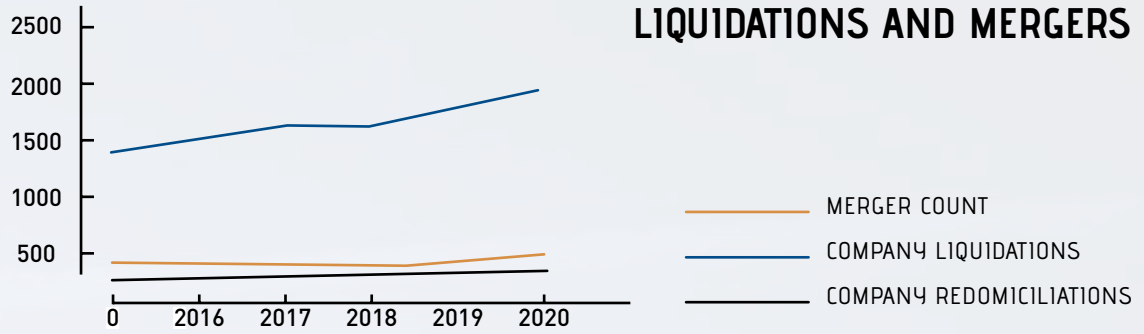
TOTAL ANNUAL COMPANY REGISTRATIONS



TOTAL ANNUAL COMPANY REGISTRATIONS

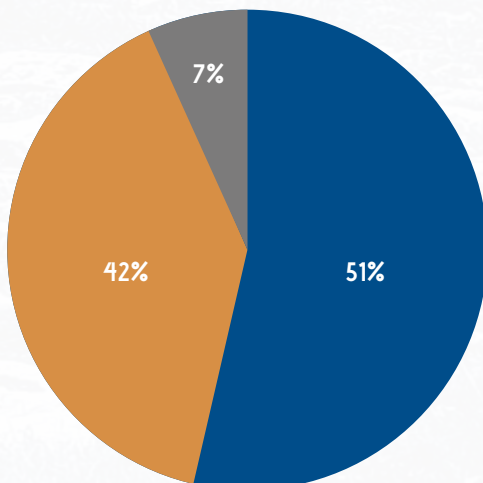
	2016	2017	2018	2019	2020
C	5,125	5,274	5,723	4,245	3,396
EEIG	6	2	1	3	0
OC	92	50	89	87	40
P	79	72	82	75	38
P COMM	24	32	27	23	22
SE	0	2	1	2	2
SV	41	26	35	37	16
TOTAL	5,367	5,458	5,958	4,472	3,514

COMPANY REDOMICILATIONS, LIQUIDATIONS AND MERGERS



YEAR	COMPANY REDOMICILIATIONS			MERGER COUNT	COMPANY LIQUIDATIONS
	INSIDE	OUTSIDE	TOTAL		
2016	101	32	1332	14	1,549
2017	109	34	1432	18	1,678
2018	146	39	1852	19	1,662
2019	101	83	1842	72	1,944
2020	63	52	1152	36	2,295

BENEFICIAL OWNERS OF ACTIVE COMPANIES



- **22,118** Companies with BO Data
(No natural person / State-owned / Listed / BO / Senior Official)
- **26,594** Companies with Individual Shareholders only
- **3,686** Companies with No BO Data

FOUNDATIONS AND ASSOCIATIONS STATISTICS

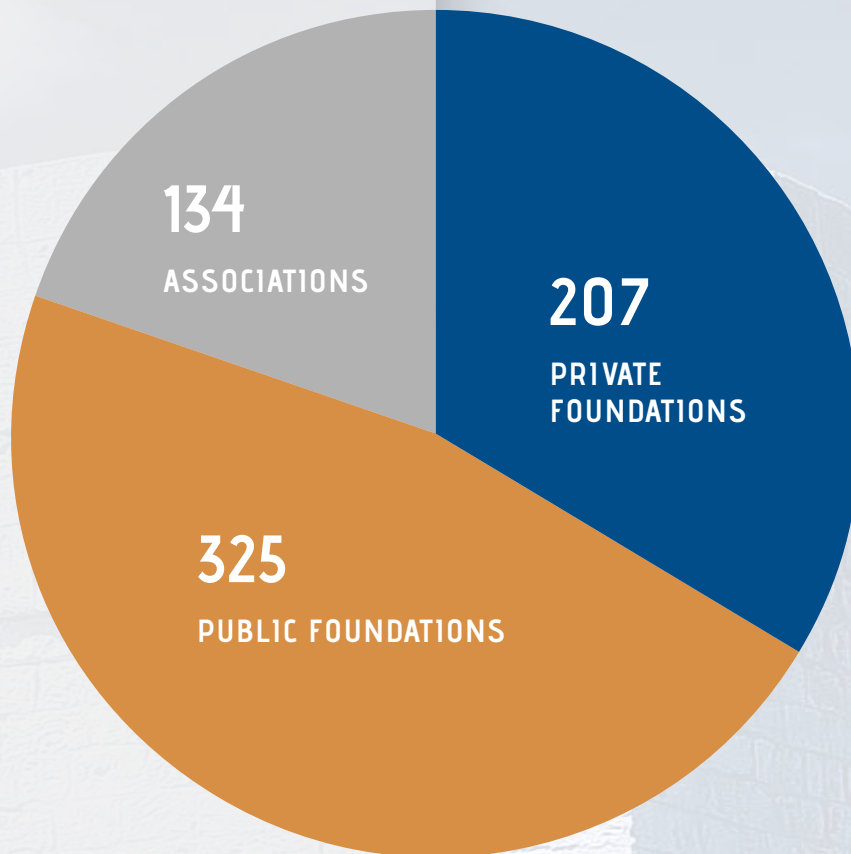
In 2020, MBR took over the responsibility of the Register of Foundations and Associations.

With this responsibility, the MBR is entrusted with two additional Registers:

- The Main Register, wherein new foundations and associations ('organisations') are registered in terms of the Second Schedule to the Civil Code; and
- The Register of Beneficial Owners, wherein forms of beneficial owners of organisations are registered in terms of S.L. 16.17 and S.L. 16.18.

Apart from the registration process, the Unit is entrusted with vetting and registering the documents or forms, and conducting screening and verification of beneficial owners, administrators and founders before registration takes place. The MBR officials proceed and update the MBR website after verifying that all documents or forms are in order.

REGISTERED ORGANISATIONS



BO FORMS

As at 31st December 2020, there were

915 BO Forms of Associations

480 BO Forms of Foundations

HIGHLIGHTS

The Malta Business Registry's Achievements and Highlights of 2020

- The MBR's Webinar on the Register of Beneficial Owners
- The MBR held a courtesy visit to the President of Malta, H.E. George Vella, for which the Executive Committee attended. In this visit, members from the Executive Committee discussed the function of the Registry during the COVID-19 pandemic and they also highlighted the Registry's work with regards to the implementation of the recommendations issued by MONE4VAL.
- Opening of the MBR Canteen
- MBR Strategic Plan
- The MBR was announced as a winner of the National Enterprise Support Award 2020 - Section A, for the initiative titled "A Centralised Business Hub". All proceeds from this award were donated to the Karl Vella Foundation.
- Following a thorough assessment by the Foundation for Human Resources Development, the MBR was awarded with the HR Quality Mark. The objective of the FHRD Quality Mark is to recognise the professionalism, competence and contribution of the HR function in any organisation.
- A visit by the President of Malta, H.E. George Vella, during the MBR's annual Christmas bake sale.

Mr Joseph Farrugia addressing the launch of the MBR's Strategic Plan 2020-2025



Panel discussion during the MBR's Webinar on the Register of Beneficial Owners



Members of the MBR's Executive Committee visiting the President of Malta H.E. George Vella



Visit by the President of Malta, H.E. George Vella

COVID-19 PROTOCOL

During the onset of the pandemic, the MBR immediately presented its COVID-19 protocol to its staff to mitigate the virus' possible spread in the workplace.

The protocol established a set of safety guidelines for all employees to follow. The aim was to ensure that the MBR would continue its services while smoothly transitioning to a more suitable way of working, given the unprecedented public health concern. From March until June 2020, the MBR had to partially close to the public and 70% of the MBR's workforce shifted to operating remotely. While this protocol aimed at enhancing the health and safety of both the MBR's staff and clients, it also played an essential role in preventing any disturbance to the MBR's functions.

Several health and safety procedures were implemented during the pandemic, such as having security staff conduct mandatory body temperature checks on anyone reporting to the MBR's premises, including both employees and clients. Perspex dividers were also installed between desks to mitigate the virus' possible transmission between staff members. The MBR also kept a comprehensive record of everyone who visited the offices for contact-tracing purposes and social distancing stickers were also placed around the building for clients to follow.





The MBR's employees were also divided into specific bubbles. Staff members within two major bubbles alternated between working from the office and home on the days assigned to each bubble. Another bubble contained employees who needed to carry out their duties from the office, such as cashiers and those working in customer care, archives and scanning. These employees were required to work from the office on all working days as normal. This bubble also included employees whose duties could be carried out from home, such as the issuing of certificates of good standing, name reservations, publications and penalties. Therefore, it was at the discretion of each Unit's Head to approve remote work for such employees.

To minimise physical contact, staff members were encouraged to use telephones and other media to contact staff members from other bubbles. Digital communication within the MBR was consequently enhanced via Microsoft Teams, Zoom and other platforms that enabled the continuation of daily communication.

A contingency plan was also set up to ensure that should a staff member test positive for COVID-19, established steps would be followed. In such a situation, employees within that person's bubble would need to undergo a swab test and follow all directives relating to quarantine requirements issued by Malta's Health Authorities.

The MBR also introduced several changes to its operations. A case in point concerned the submission of Company Annual Returns and Financial Statements. For companies affected by the pandemic and whose annual return and/or financial statement filing date fell between 23 March and 31 May 2020, the relevant penalties on late filings of Annual Returns and Financial Statements were to be waived if the documents were filed with the Registrar by 31 July 2020. Furthermore, onsite inspections usually carried out by the MBR's Compliance Unit were suspended.

In conclusion, the MBR succeeded in protecting its employees and implementing a contingency plan at a challenging time, while simultaneously continuing to provide its services to its clientele.

COMPLIANCE UNIT

A KEY PLAYER IN THE FIGHT AGAINST MONEY LAUNDERING



2020 was characterised by a lot of meetings targeting the implementation of the MONEVAL recommendations. The Compliance Unit was involved in the continuous updates sent to the National Coordination Committee, which included a considerable number of statistics. This required collecting information from different Units within the MBR and then collating it into one document to be submitted to the Committee.

The Compliance Unit also needed to overcome another challenge in 2020: the COVID-19 pandemic - one which is still being navigated. Given that the Unit had started strengthening its due diligence procedures in the previous year, the next step was to initiate onsite inspections following Article 12 of the Companies Act (Register of Beneficial Owners) Regulations. This Article gave the Registrar of Companies the power to conduct physical onsite inspections at the registered address of any given company to ensure that the information submitted to the MBR was indeed adequate, accurate and up to date. As of March 2020, the Compliance Unit needed to adapt to a different procedure to carry on conducting onsite inspections. The result is that inspections are currently being conducted virtually. Nevertheless, in 2020 the Compliance Unit conducted 828 inspections and is projecting to carry out around 1,000 inspections during 2021.

In 2020, the Compliance Unit held several meetings with the Registrar of Companies to discuss how the MBR could improve and strengthen its screening

procedure. Following the previous year, the Compliance Unit had already initiated the screening of all foreign shareholders using the Acuris Intelligence System. Consequently, it was decided that all shareholders - domestic and foreign - are to be screened, both at the incorporation stage and also when a change occurs in an already-registered company. During 2019, the MBR only screened directors at the incorporation stage; however, during 2020, the MBR decided to go a step further by also screening changes in directors in already-registered companies. All changes in the board of directors are now being screened against the Acuris Intelligence System to check whether the people in question are involved in activities related to money laundering and/or the funding of terrorism. They are also screened against the MBR's database to check whether they are involved, as directors, in other companies with documents due for submission.

In total, during 2020 the Compliance Unit reviewed more than 12,000 forms and conducted more than 27,000 checks. Furthermore, the screening related to new companies amounted to around 11,000 checks, which included analyses of directors and shareholders/beneficial owners.



MĠARR IX-XINI TOWER

Communication between the MBR's Compliance Unit and its Legal Unit is pivotal when monitoring companies pinpointed to be struck off the Register as defunct in accordance with Article 325 of the Companies Act – the reason being that it is the Legal Unit that initiates and concludes this procedure. However, if during the process the MBR receives an objection against the company being struck off the Register, it is the Compliance Unit that deals with objections. Compliance Unit officials inform the directors of the company in question about what needs to be submitted to stop the company from being made defunct. During 2020, the Compliance Unit dealt with around 600 objections – of which over 500 companies managed to submit their pending documents and bring the company in line with its obligations as per the Companies Act.

Another of the Compliance Unit's important functions is the contestation of penalties, which involves many discussions and meetings with company directors to explain why they have been issued penalties. In 2020, the Compliance Unit collected a considerable number of penalties from around 150 companies in this manner.

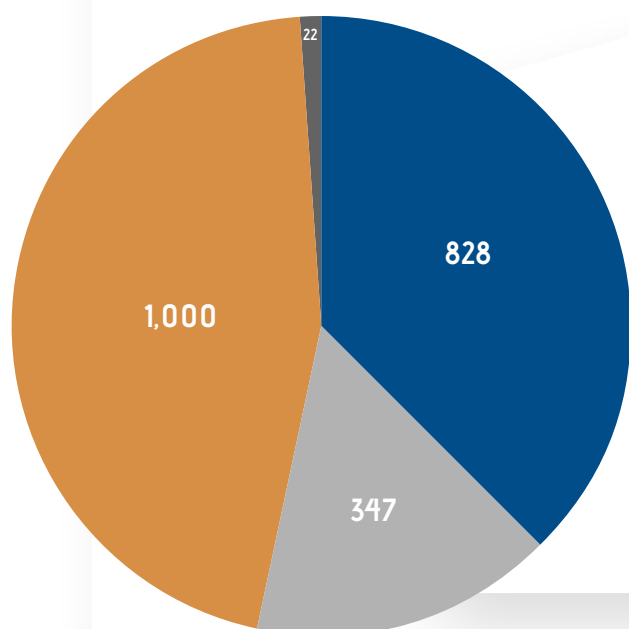
Within the Compliance Unit, the Money Laundering Reporting Officer ("MLRO") was tasked with various reviews during 2020. Apart from the information concerning the screening process handed over from Compliance Unit officials daily, the MLRO was also involved in reviewing the information found on directors involved in companies struck off the Register as defunct. After the companies were struck

off, Compliance Unit officials screened the directors in question and around 260 reports were passed to the MLRO for review. Furthermore, the MLRO was also involved in assisting the Commerce Department in screening company directors who deal with precious metals and stones. All information was then handed over to the Commerce Department for their review. Around 700 individuals were screened and when a positive hit was detected, a folder was created and sent to the Commerce Department.

The Compliance Unit also continued monitoring companies that were being abandoned by their service provider in Malta by sending letters to the service provider to confirm communication with the client, as well as to the company's directors to inform them about the situation and to reach a resolution as quickly as possible. During 2020, the Compliance Unit sent around 1,000 letters to service providers and around 1,900 letters to directors to rectify their company's position.

Even though no member of the Compliance Unit could meet in person during 2020, the Unit still managed to increase its work using other means of communication. It also contributed to a webinar on the Register of Beneficial Owners organised by the MBR in July 2020. Furthermore, Compliance Unit officials also dealt with 150 queries sent to compliance.mbr@mbr.mt, which included reporting from competent authorities about discrepancies found in the Beneficial Owners Register and other day-to-day queries.

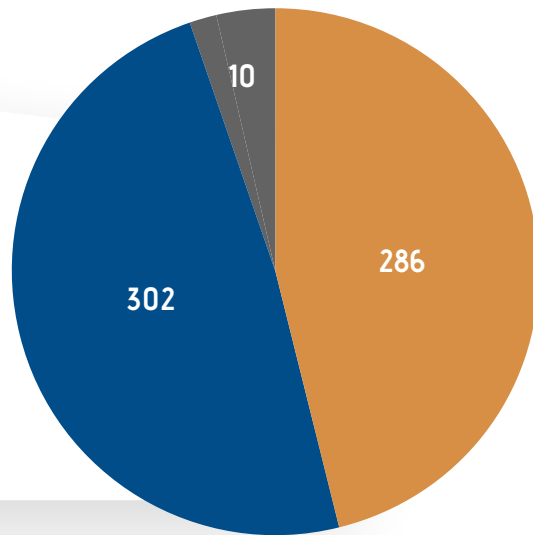
COMPLIANCE STATISTICS



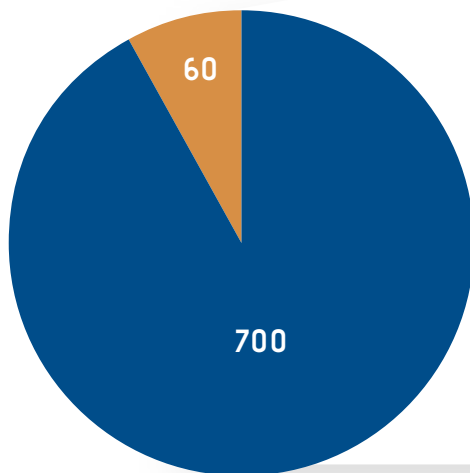
ONSITE INSPECTIONS

Description	2020
■ Onsite inspections conducted in 2020	828
■ Issued reports with findings of onsite inspections	347
■ Projected inspections for 2021	1,000
■ Companies that did not reply to the onsite inspection letter on which action will be taken	22

REJECTED COMPANIES AND APPLICATIONS



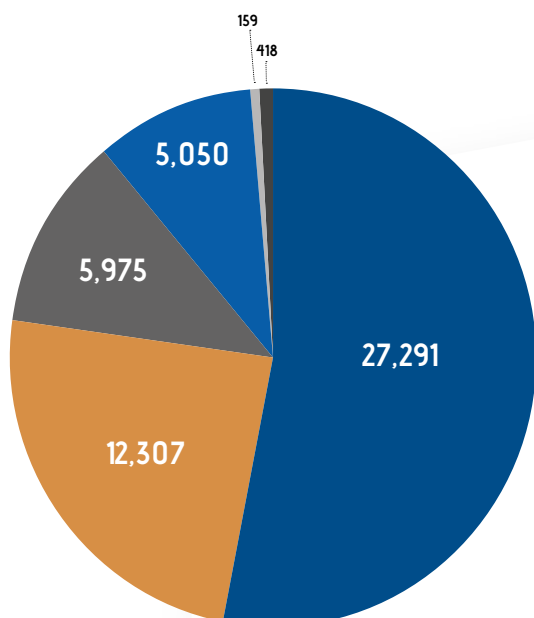
Description	2020
■ Rejections of new companies - Registry Unit	286
■ Rejections of new companies - Compliance Unit	302
■ Rejections of new applications - Foundations & Associations Unit	10



REJECTED FORMS RELATED TO DIRECTORS AND SHAREHOLDERS

The amount of forms that were rejected because the proposed directors/shareholders were involved in other existing companies that failed to file documents in accordance with the Companies Act:

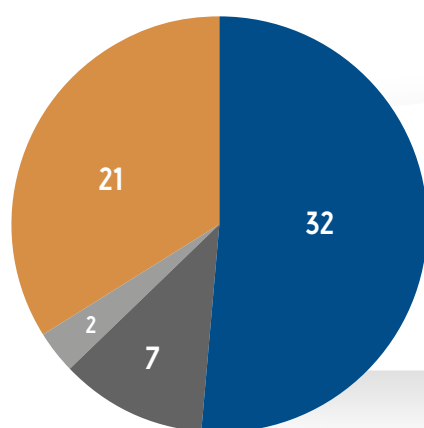
Description	2020
■ Rejection of documents - Forms related to directors	700
■ Rejection of documents - Forms related to shareholders	60



SCREENING

The amount of screening carried out on officials and shareholders of existing companies and proposed companies together with the number of statutory forms reviewed, amount of checks conducted in relation to new companies and screening of founders and administrators and local representatives:

Description	2020
■ KYC screening - KYC checks related to forms	27,291
■ KYC screening - Forms reviewed	12,307
■ KYC screening - Shareholders of new companies	5,975
■ KYC screening - Directors of new companies	5,050
■ Screening foundations/associations - Founders screened	159
■ Screening foundations/associations - Administrators and local representatives screened	418



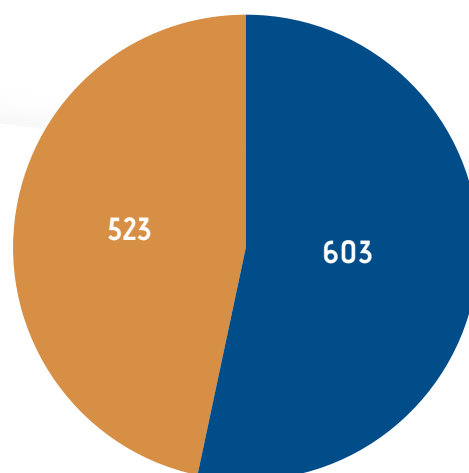
STRs AND MoUs

The amount of STRs submitted by the MLRO to the FIAU, amount of MoUs with specific authorities and discrepancies which were reported to the MBR by competent authorities and subject persons:

Description	2020
■ STRs submitted by MLRO to FIAU	32
■ MoUs with specific authorities	7
■ Discrepancies reported by competent authorities	2
■ Discrepancies reported by subject persons	21

OBJECTIONS TO BEING MADE DEFUNCT

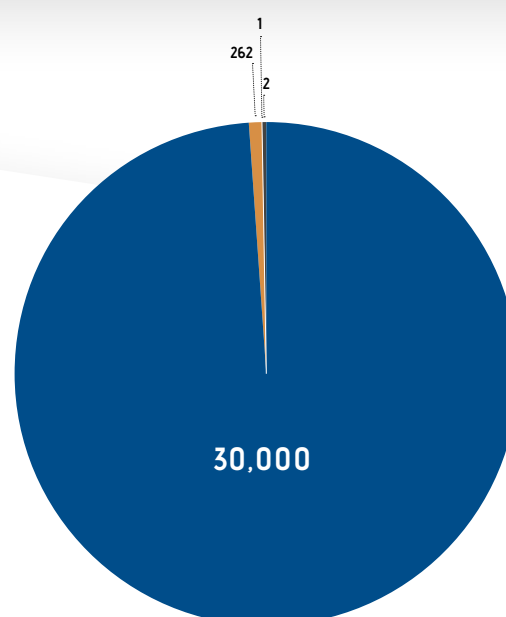
Companies that filed an objection for being struck off by the defunct procedure:



Description	2020
■ Total objections to the defunct procedure	603
■ Companies that managed to submit outstanding documents and beneficial ownership information within the deadline	523

MLRO AND STRs SUBMITTED BY MLRO

The amount of screening and checks carried out on officials and shareholders of existing companies which have been struck off by the defunct procedure (and as a result were referred to the MLRO) and STRs which were submitted by the MLRO in relation to defunct companies:



Description	2020
■ Screening of officers for any adverse news for companies which have been struck off as defunct	30,000
■ Existing directors and shareholders which were referred to MLRO	262
■ STRs submitted by MLRO to FIAU in relation to companies struck off as defunct	2
■ STRs submitted by MLRO to FIAU in relation to companies which were struck off in accordance with Article 9(5) of the Companies Act (Register of Beneficial Owner) Regulations	1





LEGAL AND ENFORCEMENT UNIT

LEGISLATIVE DEVELOPMENTS

2020 was a challenging-yet-satisfying period for the MBR's Legal and Enforcement Unit ("Legal Unit"), requiring commitment triggered amongst others by:

- the evaluation report compiled by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("MONEYVAL"),
- the legislative initiatives put forward by the European Union, and
- the digitalisation drive being undertaken by the MBR to launch a new electronic system using blockchain technology. The technological world is advancing rapidly, which the law requires to be kept in check from a regulatory aspect.

Based on the MONEYVAL report, the Legal Unit undertook the arduous task of keeping the Register of Commercial Partnerships in good order by striking off registered companies (referred to as 'defunct companies') that were in breach of the Companies Act (Cap. 386 of the Laws of Malta) and its subsidiary legislation. The breaches concerned matters of:

- failure to register the required information on the ultimate beneficial owners of the respective entities,
- lack of filing of annual financial statements and returns for several years,
- lack of appointed company officers as required by statutory provisions,
- being in the process of dissolution for 10 or more years, or
- having had their licence (granted by a Maltese authority) revoked.



These reasons serve as proof of inadequate compliance with the regulatory framework or a lack of trading activity by each of the respective companies. Subsequently, during 2020 the Legal Unit sent over 56,000 notifications in the form of legal letters to the respective companies and their directors, authentically signed by four lawyers from the MBR's Legal Unit. Other MBR Units were also involved in the process, including the Registry Unit and Compliance Unit. Following this process, 11,289 companies were ultimately struck off the Register. By the end of the year, similar procedures were commenced for an additional 1,166 companies that had failed to file their beneficial ownership information.

Faced with a global pandemic, enforcing penalties was not an easy task in 2020. The Legal Unit was consequently involved in drafting numerous settlement agreements for companies to pay their penalties by instalment. Nevertheless, enforcement still had to continue for those companies that repeatedly failed to get in touch with the MBR to settle their penalties. The process of penalty enforcement resulted in the drafting of 509 legal letters sent to officers of the companies in question as final warnings to settle their outstanding dues. Penalty enforcement was escalated further by filing 21 judicial letters.

Apart from legal letters, the Legal Unit's duties extend to the judicial process as the Unit represents the legal interests of the Registrar in Maltese Law Courts and Tribunals. To this effect, the Registrar was represented in 205 court sittings. Throughout the year, the Unit filed 48 replies before the Courts and processed a total of 15 garnishee orders, 17 warrants of prohibitory injunctions, 13 winding-up applications and 7 winding-up orders. 39 companies filed an application in the Civil Court (Commercial Section) asking for the reinstatement of the company's name after it had been struck off via the defunct procedure.

The Legal Unit assisted competent authorities in requests for information that concerned police inquiries (amounting to approximately 300 investigations) and those led by the Asset Recovery Bureau (around 175 investigations). Information was occasionally also requested by formal questionnaires and surveys, through which the Legal Unit supplied the relevant information and feedback 13 times. The Unit was also directly involved in the European Commission's review on the implementation of the Fourth Anti-Money Laundering Directive ("4AMLD"), as well as the review by the Organisation for Economic Co-operation and Development and the World Bank.

The Foundations and Associations Unit also falls within the Legal Unit's remit. It continued developing its operations in 2020 by employing a completely new system and checking all the information that the previous administration had in place. It consequently registered 8 associations, 19 private foundations and 22 public foundations.

Apart from the registration process, the Foundations and Associations Unit actively undertook the role to maintain up-to-date data relating to foundations and associations by sending letters to the legal entities' administrators to register themselves and their beneficial owners. 183 letters were sent for this reason. The screening process concerning anti-money laundering and due diligence procedures was conducted on 147 founders and 386 administrators. The Unit also reports to the MBR's Compliance Unit and the MLRO in the context of suspicious cases.

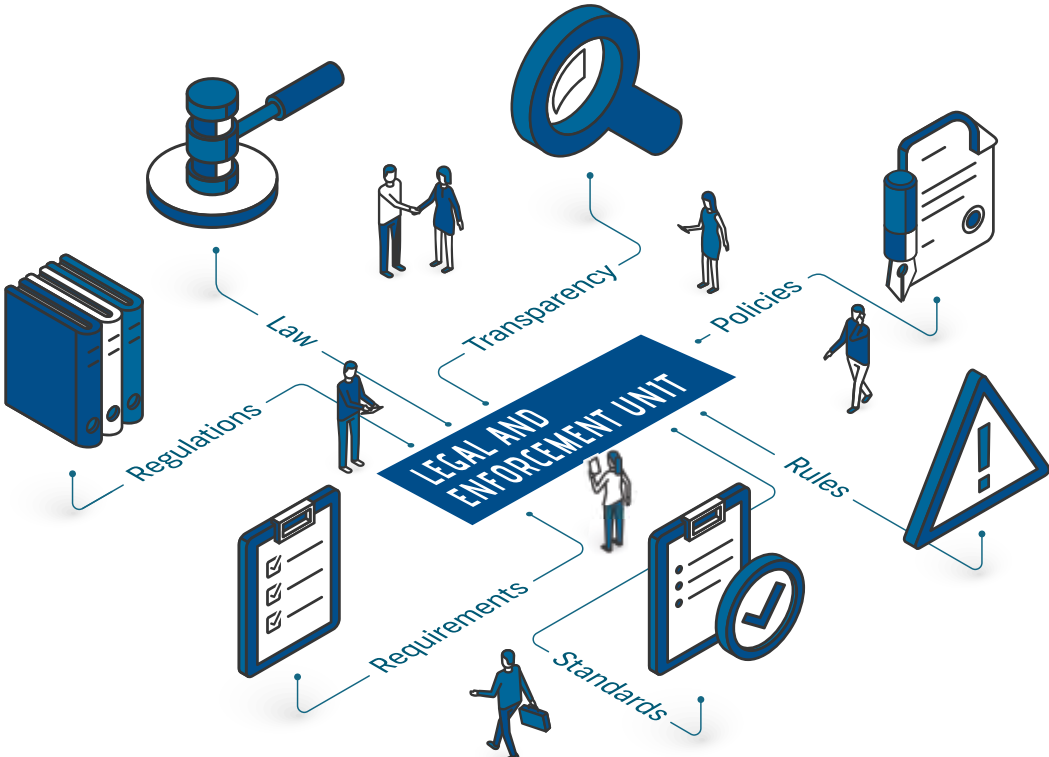
From a legislative aspect, the Legal Unit was also responsible for drafting various legislative amendments to the national legal framework relating to company law matters. These included Act XXXI and Act XLVII of 2020, amending the Companies Act and the Second Schedule of the Civil Code, respectively. Subsidiary legislation was also updated to reflect the sector's current needs, comprising a legal notice amending the Companies Act (Register of Beneficial Owners) Regulations [Legal Notice 247 of 2020] and two further legal notices introducing new regulations to Maltese law, namely the Companies Act (Shipping and Aviation Cell Companies) Regulations [Legal Notice 248 of 2020] and the Companies Act (Public Companies - Annual General Meetings) Regulations [Legal Notice 288 of 2020].

On a European Union level, the Legal Unit participated in 13 meetings held with the Commission and the other Member States to discuss the implementation of provisions of two Directives that are due to be transposed in the coming months: the Directive on the Use of Digital Tools and Processes in Company Law and the Directive on Cross-Border Operations (Conversions, Mergers and Divisions). Additionally, more discussions were held concerning the implementation measures and technical specifications of the Interconnection of Central, Commercial and Companies Registers. Such measures are to be directly applicable by an EU Regulation.

The Legal Unit was also involved in discussions with other Maltese authorities to boost further cooperation in 2020. It also participated in drafting Memoranda of Understanding (MOUs). In fact, seven MOUs were finalised and executed by the MBR's CEO in 2020.

The Data Protection Officer ("DPO") also forms part of the Legal Unit. In 2020, the DPO finalised the MBR's privacy policy (<https://mbr.mt/privacy-policy/>) and its cookie policy (<https://mbr.mt/cookie-policy/>) as well as the CCTV policy. It also implemented several internal policies and was actively involved in the blockchain discussions to ensure that data protection rules are severely adhered to. The DPO was also engaged in various agreements to ensure that data protection matters across the MBR are routinely taken into consideration.

Despite 2020's challenging circumstances, the pandemic-related health and safety measures introduced during the year (particularly the physical distancing protocols) were successful and the MBR's engagement with the general public did not falter. On the contrary, the Legal Unit remained highly active in this aspect. The Unit maximised its use of technology. Virtual meetings became a day-to-day occurrence, and these included the delivery of various webinars on valuable topics. A total of 17 webinars were delivered by the Legal Unit, reaching more than 2,000 practitioners in the sector. This excludes the Unit's contribution to the MBR's webinar on the Register of Beneficial Owners in July 2020. The Unit was also involved in drafting notices directed to the public concerning updates to processes and initiatives introduced legislatively or otherwise. In addition, a total of 478 queries were addressed by the Legal Unit via its direct electronic contact point: legal.enforcement@mbr.mt.



OFFICE OF THE OFFICIAL RECEIVER



MADLIENA TOWER

IMPLEMENTING AN INSOLVENCY FRAMEWORK

2020 was an unprecedented year for businesses everywhere. Now, more than ever before, insolvency is at the forefront of many companies' considerations. In 2020, the Office of the Official Receiver sought to adapt the current insolvency framework to the circumstances and effects brought about by the pandemic. COVID-19 pushed the Office of the Official Receiver to swiftly conclude its plans to offer professional help to companies in financial distress. Therefore, legislative amendments to restructuring procedures, specifically to the Company Recovery Procedure ("CRP") under Article 329B of the Companies Act, had to be introduced.

The CRP is a court procedure whereby a company is allowed some breathing space by means of a moratorium. Via the CRP, creditors are barred from enforcing their claims against the company in question for between 4 to 12 months. During this time, a Special Controller ("SC") is appointed by the Courts to help prepare a restructuring plan.

To assist the Courts in selecting SCs, the Office of the Official Receiver within the MBR was tasked with identifying a pool of individuals who are suited to being SCs. Furthermore, the Office of the Official Receiver's plans to set up a fund to pay fees due to SCs finally ensued with the adoption of the Companies Act (Company Reconstructions Fund) Regulations (S.L. 386.21). The fund was financed by the MBR, and today companies may benefit from financial grants of up to €10,000 to aid their reconstruction and be brought back to being profitable businesses.

Temporary measures were also adopted to help businesses survive these difficult times. The Office of the Official Receiver introduced a temporary suspension of wrongful trading actions and winding-up actions for companies troubled financially by the pandemic. This was done through the Companies Act (Suspension of Filing for Dissolution and Winding Up) Regulations. However, within this context, creditors needed protection too.

Therefore, through Act No. XXXI of 2020, the Office of the Official Receiver, in conjunction with the Registrar of Companies, pursued the modernisation of the framework for director disqualification to make it more accessible and capable of balancing out the protection granted by the aforementioned suspension.

Throughout this time, the Office of the Official Receiver continued its work as the provisional administrator and liquidator appointed by the Courts and was represented in 162 court hearings in 2020. Given that the Courts operated for 147 days in 2020, this is a remarkably high figure at more than one case every working day. The Office of the Official Receiver also continued working on 45 dissolutions and administrations, 18 of which were assigned during 2020.

The Office of the Official Receiver also remained committed to assisting other entities and offices with information on the Maltese system. Its Insolvency Register, which provides free information on insolvent companies, is planned for expansion too, with new features that will assist insolvency practitioners, creditors and debtors during insolvency proceedings.

Simultaneously, the Office of the Official Receiver also requested support from the EU Directorate General for Structural Reform Support in order to coordinate a complete overhaul of our insolvency framework.

This is a delicate and laborious project, planned to be completed by June 2022. It will entail the drafting and implementation of key legislative amendments that will bring the domestic legal framework in line with the requirements of EU Directive 2019/1023, and it will also seek to adopt UNCITRAL model laws on insolvency and restructuring.

Through this project, the Office of the Official Receiver seeks to introduce:

- an early intervention tool,
- the set-up of new tools and procedures for the restructuring of companies,
- the development of regulations and a code of conduct for insolvency practitioners,
- the set-up of programmes for professional training of newly appointed insolvency professionals (lawyers, accountants and others),
- training targeting the Judiciary,
- training for identified experts to be able to provide ongoing in-house training of local company officers and professionals on measures to increase the efficiency of restructuring, insolvency and discharge procedures, and
- a targeted awareness-raising campaign addressing the current poor use of insolvency and pre-insolvency mechanisms, through focused workshops and training of company directors and management.

The Office of the Official Receiver acknowledges that this is an ambitious project but is committed to setting it in motion.

ICT UNIT



DWEJRA TOWER

STAYING ON TOP OF THE TECHNOLOGY CHALLENGE

2020 was a difficult period for everyone. The COVID-19 outbreak has proven to be one of the largest and most unexpected challenges businesses have had to overcome in recent history. It was certainly a year of both challenges and achievements for the MBR's ICT Unit. Within a very short timeframe, the team needed to create remote workstations for the MBR's employees to ensure that business could continue seamlessly.

The ICT Unit's Technical Support Team ensured that every MBR employee was setup to work from home. All employees were given VPN access to reach the MBR's internal websites from their laptops at home. Our cloud-based telephony system also needed to be configured via an app that could be accessed from any computer through the VPN connection. This meant that calls could be received, transferred and made from home so that the MBR's clients could be contacted as they usually would. In addition, the system was set up to enable calls to be diverted to an external number should the need arise during the working-from-home period.

Furthermore, the MBR implemented an advanced digital receptionist, allowing clients to reach their relevant department without needing to wait for a receptionist to answer and forward their calls physically. This service was further enhanced by enabling clients to input a five-digit code representing their company's registration number. In so doing, their call could be automatically transferred to the desk officer responsible for their case. The digital transformation of the MBR's telephony system has brought positive feedback from customers and great value for business as it has improved the experience significantly overall.

Understandably, this sudden change in operations brought about somewhat of a culture shock within the organisation. The MBR had to wrangle, tackle and troubleshoot a stream of technical issues. Apart from creating FAQs and audio-visual content regarding enquiries from external customers about the MBR's Online System, the ICT Unit's Technical Support Team also replied to over 12,000 calls and 17,000 emails – an outstanding performance considering the unexpectedly high volume of support requests.

In 2020, the MBR also welcomed three new entities to its premises - Finance Malta, Tech.mt and ICTU. The MBR's ICT Unit supported their set-up and shared valuable knowledge regarding telephony, networking and other technologies to help them in their day-to-day operations.

The MBR has made visible progress towards establishing electronic governmental infrastructure and services, enabled primarily by the accelerated development of information and communication technology ("ICT"). In mid-2019, the MBR initiated a revamp of the Registry's online system using a permissioned Hyperledger blockchain environment, which will be completed by mid-2021. The scope of the blockchain project is to roll out a system at the MBR that will perform all the actions required for the registration and subsequent administration of companies in Malta. Blockchain is an emerging technology that promises to change the way the world works, and Malta is the first country to shift its national business registry to a blockchain-based system.

Blockchain technology helps prevent corrupt practices that harm society and state sovereignty. It also promotes collective responsibility by encouraging users to observe rules and acts as a transparent distributed database that records all transactions performed by the system's participants. In the context of electronic government, this means a technology that stores data on the results of all interactions between citizens and governmental agencies. Importantly, the data is interlinked, coded and stored by all system members, and it is automatically updated to reflect any changes made. Users act as a collective notary that certifies the system's data accuracy while guarding against abuse and scheming attempts.

In 2020, the MBR also introduced Application Programming Interfaces ("APIs") to public entities nationwide to aid with utilising the MBR's data for their own business verification needs. These APIs retrieve data from the MBR's databases and integrate it with the relevant entity's line of business applications and websites, allowing each organisation to compare its own datasets with those of the MBR. Some of the notable APIs being consumed include Company Details, Involvements, Share Capitals and Company Documents.

The MBR has made visible progress towards establishing electronic governmental infrastructure and services, enabled primarily by the accelerated development of ICT.

However, the digitalisation process continues across the MBR's different units with the establishment of a newly customised Human Resources Information System ("HRIS") suited to the MBR's specific needs. The new HRIS includes the employee portal and, with the advanced payroll module and integration with other in-house systems, it will offer faster and easier collaboration between the MBR's units and therefore increase productivity and performance.

Yet another system being developed is the customised Cloud-based Procurement Solution, which aims to improve the purchase requisition item delivery cycle. The system can handle procurement needs from inception (through purchase requisition) right up to delivery. The focus is to have an auditable system that increases the process' transparency and is highly automated to foster accountability while also reducing human error. The system will also cater for integration with the MBR's accounting package to facilitate the payment process, as well as the invoice versus purchase order reconciliation.

HUMAN RESOURCES AND DEVELOPMENT UNIT

OUR PEOPLE

NUMBER OF EMPLOYEES



At the end of 2019, the MBR had 102 employees (55 women and 47 men). By the end of 2020, employees had increased to 129 (75 women and 54 men). In terms of role categorisation, 10% of employees are senior management, 57% are management and middle-management, 32% function in administrative and clerical roles, and two employees are in non-clerical positions. The average age of employees is 33 years old.

INTERNAL APPOINTMENTS



In 2020, 17 internal staff members were appointed to a higher grade because of various Filling of Vacancies exercises. Another staff member moved across the organisation horizontally when he was assigned to another area of the MBR.

LONG-SERVICE AWARD



In 2020, two employees were given awards for their loyalty after 15 years of service. Another employee was also given a long-service award for her 25-year contribution. For these three employees, their continuation of service from the MFSA to the MBR was taken into account.

TRAINING



114 employees attended at least one training event in 2020, and the total training hours carried out during the year was 1,668 hours.

SELF-DEVELOPMENT SCHEME



In 2020, there were 19 new applications under the Self-Development Scheme, whereby staff members receive financial support to further their studies in areas related to their respective roles. Furthermore, employees are also provided with paid Study Leave on the examination day and on the respective previous working day.



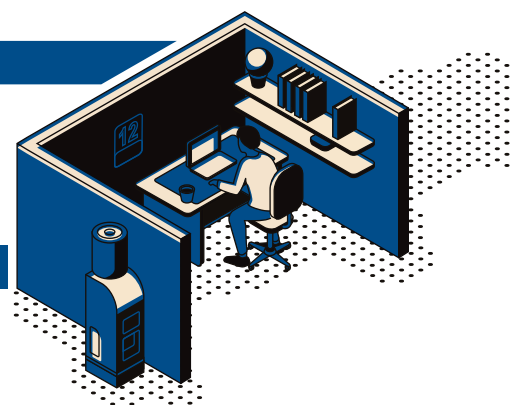
QALET MARKU TOWER

TELEWORKING

In 2020, 12 staff members worked for up to 10 hours per week under the teleworking policy.

WORKING FROM HOME

Due to COVID-19 restrictions, 123 employees worked for more than 52,000 hours from home in 2020. That is equivalent to more than 6,500 days of work.



REDUCED-HOURS WORKING SCHEDULE



In 2020, 14 different staff members worked on a reduced weekly working schedule to take care of children or elderly dependent relatives living in the same household.

STAFF HANDBOOK AMENDMENTS



During 2020, the MBR's Board of Management approved the following amendments to its Staff Handbook:

- the introduction of a Career Break, which is special unpaid leave for a period of up to one year,
- the extension of the reduced hours working schedule to parents with children of up to 12 years old (previously 10 years old) and to employees over 58 years of age, and
- the introduction of the MBR Employees' Representative as elected by all MBR employees for two years. As of 1 November 2020, the first elected Employees' Representative is Mr Kurt Izzo. He now represents employees in negotiations or consultations with the MBR's management by voicing employees' views and opinions in the information process and in the context of any changes to the MBR's Staff Handbook and by providing new proposals for the Board of Management's consideration.

TRAINING NEEDS ANALYSIS ("TNA")

In 2020, the HR Unit carried out a TNA for the first time. The TNA emerged from:

- a questionnaire circulated to all employees in January 2020, and
- one-to-one interviews conducted in June 2020 with key personnel and stakeholders to identify skills gaps and further development of self-competences.

As a result of the TNA, a training plan for 2020-2022 was designed and started being implemented in 2020.



TEAMBUILDING EVENTS



The MBR supports and promotes a healthy work environment for its staff and believes that teams are essential, dynamic units that collaborate to achieve success and accomplish organisational goals. The Corporate Teambuilding event planned by the HR Unit at the start of 2020 was postponed twice due to COVID-19 restrictions. Consequently, the MBR introduced and financially supported teambuilding events at unit and cluster levels. Therefore, team leaders used these events to consolidate their teams and to recognise particular team accomplishments in 2020.

HUMAN RESOURCES INFORMATION SYSTEM ("HRIS")

In 2020, the HR Unit began exploring a way to enhance its HRIS by introducing a new integrated platform. Preparatory work was finalised to introduce the Personnel and Training Modules of the DAKAR infrastructure at the start of 2021.

PERFORMANCE MANAGEMENT

The performance of all employees is formally and annually assessed against targets set at the beginning of each calendar year. As of 2020, these assessments were also formally carried out in the middle of the year. The reviews complement an informal appraisal process that is undertaken throughout the year with every staff member. The performance management process features a mechanism for rewarding employees through an annual salary review and an annual discretionary performance bonus.

STUDENTS' INTERNSHIP PROGRAMME

In 2020, eight students from the University of Malta were engaged on a definite basis with the MBR under its Internship Programme - six students came from the Faculty of Law and two came from the Faculty of Economics, Management and Accountancy. Under the internship programme, students are provided with the opportunity to understand how the real world of legal and finance works. They are given hands-on practice on specific tasks within the MBR's departments related to their university course of study. After working within the MBR during their studies, the students may then also apply for any available job opportunities within the MBR at the end of their formal education. In fact, in 2020 Dr Sara Saliba was employed by the MBR in a permanent position following her participation in the Internship Programme.

HR QUALITY MARK

FOUNDATION FOR
HUMAN RESOURCES
DEVELOPMENT

HR QUALITY MARK



Following a thorough assessment of the MBR's internal HR staff policies and practices by the Foundation for Human Resources Development ("FHRD"), at the start of December 2020, the MBR was awarded the FHRD's prestigious HR Quality Mark. The HR Quality Mark's objective is to recognise the professionalism, competence and contribution of the HR function in any organisation. In 2019, the MBR had already obtained the Equality Mark certificate by the National Commission for the Promotion of Equality ("NCPE"). So, in 2020 the MBR was one of the first organisations in Malta to attain the FHRD's HR Quality Mark.

The MBR was assessed in the following critical areas:

- HR Policies and Procedures
- Recruitment and Selection
- Compensation, Benefits and Total Reward
- Employment and Industrial Relations
- Performance Management
- HR Information Systems
- People Development and Training

The final results obtained were highly encouraging and have motivated us to continue striving for excellence. The HR Quality Mark enhances the MBR's employer branding and serves as external, national recognition that raises our standards and our pride in being part of this wonderful team at the MBR.

INTERNATIONAL AFFAIRS, RESEARCH AND COMMUNICATIONS UNIT



TRIQ IL-WISGħA TOWER



What is the role of the International Affairs, Research, and Communications Unit?

- To be a focal point for communication within the MBR and externally
- To conduct research in line with the MBR's Strategy
- To keep abreast of current affairs locally and internationally
- To observe developments within the business community and ecosystem
- To maintain constant contact with other Units within the MBR
- To communicate with the public via social media

Events in 2020

- Hosting the MBR's Webinar on the Register of Beneficial Owners
- Participating in competitions hosted by different authorities (such as the National Enterprise Support Awards 2019 and 2020) in which the MBR placed first and all money awarded by both competitions was donated to Puttinu Cares and Karl Vella Foundation

Publications in 2020

- The MBR's Annual Report
- The MBR's Newsletter
- The MBR's Five-Year Strategic Plan

FINANCE AND ADMINISTRATION UNIT



LIPPIJA TOWER

KEEPING OUR NUMBERS IN TACT

The MBR's Finance Team is responsible for:

- the preparation of financial budgets and forecasts,
- bookkeeping and reconciliations,
- treasury,
- financial planning and control,
- payment to suppliers,
- payroll, and
- statutory accounting.

The MBR's Administration Team is responsible for:

- handling procurement in line with the Public Procurement Regulations, and
- managing projects.

Continuous liaison is required between the Finance and Administration Teams and Statutory Auditors when preparing the annual audit of the MBR's financial statements in line with International Financial Reporting Standards ("IFRS").

2020 was a challenging year because of the COVID-19 pandemic. Yet, the MBR's Finance and Administration Unit adapted quickly and efficiently by modifying internal procedures, such as the process of obtaining authorisations to meet set goals. Building on 2019's achievements, management decided to change the MBR's payroll software to a standard software to be used by personnel (HR) and payroll (including the absent system) starting from 2021.

The Finance Team processed several payments and transactions of a capital and expenditure nature throughout 2020. Moreover, €17.1 million of income was generated from the registration of new commercial partnerships, the registration of documents related to commercial partnerships, the issuing of certified documentation including, amongst others, certificates of good standing, the publication of notices, and the imposition and collection of penalties and other services offered by the MBR.

In 2020, the Finance and Administration Unit's procurement function issued a total of 316 purchase orders, with an average of 26 per month. Moreover, the internal purchase requisition software application, installed on the MBR's intranet, received 436 requests - all of which were processed right up to delivery. Furthermore, the Unit offered procurement guidance and support, on an ad hoc basis, to other entities domiciled within the AM Business Centre. Currently, the Unit is working on the delivery of a new procurement system that will further consolidate the work done by the procurement function with more precise purchase order allocations per unit. It will also facilitate and advance the automation of reporting.

Moreover, the Finance and Administration Unit regularly prepares detailed reports for Management and Government entities. The MBR is a self-sustained governmental agency and transfers a good portion of profits as approved by the Ministry concerned to the Consolidated Fund.

Going forward, the MBR's Finance and Administration Unit will continue working on strengthening procedures and tightening the integration of all related systems.

SOCIAL COMMITTEE

The MBR's Social Committee is composed of five members, including the Chairman, Secretary and Treasurer. In 2020, the Committee's members remained the same as the previous year due to the COVID-19 situation.

The Committee's purpose is to create social events and activities through which the MBR's employees and their families (spouse/partner and children) can meet. Unfortunately, the COVID-19 pandemic triggered the cancellation of our two major events that were supposed to be organised in 2020: the summer and Christmas parties. Due to this unprecedented situation, we needed to adapt and certain other activities were split across two days, because half of the MBR's employees worked from home while the other half worked in the office on alternate days.

- Despite challenging circumstances, the Social Committee did its best to bring about a glimmer of joy and satisfaction to the MBR's employees. With simple gestures and simplicity some of the significant days celebrated during the year did not go unnoticed. From satisfying everyone's sweet tooth with a crepe on Valentine's Day in February, to deliveries of pastries at work and in their homes during Easter, the installment of an ice-cream stall during the scorching sun of summer, the Social Committee definitely made 2020 a bearable year.
- The Social Committee also organised awareness-raising events relating to breast cancer and prostate cancer in October and November, respectively. A fundraiser event was organised in the form of a raffle in aid of Europa Donna Malta, an organisation that's part of the wider European breast cancer coalition.
- We also held our Christmas Bake Sale in aid of L-Istrina, which is an event that has integrated well into our yearly calendar of events and remains much enjoyed by our employees and Maltese residents. We were honoured to have the President of Malta and his wife attend in 2020, who both visited our stands on the MBR's premises. The event was held over two consecutive days, during which baked goods were sold - some of which were made by our employees.
- The Social Committee also gave a helping hand to The Ursuline Sisters Crèche in Sliema in 2020 through the collection of monetary donations and perishable items.

Social Committee

Ms Raissa Accarino >
CHAIRPERSON



Ms Rosalie Degiorgio >
SECRETARY



Mr Fabrizio Farrugia >
TREASURER



Ms Claudia Diacono >
MEMBER



< **Dr Martina Filletti**
ICTU REPRESENTATIVE
until October 2020



< **Mr Jamie Galt**
ICTU REPRESENTATIVE
from October 2020



PLANS FOR 2021

The Malta Business Registry plans to implement the following corporate initiatives in 2021:

- Blockchain Project
- Internal Control Unit
- New Conference Hall
- HR Portal





FINANCIAL STATEMENTS



DIRECTORS' STATEMENT REPORT

The Directors' present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The Malta Business Registry ('the Agency'), established under Subsidiary Legislation 595.27, is responsible for the registration of new commercial partnerships, the registration of documents related to commercial partnership, the issuing of certified documentation including certificates of good-standing amongst others, the reservation of company names, the collection of registration and other fees, the publication of notices and the imposition and collection of penalties. The Malta Business Registry is a public registry and all registered information and documentation is made available to the public.

Establishment of the Agency and review of the business

The Agency was established on 30 April 2018 under the terms of Subsidiary Legislation 595.27. Prior to its establishment, the Agency was part of the Malta Financial Services Authority. Management hereby report a surplus of €9,498,834 for the financial year 2020 (2019: €10,191,654).

Results and surplus funds

The statement of comprehensive income is set out on page 73. The surplus funds for the financial year payable to Government, in terms of the Public Administration Act amount to €5,750,000.

Statement of Directors' responsibilities

In preparing the financial statements the Directors are responsible for;

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and the Public Administration Act;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation as a going concern.

The Directors are also responsible for designing, implementing and maintaining 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, and that comply with the Public Administration Act and Financial Administration and Audit Act. They are also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Access to information published on the Agency's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed.

On behalf of the Malta Business Registry



Joseph Farrugia
Chief Executive Officer



Kenneth Brincat
Chief Operations Officer

Registered office
Malta Business Registry
AM Business Centre
Triq il-Labour,
Żejtun ZTN 2401,
Malta

29 March 2021



Independent auditor's report

To the Stakeholders of the Malta Business Registry

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of the Malta Business Registry (the Agency) as at 31 December 2020, and of the Agency'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 Public Administration Act.

What we have audited

The Malta Business Registry's financial statements, set out on pages 6 to 21, comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Agency in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Independent auditor's report - continued

To the Stakeholders of the Malta Business Registry

Other information

The board members are responsible for the other information. The other information comprises the board of directors' statement report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Public Administration

The board members are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Public Administration Act, and for such internal control as the board members 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 board members are responsible for assessing the Agency'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 board members either intend to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

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 judgement and maintain professional scepticism 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.



Independent auditor's report - continued

To the Stakeholders of the Malta Business Registry

- 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the board members' 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 Agency'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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Agency'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 Agency's trade, customers, 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.

We communicate with those charged with governance 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.

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

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Agency's stakeholders as a body in accordance with Public Administration Act and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Stephen Mamo
Partner

29 March 2021

STATEMENT OF FINANCIAL POSITION

	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	€7,220,445	€5,809,087
Right-of-use assets	9	€17,967,553	€12,337,963
Total non-current assets		€25,187,998	€18,147,050
CURRENT ASSETS			
Trade and other receivables	6	€3,768,006	€2,740,065
Cash and cash equivalents	7	€6,982,893	€7,167,629
Total current assets		€10,750,899	€9,907,694
Total assets		€35,938,897	€28,054,744
EQUITY AND LIABILITIES			
Capital and reserves			
Staff support fund reserve	10	€2,550	€215
Reserve fund		€15,534,238	€11,787,739
Total equity		€15,536,788	€11,787,954
NON-CURRENT LIABILITIES			
Lease liabilities	9	€18,136,471	€12,265,939
CURRENT LIABILITIES			
Trade and other payables	8	€1,381,091	€1,494,568
Lease liabilities		€884,547	€506,283
Amounts due to Government		-	€2,000,000
TOTAL CURRENT LIABILITIES		€2,265,638	€4,000,851
TOTAL LIABILITIES		€20,402,109	€16,266,790
TOTAL EQUITY AND LIABILITIES		€35,938,897	€28,054,744

The notes on pages 76 to 91 are an integral part of these financial statements.

The financial statements on pages 72 to 91 were authorized for issue by the Directors on 29 March 2021 and were signed on its behalf by:



Mr Joseph Farrugia
CHIEF EXECUTIVE OFFICER (CEO)



Mr Kenneth Brincat
CHIEF OPERATIONS OFFICER

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
Notes		€	€
Income	11	€17,123,989	€15,934,040
Operating expenses	12	(€6,861,253)	(€5,231,507)
Operating surplus		€10,262,736	€10,702,533
Other income		€494	-
Finance income		€27	€380
Finance expenses	14	(€764,423)	(€511,259)
SURPLUS FOR THE YEAR		€9,498,834	€10,191,654
TOTAL COMPREHENSIVE INCOME		€9,498,834	€10,191,654

The notes on pages 76 to 91 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Staff support reserve	Reserve fund	Total
Balance at 1 January 2019	-	€3,596,300	€3,596,300
COMPREHENSIVE INCOME			
Appropriation from income statement	-	€10,191,654	€10,191,654
Transfer to staff support reserve	€215	(€215)	-
Total comprehensive income for the year	€215	€10,191,439	€10,191,654
TRANSACTIONS WITH STAKEHOLDERS			
Surplus payable to Government	-	(€2,000,000)	(€2,000,000)
	-		
Total transactions with stakeholders	-	(€2,000,000)	(€2,000,000)
AS AT 31 DECEMBER 2019	€215	€11,787,739	€11,787,954
COMPREHENSIVE INCOME			
Appropriation from income statement	-	€9,498,834	€9,498,834
Transfer to staff support reserve	€2,335	(€2,335)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	€2,335	€9,496,499	€9,498,834
TRANSACTIONS WITH STAKEHOLDERS			
Surplus paid to Government	-	(€5,750,000)	(€5,750,000)
TOTAL TRANSACTIONS WITH STAKEHOLDERS	-	(€5,750,000)	(€5,750,000)
AS AT 31 DECEMBER 2020	€2,550	€15,534,238	€15,536,788

The notes on pages 76 to 91 are an integral part of these financial statements.

1. NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of Public Administration Act. They have been prepared under the historical cost convention as modified by the fair valuation of the land and buildings class of property. The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Agency's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Agency adopted new standards, amendments and interpretations to existing standards that are mandatory for the Agency's accounting year 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 Agency's accounting policies impacting the financial performance and position.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Agency. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.2 Foreign currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro, which is the Agency's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains or losses are presented in the income statement.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the 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 Agency and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Buildings	10
Furniture, fixtures and fittings	20
Equipment	20

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in the income statement. When re-valued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.4 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance.

IFRS 9 Financial Instruments - impairment of financial assets

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Impairment

From 1 January 2018, the Agency assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Agency applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1.5 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call together with short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

1.6 Trade and other payables

Trade payables comprise 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 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.

1.7 Provisions

Provisions for legal claims 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 will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.8 Revenue recognition

The Agency recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity.

Income derived is recognised when payment is received which, in view of the profile of companies including dormant and defunct companies, is determined by the Agency to be the point in time when there is a probability that the economic benefits associated with the revenue will flow to the entity.

1.9 Leases

As explained in Note 1.1 above, the Agency has changed its accounting policy for leases where the company is the lessee. The new policy is described below and the impact of the change is described Note 2.

Accounting policy as from 1 January 2019

The Agency leases various vehicles and office spaces. Rental contracts are typically made for fixed periods ranging from 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Agency.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities comprise the net present value of the fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Agency, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Agency where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease payments due within twelve months are classified as current, if not they are presented as non-current liabilities.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases of vehicles and land are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Accounting policy as at 31 December 2018

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Agency as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2. CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Agency's financial statements.

As indicated in Note 1.1 above, the Agency has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 19.

On adoption of IFRS 16, the Agency recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Agency has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019; and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The Agency has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) MEASUREMENT OF LIABILITIES	2019
Operating lease commitments as at 31 December 2018	€17,908,871
Discounted using the lessee's incremental borrowing rate at the date of initial application	(€4,677,072)
LEASE LIABILITY AS AT 1 JANUARY 2019	€13,231,799
Of which are:	
Non-current lease liabilities	€13,231,799
	€13,231,799

(iii) MEASUREMENT OF RIGHT-OF-USE ASSETS

The associated right-of-use assets for vehicle leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) ADJUSTMENTS RECOGNISED IN THE BALANCE

SHEET ON 1 JANUARY 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

(a) right-of-use assets - increase by €13,231,799

(b) lease liabilities - increase by €13,231,799

There is no net impact on retained earnings on 1 January 2019.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Agency's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Agency's risk management is coordinated by the Board of Directors and focuses on actively securing the Agency's short to medium term cash flows by minimising the exposure to financial markets.

The Agency does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks that the Agency is exposed to are described below.

(a) Market risk

The Directors do not consider that the Agency is exposed to significant market risk in view of the assets held.

(b) Credit risk

The Agency's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Agency's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Notes	2020	2019
Trade and other receivables	6	€2,915,115	€2,229,771
Cash and cash equivalents	7	€6,982,893	€7,167,629
		€9,898,008	€9,397,400

The Agency assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. The Agency monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Agency's receivables, taking into account historical experience.

The Agency's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Agency's financial assets are secured by collateral.

As at 31 December 2020, trade receivables of €421,893 (2019: 23,649) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Agency does not hold any collateral as security in respect of the impaired assets.

Credit risk in relation to cash and cash equivalents, since the counterparts and issuer are reputable banks.

c) Liquidity risk

The Agency is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 8). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Agency's obligations.

The Agency monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Agency's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

3.2 Capital risk management

The Agency's equity, as disclosed in the statement of financial position, constitutes its reserve fund. The Agency's objectives when managing capital are to safeguard the respective entity's ability to continue as a going concern in order to provide returns and benefits for stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In view of the nature of the Agency's activities and its financial position, the capital level as at the end of the reporting period is deemed adequate by the Directors.

3.3 Fair values of financial instruments

At 31 December 2020 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

4. 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 in terms of the requirements of IAS 1.

5. PROPERTY, PLANT AND EQUIPMENT

	Building Improvements	Furniture, fixtures and fittings	Equipment	Total
YEAR ENDED 31 DECEMBER 2019				
Additions	€4,338,122	€699,722	€1,224,733	€6,262,577
Depreciation charge	(€201,898)	(€109,625)	(€141,967)	(€453,490)
Closing net book amount	€4,136,224	€590,097	€1,082,766	€5,809,087
AT 31 DECEMBER 2019				
Cost or valuation	€4,338,122	€699,722	€1,224,733	€6,262,577
Accumulated depreciation	(€201,898)	(€109,625)	(€141,967)	(€453,490)
Net book amount	€4,136,224	€590,097	€1,082,766	€5,809,087
YEAR ENDED 31 DECEMBER 2020				
Additions	€1,746,724	€104,745	€614,212	€2,465,681
Depreciation charge	(€573,911)	(€147,441)	(€332,971)	(€1,054,323)
Closing net book amount	€5,309,037	€547,401	€1,364,007	€7,220,445
AT 31 DECEMBER 2020				
Cost or valuation	€6,084,846	€804,467	€1,838,945	€8,728,258
Accumulated depreciation	(€775,809)	(€257,066)	(€474,938)	(€1,507,813)
Net book amount	€5,309,037	€547,401	€1,364,007	€7,220,445

6. TRADE AND OTHER RECEIVABLES

Current	2020	2019
Trade and other receivables - gross	€2,252,972	€614,660
Less: Loss allowance on trade and other receivables	(€421,893)	(€23,649)
Trade and other receivables - net	€1,831,079	€591,011
Amounts due from the Malta Financial Services Authority	€1,084,036	€1,338,760
Prepayments	€852,891	€810,294
	€3,768,006	€2,740,065

Amounts due from the Malta Financial Services Authority and other receivables are unsecured, interest free and repayable on demand.

7. CASH AND CASH EQUIVALENTS

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

Current	2020	2019
Cash in hand	€6,982,893	€7,167,629

8. TRADE AND OTHER PAYABLES

Current	2020	2019
Trade creditors	€487,062	€879,888
Other payables	€480,564	€415,152
Accruals	€413,465	€199,528
	€1,381,091	€1,494,568

9. LEASE LIABILITIES

This note provides information for leases where the company is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	2020	2019
Vehicles	€43,209	€57,600
Offices	€17,924,344	€2,280,363
	€17,967,553	€12,337,963

Lease liabilities		
Non-current	€18,136,471	€12,265,939
Current	€884,547	€506,283
	€19,012,018	€12,772,222

(ii) Amounts recognised in the income statement.

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right of-use of assets	2020	2019
Vehicles	€14,390	€14,429
Offices (gross of sub-lease contribution)	€1,384,857	€879,407
	€1,399,247	€893,836
Interest expense (included in finance cost)	€764,423	€511,259

During 2020, the Agency subleased parts of its property to other Government agencies for a contribution of €531,254 which is netted against the lease depreciation in accordance with IFRS. Also, a revision to the lease agreement took place in 2020 whereby additional office space was acquired. Part of the additional office space is subleased to other Government agencies and part is being developed in Childminding facilities and Conference room.

10. STAFF SUPPORT RESERVE

The staff support reserve has been created to set aside reserves to support employees in need at the opportune time.

11. INCOME

Income represents fees from services rendered during the year. Moreover, fluctuations from one year to another may represent income claimed in previous years as revenue is accounted upon receipt of payment.

12. EXPENSES BY NATURE

	2020	2019
VDepreciation of property, plant and equipment (Note 5)	€1,054,323	€453,490
Depreciation of right-of-use assets (Note 9)	€1,399,247	€893,836
Employee benefit expense (Note 13)	€2,902,773	€2,297,214
Professional and consultancy fees	€130,709	€137,330
Service charge	-	€325,142
Increase in loss allowance on trade and other receivables	€398,244	€23,649
Bad debts written off	€50,647	€12,942
Repairs & maintenance	€194,079	€165,664
IT expenses	€421,415	€281,918
Other administrative expenses	€309,816	€640,322
Total operating expenses	€6,861,253	€5,231,507

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €8,200 (2019: €7,000).

13. EMPLOYEE BENEFIT EXPENSE

	2020	2019
Wages and salaries	€2,557,516	€2,087,836
Social security costs	€180,629	€126,472
Other staff costs	€164,628	€82,906
	€2,902,773	€2,297,214

Average number of persons employed by the Agency during the year:

	2020	2019
Managerial	76	47
Administration	37	30
	112	77

14. FINANCE EXPENSES

	2020	2019
Interest charges for lease liabilities	€764,423	€511,259
	€764,423	€511,259

15. TAX EXPENSE

Legal Notice 144 of 2018 (para 14) exempts the Malta Business Registry from any liability to pay income taxes.

16. CASH GENERATED FROM OPERATIONS

	2020	2019
Operating surplus	€10,262,736	€10,702,533
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	€1,054,323	€453,489
Depreciation of right-of-use of assets (Note 9)	€1,399,247	€893,836
Increase in loss allowance on trade receivables (Note 6)	€398,244	€23,649
Bad debts write off	€50,647	€12,942
Changes in working capital:		
Trade and other receivables	(€1,476,832)	€976,957
Trade and other payables	(€113,477)	€1,336,508
Cash generated from operations	€11,574,888	€14,399,915

17. COMMITMENTS

Commitments for expenditure not provided for in these financial statements as at the statement of financial position date were as follows:

	2020	2019
Amounts due by the Malta Financial Services Authority	€1,084,036	€1,338,760
Surplus paid/payable to Government	€5,750,000	€2,000,000

The Government of Malta shall be refunding part of the future expenditure disclosed above.

18. RELATED PARTY TRANSACTIONS

Except for transactions disclosed or referred to previously, the following significant transactions, which were carried out principally with related entities, have a material effect on the operating results and financial position of the Agency:

	2020	2019
Amounts due by the Malta Financial Services Authority	€1,084,036	€1,338,760
Surplus paid/payable to Government	€5,750,000	€2,000,000

19. STATUTORY INFORMATION

The Malta Business Registry is the single companies' registrar in Malta established under Subsidiary Legislation 595.27 and reports to the Maltese Parliament.

ACRONYMS AND ABBREVIATIONS

AI - Artificial Intelligence

API - Application Programming Interface

BO - Beneficial Owner

BRIS - Business Registry Interconnection System

C - Limited Companies (Private & Public)

CEO - Chief Executive Officer

COO - Chief Operations Officer

CRP - Company Recovery Procedure

EEIG - European Economic Interest Grouping

EU - European Union

FHRD - Foundation for Human Resources Development

HR - Human Resources

HRIS - Human Resources Information System

ICT - Information and Communications Technology

ICTU - International and Corporate Tax Unit

IEBSA Code - International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants

IFRS - International Financial Reporting Standards

ISA - International Standards on Auditing

IT - Information Technology

KPI - Key performance indicator

MBR - Malta Business Registry

MFSA - Malta Financial Services Authority

MITA - Malta Information Technology Agency

NCPE - National Commission for the Promotion of Equality

NPL - Non-performing loan

OC - Overseas Companies

OPM - Office of the Prime Minister

P - Partnership en Nom Collectif

P COMM - Partnership en Commandite

ROC - Registry of Companies

ROCA - Registry of Companies Agency

SC - Special Controller

SE - Statute for European Companies

SMEs - Small and medium-sized enterprises

SRSP - Structural Reform Support Programme

SV - Investment Company with Variable Share Capital

TNA - Training Needs Analysis

NOTICES BY THE REGISTRAR

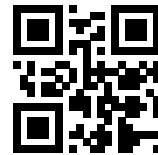
02 Jan 2020	Access to information on Beneficial Owners of Commercial Partnerships
20 Jan 2020	Register of Beneficial Owners (Foundations and Associations)
05 Mar 2020	Register of Beneficial Owners (Foundations and Associations) - Updated Forms
13 Mar 2020	Important Notice - Offices Closed
25 Mar 2020	Important Notice - Submission of Annual Returns and Financial Statements
02 Apr 2020	Update regarding processing of documents and on-site inspections
28 Apr 2020	Important Notice to Subject Persons
13 May 2020	Appointment of Special Controllers in terms of Article 329B of the Companies Act
26 May 2020	Re-opening of MBR Offices
02 Jun 2020	The MBR publishes its 2019 Annual Report and Financial Statements
16 Jun 2020	Important Notice to Officers - Beneficial Owner Forms
17 Jun 2020	Companies Act (Shipping and Aviation Cell Companies) Regulations
23 Jun 2020	Disqualified Directors and Disqualification of Directors
10 Jul 2020	Annual General Meeting of Public Companies
19 Aug 2020	Ordering Certificates Online
19 Aug 2020	Important Notice to Subject Persons and Administrators of Legal Organisations
26 Oct 2020	Notice on the use of Electronic Signatures
30 Oct 2020	Notice to Liquidators with respect to pending winding up

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