



# ANNUAL REPORT 2022

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# Foreword by Minister

Digital innovation is the application of digital technology to existing business problems. Digitisation and digital transformation are two examples through which workflows are improved by automating existing processes and integrating knowledge to enhance engagement and create new value.

The COVID-19 pandemic proved to be a turning point, as several businesses, organisations and individuals raced against time to remain relevant and shift their focus to digital means rather than relying on physical ones only.

Now, the use of innovative technologies remains on the rise, and the MDIA, specifically established to foster trust in such technologies, has cemented itself in the Maltese ecosystem, adopting an open-door policy and providing assistance in all aspects of these emerging trends.

During 2022, the Authority worked on several schemes to promote the safe and secure uptake of innovative technologies. It launched the first call for



the AI Applied Research Grant: an initiative to support capacity-building efforts related to artificial intelligence research in Malta. Through this grant, a culture of collaboration between research institutions and industry has been fostered.

The highly anticipated six projects earmarked within the National AI Strategy were also launched, with a total allocation of €4 million. Traffic management, health, education, tourism, customer service and energy utilities all benefitted from a programme that will ultimately show the tangible benefits that AI can offer to society at large.

The MDIA also supports education, and in this regard, for another year running, the Pathfinder Digital Scholarship was implemented. By means of the scholarship, students interested in furthering their studies in AI or Information Security at Master's or Doctorate levels can benefit from up to €10,000 each. Apart from offering students financial relief, it also incentivised them to further their careers within the digital sector.

In addition to the six AI projects, another scheme was launched, targeting Local Councils and Regions. Through the Innovative Technology in Local Communities scheme, entities were encouraged to develop projects that would benefit their residents. The scheme assists the development of the proposed projects financially.

As one of the entities that falls under my portfolio, the MDIA also presented its Strategic Plan for 2023–2025. I launched the strategy at the Malta Digitali event. The Authority's Strategic Plan emerged through the experience it has gained ever since being first introduced in 2018. Based on meticulous research, discussion and preparation, the strategy is propelled by five values: it is quality-driven, transparent, reliable, informed and collaborative.

Given its prominent position within our jurisdiction, the MDIA has successfully built on its experience and, in view of the digital sector's ever-evolving nature, has adapted to sectoral changes seamlessly. Furthermore, it also initiated a process which will result in becoming more effective when reacting to new developments.

I am also looking forward to another ambitious project the MDIA is undertaking: the establishment of the first-ever European Digital Innovation Hub in Malta. This is a project that will see Malta continue to benefit from European funds along with the creation of a space to host a High-Performance Computer, providing research expertise and knowledge. Finally, on a European level, the MDIA remains a key player in the discussions surrounding the European Commission's AI Act, a forthcoming piece of legislation that denotes regulatory requirements which Malta has already undertaken.

**Silvio Schembri**  
Minister for Economy, European Funds and Lands



# Foreword by Chairman

Having been the inaugural Chief Technology Officer of the Malta Digital Innovation Authority (MDIA), it was a profoundly moving experience for me to return to the Authority in 2022 as Chairperson of the Board of Directors. Over the years, the MDIA has evolved positively and gained a deep understanding of the innovative tech ecosystem. And, in 2022, the MDIA succeeded in building on previous years and implementing new programmes and initiatives, which resulted in yet another significant year for the Authority.

I would like to commend the CEO, senior management and employees of the MDIA for the projects and schemes they introduced over the last year. They have provided a tangible way of visualising the MDIA's raison d'être. A key example is the Applied AI Research Grant, which fosters novel ideas for using artificial intelligence (AI) in everyday life. The MDIA also updated its Technology Assurance Sandbox Guidelines to reflect the ever-evolving nature of the sector it operates within. Additionally, the Authority held consultation sessions on the forthcoming Technology Assurance Assessment Framework to explain its scope and necessity in the emerging tech domain.

Furthermore, and in line with the National AI Strategy, another milestone achieved in 2022 was the announcement of a €4 million investment in six pilot projects aimed at providing real-life benefits to the citizens of Malta and Gozo. The MDIA also concluded its Digital Connect Scheme, which targeted low-income families to continue addressing the digital divide. Moreover, the Innovative Technology in Local Communities Scheme incentivised Local Councils and Regions to propose new innovative solutions that would positively impact their residents' well-being.

The Pathfinder Digital Scholarship Fund, which funds students in areas related to innovative technologies, also proved to be particularly beneficial in 2022. And, the MDIA also achieved a crucial milestone by finalising its Strategic Plan for 2023–2025, establishing its vision and goals for the next three years and complementing the Malta Digital Strategy.

Today, collaboration and synergy between different government entities are essential. The MDIA is pleased to witness and experience close collaboration, particularly with Tech.mt, GamingMalta, Malta Enterprise, FinanceMalta and eSkills Foundation. Such efforts consolidate respective resources in the pursuit of our common goals: to further improve our digital economy, support the growth and internationalisation of local tech business, attract investment, and increase digital skills in Malta.

During 2022, the MDIA also participated in several local and international events that served as networking platforms and showcased Malta's regulatory framework to an international audience, potentially attracting foreign direct investment. The Authority was also present at smaller-scale expos, such

as Campus Tech Summit, Start-up Festival and the University of Malta's Freshers' Week, thereby introducing students to the local tech ecosystem and demonstrating how Malta has been primed to support innovative tech.

Finally, I would like to congratulate the MDIA on attaining the HR Quality Mark, which is tangible proof of the Authority's commitment to its employees through the implementation of various supportive policies and strategies.

The past year was a busy one, and 2023 promises to be no different. I would like to express my gratitude to the Board of Directors, CEO, senior management and staff for their continuous commitment, dedication and drive towards supporting and implementing the MDIA's principles and objectives.

Wayne Grixti  
Chairperson



# Foreword by CEO

I am pleased to present the Malta Digital Innovation Authority's annual report for 2022. It was a year of significant achievements, milestones and progress in the digital innovation space, as we continue to steer Malta towards becoming a leading digital hub in the European Union.

This annual report provides an overview of the initiatives and projects carried out by the MDIA. However, I would like to highlight a few that, in my opinion, were significant not just to the MDIA but to the entire country.

In 2022, the MDIA obtained €2.6 million in funding to establish a European Digital Innovation Hub (EDIH) in Malta, which will serve as a one-stop shop for SMEs seeking support in adopting digital technologies. This is a major milestone for the Authority and reflects our commitment to driving digital transformation in Malta.

Furthermore, the MDIA continues to play an important role in overseeing developments and discussions about digital innovation technologies within EU fora. We are committed to remaining up to date with the latest trends and innovations in this fast-paced industry, as well as to sharing our insights and expertise with the wider community.

The MDIA was also actively involved in implementing the National Artificial Intelligence (AI) Strategy in Malta. Our team has worked closely with government bodies, private entities and civil society to ensure the responsible and sustainable development of AI in Malta. We firmly believe that the responsible use of AI has the potential to drive significant economic and social benefits, and we are proud to be playing a leading role in this important work. We will continue working tirelessly to ensure that the development and deployment of AI in Malta are guided by ethical principles, with a focus on transparency, accountability and inclusivity.

Above all, the most important milestone for the MDIA in 2022 was the establishment of our strategic plan. We worked closely with stakeholders and experts to develop a comprehensive plan that sets out our vision, mission and key strategic objectives for the coming years. The plan outlines our priorities for digital innovation in Malta, which are categorised into four pillars: Service Provision, Governance, Policy and Communication/PR. It serves as a clear roadmap for achieving our goals and objectives, as well as a guide for our team as we work to promote and facilitate digital innovation in Malta. We are confident that the plan will help us to build on our achievements to date

and position us for even greater success in the years ahead. We look forward to working with our partners and stakeholders to implement the plan and continue to drive progress in the digital innovation space in Malta.

As we look to the future, the MDIA remains committed to building on our achievements. We believe that our efforts will continue to position Malta as a leader in digital innovation, and we are excited to see what the future holds. Our objectives align with the Government's vision to establish Malta as the leading global jurisdiction for tech businesses and entrepreneurs. To achieve this goal, the Government has developed an ambitious strategy for the next three years, which is outlined in the Malta Digital Strategy, recently published by the Ministry for the Economy, European Funds and Lands.

Our roadmap for achieving this vision includes a series of significant initiatives and objectives, developed in collaboration with the Government and our partners across various sectors. In fact, in 2023 we will focus on four key areas that we believe are critical to achieving our vision. These areas include the legislative amendments, a new technology assurance assessment framework, the formulation of a new AI strategy and the new functions as the National Cybersecurity Certification Authority.

In this regard, the MDIA will be introducing legislative amendments that will create an environment more conducive to digital innovation. Our aim is to streamline the regulatory framework for emerging technologies and reduce barriers to entry for new players in the market.

We will also be introducing a technology-neutral assessment framework to enhance the credibility and reliability of technologies placed into the market. This framework will provide an objective and transparent process for evaluating new technologies, and it will also help to promote innovation across different industries.

While working on implementing the National AI Strategy by the end of 2023, we will also be establishing a new National AI Strategy for 2024–2026. This strategy will set out the objectives and actions required for the development and implementation of AI technologies in Malta in line with the National AI Vision 2030, to help Malta consolidate its position as a leader in this field.

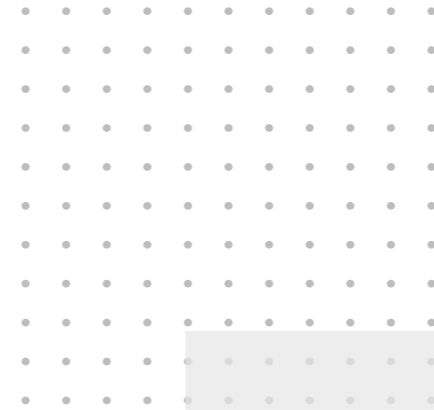
We will also enhance our capacity to provide services as the National Cybersecurity Certification Authority for Malta, and we are also preparing



for the implementation of the AI Act, which we expect to be enacted by the European Commission later this year. Our aim is to ensure that Malta remains at the forefront of cybersecurity and AI regulation, and that our citizens and businesses can benefit from the opportunities that these technologies bring.

Finally, I would like to express my gratitude to my team, our stakeholders and the Board of the Malta Digital Innovation Authority for their unwavering commitment and dedication to realising our digital aspirations for Malta. It is their passion and hard work that drive us forward, making Malta an outstanding place for all, both economically and socially. As we embark on this exciting journey, we are committed to working collaboratively with all stakeholders to ensure our goals are achieved. We look forward to your continued support and partnership as we drive Malta's digital innovation agenda forward.

**Kenneth Brincat**  
Chief Executive Officer



## — — Our Mission

To lead as the national focal point which directs and facilitates the secure and optimal uptake of digital innovation.

Through the MDIA Act, the Authority is the national entity that enables the development of innovative technology to reap its benefits in as many economic and social sectors as possible. The Authority's objective is to advance, promote, and facilitate the ability for innovative technologies to be used safely and effectively in accordance with emerging national, European, and global standards. To this end, it provides a framework that enables companies to be recognised for such technology assurances.

By adopting a cross-disciplinary approach, working with transparency, auditability, accessibility, and legal certainty, the Authority is devoted to providing quality services. Importantly, it is tasked with developing and guiding the implementation of government policies that promote Malta as a technology innovation hub. In parallel, the Authority also works to safeguard and support all users while encouraging digital innovation by providing a safe yet flexible environment for individuals and businesses seeking certification for innovative technological solutions. Through its mission, the MDIA also supports national competent authorities that regulate various sectors by fostering the development of regulatory processes related to innovative technologies.

The Authority aims to establish itself as one of the primary entities driving technological developments on both a national and international level by implementing its redesigned mission and the objectives defined in this strategic plan.

## — Our Vision

To be the forward-looking Authority that fosters trust in innovative technologies.

The main impetus is to expand the MDIA's vision beyond the regulation of blockchain and DLTs, towards one that acknowledges and gives the required attention to additional innovative technologies in the digital sphere. In this regard, the Authority will make every effort to stay informed on technological advances and anticipate the emerging technologies of the future so as to be viewed as Malta's reliable source of guidance in this regard.

Additionally, rather than working "against" innovative businesses and organisations by regulating the technology they seek to use, the goal is to work "with" them. While the MDIA will retain its regulatory function within its remit, it now seeks to place enhanced emphasis on policy and guidance as an outcome of its work. This suggests that there will be a shift in how the industry perceives the Authority, which is mirrored in the MDIA's vision and should be expressed both internally and externally across the Authority.

## Company Values

### Quality-driven

The Authority continuously strives to deliver high-quality service provisions. Looking ahead, this will continue to be achieved by adding value to stakeholders and fostering an entrepreneurial culture, as well as by having the flexibility to respond to shifts in the industry.

### Transparent

The Authority aims to carry out all activities with openness, integrity, diligence, expertise, and objectivity, while maintaining the highest professional standards. It also acknowledges the trust its numerous and diverse stakeholders have in it to deliver high standards of transparency.

### Reliable

The MDIA fosters a culture of productivity to pave the way for new opportunities. In so doing, it seeks to be a reliable body for the various internal and external stakeholders that require the Authority's services in any capacity.

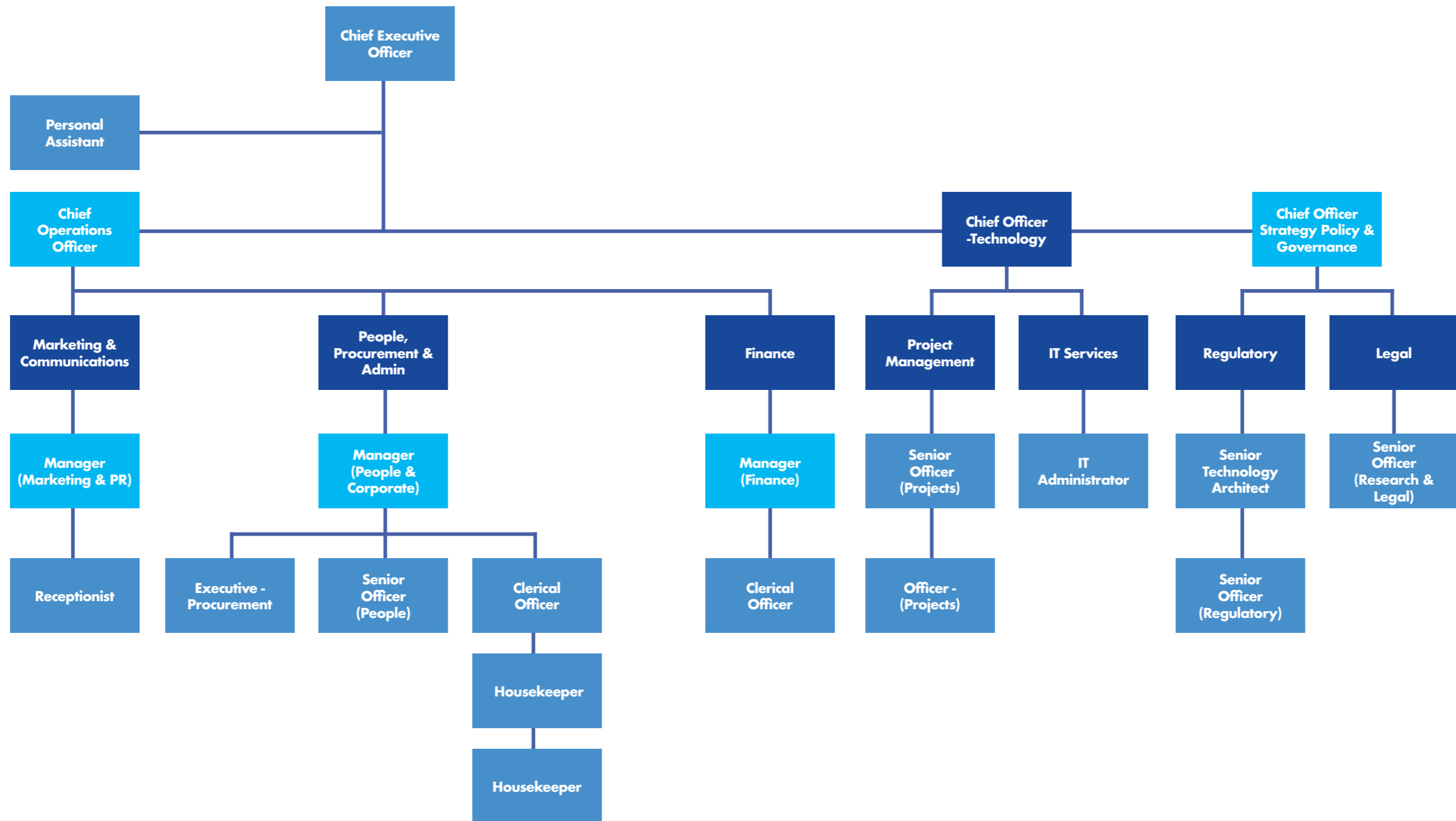
### Knowledgeable

The Authority strives to grow internal employee capabilities through continuous professional development and industry training so as to be the centre of expertise on emerging and innovative technologies.

### Collaborative

The Authority wants to serve as a point of reference for digital innovation. In this respect, collaboration means being able to willingly share ideas and disseminate information with stakeholders. Additionally, the Authority strives to be responsive to queries from other entities and the public.

# Organisational Chart





# Board of Directors (until 25/09/2022)



**Dr Joshua Ellul**

Chairperson, Resigned 31/05/2022



**Dr Ramona Attard**

Secretary



**Mr Nigel Vella**



**Ms Patrizia Busuttil**



**Mr Sandro Micallef**

Appointed as Interim Acting Chairperson with effect from 12/07/2022



**Ms Lara Boffa**

Resigned on 02/05/2022



**Mr Karl Parnis**



**Mr Omar Vella**



# Board of Directors (as of 26/09/2022)



**Ms Patrizia Busuttil**



**Mr Mark Camilleri**



**Mr Wayne Grixti**  
Chairperson



**Dr Ramona Attard**  
Secretary



**Ms Nicole Falzon**



**Mr Anthony Galea**



**Mr Sandro Micallef**  
Appointed as Deputy Chairperson on  
27/10/2022



**Mr Daniel Ablett**



**Mr Nigel Vella**



**Mr Omar Vella**



# Executive Team



**Mr Kenneth Brincat**  
Chief Executive Officer



**Ing. Efrem Borg**  
Chief Technology Officer



**Mr Gavril Flores**  
Chief Strategy, Policy & Governance Officer  
(as of 07/11/2022)



**Mr Francois Piccione**  
Chief Operating Officer  
(until 30/04/2022)



# Human Resources Data

In 2022, the MDIA obtained the HR Quality Mark after being audited on specific areas within HR, including:

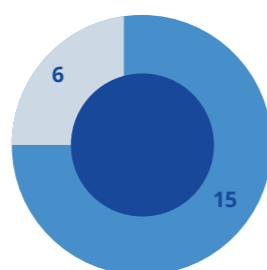


- HR policies and practices
- Recruitment and selection
- Compensation
- Benefits and awards
- Employment and industrial relations
- Performance management
- HR information systems
- People development and training

This achievement is a testament to our commitment to ensuring the highest standards of HR practices.

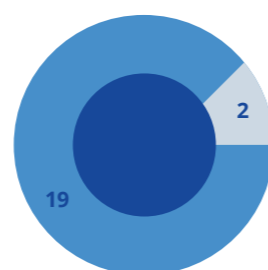
In terms of the MDIA's workforce, in 2022, the number of employees engaged was 6 out of 21 employees and turnover was 2 out of 21 employees.

Number of Employees Engaged 2022



● Number of Employees 2022  
● Number of Employees Engaged 2022

Number of Employees 2022



● Turnover of Employees 2022  
● Number of Employees 2022

As for gender ratio, 48% of the MDIA's workforce was female and 52% was male in 2022.

Female 10 Male 11

In terms of self-development, 19 out of 21 employees attended IPS courses: 2 attended ethical courses, 5 attended technology courses, 5 attended procurement courses, 2 attended finance and accounts courses, 2 attended law and data courses, 1 completed a Bachelor's degree and 2 completed a Master's degree. These courses align with the MDIA's goals and objectives, and we believe they enhance our employees' skills, enabling them to perform their tasks more effectively.

MQF LEVEL	FEMALE	MALE	TOTAL
1	2	/	2
3	1	1	2
4	2	1	3
6	2	2	4
7	3	6	9
8	/	1	1



# Strategic Allocation of Funds for Growth and Impact

The MDIA's success hinges on its strategic allocation of funds. From staff costs and professional services to information services and initiatives, each aspect of fund utilisation contributes to the Authority's mission of positioning Malta as a leader in digital innovation.

- Promotion and branding
- Advertising
- Public relations
- Publications
- Conferences

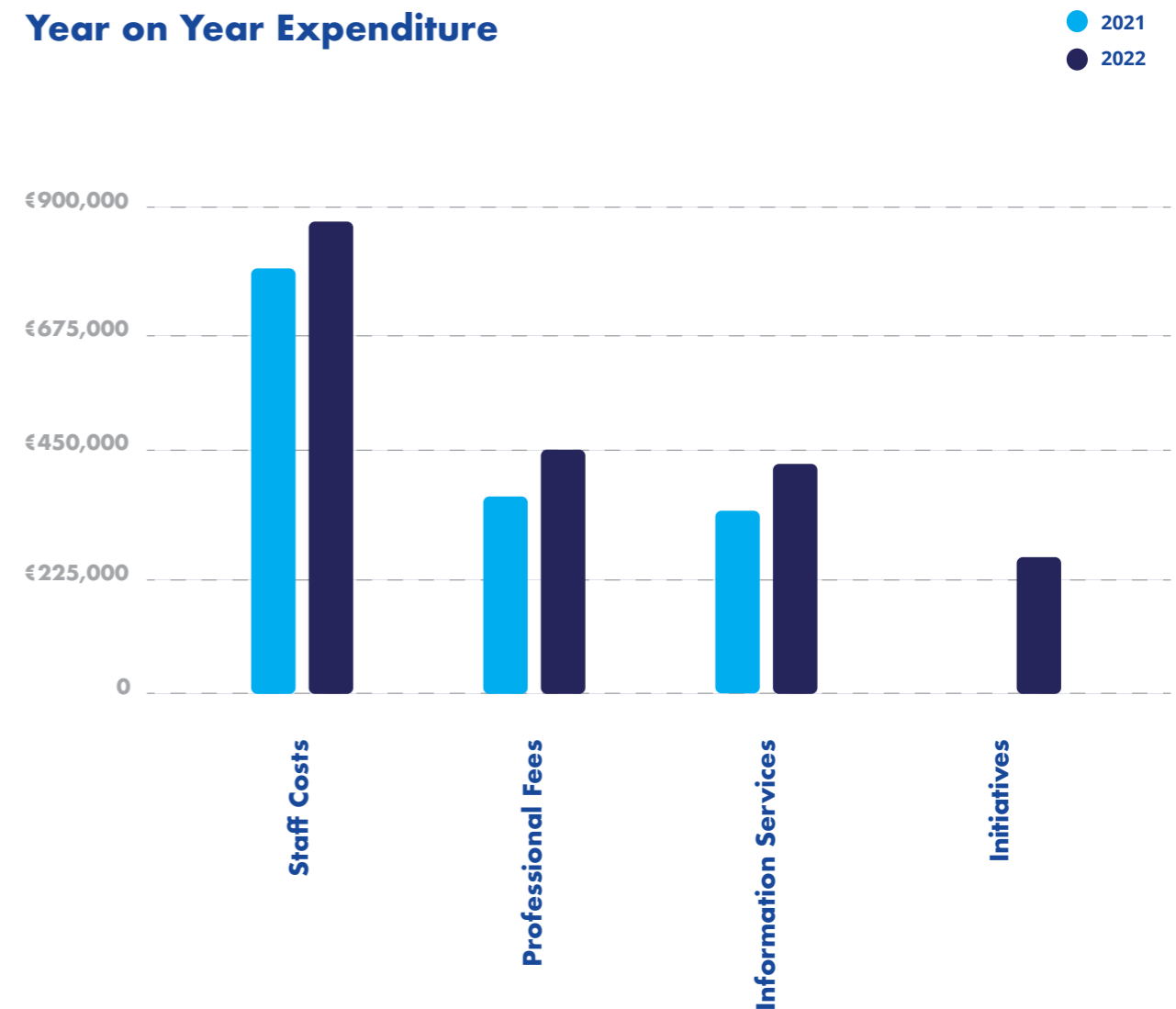
Among the MDIA's initiatives launched in 2022 were the Mind the Gap Scheme and the Innovative Technology in Local Communities Scheme. Mind the Gap is a joint initiative by the MDIA, Tech.mt and the MCA, designed to empower e-commerce businesses in Malta to understand and improve their levels of cybersecurity maturity. In 2022, the Authority invested €100,000 in the initiative. Meanwhile, the objective of the Innovative Technology in Local Communities Scheme is to increase the efficiency of traditional networks and services using digital technologies. In 2022, three local councils were awarded €151,654 as part of the initiative.

When compared to the previous year, staff costs for 2022 increased by 13.5% to €880,918. This increase resulted from the Authority succeeding in engaging in-house expertise, such as an In-House Lawyer, an EU Affairs Officer and a Senior Project Management Officer.

Given the sector that the MDIA operates in, limited human resources are available and when in-house expertise could not be secured, the Authority engaged several professional services to meet its ongoing requirements. Therefore, costs related to outsourced professional services, including legal, technological and other specialities, increased from €350,461 in 2021 to €454,090 in 2022, an increase of 28.1%.

Information services play a pivotal role in the MDIA's strategic allocation of funds because they facilitate our efforts to showcase the digital innovation potential of both the MDIA and Maltese society at large to attract local and international collaboration and foster knowledge exchange. Expenditure on information services in 2022 was €428,435, mainly within the following categories:

Year on Year Expenditure





# Fuelling Organisational Success: Procurement's Vital Role in Good Governance Practices

In 2022, the MDIA made significant strides towards improving our procurement practices and promoting cost efficiency.

We issued 61 Requests for Quotes (RFQs) and approved 40 contracts to secure low running costs, which are clear indications of our commitment to – and unwavering focus on – procurement excellence. These efforts have resulted in improved procurement processes that are more streamlined, efficient and cost-effective.

As we look ahead, we remain committed to achieving even greater levels of procurement excellence, which will enable us to provide better value to our stakeholders while promoting transparency and accountability in all our procurement activities that relate to our strategic goals. We are confident that our continued efforts will enable us to achieve our long-term objectives and continue delivering high-quality services to our clients.

For the year 2023–2024, we envisage the implementation of a new procurement system that will streamline our processes even further.







# Highlights of the Year 2022

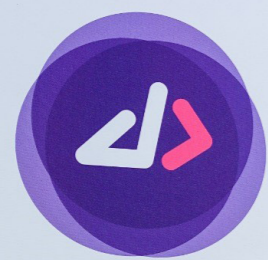
# Narrowing the Digital Divide via the Digital Connect Scheme

The MDIA launched the Digital Connect Scheme to increase inclusion and strengthen digital skills among low-income households in Malta. Through this pilot initiative, fixed broadband internet connectivity and a laptop were offered to 2,300 low-income households in 15 locations. The initiative was created to benefit low-income persons and families who cannot afford the cost that accompanies digital skill acquisition, which leads to challenges such as limited access to devices and connectivity that would support the learning and strengthening of digital skills.

Our demographic data suggests that the Scheme's

implementation targeted the right group of beneficiaries, the majority of whom are over 41 (80%), with 24.1% receiving non-contributory pensions. This achievement is particularly relevant because Malta has a high percentage of low-skilled or unskilled workers in the context of the EU, and older individuals are less likely to be employed.

Results show that the Digital Connect Scheme has been successful in its population targeting because 76% of its beneficiaries had never participated in similar schemes and claimed to have little to no digital abilities when they signed up.



## Digital Connect Nindirizzaw il-Qasma Digitali PROĠETT PILOTA



MINISTERIU GHALL-EKONOMIJA U L-INDUSTRIJA  
MINISTERIU GHAS-SOLIDARJETA U L-GUSTIZZJA SOĊJALI, IL-FAMILJA U D-DIRITTIJET TATTYAL



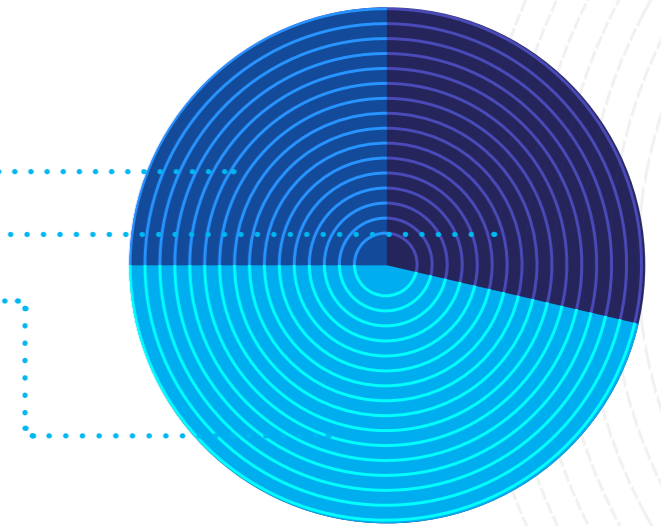
# Investing in AI

## National AI Strategy Action Points Status

18 In Progress AI Action Points (25%)

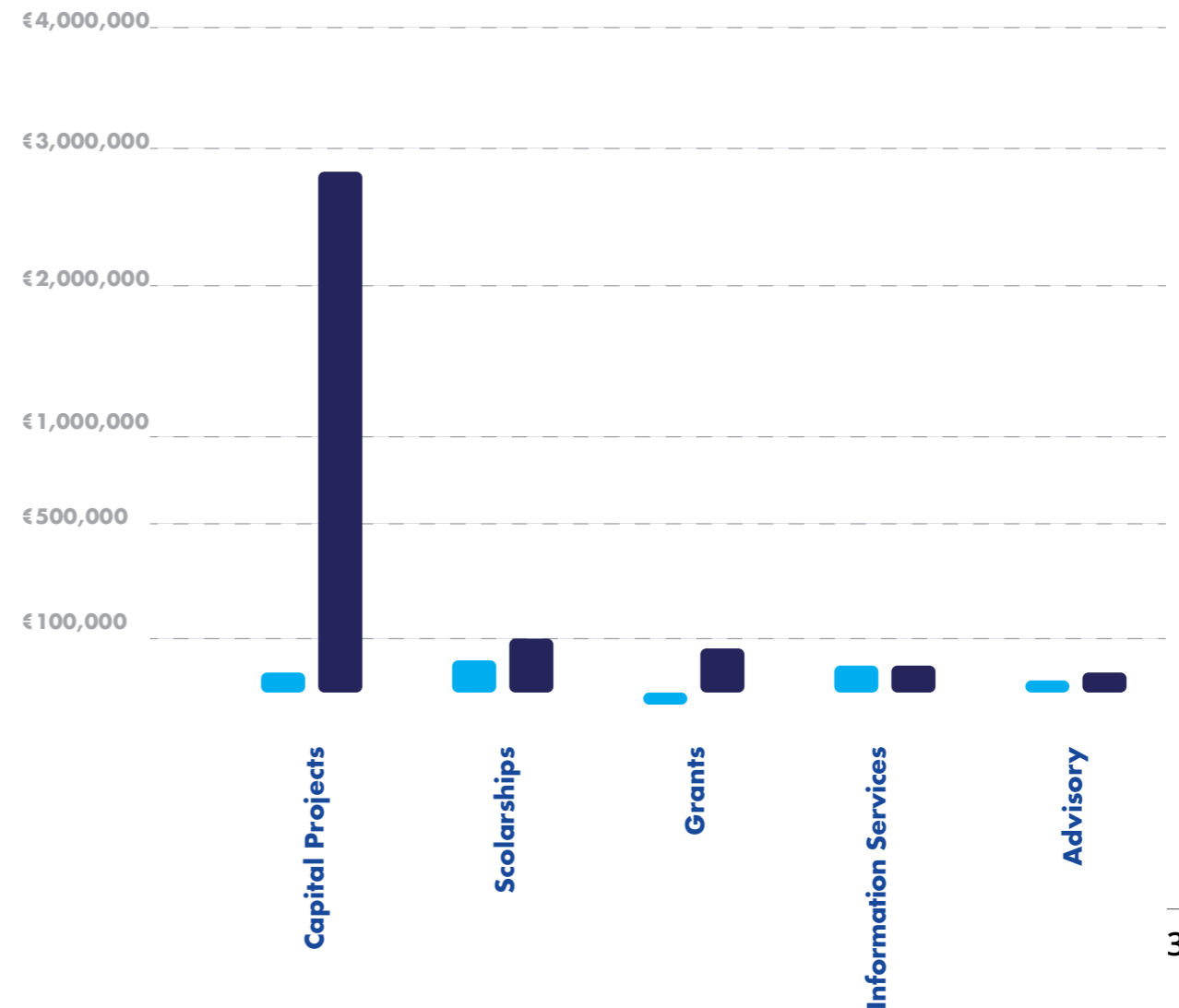
21 In Communication AI Action Points (29.2%)

33 Established AI Action Points (45.8%)



## Expenditure in AI

● Expenditure in AI 2021 Annual Total: € 89,930  
● Expenditure in AI 2022 Annual Total: € 3,108,622





# Empowering Innovation through the European Digital Innovation Hub

In 2022, the MDIA reached a significant milestone by successfully obtaining funding from the European Commission for the European Digital Innovation Hub (EDIH) under the Digital European Programme (DEP) – Initial Call for EDIH.

This achievement resulted from our steady commitment to driving innovation and supporting digital transformation across Europe. Our Authority went through a rigorous and highly competitive grant agreement process (GAP) with the EU, and this successful outcome is a testament to our capability to deliver high-quality projects.

We are proud of our team's hard work and dedication to securing this funding, and we are confident that the project will have a significant impact on driving digital innovation and economic growth in Malta. The MDIA is committed to delivering the EDIH project to the highest standards, in collaboration with our partners, and we look forward to the positive outcomes that will arise from this exciting initiative.





# Building Connections: Communicating Progress, Milestones and Engagement

In 2022, the MDIA experienced a significant year, marked by diverse opportunities that successfully promoted its mission. Ranging in nature, these opportunities effectively increased local and international awareness of the MDIA's remit and role in ensuring maximum benefits from innovative technologies for Maltese citizens.

Press conferences proved to be an especially effective means of publicising the MDIA in 2022, with three conferences held to announce the Authority's various projects, all relating to innovative technologies. The first conference announced the first call for the AI Applied Research Grant, inviting public research institutes to utilise funds to research new applications for AI. The second conference announced a €4-million investment in six different AI projects, each focused on various aspects of society, such as traffic management, health, tourism,

customer service, education and utilities, as designated by the National AI Strategy. The third initiative, announced through a press conference, established the Innovative Technology in Local Communities Scheme, providing funds for local entities to pursue projects that would benefit residents within their localities.

The MDIA also strategically selected publications to promote itself and its personnel, ensuring a diverse selection that targeted society as a whole. Articles were written in both Maltese and English and appeared in publications such as BusinessNow, Ekonomija, Commercial Courier and TechMag, among others.



Participation in events, both locally and internationally, was another fruitful means by which the MDIA increased its visibility and promoted its mission. The Authority took part in a diverse range of events, including:

- Campus Tech Summit
- Digital Tourism Roadmap 2030
- Together. Again. FinanceMalta Meets Fintech
- AI with Trust (abroad)
- MARE Summit
- PAIB Conference
- Prototype Malta AI (webinar)
- EY Engage
- AIBC Americas (abroad)
- A Multidisciplinary Metaverse Future (webinar)
- Valletta Tech Summit (webinar)
- High-Level Meeting on AI (abroad)
- CAI Meetings on AI (abroad)
- UM Freshers' Week
- Startup Festival
- Playcon
- MIA Digital Committee CPE event
- AIBC Europe
- Med-Tech World Summit
- UM Multidisciplinary Workshop on Cybersecurity
- Malta Digitali
- Mimcol Conference on Tech Investment Opportunities
- S&P event on Designing Artificial Intelligence for All

In 2022, the MDIA also conducted a brand refresh exercise, opting for a fresh, younger look through slight changes to our logo's colours and the addition of accent colours. Additionally, the Authority was featured on Gadgets every month, the only local TV programme focusing on technology. The production highlighted various facets of the MDIA to the public and increased the public's understanding of the MDIA's remit and importance in Malta.



# Catalyst: Powering Growth and Digital Transformation

The MDIA leads as a national focal point that directs and facilitates the secure and optimal uptake of digital innovation. To achieve this mission, the Authority's technology department comprises three discrete units, which each contribute to achieving the MDIA's vision and ultimate objective of being a forward-looking Authority that fosters trust in innovative technologies.

The Project Management Unit is primarily responsible for managing our national strategy implementation plans, such as the National AI Strategy, while also driving the implementation of the MDIA's individual projects. The Research and Consultancy Unit is responsible for the creation of schemes and utilities that promote the uptake of innovative technologies in Malta and Gozo. Finally, the IT Services Unit provides the MDIA's workforce with access to the technology needed to fulfil their duties.

2022 was a significantly productive period for the development and implementation of framework utilities that facilitate the secure uptake of innovative technologies within local industry. The Authority launched the Technology Assurance Sandbox Version 2 and the Technical Expert Scheme, while also pursuing work on the Mind the Gap Scheme and the Technology Assurance Assessment Framework.



## Technology Assurance Sandbox Version 2

In 2022, the MDIA's Technology Assurance Sandbox (MDIA-TAS) was enhanced to 1) further facilitate its role as a utility and augment its assistive value, and 2) further provide technological solution owners in their development phase with a flexible environment in which to navigate their solution development in line with industry standards and best practices. Building on its predecessor (Version 1), Version 2 further leverages the concept that alignment at earlier stages of solution development, rather than realignment at later stages of development, is cheaper in the long run and not only from a monetary perspective. It provides a soft approach to policy compliance and is intended to assist and promote the correct development of innovative technologies.

The Sandbox's major enhancement feature was the introduction of the concept of assistance through assessment, achieved through the introduction of the role of the technical expert. The feature augments the Sandbox's flexibility and allows technology owners to be more comprehensively assisted in developing robust and secure solutions in line with industry standards and best practices. Tri-party meetings ensure that the Authority is kept abreast of developments, technological and regulatory conformance, and development progress by means of dialogue and discussions held by the three parties.

## Implementation of the National AI Strategy

One of the MDIA's 2022 highlights was its governance of the implementation of Malta's National Artificial Intelligence (AI) Strategy, which involved the participation of stakeholders from the public sector, private sector and investment/start-up/research sectors. The Strategy's first objective was to reach an agreement among six key national stakeholders in the domains of transport, education, health, tourism, energy and customer care on the introduction of augmented digital functionality using AI as the main technology. The pilot projects cost €4.1 million and are intended to augment public trust in the use of technology and to serve as a learning experience for other similar projects within the public sector and beyond. Agreements have been put in place in collaboration with the MDIA's legal office, and the PMO team is monitoring the progress of the individual projects.

The third call for Pathfinder Scholarships was implemented to support postgraduate education (Master's [MQF Level 7] and PhD [MQF Level 8]) in AI, cybersecurity and other innovative technologies. The PMO handled the applications, including application review with the project committee and the awarding of scholarships, including the first iteration of the MDIA Applied AI Research Grant (MAARG). The PMO coordinated the process from the setting of guidelines to scholarship provision to the successful applicants. Such investments by the Authority elevate our local market by supplying it with individuals skilled in technological domains.

## Mind the Gap

Cybersecurity awareness is growing, not only among e-commerce businesses but also among the public. Due to this increasing appreciation for online security, end-users have evolved a certain level of expectation in relation to the cybersecurity features of the portals they use, particularly for transactions. The Mind the Gap Cybersecurity Self-Assessment Scheme is led by the MDIA with the technical and promotional collaboration of Tech.mt and the MCA. It aims to assist local e-commerce businesses with an opportunity to understand their level of cybersecurity maturity, while also providing them with the option of publicising their efforts in monitoring and improving their cybersecurity through an acknowledgement issued by a National Authority. The Cybersecurity Self-Assessment Scheme is primarily an educational tool derived from the MDIA's Technology Assurance Assessment Framework. It takes the form of a questionnaire with about 50 questions that take a couple of hours to complete. Importantly, it provides a low barrier to entry and gives businesses the ability to directly gauge their maturity in this regard.

Other than providing a level of insight into the e-commerce platform's cybersecurity standing, the Cybersecurity Self-Assessment Scheme also provides information on weaknesses (gaps) and strengths identified through the process, so that the weaknesses in particular may be rectified and improved. A separate scheme offered and managed by Tech.mt was also set up to provide financial assistance to businesses (subject to availability of funds) to address the gaps identified via the Cybersecurity Self-Assessment Scheme.

## Technical Expert

The technical expert is a new role introduced by the Authority. Anyone with a background in technology, be it through education, industry certification or proven experience, and who can tangibly demonstrate competence in particular technology-related domains can be listed by the Authority. This list is then used by the Authority for approving technical experts within its various initiatives. An example is the role of the technical expert within the MDIA's Technology Assurance Sandbox, who is the person responsible for guiding the applicant/resident towards attaining defined milestones through a series of assessments and recommendations. From time to time, the Authority and other entities will issue further schemes with roles for technical experts, such as the forthcoming Technology Assurance Assessment Framework.

## Technology Assurance

### Assessment Framework

The Technology Assurance Assessment Framework (TAAF) was conceptualised following a strategic decision by the Authority to further widen the scope of its certification beyond certification for DLT solutions. The TAAF extends technological assurances to a broader spectrum of emerging innovative technologies and/or traditional technologies, operating at varying risk levels, to align the relevant technologies with international standards and industry best practices.

The TAAF is intended for owners of developed innovative technologies seeking to maximise assurance value to a multitude of technology stakeholders, including sector regulators, investors, developers, suppliers, end-users and the public, through the MDIA's recognition of information security and operational robustness. The TAAF model was developed to ensure a custom assurance journey tailored to the needs of the innovative technology being presented for acknowledgement or certification. The applicant can customise the technology's assessment journey by selecting an appropriate assessment level, applicable technologies and control types.

Throughout 2022, the MDIA's IT Services Unit complemented the MDIA's initiatives by implementing a robust and secure IT infrastructure within our offices, enabling the Authority's employees to conduct their duties effectively and seamlessly. We further strengthened the procurement of work laptops through MITA and solidified the IT support provided to our personnel. Ongoing work includes the formation of team structures and definition of policy and procedures pertaining to individual units and internal execution of schemes.

## Empowering Local Communities through Innovative Technologies

In 2022, the MDIA launched a funding scheme for local councils and regional committees to apply innovative technologies within their communities. Following a competitive call, three local councils were supported with a new investment scheme to bring AI-powered technology to Malta's towns and villages. In all, €150,000 have been allocated to the initiative.



## The MDIA Leads Innovative Technology Policy

In 2022, the MDIA was actively engaged in policy dialogue, negotiations and the follow-up of proposals and dossiers received from the EU Commission. The Authority remains committed to contributing to relevant working groups at the EU level, monitoring the transposition of EU legislative dossiers and ensuring that they are handled within the stipulated timeframes. In 2022, the MDIA was the lead authority in negotiations related to the regulatory framework proposal on AI, and it also served as the subject matter expert on various proposals related to civil liability, product liability and cyber and operational resilience, among others.

The MDIA represented Malta in various international fora, including the Council of Europe, and it also contributed as a technical expert in the Committee on Artificial Intelligence established by the Council of Europe with respect to the drafting of the Convention on Artificial Intelligence, Human Rights, Democracy and Rule of Law.

In 2022, the MDIA and Open Loop agreed to foster collaboration on techno-regulatory design, experimentation and technology sandboxes. Open Loop is a global programme that connects policymakers and technology companies to help develop effective and evidence-based policies around AI and other emerging technologies. The programme, initiated and supported by Meta, builds on the collaboration and contributions of a consortium composed of regulators, governments, tech businesses, academics and civil society representatives. Through experimental governance methods, Open Loop members co-create policy prototypes and test new and different approaches to laws and regulations before they are enacted, improving the quality of rulemaking processes in the field of tech policy.

The Authority also strengthened its capacity by appointing a Chief Strategy, Policy and Governance Officer, as well as an in-house legal advisor to complement the technology experts employed by the MDIA.





## Plans for 2023

In 2023, the MDIA will remain highly engaged with ongoing projects while embarking on new initiatives. These projects will aim to advance the MDIA's mandate within the Maltese ecosystem and enhance its standing in the innovative technology sector.

Of particular significance is the European Digital Innovation Hub, which will be unveiled in 2023 alongside its corresponding brand identity. In addition to meeting milestones required by the EU, the MDIA will outline the specific features of Malta's Digital Innovation Hub and its advantages for local ecosystems, start-ups and SMEs.

The MDIA will also strengthen its outreach efforts in 2023, collaborating with various public and private entities to foster new partnerships. Through these partnerships, the MDIA will gain a deeper understanding of the challenges faced by stakeholders while aligning resources towards a shared goal of building a better ecosystem.

Collaboration is a crucial component of the MDIA's Strategic Plan for 2023–2025, and the Authority will take several actions to implement this plan in 2023. Moreover, the MDIA will formulate a new National AI Strategy, as the previous strategy launched in 2019 will expire in 2023.

Beyond collaboration, there is a pressing need for greater education on innovative technologies in Malta. The MDIA recognises its role in promoting this sector and will introduce new initiatives in 2023 to raise local awareness and understanding of innovative technologies, including efforts directed towards younger audiences. The goal is to foster a culture that embraces innovative technologies and recognises their potential benefits.

The MDIA will continue to represent Malta internationally where innovative technologies are discussed, such as in the proposed AI Act led by the European Commission. The MDIA will leverage its expertise and insight to shape these discussions and contribute to local policy proposals to remain ahead of the curve and reflect the evolving nature of technology.

Two other innovative projects that the MDIA, in collaboration with other stakeholders, is looking to implement for the first time are the summer school and boot camp. As a promoter of the adoption of innovative technology, the Authority feels the need to expose such technologies to the grassroots of our society. The idea is to create two different programmes for different age groups, who will garner new holistic knowledge on the various innovative technologies that are becoming part and parcel of our lives.

To complement this, work is already underway to publish the first-ever comic related to innovative technologies. The idea has long been discussed, and in 2023 we will see it come to fruition. The comic will be designed to resemble traditional superhero comics published by major publishing houses. Likewise, the comic will feature a superhero across the entire series. The intention is to have a minimum of two publications per year, and these will be distributed to students in secondary schools who choose IT and computing as the subjects they would like to pursue.

Following the pre-drafting consultation held in 2022 about the Technology Assurance Assessment Framework, 2023 will bring with it the post-drafting consultation, mainly focusing on the Guidelines, Control Objectives and Administrative Fee Schedule. This will pave the way for the Framework's launch in 2023.

Continuous work on legislative amendments will continue in 2023. A crucial element of the Authority's mandate is to guide Malta along the best way forward when dealing with innovative technologies. However, it is known that such technologies develop and change rapidly. Therefore, to be agile in this regard, we are working on new legislation that will permit the MDIA to act more effectively and efficiently, rather than being required to follow a long process whose duration is often lengthier than technology's rate of evolution and, therefore, the changes are fast made redundant along the way.

Finally, 2023 will mark the MDIA's fifth anniversary since its establishment. This is without a doubt an important milestone for Malta, given that the EU is set to impose the establishment of like authorities in every member state. This anniversary will celebrate the MDIA's success stories as well as its bright future still to come.

The Authority is relatively young. Despite its infancy, however, it operates in a very particular and fast-evolving sector with constant challenges faced in uncharted territories. Nevertheless, it has accomplished many fundamental advances which position the MDIA as the Authority of choice for providing a holistic set of services to technological solution/concept owners who would like to augment and bolster the technology they choose to develop and deploy. For this reason, 2023 will bring an intensive work schedule, requiring the definition of research priorities and the publishing of the new iteration of the National AI strategy.



# MDIA Financial Statements





**MALTA DIGITAL INNOVATION AUTHORITY**  
**Annual Report and Financial Statements**  
**31 December 2022**

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***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Malta Digital Innovation Authority

*Report on the audit of the financial statements*

***Opinion***

In our opinion, the accompanying financial statements (the "financial statements") of Malta Digital Innovation Authority (the "Authority"):

- Give a true and fair view of the financial position of the Authority as at 31 December 2022, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Malta Digital Innovation Authority Act.

**What we have audited**

The Authority's financial statements, which comprise:

- the statement of financial position as at 31 December 2022;
- 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 Authority in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 these requirements and the IESBA Code.

### **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Malta Digital Innovation Authority

#### *Other information*

The Authority's Board is responsible for the other information. The other information comprises the Foreword by Minister, Foreword by Chairman, Foreword by CEO, Functions & Responsibilities, Organizational Chart, Board of Directors, Executive Team, Human Resources Data, 2022 Highlights and Plans for 2023 which are expected to be included in the 2022 Annual Report, but does not include the financial statements and our auditors' report thereon. The other information has not yet been provided to the auditors for their review as at the date of this report. Our opinion on the financial statements does not cover the other information.

#### *Responsibilities of the Authority's Board members for the financial statements*

The Authority's Board ('Board') is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards ('IFRS's') as adopted by the EU, and are properly prepared in accordance with the provisions of the Malta Digital Innovation Authority Act and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the representatives are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The Board is also responsible for overseeing the financial reporting process.

#### *Auditors' responsibility 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 auditors' 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### **INDEPENDENT AUDITOR'S REPORT**

To the Members of the Malta Digital Innovation Authority

#### *Auditors' responsibility for the audit of the financial statements - continued*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board 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.



**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Malta Digital Innovation Authority

*Other matter*

The financial statements of Malta Digital Innovation Authority for the year ended 31 December 2021, were audited by a predecessor auditor who expressed an unmodified opinion on 15 March 2022.

The principal authorised to sign on behalf of CSA Audit Ltd on the audit resulting in this independent auditors' report is Norbert Bugeja.



**CSA Audit Ltd**  
Level 6, Carolina Court,  
Giuseppe Cali Street,  
Ta'Xbiex XBX 1425  
Malta

27 February 2023

**Statement of financial position**

	Notes	As at 31 December	
		2022 €	2021 €
<b>ASSETS</b>			
<b>Non current assets</b>			
Property plant and equipment	6	<b>1,698,347</b>	1,787,828
<b>Current assets</b>			
Trade and other receivables	7	<b>638,512</b>	294,653
Cash and cash equivalents	8	<b>2,152,272</b>	1,220,924
<b>Total current assets</b>		<b>2,790,784</b>	1,515,577
<b>Total assets</b>		<b>4,489,131</b>	3,303,405
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds		<b>852,979</b>	572,188
<b>Non current liabilities</b>			
Trade and other payables	9	<b>2,962,830</b>	1,797,142
<b>Current liabilities</b>			
Trade and other payables	9	<b>673,322</b>	934,075
<b>Total liabilities</b>		<b>3,636,152</b>	2,731,217
<b>Total equity and liabilities</b>		<b>4,489,131</b>	3,303,405

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 6 to 23 were authorised for issue by the Authority's Board on 27 February 2023 and were signed on its behalf by:



**Wayne Grixti**  
Chairperson

**Statement of comprehensive income**

	Notes	Year ended 31 December	
		2022 €	2021 €
Revenue	10	<b>3,023,333</b>	2,261,833
Direct costs		<b>(372,753)</b>	(20,526)
<b>Operating profit</b>		<b>2,650,580</b>	2,241,307
Other income		<b>109,554</b>	101,169
Administrative expenses	11	<b>(2,479,343)</b>	(2,141,880)
<b>Surplus for the year</b>		<b>280,791</b>	200,596

The accompanying notes form an integral part of these financial statements.

**Statement of changes in equity**

	Accumulated funds €
As at 1 January 2022	572,188
Surplus for the year	280,791
<b>As at 31 December 2022</b>	<b>852,979</b>
As at 1 January 2021	371,592
Surplus for the year	200,596
As at 31 December 2021	<b>572,188</b>

The accompanying notes are an integral part of these financial statements.



## Statement of cash flows

	Notes	2022 €	2021 €
<b>Cash flow from operating activities</b>			
Surplus for the year		280,791	200,596
Adjustments for:			
Depreciation		219,289	205,907
Movement in working capital for:			
Trade and other receivables	7	(343,859)	(125,294)
Trade and other payables	9	904,935	710,910
<b>Net cash outflow from operating activities</b>		<b>1,061,156</b>	992,119
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	6	(129,808)	(70,737)
<b>Net cash outflow used in investing activities</b>		<b>(129,808)</b>	(70,737)
<b>Movement in cash and cash equivalents</b>		<b>931,348</b>	921,382
Cash and cash equivalents at the beginning of the year	8	1,220,924	299,542
<b>Cash and cash equivalents at the end of the year</b>		<b>2,152,272</b>	1,220,924

The accompanying notes are an integral part of these financial statements.

## Notes to the financial statements

### 1 Basis of preparation

#### 1.1 Basis of measurement and statement of compliance

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the Board to exercise their judgement in the process of applying the Authority's accounting policies (Note 4 - Critical accounting estimates and judgements).

These financial statements have been prepared under the historical cost convention.

#### 1.2 Functional and presentation currency

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

### 2 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 years presented, unless otherwise stated.

#### 2.1 Foreign currency translation

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

#### 2.2 Property, plant and equipment

All property, plant and equipment are initially recorded at historical cost. All property, plant and equipment are subsequently stated at historical cost less depreciation and impairment losses. 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 the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

## 2 Summary of significant accounting policies - continued

### 2.2 Property, plant and equipment - continued

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

	%
Buildings and improvements	6.67
Mechanical and electrical	6.67
Air-conditioning and ventilation	16.67
Computer equipment	25
Computer software	25
Furniture & Fittings	10
Brand & website	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 (Note 2.3).

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

### 2.3 Impairment of non-financial assets

Assets that are subject for depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.4 Financial instruments

#### 2.4.1 Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## 2 Summary of significant accounting policies - continued

### 2.4 Financial instruments - continued

#### 2.4.2 Classification and subsequent measurement

##### (i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### (ii) Financial assets – Business model assessment

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Authority's continuing recognition of the assets.



## 2 Summary of significant accounting policies - continued

### 2.4 Financial instruments - continued

#### 2.4.2 Classification and subsequent measurement - continued

##### (iii) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Authority's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### (iv) Financial assets – Subsequent measurement and gains and losses

###### (a) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

###### (b) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

## 2 Summary of significant accounting policies - continued

### 2.4 Financial instruments - continued

#### 2.4.2 Classification and subsequent measurement - continued

##### (v) Financial assets – Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### 2.4.3 Derecognition

##### (i) Financial assets

The Authority derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Authority neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Authority enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### (ii) Financial liabilities

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## 2 Summary of significant accounting policies - continued

### 2.4 Financial instruments - continued

#### 2.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 2.5 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 includes cash in hand, deposits held at call with banks.

### 2.6 Revenue

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

### 2.7 Government and other grants

Grants are assistance by government, inter-governmental agencies and similar bodies whether local, national or international, in the form of cash or transfers of assets to the Authority in return for past or future compliance with certain conditions relating to operating activities of the Authority. Government grants are recognised when there is reasonable assurance that the Authority will comply with the conditions attaching to them and the grants will be received.

Grants are recognised in the income statement so as to match them with the expenditure towards which they are intended to contribute. Any grants relating to future periods are recognised as deferred income.

Grants related to assets are presented in the statement of financial position as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

## 3 Standards not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Authority has not early adopted the new or amended standards in preparing these consolidated financial statements.

### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Authority is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Authority is closely monitoring the developments.

### *Other standards*

The following new and amended standards are not expected to have a significant impact on the company's financial statements.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

## 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 Board, 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 Financial risk factors

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



**5 Financial risk factors - continued**

**(a) Market risk**

*(i) Interest rate risk*

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

**(b) Credit risk**

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

As at statement of financial position date, the Authority did not have significant pending financial assets, except the below:

*(i) Cash and cash equivalents*

The Authority's cash and cash equivalents are held with local financial institutions with high quality standing or rating and are held on demand. The Board considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

**(c) Liquidity risk**

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of the trade and other payables. 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 Authority's obligations.

The Board 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 Authority's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments. In this respect the Board does not consider liquidity risk to the Authority as significant taking into account the liquidity management process referred to above.

All financial liabilities which exclude deferred income from grants are due on demand.

**(d) Foreign currency risk**

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

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**6 Property, plant and equipment**

	Buildings & improvements	Mechanical & electrical	Air conditioning & ventilation	Computer equipment	Computer software	Furniture & fittings	Brand & website	Totals
	€	€	€	€	€	€	€	€
<b>Cost</b>								
As at 1 January 2021	980,905	435,379	237,872	46,565	10,028	459,410	6,902	2,177,061
Additions	8,209	17,628	12,229	21,995	-	10,676	-	70,737
As at 31 December 2021	989,114	453,007	250,101	68,560	10,028	470,086	6,902	2,247,798
As at 1 January 2022	989,114	453,007	250,101	68,560	10,028	470,086	6,902	2,247,798
Additions	58,435	17,948	12,229	11,934	19,343	1,919	8,000	129,808
As at 31 December 2022	1,047,549	470,955	262,330	80,494	29,371	472,005	14,902	2,377,606
<b>Depreciation</b>								
As at 1 January 2021	87,488	36,750	45,258	22,225	4,204	53,996	4,142	254,063
Charge for the year	65,974	30,216	41,692	17,130	2,507	47,008	1,380	205,907
As at 31 December 2021	153,462	66,966	86,950	39,355	6,711	101,004	5,522	459,970
As at 1 January 2022	153,462	66,966	86,950	39,355	6,711	101,004	5,522	459,970
Charge for the year	69,872	31,413	43,730	16,751	7,343	47,200	2,980	219,289
As at 31 December 2022	223,334	98,379	130,680	56,106	14,054	148,204	8,502	679,259
<b>Net book value as at 31 December 2022</b>	<b>824,215</b>	<b>372,576</b>	<b>131,650</b>	<b>24,388</b>	<b>15,317</b>	<b>323,801</b>	<b>6,400</b>	<b>1,698,347</b>
Net book value as at 31 December 2021	835,652	386,041	163,151	29,205	3,317	369,082	1,380	1,787,828
Net book value as at 31 December 2020	893,417	398,629	192,614	24,340	5,824	405,414	2,760	1,922,998

**7 Trade and other receivables**

	2022	2021
	€	€
Trade receivables	12,562	51,745
Other receivables	73,431	70,633
Payments in advance to related parties	251,654	-
Payments in advance	73,650	73,650
Prepayments	227,215	98,625
	<b>638,512</b>	<b>294,653</b>

**8 Cash and cash equivalents**

Cash and cash equivalents consist of the following:

	2022	2021
	€	€
Cash in hand	487	227
Cash at bank	2,151,785	1,220,697
	<b>2,152,272</b>	<b>1,220,924</b>

**9 Trade and other payables**

	2022	2021
	€	€
<b>Non-current</b>		
Deferred income from grants	2,962,830	1,797,142
<b>Current</b>		
Trade payables	17,820	77,475
Deferred income from grants	593,491	790,158
Indirect taxation	13	38,389
Accruals	61,998	28,053
	<b>673,322</b>	<b>934,075</b>

**9 Trade and other payables - continued**

Deferred income from grants relates to grants received from the Government of Malta and the European Commission and includes capital grants relating to improvements to premises and acquisition of software which are deferred over the assets' useful lives and income grants relating to expenses pertaining to a project which will be implemented between 2023 and 2025.

	2022	2021
	€	€
Opening balance	2,587,300	1,993,333
Additions	1,722,354	747,300
Amounts transferred to income and expenditure account	(753,333)	(153,333)
Closing balance	<b>3,556,321</b>	<b>2,587,300</b>

**10 Revenue**

	2022	2021
	€	€
Government subvention	2,403,333	2,153,333
Other grants	600,000	-
Revenue from own operations	20,000	108,500
	<b>3,023,333</b>	<b>2,261,833</b>



#### 11 Administrative expenses

	2022	2021
	€	€
Salaries and social security costs	880,918	774,655
Audit fees	2,500	2,500
Legal fees	152,491	116,196
Professional fees	301,599	234,265
Rent	210,177	201,379
Transport	27,227	18,671
Travel	25,133	18,308
Depreciation	219,289	205,907
Information services	428,435	331,625
Contractual services	108,517	154,243
Repairs and maintenance	28,579	20,579
Training	4,665	1,646
Printing and stationery	23,795	12,273
Water and electricity	29,227	22,187
Office general expenses	27,769	22,707
Hospitality	2,386	3,030
Finance expenses	6,636	1,709
	<b>2,479,343</b>	<b>2,141,880</b>

#### 12 Salaries and social security costs

	2022	2021
	€	€
Wages and salaries	652,647	563,308
Social security costs	228,271	211,347
	<b>880,918</b>	<b>774,655</b>

The average number of persons employed during the year was 25 (2021:20).

#### 13 Taxation

With reference to the Malta Digital Innovation Authority Act, article 54, the Authority is exempt from any liability for the payment of income tax, duty on documents and transfers, and customs and excise duty, under any law for the time being in force.

#### 14 Related party transactions

Malta Digital Innovation Authority is an autonomous public institution enacted by the Malta Digital Innovation Authority Act. The Authority is the regulator for functions in the field of innovative technology arrangements and innovative technology services in Malta.

	2022	2021
	€	€
<i>Transactions with related parties:</i>		
Government subvention	2,403,333	2,153,333
Other grants	600,000	-

Further to the above, during the year the Authority made payments in advance to certain Government agencies and local Governments which are disclosed in Note 7.

#### 15 Contingencies

At year end, the Authority had the following contingent liability:

The previous CEO is claiming unfair dismissal linked to the non-renewal of his fixed term contract. The plaintiff has asked the tribunal to award an amount of € 429,777. The Authority's lawyers expect that the court will rule in favour of the Authority.

No provision in relation to the above has been made in these financial statements.

#### 16 Comparative information

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

#### 17 Other information

Malta Digital Innovation Authority is a state-owned Authority. The Authority's ultimate controlling party is the Government of Malta. The registered office is MDIA Twenty20 Business Centre Triq I-Intornjatur, Zone 3 Central Business District, Birkirkara CBD 3050 Malta.







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