



# ASSET RECOVERY BUREAU

M A L T A

**ANNUAL REPORT 2020**





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### **VISION**

**"Ensuring crime does not pay by denying and depriving persons of acquired criminal assets."**

### **MISSION**

**"Strengthening the rule of law by tracing and seizing illicit gains  
derived directly or indirectly from criminal activity.  
We aim to act fairly whilst respecting Human Rights, including those of Bona Fide third parties."**

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# Statement of the Chairperson Asset Recovery Bureau Board



This third Annual Report of the Asset Recovery Bureau (hereinafter “the ARB”) is intended to present a very short overview of the activities of the Bureau from 1st January to 31st December 2020.

One of the seven key components of the National AML/CFT Strategy Plan 2017-2020, deliverable by 2020, was to establish the ARB as an effective asset recovery unit to play its essential part in combatting organised crime, money laundering and terrorism financing. Unfortunately, the confiscation of criminal assets in Malta has been notoriously minimal because of several factors, including our ineffective confiscation regime as well as the feeble Asset Recovery Bureau Regulations promulgated as a stop gap measure by Legal Notice 357 of 2015 (S.L. 9. 23) in terms of Article 700 of our Criminal Code. Paragraph 18 of the Executive summary of the Moneyval Report <sup>1</sup> has this to say on this issue:

*“The confiscation of criminal proceeds does not appear to be pursued as a policy objective. The law courts routinely order the confiscation of assets. However, shortcomings in asset-tracing, in the effective use of provisional measures and in the identification of assets in the judgments cast doubts on the effectiveness of the system and the existence of a coherent policy. No asset-tracing has until very recently been performed in respect of assets located abroad. It was mostly directed towards assets in the name of the suspects. Very few steps have been undertaken to trace assets transferred onto the name of third parties or (very often complex) corporate structures. The shortcomings in the asset-tracing and confiscation regime are not in line with the risks faced by the jurisdiction”.*

To address the issues just mentioned in this report, the ARB first and foremost committed itself to draft and propose to the relevant authorities a robust new piece of legislation to supersede the ARB Regulations. In line with the importance of the work assigned to the ARB in the context of the National Risk Action Plan, it was obvious that the regulatory framework of the ARB could not remain regulated by subsidiary legislation and that instead, it had to be regulated by primary legislation i.e. an Act of Parliament. It appeared also highly desirable that the provisions relative to tracing, freezing and confiscation of proceeds of crime, that laid scattered across a number of laws, were to be re-enacted in one piece of legislation, thus harmonizing the procedures and eliminating some major difficulties that held back efficiency in our confiscation regime. This consolidation was deemed to be essential because, as a matter of fact, confiscation and/or forfeiture are the last link in a series of operations across the whole criminal justice system. The ARB is mainly responsible for this last concluding link, which is, however, preceded by the relevant operations of the Police, the Office of the Attorney General and the Courts, respectively responsible for the investigation, prosecuting and sentencing persons found guilty of criminal behavior.

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<sup>1</sup> Based on the onsite visit held in November 2018

Notwithstanding the Covid-19 pandemic which erupted during 2020, the ARB Board succeeded in submitting to the relevant authorities a draft of a new piece of legislation called the Proceeds of Crime Act. This draft provided for a systematically formed legislative framework regulating the structure of the ARB and an up dated and effective legal framework to enable the efficient confiscation and the recovery of criminal proceeds.

This newly proposed act brings along several innovative tools towards an effective asset recovery regime in Malta. First and foremost, it provides for the structures and functions of the Asset Recovery Bureau. Moreover, it is introducing the establishment of an Asset Recovery Section within the Civil Court while also providing for the special procedures to be applied before the Civil Court (Asset Recovery Section) such as to determine the gain from the proceeds of crime and the recovery of assets of the accused which may end up in the hands of third parties. Particular attention and reference are made to the harmonization of Court Orders providing for better guidance to prosecutors and other practitioners. It also regulates the Bureau's relations with similar foreign asset recovery institutions, mainly in the field of the execution of foreign confiscation orders.

During 2020, the Asset Recovery Bureau was supported and enhanced both in terms of financial resources, internal staff capacity and expertise to better fulfil its core responsibilities, i.e. to trace, freeze, manage and confiscate the proceeds of crime. The main objective of the ARB is to deny and deprive criminals from benefiting from the proceeds of crime. Criminal assets recovery contributes to the reduction of crime, especially financial crime, in several ways, including by:

- depriving criminals of their illegally acquired assets,
- preventing criminals from investing the proceeds of crime in further criminal activity,
- upsetting criminal gangs and networks,
- discrediting criminal role models in society,
- discouraging people from becoming involved in crime and,
- corroborating the saying that crime does not pay.

The government's financing of the ARB is hopefully an appropriate and sound investment for it is well known that financial crime places a severe threat to the safety of society, the integrity of the financial system and the stability of the economy. Severe damage to the reputation of Malta as a credible financial centre is caused, if financial crime is left unchecked, and this will have far reaching consequences for the country's economy.

The ARB Board is made up of key institutional stakeholders involved in combating financial crime. During the year under review, it was composed of Judge Emeritus Joseph David Camilleri as Chairperson , Mr Frankie Mercieca as the Chief Executive Officer of the Court Services Agency (Malta), as Deputy Chairperson, Assistant Commissioner Mr Ian Abdilla and later Assistant Commissioner Dr Alexandra Mamo, as representatives of the Commissioner of Police, Mr Marvin Gaerty, the Commissioner for Revenue and Mr Kenneth Farrugia, the Director of the Financial Intelligence Analysis Unit.

During the year under review, the ARB Board met twelve (12) times. I am pleased to acknowledge the cooperation extended to the ARB Board by all its Members, who notwithstanding their other onerous responsibilities, attended regularly and participated actively in the deliberations of the Board. These meetings were also attended by the ARB Director Mr Brian Farrugia, who also acted as the unofficial Secretary to the Board. Many of these Board meetings were held online due to the Covid-19 global pandemic. Minutes of these quite long meetings have been regularly kept and several important and necessary decisions were taken to enhance and continue building the operational capacity of the ARB. Indeed, steps were also taken to deliver a strategic plan 2021- 2023 to cater for the eventual implementation of the drafted Proceeds of Crime Act, which, *inter alia*, foresees the secondment of Officers from the Police Force and from the Office of the Commissioner for Revenue, as well as the building of a Hal Far compound, where seized assets could be stored, managed and preserved before they are sold or otherwise disposed off.

During the year under review, the ARB Board's Chairperson, being a member of the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism, participated in several important meetings of this National Coordinating Committee. This NCC was set up in terms of Article 12A of the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta) to draw up a national strategy to combat these crimes and coordinating any action needed to address threats, vulnerabilities and risks identified. The ARB also participated in the work that needed to be done, during the year under review, in preparation for the Moneyval plenary review as well as for the review being carried out by the Financial Action Task Force (FATF) to assess the effectiveness of Malta's AML/CFT systems.

I would like to thank the Director ARB, Mr Brian Farrugia, for the work carried out during the year under review. In the following pages, the Director ARB, who functions under the general supervision of the Board, will be giving a detailed account of the operational work conducted by the Bureau. I would also like to thank the hard-working Bureau Officers and staff for their dedication in fulfilling their duties.

Finally, I must also acknowledge the effective assistance extended to the Bureau by Mr Johan Galea, Permanent Secretary of the Ministry of Justice and by Mr Alfred Camilleri, Permanent Secretary of the Ministry of Finance and thank them for their constant backing and support.

**Judge Emeritus Dr Joseph David Camilleri**

*Chairperson*

*Asset Recovery Bureau Board*



## Acting Director's foreword

Three years have passed since the Asset Recovery Bureau became operational and notwithstanding the many challenges faced over the last few months, the Asset Recovery Bureau has strived to become a stronger tool in the identification of the proceeds of crime especially during the recent FATF and Moneyval assessments.

This annual report focuses on the period of 2020, during which I occupied the position of Principal Legal Officer within the Asset Recovery Bureau. I was assisting the then Director Mr. Brian Farrugia who continuously strived to have a more effective Asset Recovery Bureau. I am thankful for all the support and knowledge he has passed to me regarding the asset recovery process and his contribution to our office. In January 2021, Mr. Brian Farrugia left the Asset Recovery Bureau to take up the helm of a new agency being formed in Malta and I have since then been appointed as an Acting Director from the 18<sup>th</sup> January 2021. Therefore, since the annual report focuses on the year 2020, the achievements and statistics following my statement are owed to Mr. Brian Farrugia who was still holding the position of Director back then.

Finally, I would like to extend my thanks to all the Bureau Officers, the Board Members, the Permanent Secretaries of the Ministry of Justice and the Ministry of Finance for their continuous support and assistance to reach our goals.

In the following pages, the above-mentioned Director, Mr. Brian Farrugia, who functioned under the general supervision of the Board, will be giving a detailed account of the operational work conducted by the Bureau.

# The Asset Recovery Bureau

## *An Operational Overview*

Beyond the COVID19 epidemic, 2020 posed significant opportunities and challenges to the Asset Recovery Bureau Directorate. Throughout this year, new asset recovery techniques were developed and put into practice and various technical reviews were carried out to analyse the policies and procedures adopted by the ARB in line with the current existing legislation (LN257 of 2015).

Throughout this year the Bureau, additionally initiated the drafting new legislative text for stronger asset recovery practices for Malta known as Proceeds of Crime Act, which was brought into force on the 12<sup>th</sup> of March 2021.

This section of the annual report is dedicated to the operations carried out by the Bureau Directorate throughout 2020.

## Strengthening the Internal Staff Capacity and support to Bureau Officers

Standards of procedures were adopted for both the administration and operations. The purpose of each standard of procedure (also known as SOPs) is to provide detailed instructions on how to carry out a task, so that all tasks are executed in a correct and uniform manner depending on the case.

Substantial work was undertaken to increase the internal staff capacity in line with the HR Plan 2021. The Asset Recovery Bureau may employ new officers, as far as possible from members of the Malta Police Force or the Commissioner for Revenue or public officers or any other officer through the issuance of a Public Call.

In 2020, there were no Police Officers nor CfR officers or any other public officer detailed to the Bureau but all vacancies were filled following the issuance of public calls. In total, there were nine (9) calls published and a total of eight (8) new employees were engaged. However, arrangements for the detailing of police officers and tax officers within the Asset Recovery Bureau are being carried out.

New and current staff were provided with a variety of training programmes. Virtual sessions proved to be a significant alternative to enhance the development and skills of ARB officers whilst also allowing them to share and exchange good practices with other Competent Authorities.

### *Specialised Training for ARB Officers*

Title	Date	Year
Operational Analysis	Jan 2020	2020
License Management and Workstation	5/06/2020	
One Drive for Business and One Note	24/06/2020	
Microsoft Teams	28/06/2020	
Forensic Accountancy Webinar	20/07/2020	
Analysis & Presentation of Financial Information	29/07/2020	
International Investigation Series	13/10/2020	
MFIN FDRS System	21/10/2020	
MITA Cyber Security	28/10/2020	
Salary Cash Grants & Training Subsidy Scheme	4/11/2020	

The Directorate also strengthened the workplace relationship between officers and kept its annual appointment for the organisation of the Informal Network meeting which is held on an annual basis on the 20th of August. This date commemorates the day when the ARB Regulations entered into force in 2018 and the ARB commenced its operations. It consists of an informal event, where all officers are invited to participate in a number of teambuilding exercises with a view to empower them, increase trust and encourage communication amongst each other.



*Photos taken during the team building exercise*

An Implementation Strategy Plan for 2021 – 2023 was also prepared by the Directorate and submitted to the ARB Board, the Ministry for Justice, Equality and Governance and to the National Coordination Committee on AML/CFT within the Ministry for Finance. It has been designed with a view to strengthen the internal staff capacity in a way that it makes the implementation of the new proposed ‘Proceeds of Crime’ Act possible. In effect, it has mapped all processes and set a plan for the allocation of resources, tools, methodologies and legal avenues available for recovering assets, as well as risks or challenges that may lead to the selection of one avenue over another.

## Addressing Short Comings in the Asset Recovery Cycle

The ARB Regulations were enacted in the form of subsidiary legislation to the Criminal Code (namely SL9.23). This Legal Notice provided for the statutory set and establishment of the ARB. Certain functions relating to asset tracing and confiscation however remained regulated by the Criminal Code, which as a principal act, superseded the subsidiary legislation. Such functions had to be delegated by the Court Registrar to the ARB by means of an MoU entered into between the parties.

LN 284 of 2018 was later enacted, together with several amendments to the criminal code, which further supplemented the ARB Regulations, thereby giving it more autonomy, functions and discretionary powers. The ARB could now act by its own authority and without resorting to the provisions of the MoU. Certain shortfalls were still evident. This predominantly arose from the ARB's dependence on certain other legal provisions encompassed in other principal legislative acts.

This eventually led to Chapter 621 of the Laws of Malta, enacted in March 2021, titled the Proceeds of Crime Act. This Act repealed the former ARB Regulations and provided further autonomy to the ARB. Primarily, the ARB is no longer legislated by a subsidiary legislation but by a principal act, thereby giving it more legislative standing. The PoCA allows the ARB to be involved in more advanced stages of the criminal process, endows the ARB with more autonomous powers and functions to carry out fully fledged asset tracing, management, and recovery procedures. The PoCA also provides for the non-conviction based (NCB) confiscation and establishes preventive measures allowing the recovery of property subject to confiscation. Any action brought in terms of non-conviction based confiscation is considered to be an action in rem. This means that the action is brought against the property subject to confiscation and the burden of proof required shall be that applicable to civil law proceedings and not criminal law. An action for non-conviction based confiscation can be carried out either by the Asset Recovery Bureau and the Commissioner of Police acting either individually or collectively.

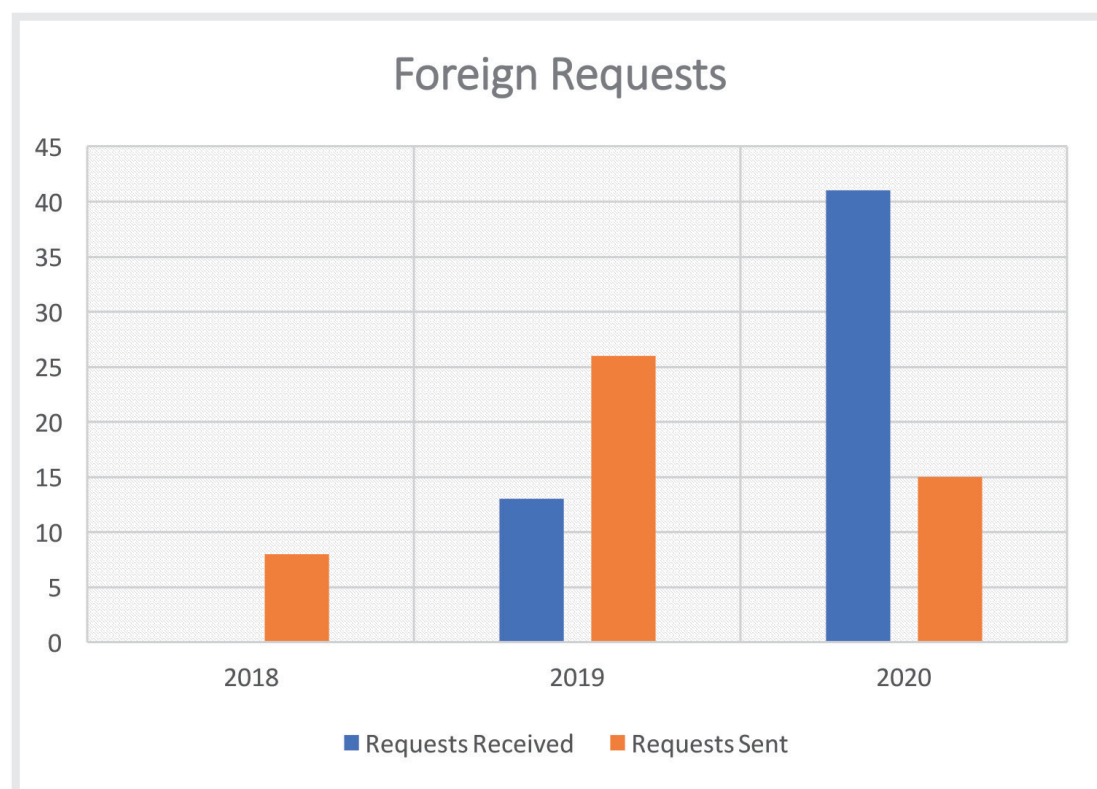
Further legislative challenges are foreseen, predominantly with the need to harmonise principal legislative acts.

## Developing the Research and Data Management Unit into an efficient tool for the tracing of assets

The introduction of an online search engine dedicated to Court Orders was made available on the ARB official web portal. This free online system enables the general public to search all the published Court Orders, thus, allowing for more due diligence and compliance against any ill intents. This online system is managed by the Research & Data Management Unit within the ARB and includes all Courts Orders published since 2009 to date. The online database can be accessed directly through the following link - <https://assetrecovery.mt/en/Pages/Court-Orders.aspx>

Another important project concluded this year was the installation of the Secure Information Exchange Network Application (SIENA) which is a state-of-the-art platform that meets the communication requirements of EU law enforcement. This was a considerable investment for the Asset Recovery Bureau, one which will unquestionably increase the level of cross border cooperation with other asset recovery offices in Europe and which shall enable the Research and Data Management Unit to extend the tracing of assets located outside the national territory. Notwithstanding the fact that requests for Mutual Legal Assistance and European Investigation Orders are not processed by the ARB, establishing a good standing with other international institutions will ensure that prompt assistance will be provided whenever the ARB sends out its requests.

A significant effort was made to increase the level of cooperation with other national competent authorities. Throughout the year, multiple exercises were carried out to collect figures and values for the proper reporting carried out within the Asset Recovery Cycle. The Asset Recovery Bureau was amongst the participant authorities who had to assist, provide statistics, and propose its own set of recommendations. The Research and Data Management Unit was



entrusted to assist with the maintaining of deadlines set and the reporting of statistical figures as well as providing feedback to ensure that these figures were communicated effectively. The Unit also implemented internal standards and procedures to ensure that future requests for certain data sets would always be provided and thus, the data collection process would be rendered easier.

Due investment in the Research and Data Management Unit is crucial for the ARB to ensure a clear traceability of assets that may directly or indirectly originate from proceeds of crime. The need for simplified automated processes for any request for information is required in order to allow more time for deeper operational analysis. The process itself had to be introduced throughout 2020, but it was pushed back due to other challenges and other exigencies which required immediate attention at the time. Changes in the current methodology will likely indulge the Asset Recovery Bureau in obtaining more measurable results that can be submitted as evidence to Court.

In order to cater for the procedures to be adopted by the Asset Recovery Bureau in the exercise of its functions under the Proceeds of Crime Act and other governing legislation, the ARB, with the assistance of experts, produced two separate written documents focusing on the procedures and policies to be adopted by the ARB. These documents provide clear guidelines on how the ARB should carry out its duties from the early stages of the investigation up until the issuance of a confiscation order and the subsequent the disposal of such assets.

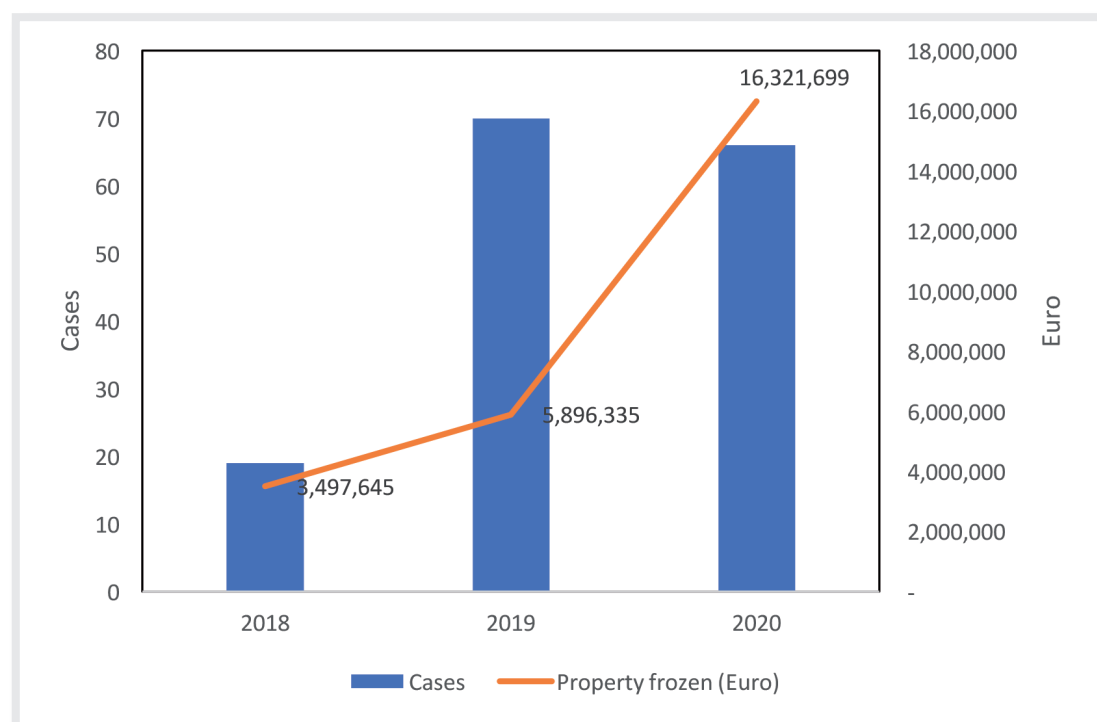
## An operational Asset Management team

By definition, asset management within the asset recovery cycle refers to the identification and valuation of assets, their collection, preservation and management. The process essentially has a dual mandate – to secure the preservation of assets pertaining to the accused is well persevered and to dispose of such asset in the best possible condition and in a timely manner as soon as this is ordered by a Court Decision. The asset management unit is also responsible for maintaining statistics of all assets held by the Asset Recovery Bureau.

One technique introduced by the Asset Management Team was the introduction of onsite inspections and the engagement of various experts to assist with the identification and valuation of assets traced during the ARB on-site inspections., Such assets vary in nature from small high value assets such as jewellery and expensive watches to high value assets such as works of art, electronic equipment and even livestock. In order to value such assets, the asset management team established a multi-disciplinary pool of experts to value such assets. Throughout 2020, such services were utilised on a number of occasions and results were presented in the Asset Inventory and submitted to the Court.

The disposal technique was also put into practice for the first time in 2020. The asset management unit provided assistance to the Court Agency for the disposal of assets confiscated before 2018. Most of which were road vehicles impounded at the Police Compound. All vehicles were properly estimated by certified motor surveyors. Other assets were preserved and pending disposal through either sale by tender or public auctions.

Furthermore, the asset management team is responsible for the management of the current ARB Compound and is also involved in the construction of a state-of-the-art Asset Management Compound situated in Hal-Far. In April 2020, the commencement of the project occurred with the engagement of an Architect for the Design and Build of the ARB Asset Recovery Facility. The designs of this facility had been concluded by the end of the year 2020.



*Estimated amount of frozen assets*



*Digitalized photos of the storage facility*

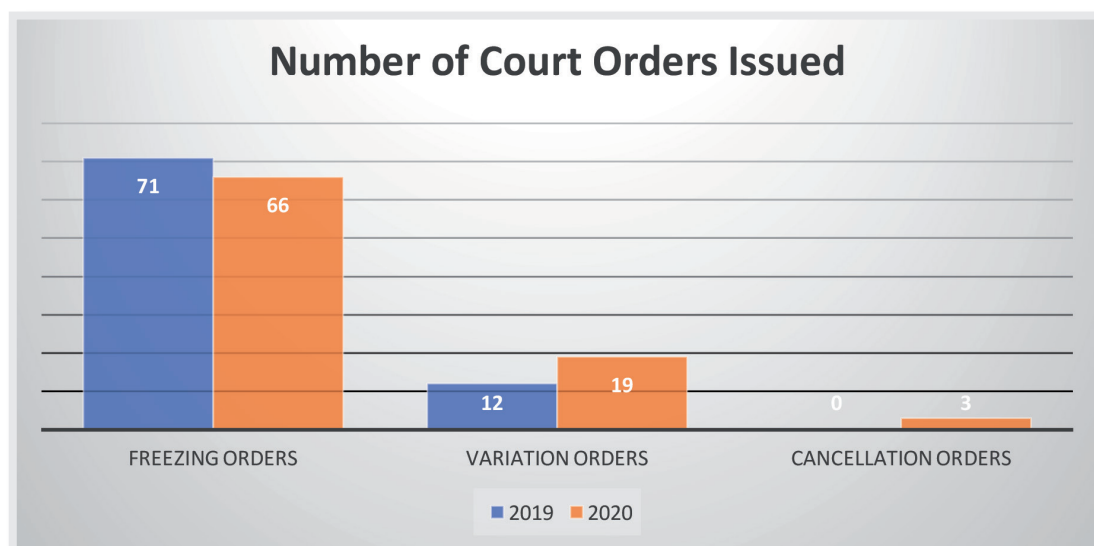


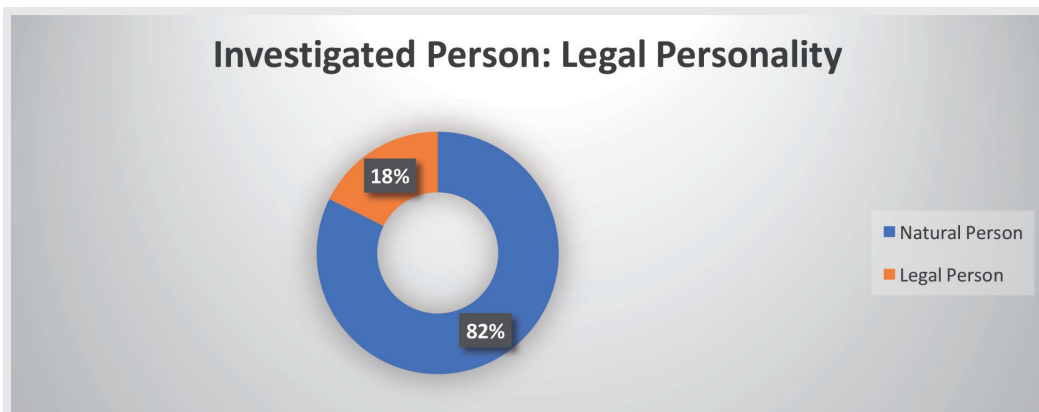
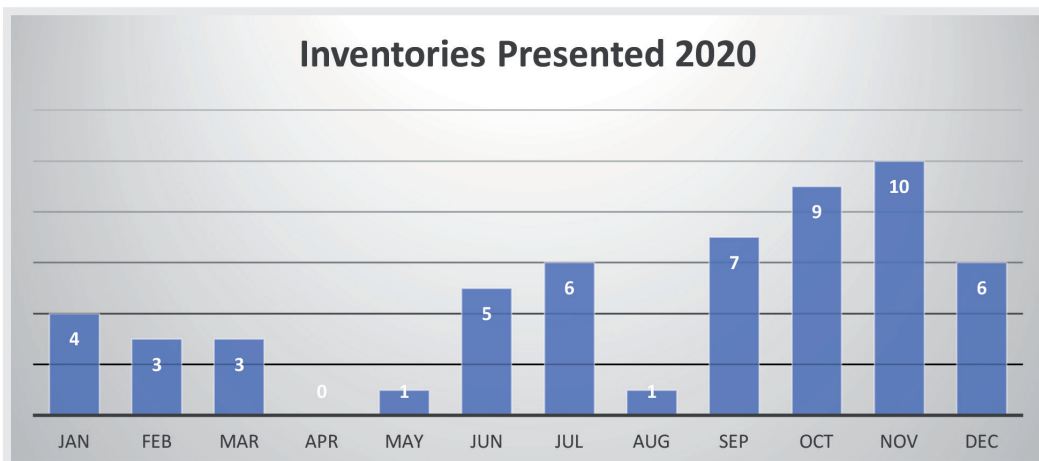
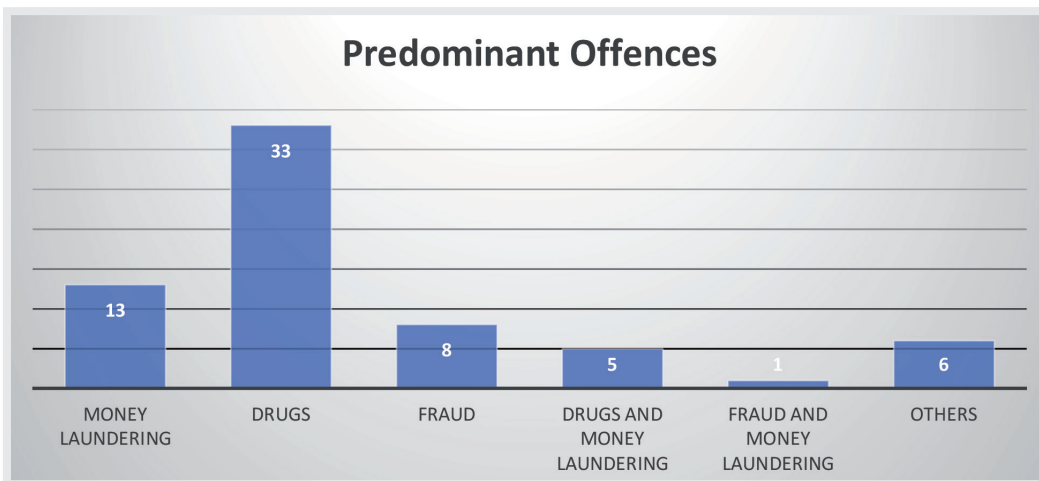
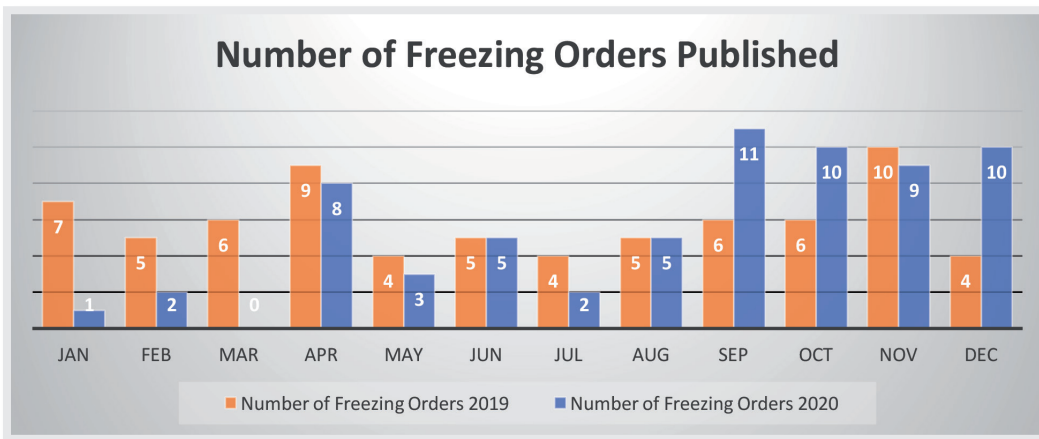
## Asset Recovery Bureau's Contribution towards Moneyval

An expected national challenge that had to be confronted this year by the ARB was without a doubt the Moneyval Assessment. The Asset Recovery Bureau, just like many other entities, had to register enough progress in various fields and report this back to the Moneyval experts. Aside from being in its infancy, the ARB had to ensure that any shortcomings identified through the initial assessment were addressed and that changes in procedures were adopted accordingly.

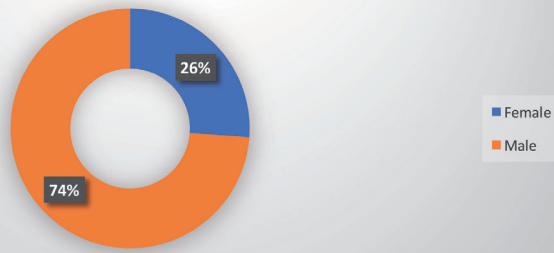
Throughout the year, the Asset Recovery Bureau relentlessly participated in national meetings and provided its feedback continuously in order to ensure that set targets and recommendations were achieved. During the numerous meetings carried out, the Research and Data Management Unit aligned their data collection methodology in order to ensure that the national requirements were being satisfied. The ARB participated in several exercises of data collection and has provided feedback at every stage in order to ensure that the national exercise was brought to completion successfully. Furthermore, in order to render its processes even more efficient, the Asset Recovery Bureau has invested part of its budget in the installation of the SIENA platform with the support from the Malta Police Force. After the installation and the successful completion of training by all officers working within the Research and Data Management Unit, these secure communication channels were operational by the end of the year. The Asset Management Unit was tasked to identify unregistered assets of the accused and has largely achieved this by carrying out onsite inspections. Once the assets are identified and valued, a report is compiled and presented to the Court. Throughout the months, the amount of unregistered assets identified has increased significantly.

The Asset Recovery Bureau has employed the proper collection of all the necessary statistics to portray accurate results of its work. The ARB made wide use of statistical data as it provided a base for decision making and formulating different policies. Statistical data was also needed when comparing data from the previous years in order to draw different conclusions on the ARB's actions and forecasting trends. The production of statistics was essential during the preparation for the Moneyval and FATF sessions which were to be conducted in Malta. Different statistics were presented to the relevant entities in order to address the different recommendations.

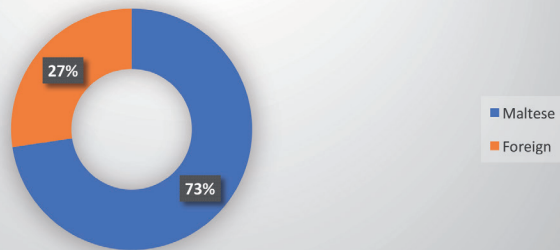




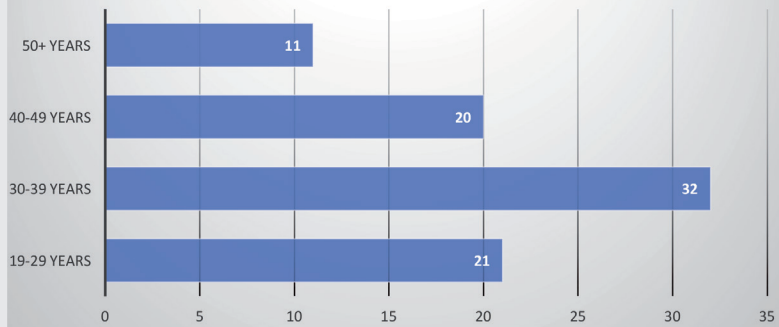
### Investigated Persons by Gender



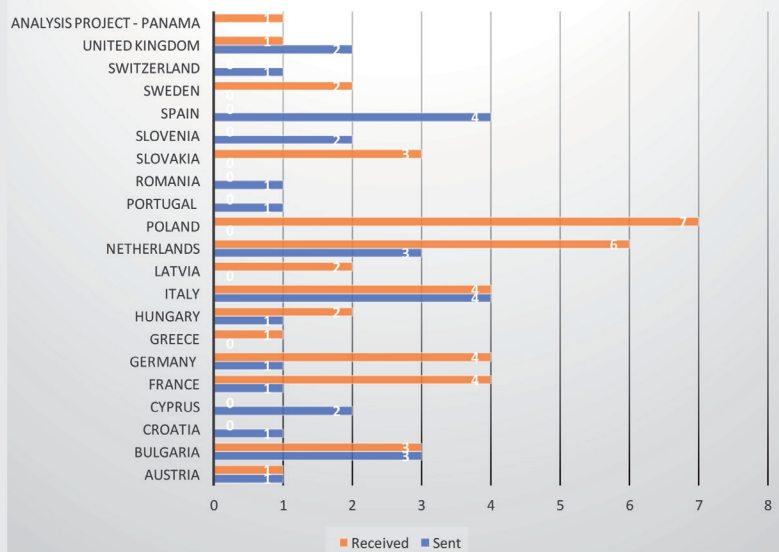
### Investigated Person by Nationality



### Investigated Persons: Age



### Collaboration with Foreign Authorities



## The Asset Management Unit

The Asset Management Unit is entrusted with the identification and tracing of unregistered assets, the monitoring and management of Frozen Asset, the collection and preservation of confiscation assets, and eventually the disposal of confiscated assets in favor of the Government of Malta.

Throughout the calendar year of 2020, the main challenge was to attain the value of all the assets subject to a freezing order. Since such data was not readily available, the unit was responsible to engage several experts to establish the total value of each asset owned by the accused. Furthermore, the Asset Management Unit had to constantly ensure that their reports were finalised in a timely manner to be presented to the Court whenever it requests the submission of the same.

As one can imagine, proceeds of crime vary in their forms. For instance, some proceeds of crime can be hidden in the forms of works of art, motor vehicles and jewellery. In addition, due to the constant progression of technology, crypto currency has also been a target for money laundering and thus identified as a proceed of crime. Therefore, the building a diverse pool of experts was necessary in order to evaluate all possible forms of Assets.

For the valuation report to be accepted and approved as factual data by the Court, experts engaged by the ARB must be professional and have the necessary qualifications within the field. Coupled with these requirements, the call for Experts had to be issued as Transparent as possible to avoid work corruption or favouritism or any forms of conflict of interest.

To conquer all these challenges, the ARB had issued a non-expiry Expression of Interest Memo on the ARB website and the government gazette, where suitable applicants could apply and provide the necessary documents. The experts were sorted in ascending order, by service quality and rates. Such methodology had to be adopted in order to always have Experts available anytime their service is required. The drafting of this Memo, its publication and sorting of experts, although proven to be quite time consuming, resulted in the production of a more detailed and accurate report. The fruits of this endeavour were reaped from the very first case, both when the department underwent an onsite asset inventory and the build-up of the Onsite Asset Inventory Report to be presented to Court.

Another challenge which the Asset Management Unit had faced was the inhouse '*Tale Quale*' Sale by Tender. The inhouse '*Tale Quale*' Sale by Tender is one of the methods used to dispose of Confiscated Assets, and which involves a full transparent process, handled and managed by ARB officials. It involves the selling of confiscated assets to the general public by the means of viewings and the subsequent submission of the offer by the applicants. The inhouse '*Tale Quale*' Sale by Tender, was tested out and is ready to be utilised in 2021.

One of the main achievements accomplished by Asset Management was the successful completion of the first onsite inventory. The aim of the onsite asset inventory was to analyse all the assets owned by the accused which were found in his household. This was completed with the assistance of the Malta Police force and the field experts. Due to the nature of the task, any onsite asset inventory, requires the presence of the members of the Malta Police Force and the accused and/or his legal representative. The Experts are required to view and handle certain valuable assets, in order to provide a better valuation report to be presented to court.

For the onsite asset inventory to be successful, a network-relationship with the Malta Police Force had to be established and clear communication between the two entities had to be established. Several SOPs were created to cater for such communication which highlighted the information required and the communication procedure necessary between the two entities.

Once the assets are subject to confiscation, the Asset Management Unit, after due consultation with the legal unit, ensures that the disposal of the assets is carried out in the most efficient manner. The ARB has worked together with Wilsons auctions, wherein the ARB disposed of several confiscated assets by means of an international public auction.

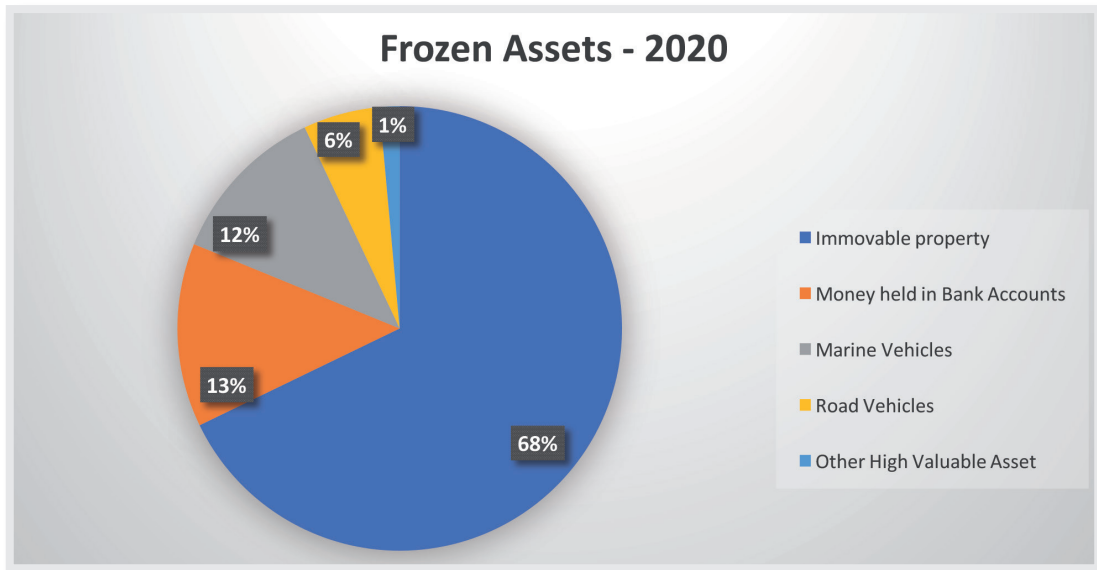
Another achievement was the effective management of confiscated assets at our compound and the compound itself. This is further amplified by the maintenance of certain confiscated assets and the conversion of non-functioning assets into fully functional ones. These assets were cleaned and well looked after to help maintain their value. The upkeep and maintenance of confiscated assets will be much easier for the Asset Management Department due to the new compound at Hal-Far. This compound will offer the needed storage and it will automatically aid in the maintaining of the asset's value from decreasing. The compound will give the ARB leverage for the Sale by Tender, as a designated area will be adequately equipped to host auctioning.

A plan is being discussed to further enhance the SOP's overall effectiveness, by a further implementation on flowcharts to identify weak gaps. The target is to achieve a clear and more efficient division of labor, both among ARB officials and 3<sup>rd</sup> parties and also to enhance communication for a smoother workflow and easier execution of tasks.

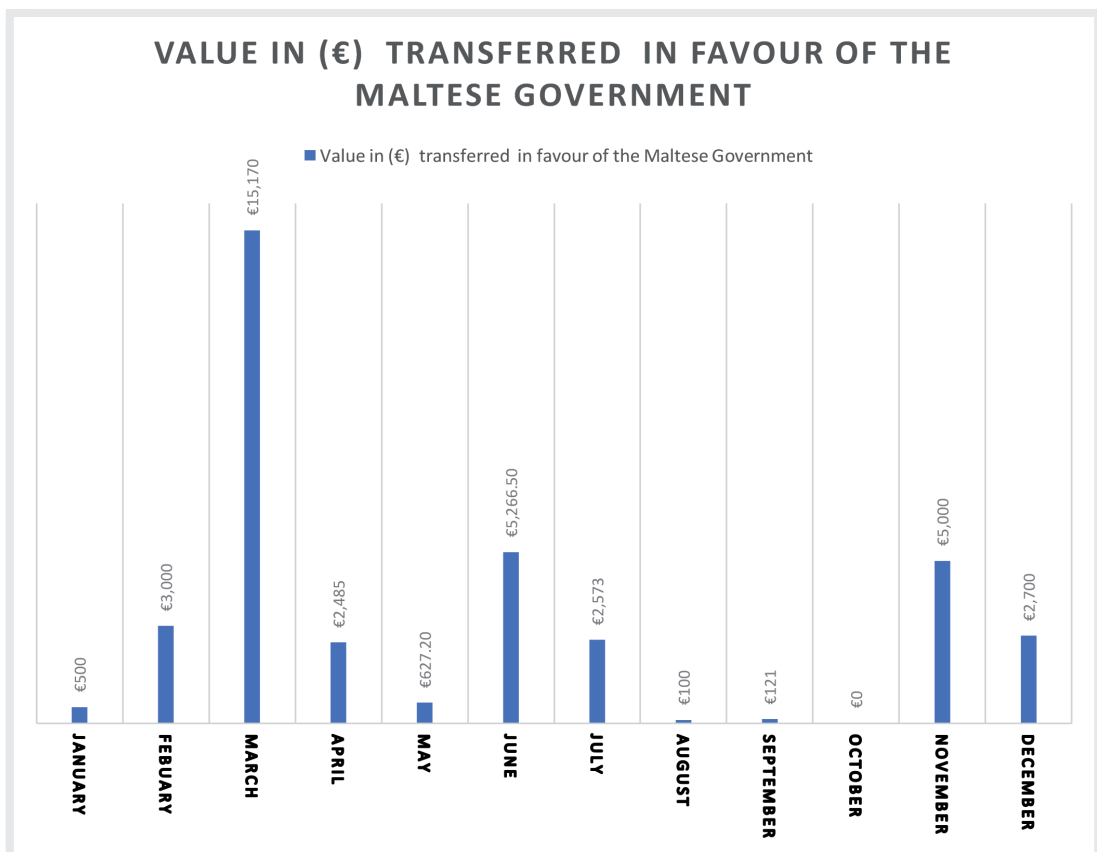
With all the parties involved on board; a more clear division of labor and tasks, will create an automatic target to increase the confiscation rate and the disposal of criminal assets.

The auctions target is set for an auction to be held every quarterly. Therefore, it will reduce the ARB storage costs; avoids the possibility for an asset to fully lose its value, due to wear and tear or due to any unforeseen damages that might accrue whilst the asset is at the custody of ARB.

# Asset Management Statistics

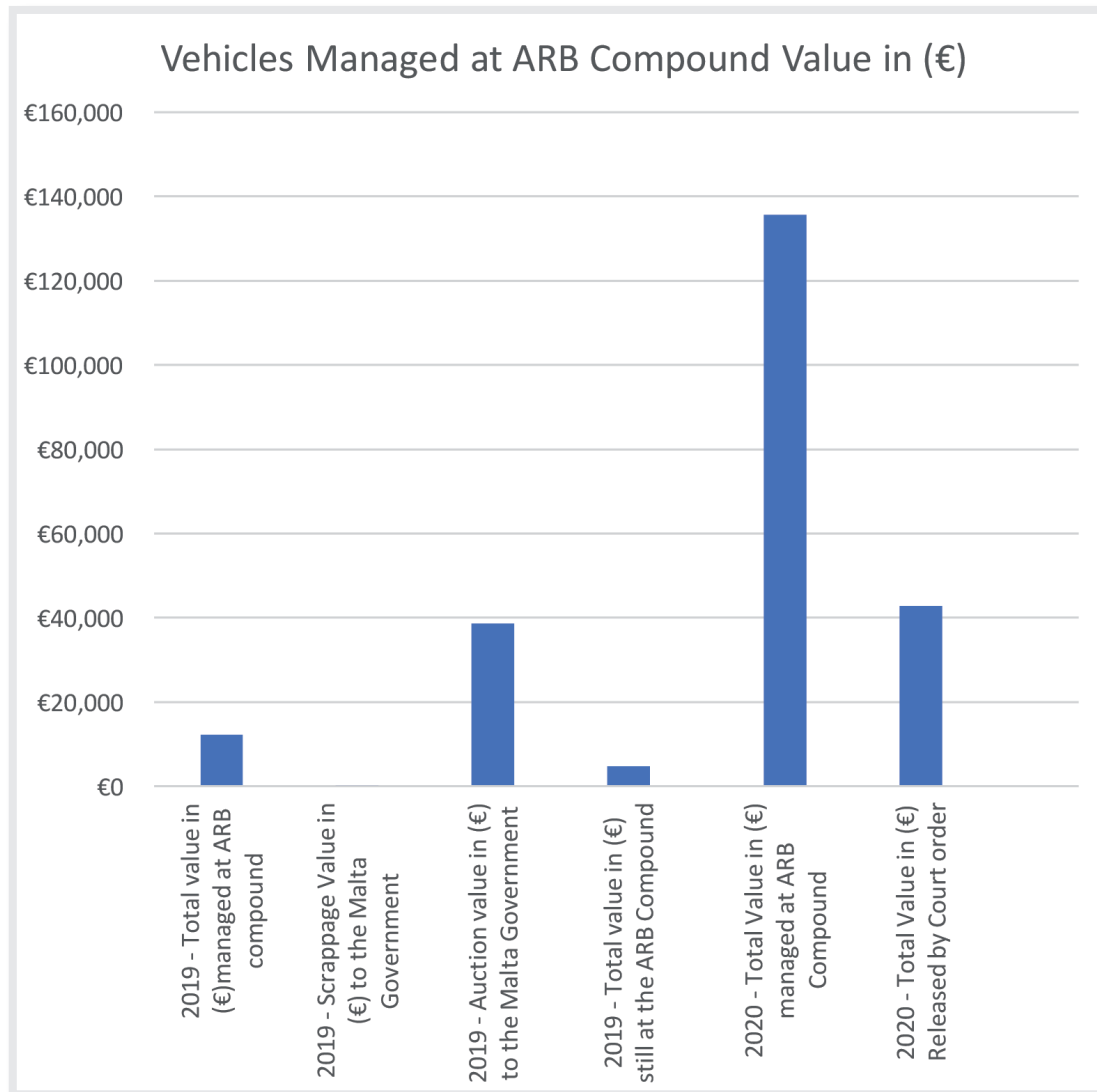


Individuals who launder their money are harming the social well-being of the national society, as their activities creates economic repercussions on the nation. Of course, when one think of economic repercussions, automatically, other factors from different fields are being created, since with money as medium of exchange, one has purchasing power over other goods and services, which harms both the consumer and the supplier indirectly. Such harm can be considered as, 1 million Euro generated by means of organized crime, has a repercussion effect of 100 million Euro on Society (term includes: the consumer and the supplier). Based on the economic theories of Demand and Supply, and market pricing signals.



Graph figures interpretation. As one can see in the above graph, immovable property covers 68% of all the Frozen assets and it is representing a total value of €11,234,114.00. Frozen money in banks accounts covers 13% which is representing a total value of €2,213,235.54. Frozen nautical vehicles cover 12% which is representing a total value of €1,951,900.00. Frozen road vehicles cover 6% which is representing a total value of €922,450.00. Other high valuable assets, covers only 1% of the total frozen assets, representing a value €241,318.00.

In 2020, a total value of €37,542.70 were transferred in favour of the Maltese Government. The above graph illustrates, the distributional value per month, in favour of the Maltese Government.



The above graph shows the management of assets at the ARB compound. In the first four (4) parts of the graph, it illustrated 2019 value in (€) managed by Asset Management Unit. The total assets added up to a total value of €12,200. The second bar illustrates a total value of €222, generated from scrapped vehicles. The third bar illustrates a total value of €38,658 generated from sale by Auction. The fourth bar illustrates a total value of €4,800 remaining at the ARB compound. In 2020, the first bar shows a total of value of €135,600 of assets managed by the Asset Management unit at the compound. The second bar shows the value of €42,800 of assets released from ARB compound by court order.

# Asset Recovery Bureau 2020

## Financial Statements - IFRS

### Asset Recovery Bureau

### Statement of Comprehensive Income

For the Year Ended 31 December 2020

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		2020	2019
	Note	€	€
Government subvention		530,000	450,000
Administrative expenses		(446,542)	(368,143)
Finance income	5.	14	-
Other income		6,857	-
Finance costs	6.	(2,803)	(4,105)
<b>Profit for the year</b>	7.	<u>87,526</u>	<u>77,752</u>
<b>Total comprehensive income for the year</b>		<u><u>87,526</u></u>	<u><u>77,752</u></u>

**Asset Recovery Bureau**  
**Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 €	2019 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9.	26,480	59,781
Intangible assets	10.	1,023	1,535
<b>Total non-current assets</b>		<u>27,503</u>	<u>61,316</u>
<b>Current assets</b>			
Trade and other receivables	11.	451	-
Cash and cash equivalents	12.	659,476	117,514
<b>Total current assets</b>		<u>659,927</u>	<u>117,514</u>
<b>TOTAL ASSETS</b>		<u><u>687,430</u></u>	<u><u>178,830</u></u>

**Asset Recovery Bureau**  
**Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 €	2019 €
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		168,026	80,500
<b>Liabilities</b>			
<b>Current liabilities</b>			
Lease liability	13.	-	46,353
Trade and other payables	14.	519,404	51,977
<b>Total current liabilities</b>		<b>519,404</b>	<b>98,330</b>
<b>Total liabilities</b>		<b>519,404</b>	<b>98,330</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>687,430</b>	<b>178,830</b>

These financial statements on pages 3 to 24 were approved by the board members on and signed on its behalf by:

09/07/2021



Judge Joseph David Camilleri  
 Chairperson



Dr Kenneth John Camilleri  
 Acting Director

**Asset Recovery Bureau**

**Statement of Changes in Equity**

**For the Year Ended 31 December 2020**

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	<b>Retained earnings</b>	<b>Total equity</b>
	€	€
At 1 January 2020	80,500	80,500
Profit for the year	87,526	87,526
<b>At 31 December 2020</b>	<u>168,026</u>	<u>168,026</u>
At 1 January 2019	2,748	2,748
Profit for the year	77,752	77,752
<b>At 31 December 2019</b>	<u>80,500</u>	<u>80,500</u>

## Asset Recovery Bureau

### Statement of Cash Flows

For the Year Ended 31 December 2020

	2020	2019
	€	€
<b>Cash flows from operating activities:</b>		
Profit for the year	87,526	77,752
Bank interest income	(14)	-
Bank interest expense	156	724
Interest expense on leases	2,647	3,381
Depreciation and amortisation	56,484	51,337
<b>Profit from operations</b>	<b>146,799</b>	<b>133,194</b>
Movement in trade and other receivables	(451)	-
Movement in trade and other payables	467,427	42,485
Bank interest received	14	-
Bank interest paid	(156)	(724)
<b>Net cash flows from operating activities</b>	<b>613,633</b>	<b>174,955</b>
<b>Cash flows from investing activities:</b>		
Payments to acquire property, plant and equipment	(22,671)	(6,394)
Payments to acquire intangible assets	-	(2,047)
<b>Net cash flows used in investing activities</b>	<b>(22,671)</b>	<b>(8,441)</b>
<b>Cash flows from financing activities:</b>		
Payments for leases	(49,000)	(49,000)
<b>Net cash flows used in financing activities</b>	<b>(49,000)</b>	<b>(49,000)</b>
<b>Net movement in cash and cash equivalents</b>	<b>541,962</b>	<b>117,514</b>
Cash and cash equivalents at beginning of year	117,514	-
<b>Cash and cash equivalents at end of year</b>	<b>659,476</b>	<b>117,514</b>

12.

## Asset Recovery Bureau

### Notes to the Financial Statements

For the Year Ended 31 December 2020

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#### 1. Basis of preparation

##### a. Statement of compliance

The financial statements have been prepared and presented in accordance with the requirements of the Asset Recovery Bureau Regulations (S.L. 9.23) as promulgated by Legal Notice 357 of 2015 and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU.

##### b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

##### c. Functional and presentation currency

The financial statements are presented in euro (€), which is the Bureau's functional currency.

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. 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 period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

#### 2. Change in accounting policies

##### a. New and revised standards that are effective for annual periods beginning on or after 1 January 2020

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

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the bureau's financial results or position.

##### b. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bureau

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the bureau.

Management anticipates that all relevant pronouncements will be adopted in the bureau's accounting policies for the first period beginning after the effective date of the pronouncement. The Bureau does not expect that new standards, interpretations and amendments will have a material impact on the bureau's financial statements.

**3. Significant Accounting Policies**

**a. Property, plant and equipment**

**i. Recognition and measurement**

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the item and restoring the site to which it is located. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

After initial recognition, property, plant and equipment is carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses.

**ii. Depreciation**

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

Land is not depreciated. The rates of depreciation used for other items of property, plant and equipment are the following:

Plant and machinery	16.67% straight line
Furniture and fixtures	10% straight line
Office equipment	25% straight line
IT equipment	25% straight line

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter.

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

**iii. Derecognition**

Property, plant and equipment is derecognised and removed from the statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

**3. Significant Accounting Policies (continued)**

**b. Intangible assets**

**i. Recognition and measurement**

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

**ii. Amortisation**

Amortisation on fixed life intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for intangibles with definite lives are as follows:

Computer software	25% straight line
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The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

**iii. Derecognition**

Intangible assets are derecognised and removed from the statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

**c. Leases**

For lease agreements, the Bureau considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Bureau assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bureau
- the Bureau has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Bureau has the right to direct the use of the identified asset throughout the period of use. The Bureau assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

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#### 3. Significant Accounting Policies (continued)

##### c. Leases (continued)

###### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Bureau recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bureau, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bureau depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bureau also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bureau measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bureau's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bureau has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

##### d. Impairment testing of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3. Significant Accounting Policies (continued)

e. Financial instruments

i. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Bureau becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

ii. Financial assets

***Classification and initial measurement of financial assets***

At initial recognition, the Bureau measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bureau has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

***Subsequent measurement of financial assets***

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

#### For the Year Ended 31 December 2020

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### 3. Significant Accounting Policies (continued)

#### e. Financial instruments (continued)

##### ii. Financial assets (continued)

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Bureau's cash and cash equivalents fall into this category of financial instruments.

##### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Bureau first identifying a credit loss event. Instead, the Bureau considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### iii. Financial liabilities

The Bureau's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bureau designated a financial liability at fair value through profit or loss.

**3. Significant Accounting Policies (continued)**

**e. Financial instruments (continued)**

**iii. Financial liabilities (continued)**

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**f. Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes. Bank overdrafts, which are repayable on demand and form an integral part of the Bureau's cash and management, are a component of cash and cash equivalents.

**g. Equity**

Retained earnings include current and prior period results.

**h. Revenue recognition**

**i. Government subvention**

The Bureau's Government subvention is recorded on a time accruals basis.

**ii. Interest income**

Revenue is recognised as interest accrues (using the effective interest method). Interest income is included in finance revenue in the income statement.

**i. Borrowing costs**

Borrowing costs, including those costs that are directly attributable to the acquisition, construction or production of qualifying assets, are recognised as an expense in profit or loss in the period in which they are incurred.

**j. Significant management judgement and estimates**

International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates in the preparation of financial statements. IFRS also requires management to exercise judgement in the process of applying the Bureau's accounting policies. Any areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are required to be separately disclosed. For the year ended 31 December 2020, there are no significant judgements and estimates that management believes are critical and require separate disclosure.

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

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#### 4. Custody and disposal of confiscated assets

By virtue of the Recovery Bureau Regulations (S.L. 9.23), the Bureau is empowered to collect, administer and dispose of property recovered from the proceeds of crime and to deposit such in the Government's Consolidated Fund.

The results for the year under review were as follows:

	2020	2019
	€	€
Proceeds derived from disposal of assets	800	38,658
Transfer to Government's Consolidated Fund	(800)	(38,658)
	<u>-</u>	<u>-</u>

At year end, the Asset Recovery Bureau held confiscated assets and cash on behalf of the Government of Malta.

#### 5. Finance income

	2020	2019
	€	€
Bank interest income	14	-
	<u>14</u>	<u>-</u>

#### 6. Finance costs

	2020	2019
	€	€
Interest expense on leases	2,647	3,381
Bank interest expense	156	724
	<u>2,803</u>	<u>4,105</u>

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

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#### 7. Profit for the year

Profit for the year is stated after charging the following:

	<b>2020</b>	<b>2019</b>
	€	€
Auditor's remuneration	944	1,074
Depreciation and amortisation	56,484	51,337
	<u>56,484</u>	<u>51,337</u>

#### 8. Wages and salaries

Payroll costs for the year comprise of the following:

	<b>2020</b>	<b>2019</b>
	€	€
Board members' remuneration	39,000	39,000
Salaries, wages and employee benefits	307,027	240,888
	<u>346,027</u>	<u>279,888</u>

The average number of persons employed by the Bureau during the year was as follows:

	<b>2020</b>	<b>2019</b>
	No	No
Board members	5	5
Director	1	1
Operations and administration	9	7
	<u>15</u>	<u>13</u>

**Asset Recovery Bureau**

**Notes to the Financial Statements (continued)**

**For the Year Ended 31 December 2020**

**9. Property, plant and equipment**

**December 31, 2020**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>IT equipment</b>	<b>Total</b>
	€	€	€	€	€	€
<b>Cost</b>						
Opening balance	115,096	715	4,629	4,671	10,875	135,986
Additions	-	349	3,273	3,578	15,471	22,671
<b>At 31 December 2020</b>	<b>115,096</b>	<b>1,064</b>	<b>7,902</b>	<b>8,249</b>	<b>26,346</b>	<b>158,657</b>
<b>Depreciation</b>						
Opening balance	(68,740)	(119)	(882)	(1,453)	(5,011)	(76,205)
Charge for the year	(46,356)	(177)	(790)	(2,062)	(6,587)	(55,972)
<b>At 31 December 2020</b>	<b>(115,096)</b>	<b>(296)</b>	<b>(1,672)</b>	<b>(3,515)</b>	<b>(11,598)</b>	<b>(132,177)</b>
<b>Carrying amount</b>						
<b>At 31 December 2020</b>	<b>-</b>	<b>768</b>	<b>6,230</b>	<b>4,734</b>	<b>14,748</b>	<b>26,480</b>

**December 31, 2019**

	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>IT equipment</b>	<b>Total</b>
	€	€	€	€	€	€
<b>Cost</b>						
Opening balance	67,153	-	4,189	1,138	9,169	81,649
Additions	47,943	715	440	3,533	1,706	54,337
<b>At 31 December 2019</b>	<b>115,096</b>	<b>715</b>	<b>4,629</b>	<b>4,671</b>	<b>10,875</b>	<b>135,986</b>
<b>Depreciation</b>						
Opening balance	(22,384)	-	(419)	(285)	(2,292)	(25,380)
Charge for the year	(46,356)	(119)	(463)	(1,168)	(2,719)	(50,825)
<b>At 31 December 2019</b>	<b>(68,740)</b>	<b>(119)</b>	<b>(882)</b>	<b>(1,453)</b>	<b>(5,011)</b>	<b>(76,205)</b>
<b>Carrying amount</b>						
<b>At 31 December 2019</b>	<b>46,356</b>	<b>596</b>	<b>3,747</b>	<b>3,218</b>	<b>5,864</b>	<b>59,781</b>

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 9. Property, plant and equipment (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020	2019
	€	€
Buildings	-	46,356
<b>Total right-of-use assets</b>	<u>-</u>	<u>46,356</u>

Depreciation on right-of-use assets for the year under review was of € 46,356 (2019: € 46,356).

#### 10. Intangible assets

December 31, 2020

	Computer software €
<b>Cost</b>	
Opening balance	2,047
<b>At 31 December 2020</b>	<u>2,047</u>
<b>Amortisation</b>	
Opening balance	(512)
Charge for the year	(512)
<b>At 31 December 2020</b>	<u>(1,024)</u>
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	<u><u>1,023</u></u>

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 10. Intangible assets (continued)

December 31, 2019

	<b>Computer software</b>
	<b>€</b>
<b>Cost</b>	
Opening balance	-
Additions	2,047
<b>At 31 December 2019</b>	<u>2,047</u>
<b>Amortisation</b>	
Opening balance	-
Charge for the year	(512)
<b>At 31 December 2019</b>	<u>(512)</u>
<b>Carrying amount</b>	
<b>At 31 December 2019</b>	<u><u>1,535</u></u>

#### 11. Trade and other receivables

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Prepayments	297	-
Other receivable	154	-
	<u>451</u>	<u>-</u>

#### 12. Cash and cash equivalents

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Cash on hand	284	120
Bank balances	659,192	117,394
<b>Total cash and cash equivalents</b>	<u><u>659,476</u></u>	<u><u>117,514</u></u>

Included in cash and cash equivalents are € 504,939 (2019: € 239) held on behalf of a third party, and which are therefore not available for the Bureau's personal use.

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 13. Lease liability

	2020	2019
	€	€
Current - less than 1 year	-	46,353
<b>Present value of lease liability</b>	<b>-</b>	<b>46,353</b>

The Bureau has leases for the office building and store. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Bureau classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Both leases are non-cancellable and expire between January and March 2021. The lease for the office building has an extension option at the end of the "de fermo" period, for a further 3 years, renewable annually. None of the leases has variable payments linked to an index and do not give the option to the Bureau to acquire the underlying property.

For leases over these buildings, the Bureau must keep the properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bureau must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Future minimum lease payments on buildings leased by the Bureau at 31 December 2020 and 2019 were as follows:

	2020	2019
	€	€
Less than 1 year	-	49,000

The Bureau has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2020	2019
	€	€
Short term leases	-	3,215

Total cash outflow for leases for the year ended 31 December 2020 was € 49,000 (2019: € 49,000).

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 14. Trade and other payables

	2020	2019
	€	€
Trade payables	2,929	36,924
Accruals	10,736	14,814
Other payables	505,739	239
	<u>519,404</u>	<u>51,977</u>

Information about the Bureau's exposure to liquidity risk arising from trade and other payables is disclosed in note 15.

#### 15. Financial risk management

Asset Recovery Bureau is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk

Responsibility for risk management rests with the Bureau's Board Members who develop and monitor risk management policies and oversees the management of the risks.

##### Credit risk

Credit risk is the risk of financial loss to the Bureau if the counterparty fails to meet its obligation. Credit risk arises from operating activities from trade and other receivables and cash and cash equivalents, which are subject to the expected credit loss model.

The Bureau measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical data and forward-looking information in determining any expected credit loss.

The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The Bureau does not hold any collateral as security in this respect.

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue accounts, to ensure minimal dependencies on a small number of customers, and to assess impairment.

The Bureau's cash is placed with reputable financial institutions, such that the Board does not expect any institution to fail to meet repayments of amounts held. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

As at the end of the reporting period, the Bureau had no past due or impaired financial assets.

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 15. Financial risk management (continued)

The Bureau's credit risk exposure is as follows:

	2020	2019
	€	€
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	659,476	117,514

#### Liquidity risk

Liquidity risk is the risk that the Bureau will encounter difficulty in meeting its short-term obligations associated with financial liabilities.

Liquidity needs are monitored by the Board Members to ensure that the Bureau has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses or breaches in borrowing limits or covenants. Liquidity is managed by reviewing expected cash flows through cash flow forecasts, maintaining sufficient liquid funds and committed credit facilities to meet the Bureau's funding obligations, and matching maturity profiles of financial assets and liabilities.

At year-end, the bureau's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Less than 1 year	1 to 5 years	Over 5 years
	€	€	€
<b>31 December 2020</b>			
Lease liability	-	-	-
Trade and other payables	519,404	-	-
	<u>519,404</u>	<u>-</u>	<u>-</u>
<b>31 December 2019</b>			
Lease liability	49,000	-	-
Trade and other payables	51,977	-	-
	<u>100,977</u>	<u>-</u>	<u>-</u>

## Asset Recovery Bureau

### Notes to the Financial Statements (continued)

For the Year Ended 31 December 2020

#### 16. Related parties

##### a. Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bureau, being the Board Members and the Director.

Emoluments granted to key management personnel in respect of the current financial reporting period comprised:

	2020	2019
	€	€
Board members' remuneration	39,000	39,000
Director's remuneration	58,897	57,687
	<u>97,897</u>	<u>96,687</u>

##### b. Transactions with related parties

The Bureau considers the Ministry for Justice, Equality & Governance (MJEG) and the Malta Information Technology Agency (MITA) to be related parties.

Transactions with related parties during the current and previous reporting periods were the following:

	Transaction value		Balance	
	for the year		outstanding	
	2020	2019	2020	2019
	€	€	€	€
Government subvention received from	530,000	450,000	-	-
Recharge of board remuneration, wages and salaries from	(45,143)	(279,888)	-	(36,364)
IT expenses incurred from	(768)	(3,281)	-	(221)
Purchase of office equipment from	(3,237)	(1,707)	-	-

## **Asset Recovery Bureau**

### **Notes to the Financial Statements (continued)**

**For the Year Ended 31 December 2020**

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#### **17. Capital management policies**

The Asset Recovery Bureau is committed to ensuring it is adequately capitalised as there is a risk that inappropriate management of its capital could result in the inability to absorb any potential credit losses.

The Bureau sets the amount of capital in proportion to risk, by holding sufficient cash and other liquid assets to meet its liabilities.

There were no changes in the Bureau's approach to capital management during the year. The Bureau is not subject to externally imposed capital requirements.

## **Independent Auditor's Report**

### **To the Board Members of Asset Recovery Bureau on the Audit of the Financial Statements**

#### **Report on the Audit of the Financial Statements**

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#### **Opinion**

We have audited the accompanying financial statements of Asset Recovery Bureau set out on pages 3 to 24 which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Bureau as at 31 December 2020, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Recovery Bureau Regulations (S.L. 9.23).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bureau in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The Board Members are responsible for the other information. The other information comprises the Board Members' 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 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.

Based on the work we have performed, in our opinion:

- the information given in the Board Members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board Members' report has been prepared in accordance with the Recovery Bureau Regulations (S.L. 9.23).

In addition, in light of the knowledge and understanding of the Bureau and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board Members' report and other information. We have nothing to report in this regard.

## **Independent Auditor's Report (continued)**

### **To the Board Members of Asset Recovery Bureau on the Audit of the Financial Statements**

#### **Report on the Audit of the Financial Statements**

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#### **Responsibilities of the Board Members**

The Board Members responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, 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 Bureau'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 Bureau 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 judgment 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.
- 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 Bureau'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 Bureau'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 audit report. However, future events or conditions may cause the Bureau to cease to continue operating 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 Members 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 (continued)**

**To the Board Members of Asset Recovery Bureau on the Audit of the Financial Statements**

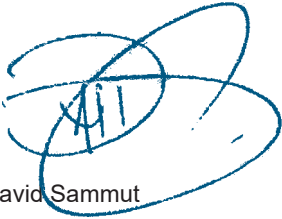
**Report on the Audit of the Financial Statements**

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**Report on Other Legal and Regulatory Requirements**

Under the Recovery Bureau Regulations (S.L. 9.23) we are required to report to you if, in our opinion, proper books of account have not been kept by the Bureau.

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



David Sammut  
for and on behalf of  
CCPS Audit Limited

15, Level 1, Suite 4  
Naxxar Road  
Birkirkara BKR 9049  
Malta

09/07/2021

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## Asset Recovery Bureau

For the Year Ended 31 December 2020

### Schedules

#### Schedule of Administrative Expenses

	2020	2019
	€	€
<b>Administrative expenses</b>		
Advertising	5,465	3,846
Auditor's remuneration	944	1,074
Bank charges	-	15
Cleaning	2,781	1,785
Consulting and professional fees	7,751	-
Depreciation and amortisation	56,484	51,337
Board members' remuneration	39,000	39,000
Electricity and water	2,567	2,008
IT expenses	1,983	6,056
Legal fees	9,050	-
Materials and equipment	1,858	2,177
Postage	44	29
Printing and stationery	1,464	3,818
Repairs and maintenance	1,453	1,603
Salaries, wages and employee benefits	307,027	240,888
Telephone	1,981	1,569
Transport and freight	5,033	4,388
Training	189	133
Towing	384	464
Travel	1,083	4,391
Other expenses	1	3,562
	<u>446,542</u>	<u>368,143</u>





ASSET RECOVERY  
BUREAU

M A L T A

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